2017

Half-Yearly Financial Report

Helaba

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The Helaba Group

Helaba ratings

(As at: August 2017)

Moody's	
Outlook	Stable
Counterparty Risk Assessment	Aa3(cr)
Long-term Deposit Rating	Aa3
Public-Sector Covered Bonds	Aaa
Short-term Deposit Rating [2]	P-1
Senior senior unsecured bank debt [3]	Aa3
Senior Unsecured [4]	A1
Subordinate Rating [5]	Baa2
Baseline Credit Assessment	baa3

Fitch	
Outlook	Stable
Long-term Issuer Default Rating [1]	A+
Public Sector Pfandbriefe	AAA
Mortgage Pfandbriefe	AAA
Short-term Issuer Default Rating [1], [2]	F1+
Derivative Counterparty Rating [1]	AA–(dcr)
Long-term Deposit Rating [1], [3]	AA–
Senior Unsecured [1], [4]	A+
Subordinated debt [1], [5]	A
Viability-Rating [1]	a+

Standard & Poor's	
Outlook	Stable
Long-term Issuer Credit Rating [1]	A
Short-term Issuer Credit Rating [1], [2]	A-1
Long-term Senior Unsecured [1], [3]	A
Long-term Senior Subordinated [1], [4]	A–
Standalone Credit Profile [1]	a

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

	Moody's	Fitch Ratings	Standard & Poor's
Long-term ratings	Aa1	AAA	AA–

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

Stakes in Helaba's share capital

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

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

The Helaba Group in figures

Performance figures		1.1.–30.6.2017 in € m	1.1.–30.6.2016 in € m	Change in € m	Change in %
Net interest income before provisions for losses on loans and advances		542	611	–69	–11.3
Net fee and commission income		180	172	8	4.7
General and administrative expenses		–656	–631	–25	–4.0
Profit before taxes		238	279	–41	–14.7
Consolidated net profit		**150**	**184**	**–34**	**–18.5**
Return on equity before taxes	in %	**6.1**	**7.4**		
Cost income ratio	in %	**73.3**	**64.0**		

Figures in the statement of financial position	30.6.2017 in € m	31.12.2016 in € m	Change in € m	Change in %
Loans and advances to banks	12,071	15,235	–3,164	–20.8
Loans and advances to customers	91,690	93,078	–1,388	–1.5
Trading assets	16,910	20,498	–3,588	–17.5
Financial investments and shares in equity-accounted entities	25,264	25,796	–532	–2.1
Liabilities due to banks	31,942	30,138	1,804	6.0
Liabilities due to customers	49,482	46,824	2,658	5.7
Securitised liabilities	51,097	50,948	149	0.3
Trading liabilities	13,884	18,713	–4,829	–25.8
Equity	7,945	7,850	95	1.2
Total assets	**163,975**	**165,164**	**–1,189**	**–0.7**

Key indicators for regulatory purposes	30.6.2017 in %	31.12.2016 in %
CET1 capital ratio	15.1	14.3
Tier 1 capital ratio	16.1	15.3
Total capital ratio	21.6	20.5

Contents

Ladies and gentlemen,
dear customers, dear business partners,

The Helaba Group generated profit before taxes of € 238 m in the first half of 2017. The consolidated net profit, i.e. profit after taxes, amounted to € 150 m. As anticipated, the profit for the period was therefore lower than the strong prior-year figures of € 279 m before taxes and € 184 m after taxes.

The Bank performed well in all areas of its business in a challenging competitive environment. Notable factors with a positive impact on the results were the substantial rise in net trading income and the low provisions for losses on loans and advances. At the same time, the low interest rates and the volatile net income from hedge accounting and derivatives had an adverse impact.

In view of the persistent challenges faced by the banking sector, we are satisfied with the level of profit generated in the first half of 2017. In particular, the trend in new business is encouraging. In this regard, we are benefiting from our sound, long-term customer relationships and strong market position.

Net interest income fell by € 69 m to € 542 m because of the effects from the protracted period of zero and negative interest rates. In the first half of the year, the excellent quality of the portfolio led to the recognition of a low level of provisions for losses on loans and advances amounting to € 2 m. Net fee and commission income rose by € 8 m to € 180 m. There was an increase in fee and commission income from payment transactions and international trade finance business at Helaba and Frankfurter Sparkasse and from Helaba Invest's asset management business. Net trading income rose to €168 m compared with a net expense of € 13 m in the corresponding period in 2016. As in the first quarter of 2017, a contributing factor was the lower remeasurement markdowns on derivatives as a consequence of the rise in long-term interest rates.

Helaba's consolidated total assets declined from € 165.2 bn to approximately € 164 bn in the first half of 2017. Loans and advances to customers amounted to € 91.7 bn, a contraction of around € 1.4 bn compared with the figure as at 31 December 2016, largely attributable to currency effects. The volume of new medium- and long-term business – excluding the WIBank development business, which does not form part of the competitive market – amounted to € 9.1 bn, an encouraging increase compared with the equivalent period in 2016 (€ 8.8 bn).

As at 30 June 2017, the CET1 capital ratio for the Bank was 15.1 % (phased in) or 14.9 % (fully loaded). The cost income ratio as at the reporting date was 73.3 %. Return on equity (before taxes) reached 6.1 %.

Because of the ongoing period of zero and negative interest rates, we are not changing our original profit forecasts for 2017, in which we expect to see a noticeable decrease in earnings. Nevertheless, from the current perspective, we are confident that we will be able to exceed the target specified in the budget for the year.

On behalf of the entire Board of Managing Directors, I would like to take this opportunity to thank our customers and business partners for the trust they place in Helaba and our public owners and investors for their considerate, constructive support. Not least, we would of course like to recognise and express our gratitude for the efforts of our employees whose wealth of expertise and considerable commitment have once again contributed to the Bank's success.

Yours sincerely

Herbert Hans Grüntker
Chairman of the Board of Managing Directors

Interim Group Management Report

Interim Group Management Report

Basic Information About the Group

Business Model of the Group

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

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

Helaba's strategic business model centres on the three business units: Wholesale Business; S-Group Business, Private Customers and SME Business; and Public Development and Infrastructure Business. The Bank's registered offices are situated in Frankfurt am Main and Erfurt, and it also has branches in Düsseldorf, Kassel, Paris, London and New York. The branches allow Helaba to strengthen its local presence close to customers and Sparkassen. The foreign branches provide Helaba with access to the funding markets, particularly those markets based on the US dollar and pound sterling. The organisation also includes representative and sales offices, subsidiaries and affiliates. It is also planning to open a further representative office in São Paulo.

Helaba's activities in the Wholesale Business unit concentrate on the six core business divisions of Real Estate, Corporate Finance, Financial Institutions and Public Finance, Global Markets, Asset Management and Transaction Banking. The geographic focus of the business is on Germany, but the Bank also has operations in some other European countries and North America. Stable, long-term business relationships with its customers are one of Helaba's hallmarks. In sales, Helaba follows two different approaches, firstly targeting product customers from the various product fields and, secondly, directing customer sales efforts across all products at major companies and the upper SME segment, institutional customers, selected international customers, plus German municipal corporations and central, regional and local public authorities. Among its target customers, Helaba aims for core bank status.

In the S-Group Business, Private Customers and SME Business unit, Helaba's strategic goal is to continue to strengthen its position as a leading S-Group bank for Germany. Activities in this business unit are concentrated in Germany, with a particular focus on Hesse, Thuringia, North Rhine-Westphalia and Brandenburg. Helaba is a Sparkasse central bank and S-Group bank for the Sparkassen in these four regions and therefore for around 40 % of all Sparkassen in Germany. In Hesse and Thuringia, the S-Group Sparkassen and Helaba make up the Sparkassen-Finanzgruppe Hessen-Thüringen, based on the business model of economic unity, the preparation of consolidated financial statements and a joint S-Group rating. Comprehensive co-operation agreements have been entered into with the Sparkassen and their associations in North Rhine-Westphalia. In addition, there are sales co-operation agreements with the Sparkassen in Brandenburg. The agreements with the Sparkassen in North Rhine-Westphalia and Brandenburg complement the S-Group Concept of the Sparkassen-Finanzgruppe Hessen-Thüringen, which continues in its current form.

Helaba is one of the market leaders in the home loans and savings business in both Hesse and Thuringia through the legally dependent Landesbausparkasse Hessen-Thüringen (LBS). Frankfurter Sparkasse, a wholly owned and fully consolidated subsidiary of Helaba organised under German public law, is the leading retail bank in the Frankfurt am Main region with over 850,000 customers; it also has a presence in the nationwide direct banking market through 1822direkt. Frankfurter Bankgesellschaft (Schweiz) AG and its wholly owned subsidiary Frankfurter Bankgesellschaft (Deutschland) AG provide Helaba's products and services for Sparkassen in the private banking and wealth and asset management segments.

In the Public Development and Infrastructure Business unit, Helaba has been entrusted with administering public-sector development programmes of the Federal State of Hesse via "WIBank", a legally dependent entity within Helaba. WIBank enjoys a direct statutory guarantee from the State of Hesse as permitted under applicable law in the European Union (EU). WIBank's business activities are guided by the development objectives of the State of Hesse. Helaba also has stakes in other development institutions in Hesse and Thuringia.

Management instruments and non-financial performance indicators

As part of managing the Bank as a whole, Helaba has integrated systems in place for business and productivity management. This is based on a multi-level Margin Accounting System and comprises both the management of absolute income and costs and the integrated management of contribution margins. The target is to achieve a cost income ratio below 70 %. The cost income ratio is the ratio of general and administrative expenses to profit before taxes net of general and administrative expenses and of provisions for losses on loans and advances. The annual planning process, from which a budgeted statement of financial position and income statement are derived, also follows this system. Regular plan/actual comparisons are generated and variances analysed based on a management income statement produced in the Margin Accounting System at regular intervals in the course of the financial year. In line with management reporting, the segment information is based on internal management (contribution margin accounting) and also on external financial reporting.

One key indicator used to manage portfolios is the volume of new medium- and long-term business (defined as the volume of new medium- and long-term business with a funding term of more than one year). Systematic preliminary costings are carried out for loan agreements, in particular to ensure that new business is managed with a focus on risk and profitability.

Equity is managed through the allocation of regulatory and economic limits and through the capital ratio. When the target capital ratios are set, the targets take into account the additional own funds requirements specified by the European Central Bank (ECB). Profitability targets are managed on the basis of the accounting and regulatory return on equity (ratio of profit before taxes to average capital employed in the financial year determined in accordance with IFRS). Helaba has set a target range of 5 % to 7 % for return on equity.

The Capital Requirements Regulation (CRR) specifies that banks must calculate a leverage ratio, a (short-term) liquidity coverage ratio (LCR) and a net stable funding ratio (NSFR). Helaba is already taking these ratios and requirements into account in its liquidity management and when fine-tuning its business portfolio. An institution-specific minimum requirement for own funds and eligible liabilities (MREL) will also be specified as part of the implementation of the Single Resolution Mechanism (SRM) in Europe.

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

To fund itself, Helaba draws on different sources and products, focusing in particular on the anchor sources of funding available through direct and indirect Sparkasse business (proprietary and customer transactions) as a result of belonging to a strong association of financial institutions. Development funds raised through WIBank and Pfandbrief issues are also a cost-efficient component of its stable funding base.

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

Helaba's mission as proposed in the Treaty of the Formation of a Joint Savings Banks Association Hesse-Thuringia requires it to operate in the public interest. Therefore, this distinguishes Helaba from financial institutions operating purely in the pursuit of profit. Sustainability in the sense of environmental and social responsibility is an integral component of Helaba's business strategy, which is binding throughout the Group. The guiding sustainability principles laid down by the Board of Managing Directors in 2014 set out mandatory standards of conduct in terms of business activities, business operations, employees and corporate social responsibility. Risks in connection with sustainability issues form part of Helaba's binding Group-wide risk policy and are thus systematically fed into the processes for risk assessment and risk management.

The German Act to Strengthen Corporate Non-Financial Reporting in Management and Group Management Reports (CSR Directive Implementation Act) came into force on 19 April 2017. Under the provisions of this act, Helaba, as an entity whose securities are admitted to trading on a regulated market in the EU, must issue comprehensive reports on sustainability matters, starting from 2018 with reports relating to the 2017 financial year. Given these developments, Helaba initiated a project back in 2016 to put in place appropriate measures and set up reporting structures. For example, from 2017, the Bank will collect key environmental and personnel-related data at Group level for the first time, and thus significantly extend the range of data it has assembled in previous years. Other action points concerning the systematic integration of sustainability issues into business processes and concerning transparent reporting have been identified and will be implemented during the course of the current financial year. In the first half of 2017, Helaba conducted a materiality analysis to determine the main topics for reporting purposes and also to establish the relevant issues for the future refinement of sustainability at Helaba. The results will be published in the Group management report for the 2017 financial year.

The main way in which Helaba meets its environmental and social responsibilities as a financial services provider is by designing its products and services on a sustainable basis. Helaba does not finance the manufacture or trading of controversial types of weapon. It also undertakes not to enter into speculative transactions with agricultural commodities or develop investment products related to such commodities. Helaba is committed to energy-efficient technologies and renewable energies in line with Germany's climate policy objectives. It promotes and gives preference to the use of environmentally friendly technologies wherever possible when financing technical plant and systems. In its real estate business, Helaba takes care to comply with high sustainability standards, both in the development of commercial real estate projects by the OFB Group and in the management of residential real estate by GWH. It ensures that real estate holds its value over the long term by obtaining certification under recognised sustainability seals of approval and continuously investing in improvement measures to enhance energy efficiency. Helaba aims to meet this challenge in respect of its own real estate too. For example, MAIN TOWER has been certified in accordance with the "Leadership in Energy and Environmental Design" (LEED) system since 2011 and has held the top platinum rating since 2016. Helaba is committed to promoting regional economic development beyond WIBank's development and infrastructure business, for example by supporting the expansion of the fibre-optic cable network across the country and by providing financing for municipal authorities.

Helaba believes that a holistic approach to employee development and an appreciative corporate culture are key factors in helping it to position itself as an attractive employer. A comprehensive range of services aimed at supporting employee well-being and work-life balance have been well established in the organisation for some years and are being constantly adapted in line with the needs of the workforce. Helaba and Frankfurter Sparkasse are among the signatories to the Diversity Charter, a voluntary commitment by companies to promote a corporate culture that is without prejudice or discrimination.

Outside the boundaries of its business activities, Helaba regards wider engagement in the community and support for the arts and cultural life as part of its social mission. Helaba also engages, either directly or through Frankfurter Sparkasse, in many areas of public life by sponsoring numerous cultural, educational, environmental, sports and social organisations and projects. In addition, Frankfurter Sparkasse has celebrated its 175th anniversary by setting up the Frankfurter Sparkasse Foundation with a substantial endowment, which currently stands at € 17.9 m. The foundation provides financial support for projects that serve the public interest. Its activities are focused primarily on the arts, social projects, regional issues and education. Frankfurter Sparkasse manages and takes responsibility for most of the campaigns itself so that it is able to design and implement them according to its own intentions and ensure that there is some continuity in these activities.

Helaba's sustainability performance is regularly rated by sustainability rating agencies. Helaba carries out very detailed monitoring of changes in ratings and maintains close contact with the rating agencies. The ratings are a core component in the process of analysing and refining Helaba's sustainability profile. The objective of the project initiated in 2016 is to bring about effective improvements in Helaba's sustainability profile.

Motivated and qualified employees are a key success factor for Helaba. A broad range of measures undertaken to support employee development contributes significantly to making Helaba an attractive employer. A suitable personnel management system helps to identify employees' potential and to encourage and develop this potential in line with specific needs. Individual professional development activities ensure that employees are able to meet the changing challenges. Helaba has established a professional change management system to accompany employees through change processes. This system is designed to introduce and accompany changes and to develop the necessary transparency among all employees. The aim is to translate past success factors into continued future success. Applied in this way, change management is also a tool for managing demographic change and retaining high-performing and high-potential staff. Various indicators, such as a low turnover rate, length of service and low absenteeism, confirm that employees are satisfied and highly committed.

The business strategy and risk strategy specify the degree of flexibility available to employees. This then also forms the basis for the remuneration system. The Bank's remuneration strategy and remuneration principles set out the relationship between business strategy, risk strategy and remuneration strategy. The remuneration strategy takes into account the attainment of targets specified in operational planning when determining an overall budget and allocating the budgets for variable remuneration at unit level, thereby ensuring that there is a link between the remuneration strategy and divisional strategic objectives. For the corporate centre units, budgets are allocated based on the results generated by the Bank as a whole and the attainment of qualitative targets. This system rules out the possibility of incentives for individual employees to enter into disproportionately high risks. The fixed salaries are based on market requirements.

Economic Report

Macroeconomic and Sector-Specific Conditions in Germany

The German economy saw brisk growth in the first half of 2017 and momentum is likely to weaken marginally as the year progresses with the country's economy continuing to be bolstered by household consumption. Consumer spending is expanding on the back of the favourable trend in the labour market and rising real incomes. Despite a rise in the inflation rate to 1.5 %, consumer sentiment remains positive. However, the growth in public sector consumption is lower than in the previous year because the fall in the influx of refugees has had a corresponding impact on demand. Capital investment by businesses is also rising again. Spending on capital equipment is benefiting from higher capacity utilisation, low financing costs and rising corporate profits. The Europe-friendly outcome of the elections in France is also a positive factor. Residential construction is experiencing an exceptional and increasing level of activity, responding to a combination of considerable pent-up demand and record low mortgage rates. Commercial construction and public-sector construction projects are also the source of further stimulus, with greater infrastructure spending boosting public-sector activity in particular. The contribution to growth from German exports is unlikely to be significant in 2017. Although export growth is gathering pace, primarily in the euro zone, Germany is also seeing a vigorous upturn in imports. Over 2017 as a whole, gross domestic product (GDP) will probably increase by around 2 % on an inflation- and seasonally-adjusted basis.

The protracted period of zero and negative interest rates means that the banks are increasingly also coming under noticeable pressure to take action in their operating businesses. Some of the market players are responding with margins that do not cover their costs. The banks are addressing the problem of dwindling income by introducing cost-cutting measures and efficiency enhancement programmes. On top of this, institutional investors (insurance companies, pension funds) are making inroads into the market in response to their own investment pressures and are becoming competitors of the banks. The increasingly cut-throat competition is resulting in even greater pressure on margins.

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

In this way, online banks, high street banks and increasingly non-bank web-based businesses (termed fintech companies or fintechs) too have developed new communication and sales channels in private customer business, in some cases in competition and in other cases in co-operation with one another. To an ever greater extent, attention is now focusing on business with corporate clients, real estate customers and institutional investors as well. Derivative platforms enable currency hedges to be effected in an auditable manner using standardised processes, lending portals arrange funding for small corporate customers through banks or directly through institutional investors and banks analyse their customer data in search of more effective ways of offering products. Around the globe, blockchain technology is being refined to find new, faster and more cost-effective methods of exchanging data – recent developments have also included the first applications involving the processing of promissory note loans.

Regulatory Framework

Key changes in the regulatory framework were as follows:

- Prudential supervision by the ECB (Single Supervisory Mechanism, SSM)
  The Helaba Group, together with its affiliated subsidiaries Frankfurter Sparkasse and Frankfurter Bankgesellschaft (Deutschland) AG, is among the banks classified as "significant" and therefore subject to direct supervision by the ECB. The ECB sent the Helaba Group a letter dated 25 November 2016 notifying it of the findings of the Supervisory Review and Evaluation Process (SREP). The ECB has specified that the minimum Common Equity Tier 1 (CET1) capital ratio to be maintained by the Helaba Group in 2017 is 7.43 %. This requirement comprises a Pillar 1 minimum capital requirement 4.50 %, a Pillar 2 capital requirement of 1.25 % and capital buffers totalling 1.68 %.

- ECB stress test and transparency exercise
  In the first half of 2017, Helaba underwent the ECB's sensitivity analysis of interest rate risk in the banking book (IRRBB). This stress test is in addition to the two-yearly stress test cycle specified by the European Banking Authority (EBA), the next test in the cycle being planned for 2018. In the IRRBB sensitivity analysis, the change in present value in the banking book and the change in net interest income was calculated for different interest rate scenarios that potentially could occur as ad hoc interest rates shocks. Helaba was able to supply all the data required by the banking supervisor

in an appropriate format and in a timely manner. The results will be fed into this year's Supervisory Review and Evaluation Process (SREP) decision.

As in previous years, the EBA will carry out a transparency exercise in 2017. It plans to publish the results in December. The transparency exercise involves gathering detailed information on capital adequacy, risk position and quality of assets for each of the participating banks as at the reference dates of 31 December 2016 and 30 June 2017. In 2016, the Helaba Group was able to demonstrate both its sound level of capital adequacy and the high quality of its lending portfolio with a non-performing loan (NPL) ratio of 2.04 %. This was once again confirmed as at 30 June 2017 with a further fall in the NPL ratio to 1.3 %.

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

  Since mid-2017, the Helaba Group has been subject to a review focusing on credit risk models used in the retail business. At the request of the ECB, the Helaba Group has also provided data for other forthcoming reviews.

- Single Resolution Mechanism (SRM)
  A second cornerstone of the European banking union to accompany the Single Supervisory Mechanism is the Single Resolution Mechanism, which consists of the Single Resolution Fund (SRF) and the Single Resolution Board (SRB). Helaba is classified as a "significant" bank and thus falls within the responsibility of the SRB. As in 2016, a data collection exercise was conducted in the first half of 2017 for the purposes of resolution planning and determining minimum requirements for own funds and eligible liabilities (MREL). The results of the 2017 data survey have not yet been published. In 2016, Helaba's own funds and eligible liabilities were well above the notified target MREL.

- Capital and liquidity requirements (Basel III/CRD IV/CRR)
  As at 30 June 2017, the CET1 capital ratio for the Helaba Group was 15.1 % (phased in, i.e. taking into account the CRR transitional arrangements) or 14.9 % (fully loaded, i.e. disregarding the transitional arrangements) and the total capital ratio was 21.6 % (applying the CRR transitional arrangements) or 20.9 % (fully loaded, i.e. disregarding the transitional arrangements). Helaba therefore has a comfortable capital position and satisfies all the regulatory requirements that have currently been published.

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

  Uniform liquidity requirements to be applied throughout Europe and measured using the liquidity coverage ratio (LCR) are gradually being raised to 100 % in the period up to 2018. The LCR requirement for 2017 is 80 %. As at 30 June 2017, the LCR for the Helaba Group was 175 %. A market standard for medium- to long-term liquidity is being introduced from 2018 at the earliest using an indicator known as the net stable funding ratio (NSFR). Helaba is already taking this requirement into account in its management systems. Both liquidity ratios will generally lead to an increase in liquidity management costs and therefore have a negative impact on profitability. Helaba started to adapt at an early stage to the new liquidity management requirements and believes it is in a good position to meet the regulatory requirements accordingly.

  The leverage ratio measures the ratio between regulatory capital and the unweighted total of all on-balance sheet and off-balance sheet asset items (including derivatives). Currently, the leverage ratio has to be reported to the supervisory authorities as an indicator for monitoring purposes. The ratio must be publicly disclosed by banks. A mandatory minimum ratio of 3.0 % is expected to apply from 1 January 2019. The European Commission is likely to decide on the details during the course of this year. As at 30 June 2017, Helaba's regulatory leverage ratio was 4.7 % (taking into account the transitional provisions in accordance with the delegated act) or 4.3 % (fully loaded).

- Protection schemes
  Germany has transposed the requirements of the EU directive on deposit guarantee schemes into German law with the Deposit Guarantee Act (EinSiG), which came into force on 3 July 2015. Under this act, institutional protection schemes can be recognised as deposit guarantee schemes provided that the criteria specified in the act are satisfied. Accordingly, the institutional protection scheme operated by the Sparkassen-Finanzgruppe has been recognised by Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) as a deposit guarantee scheme within the meaning of EinSiG. Of the customer deposits held by the Helaba Group, a total of € 15.3 bn qualified as "covered deposits" within the meaning of EinSiG as at 30 June 2017.

Business performance

Key factors influencing Helaba's business performance and results of operations in the first half of 2017 were the moderate rate of economic growth in Germany, which was around 2.0 % higher year on year on an inflation- and seasonally-adjusted basis, and the low level of interest rates, which left negative territory at least at the long end of the yield curve.

Although the volume of new medium- and long-term business (excluding the WIBank development business, which does not form part of the competitive market) in the Group was up compared with the prior-year period (€ 8.8 bn) to € 9.1 bn, maturing business and special repayments were not fully offset. Loans and advances to customers declined to € 91.7 bn (31 December 2016: € 93.1 bn). Added to this were loans and advances to affiliated Sparkassen in the amount of € 5.8 bn (31 December 2016: € 6.4 bn). The focus on lending in core business areas and to the Sparkassen as S-Group partners is in line with the customer-centric orientation of Helaba's business model. The degree of interconnectedness with the real economy, i.e. the percentage of total consolidated assets accounted for by customer business, was more or less stable at 59 % in the first half of 2017 (31 December 2016: 60 %) despite the fall in loans and advances to customers and affiliated Sparkassen.

The market environment for funding business turned out to be very favourable for financial institutions in the first half of 2017. Helaba made the most of this situation to raise a notable level of medium- and long-term funding from institutional and private investors at low rates. As in previous years, the Bank continued to benefit in this regard from its strategic business model and from its stable business and earnings performance.

Medium- and long-term funding of around € 11.5 bn (H1 2016: € 9.6 bn) was raised during the first six months of 2017, with unsecured funding amounting to approximately € 7.4 bn (H1 2016: € 7.3 bn). Despite persistently low interest rates, sales of retail issues placed through the Sparkasse network were slightly higher than in the previous year at just under € 1.4 bn. Pfandbrief issues amounted to € 4.1 bn in total (H1 2016: € 2.3 bn), with mortgage Pfandbriefe accounting for 60 % and public Pfandbriefe 40 %. In this regard, Helaba was also able to exploit the positive market environment in the first half of the year to make various successful placements, including its largest Pfandbrief issue to date in the form of a dual tranche issue (a mortgage Pfandbrief with a value of € 1.25 bn and a public Pfandbrief of € 750 m) and mortgage Pfandbriefe of various maturities with a total value of almost US$ 600 m. A mortgage Pfandbrief in Swedish kronor (SEK) was placed with institutional investors for the first time to fund the Swedish real estate lending business. As in previous years, the customer deposits in the retail business within the Group, in particular through the subsidiary Frankfurter Sparkasse, brought further diversification to the funding base.

Helaba is the S-Group bank for 154 Sparkassen in four German states, or around 40 % of all Sparkassen in Germany. Collaboration with the affiliated Sparkassen in Hesse, Thuringia and North Rhine-Westphalia held steady in the first half of 2017.

On 16 December 2016 Helaba reached an agreement with CORESTATE Capital Holding S.A. regarding the sale of its 44.2 % stake in HANNOVER LEASING GmbH & Co. KG. In addition to Helaba, Hessisch-Thüringische Sparkassen-Beteiligungsgesellschaft also concluded the sale of its 48 % equity investment. The deal was subject to the German Federal Financial Supervisory Authority's (BaFin) completion of its ownership control procedures. BaFin confirmed in a letter dated 13 June 2017 that there were no reasons to prohibit the acquisition. The deal was then completed at the beginning of July. Helaba retains a non-controlling interest of 5.1 % in HANNOVER LEASING.

The cost income ratio as at 30 June 2017 was 73.3 % (31 December 2016: 63.7 %) and therefore slightly higher than the target range (2017 target: < 70 %). Return on equity declined to 6.1 % (31 December 2016: 7.2 %), still within the target range of 5 to 7 %.

Financial Position and Financial Performance

Financial performance of the Group

	1.1.–30.6.2017	1.1.–30.6.2016	Change	
	in € m	in € m	in € m	in %
Net interest income	542	611	–69	–11.3
Provisions for losses on loans and advances	–2	–75	73	97.3
Net interest income after provisions for losses on loans and advances	**540**	**536**	**4**	**0.7**
Net fee and commission income	180	172	8	4.7
Net trading income	168	–13	181	>100.0
Gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied	–108	107	–215	>–100.0
Net income from hedge accounting	–1	–1	–	–
Net income from financial investments and share of profit or loss of equity-accounted entities	7	10	–3	–30.0
Other net operating income	108	99	9	9.1
General and administrative expenses	–656	–631	–25	–4.0
Profit before taxes	**238**	**279**	**–41**	**–14.7**
Taxes on income	–88	–95	7	7.4
Consolidated net profit	**150**	**184**	**–34**	**–18.5**

The notable features of Helaba's financial performance in the first half of 2017 were its sound operating business, a substantial rise in net trading income, but also the negative impact from a net loss from hedge accounting and losses on the measurement of derivatives. As a result of the rude health of the German economy and the high quality of Helaba's portfolio, the additions to the provisions for losses on loans and advances were low, which meant that it was possible to fully offset the adverse effect on net interest income from the protracted period of zero and negative interest rates. Net interest income after provisions for losses on loans and advances, net trading income and profit before taxes were well in excess of the budget, whereas net interest income was slightly below, and the gains or losses on non-trading derivatives and financial instruments to which the fair value options applied significantly below, budget figures. The changes in the individual items in the income statement were as described below.

Net interest income declined by € 69 m year on year to € 542 m. Marginally smaller portfolios and lower average margins as a result of the persistently high competitive pressure were behind this fall in net interest income. Historically low interest rates were a drag on net income derived from investing own funds. Contributions to earnings from early termination fees also declined.

Provisions for losses on loans and advances amounted to € 2 m (H1 2016: € 75 m). Specific loan loss allowances and specific loan loss allowances evaluated on a group basis accounted for a net addition of € 41 m (H1 2016: € 127 m). The portfolio loan loss allowance for lending exposures not at serious risk of default was reversed by an amount of € 22 m (H1 2016: net reversal of € 49 m). The balance of direct write-downs, net additions to provisions for lending business risks and recoveries on loans and advances previously written off amounted to net income of € 17 m (H1 2016: € 3 m).

Net interest income after provisions for losses on loans and advances increased from € 536 m in the first half of 2016 to € 540 m in the current reporting period.

Net fee and commission income rose by € 8 m to € 180 m. There was an increase in fees and commissions particularly from Helaba's payment transactions and international trade finance businesses and from Frankfurter Sparkasse. Fees and commissions from Helaba Invest's asset management activities also rose. In contrast, fees and commissions from Helaba's investment business and securities deposit business contracted.

The most significant reason for the substantial rise in net trading income to € 168 m (H1 2016: net expense of € 13 m) was the lower credit value adjustments on derivatives as a consequence of the rise in long-term interest rates. Income from customer-driven capital market operations was satisfactory and within the projected range. Trading activities centred mainly on interest rate-related business.

In the same way as net trading income, the gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied are to a significant extent impacted by mark-to-market valuation. This item amounted to a net loss of € 108 m in the reporting period compared with a net gain of

€ 107 m in the first half of 2016. It should be noted that the prior-year figure included significant remeasurement gains on financial instruments to which the fair value option is applied. Another reason for the decline was the opposite effect compared with the previous year of the liquidity component of foreign currencies (cross currency basis spread) in the remeasurement of derivatives. After inclusion of this liquidity component, the remeasurement of the banking book derivatives used to manage interest rates resulted in a net loss of € 99 m in the first half of 2017 compared with a net loss of € 9 m in the equivalent prior-year period. Net income from hedge accounting, in which the ineffective portion of micro hedges is reported, amounted to a net expense of € 1 m, which was unchanged compared with the first half of 2016.

Net income from financial investments decreased from € 9 m to € 5 m. Realised gains and losses on the disposal of available-for-sale securities fell from a gain of € 11 m to a gain of € 5 m. Impairment losses that had led to an adverse effect of € 2 m in the prior-year period were not recognised in the reporting period. The share of profit or loss from associates and joint ventures accounted for using the equity method amounted to income of € 2 m (H1 2016: income of € 1 m).

Other net operating income amounted to € 108 m (H1 2016: € 99 m) and was mainly impacted by one of its components, net income from investment property, which amounted to € 86 m (H1 2016: € 74 m) and is the balance of rental income, gains and losses on disposals, operating costs, depreciation and impairment losses. One-off items arose from the sale of a property, the recognition of a provision for risks relating to the reimbursement of loan processing fees and a provision for restructuring expenses.

General and administrative expenses comprised personnel expenses of € 311 m (H1 2016: € 302 m), other administrative expenses of € 325 m (H1 2016: € 310 m) and depreciation, amortisation and impairment losses of € 20 m (H1 2016: € 19 m). Other administrative expenses included the full recognition of the European bank levy in the amount of € 38 m (H1 2016: € 37 m) and expenses for the Association overhead allocation and contributions to the DSGV Reserve Fund and the SGVHT deposit security reserve fund in the amount of € 46 m (H1 2016: € 52 m).

Profit before taxes amounted to € 238 m (H1 2016: € 279 m).

After deduction of the income tax expense of € 88 m (H1 2016: € 95 m), consolidated net profit was € 150 m (H1 2016: € 184 m), of which a loss of € 2 m was attributable to non-controlling interests in consolidated subsidiaries (H1 2016: loss of € 3 m).

Comprehensive income climbed from € 38 m to € 185 m. This figure includes other comprehensive income in addition to the consolidated net profit for the period as reported in the income statement. Other comprehensive income amounted to € 35 m (H1 2016: loss of € 146 m). An increase in the discount rate led to a positive impact from the remeasurement of the net liability under defined benefit plans. This resulted in a rise in comprehensive income before tax of € 92 m (H1 2016: decrease of € 299 m). A discount rate of 2.00 % (31 December 2016: 1.75 %) was used to determine pension provisions for the main pension obligations in Germany. A net loss of € 35 m (H1 2016: net gain of € 89 m) before taxes was recognised in other comprehensive income under gains and losses on available-for-sale financial instruments.

Statement of financial position

Assets

	30.6.2017	31.12.2016	Change	
	in € m	in € m	in € m	in %
Loans and advances to banks including cash reserve	23,258	18,331	4,927	26.9
Loans and advances to customers	91,690	93,078	−1,388	−1.5
Allowances for losses on loans and advances	−594	−772	178	23.1
Trading assets	16,910	20,498	−3,588	−17.5
Positive fair values of non-trading derivatives	3,298	4,024	−726	−18.0
Financial investments and shares in equity-accounted entities	25,264	25,796	−532	−2.1
Investment property, property and equipment and intangible assets	2,693	2,711	−18	−0.7
Income tax assets	441	522	−81	−15.5
Non-current assets and disposal groups classified as held for sale	15	–	15	–
Other assets	1,000	976	24	2.5
Total assets	**163,975**	**165,164**	**−1,189**	**−0.7**

Equity and liabilities

	30.6.2017	31.12.2016	Change	
	in € m	in € m	in € m	in %
Liabilities due to banks	31,942	30,138	1,804	6.0
Liabilities due to customers	49,482	46,824	2,658	5.7
Securitised liabilities	51,097	50,948	149	0.3
Trading liabilities	13,884	18,713	−4,829	−25.8
Negative fair values of non-trading derivatives	2,846	3,918	−1,072	−27.4
Provisions	2,206	2,319	−113	−4.9
Income tax liabilities	193	184	9	4.9
Other liabilities	788	647	141	21.8
Subordinated capital	3,592	3,623	−31	−0.9
Equity	7,945	7,850	95	1.2
Total equity and liabilities	**163,975**	**165,164**	**−1,189**	**−0.7**

Helaba's consolidated total assets declined from € 165.2 bn to € 164.0 bn in the first half of 2017. On the assets side of the statement of financial position, loans and advances to customers continued to dominate, accounting for a large proportion of total assets (55.9 %). They decreased marginally by € 1.4 bn to € 91.7 bn. Of this amount, commercial real estate loans accounted for € 32.6 bn (31 December 2016: € 33.0 bn) and infrastructure loans for € 14.9 bn (31 December 2016: € 15.0 bn).

The most significant change in assets resulted from the rise of € 4.9 bn in loans and advances to banks including cash reserve to € 23.3 bn. This increase was attributable to the expansion in the cash reserve, which largely consists of credit balances with Deutsche Bundesbank. Trading assets recognised at fair value amounted to € 16.9 bn at the reporting date (31 December 2016: € 20.5 bn). This decrease was caused by a reduction in the portfolio of bonds and other fixed-income securities of € 1.0 bn to € 5.7 bn and a remeasurement-related fall in the positive fair values of derivatives of € 2.4 bn to € 10.0 bn. Non-trading derivatives likewise decreased by € 0.7 bn, meaning that the positive fair values of all derivatives declined by € 3.1 bn overall to € 13.3 bn. Financial investments, of which bonds constituted 99.0 %, fell by € 0.5 bn to € 25.2 bn.

The most significant change in equity and liabilities resulted from a drop of € 4.8 bn in trading liabilities to € 13.9 bn, with the negative fair values of derivatives declining by € 2.3 bn (as a result of remeasurement), issued money market instruments by € 1.4 bn and liabilities held for trading by € 1.1 bn. Taking into account the non-trading derivatives, the negative fair values of derivatives went down by a total of € 3.4 bn to € 11.3 bn. Conversely, liabilities due to banks rose to the reported amount of € 31.9 bn (31 December 2016: € 30.1 bn), caused by a higher level of overnight and time deposits. Liabilities due to customers also went up by € 2.7 bn to € 49.5 bn with balances on current accounts growing by € 2.5 bn to € 15.8 bn and overnight and time deposits by € 0.5 bn to € 14.6 bn. Securitised liabilities rose by € 0.2 bn to € 51.1 bn, while subordinated capital was unchanged compared with 31 December 2016 at € 3.6 bn.

Equity

The Helaba Group's equity amounted to € 7.9 bn as at 30 June 2017, which was more or less unchanged compared with 31 December 2016. Comprehensive income of € 185 m for the first half of 2017 pushed up equity. Retained earnings included remeasurement losses on pension obligations, which on a cumulative basis after deferred taxes amounted to € 466 m (31 December 2016: € 533 m). The revaluation reserve (after deferred taxes), the changes in which are recognised in other comprehensive income, contracted by € 25 m to € 221 m, chiefly as a result of losses arising on remeasurement. Exchange rate factors resulted in a fall in the currency translation reserve to € 22 m. An amount of € 90 m was distributed to the owners from consolidated net profit for 2016 based on their shareholdings and capital contributions.

Please refer to the risk report and Note (43) in the Notes for information on the regulatory capital ratios.

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

The contributions of the individual segments to the profit before taxes of € 238 m for the first half of 2017 (H1 2016: € 279 m) were as follows:

in € m

	1.1. – 30.6.2017	1.1. – 30.6.2016
Real Estate	195	178
Corporate Finance	65	– 10
Financial Markets	– 10	38
S-Group Business, Private Customers and SME Business	49	55
Public Development and Infrastructure Business	9	12
Other	– 113	– 56
Consolidation/reconciliation	43	62
Group	**238**	**279**

The presentation of net gains or losses on centrally held liquidity securities was modified in the reporting period. As a result, amounts have been moved between the segments Real Estate, Corporate Finance, Financial Markets, S-Group Business, Private Customers and SME Business, and Other. The prior-year figures have been restated accordingly.

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

The Real Estate Lending business line made the largest contribution to earnings in the Real Estate segment. In the first half of 2017, the volume of new medium- and long-term business in real estate lending declined by 14 % year on year to € 4.2 bn (H1 2016: € 4.9 bn) and was therefore in line with the pro rata forecast. Margins were slightly improved in new medium-and long-term business compared with the prior-year period. The interest margin in the portfolio narrowed and average business volume declined slightly with the result that the net interest income in the segment went down to € 174 m, which was below the pro rata forecast (H1 2016: € 183 m).

Provisions for losses on loans and advances amounted to a net reversal of € 3 m (H1 2016: net expense of € 14 m). The contributing factors in the first half of the year included reversals of specific and portfolio loan loss allowances and the small amount of new additions.

The gain of € 2 m on non-trading derivatives and financial instruments to which the fair value option is applied was primarily the result of the real estate subsidiaries' interest rate hedging arrangements (H1 2016: gain of € 3 m).

Net income from equity investments in the real estate sector included within other net operating income increased year on year and was slightly higher than forecast. Other net operating income in the segment was up on the prior-year period by € 11 m (H1 2016: € 112 m).

General and administrative expenses in the segment declined slightly compared with the corresponding six months in 2016 as a result of lower building expenses. Total general and administrative expenses for the segment amounted to € 117 m (H1 2016: € 119 m).

The segment's profit before taxes rose by around 10 % compared with the prior-year period to € 195 m (H1 2016: € 178 m).

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

The volume of new medium- and long-term business in the Corporate Finance business line was up year on year to € 2.7 bn (H1 2016: € 1.9 bn), exceeding the pro rata forecast. As a consequence of a slight fall in the contribution from interest terms and a drop in non-recurring income, net interest income for the segment went down to € 149 m (H1 2016: € 159 m) and was therefore slightly below the pro rata forecast.

Provisions for losses on loans and advances at € 31 m were well below the prior-year period figure of € 110 m and were virtually all attributable to the shipping portfolio.

Net fee and commission income declined by € 2 m year on year.

Other net operating income included a non-recurring item of € 13 m from the initial consolidation of an equity investment.

General and administrative expenses in the segment increased by € 8 m compared with the prior-year period to € 74 m (H1 2016: € 66 m). The increase was largely attributable to the rise in the allocation of overheads for the Corporate Finance business line and to consolidated equity investments.

The segment's earnings before taxes of € 65 m were considerably improved compared with the prior-year period's loss of € 10 m due in particular to the lower provisions for losses on loans and advances.

Financial Markets segment
The Financial Markets segment includes the earnings of the Capital Markets, Asset/Liability Management, Sales Public Authorities, Financial Institutions and Public Finance business lines, and Helaba Invest Kapitalanlagegesellschaft mbH.

The segment's net interest income is primarily the result of the lending business with domestic and foreign local and regional authorities and money market trading with customers. In the first half of 2017, the volume of new medium- and long-term business with domestic and foreign local and regional authorities amounted to € 0.7 bn, equating to a small increase compared with the prior-year period (€ 0.6 bn). This figure therefore slightly exceeded the pro rata forecast. Net interest income in the segment amounted to € 33 m, higher than the figure of € 26 m in the first half of 2016 but falling slightly short of the pro rata forecast.

Fees and commissions fell slightly in the capital markets business. Net fee and commission income for the whole of the segment amounted to € 43 m (H1 2016: € 45 m).

Net trading income climbed to € 138 m (H1 2016: net expense of € 22 m). Whereas the prior-year period had been affected by market volatility, the net income for the first half of 2017 benefited from stable customer income and a positive impact from both the credit value adjustment (CVA) – a consequence of the rise in long-term interest rates – and the funding value adjustment (FVA).

Gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied declined by € 205 m to a loss of € 109 m (H1 2016: gain of € 96 m). This arose largely because of lower remeasurement gains on financial instruments to which the fair value option is applied and because of the opposite effect in the reporting period (compared with the prior-year period) from the inclusion in this item of the liquidity component of foreign currencies (cross currency basic spread) in the remeasurement of derivatives.

General and administrative expenses in the segment increased by € 7 m compared with the prior-year period to € 115 m (H1 2016: € 108 m) as a result of higher project costs and a rise in cost allocations.

This segment incurred a loss before taxes of € 10 m in the reporting period, a performance that was significantly worse than the profit generated in the equivalent period in the prior year (H1 2016: profit of € 38 m).

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

Income before the S-Group Bank's provisions for losses on loans and advances rose by € 7 m to € 60 m (H1 2016: € 53 m) The various products contributed to this increase in equal measure. The S-Group Bank's general and administrative expenses increased just slightly by € 1 m, as a result of which S-Group Bank earnings in the segment improved significantly year on year.

In Frankfurter Sparkasse's business, the low level of interest rates was reflected as anticipated in a year-on-year decline in net interest income and in lower net income from special funds. In contrast, net fee and commission income increased compared with the prior-year period following the modification of fee models. Frankfurter Sparkasse's profit before taxes in the segment was € 60 m and thus slightly below the figure for the prior-year period (€ 63 m).

The net interest income generated by LBS contracted year on year as a consequence of the low interest rates. The segment earnings also included the addition to a restructuring provision amounting to € 11 m. Earnings at Frankfurter Bankgesellschaft went up by € 1.5 m compared with the prior-year figure.

Profit before taxes in the S-Group Business, Private Customers and SME Business segment was down on the prior-year figure of € 55 m to € 49 m.

Public Development and Infrastructure Business segment
The Public Development and Infrastructure Business segment mainly comprises the business of WIBank.

In the first half of 2017, net interest income rose by € 1 m as a result of a higher level of development business. Net fee and commission income from the development business amounted to € 19 m and remained at the level of the prior year period, as forecast.

General and administrative expenses for the first half of 2017 were € 35 m (H1 2016: € 31 m) . The year-on-year increase was caused by higher expenses for IT services.

Profit before taxes in the segment was down on the figure for the prior-year period (€ 12 m) at € 9 m.

Other segment

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

Specifically included are the Cash Management and Settlement/Custody Services business lines, the corporate centres and the net income or expense from own fund investing activities and from the centrally held liquidity securities.

The segment's net interest income, which came to a net expense of € 16 m (H1 2016: net expense of € 10 m), and the gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied were mainly influenced by own fund investing activities, the centrally recognised costs of capital and the costs of holding the portfolios of liquidity securities. The contribution to interest from own fund investing activities declined by € 14 m compared with the prior-year period.

Net fee and commission income rose year on year to € 16 m (H1 2016: € 14 m) and was largely generated by the Cash Management and Settlement/Custody Services business lines.

Provisions for losses on loans and advances amounted to a net reversal of € 22 m in the first half of 2017 and were impacted mainly by reversals of the portfolio loan loss allowance recognised centrally to cover lending exposures not at serious risk of default (H1 2016: net reversal of € 46 m).

Other net operating income amounted to a net expense of € 15 m (H1 2016: net income of € 4 m), reflecting the recognition of a provision for the reimbursement of loan processing fees.

General and administrative expenses in the Other segment were up on the prior-year period at € 123 m (H1 2016: € 118 m) in the first half of 2017. The main contributing factor was higher costs for bank structural projects. The bank levy and the contribution to the reserve funds were already fully included at the end of the first half of the year.

The segment's loss before taxes amounted to € 113 m (H1 2016: loss of € 56 m).

Consolidation/reconciliation

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

The profit before taxes under consolidation/reconciliation amounted to € 43 m (H1 2016: € 62 m).

Report on Events After the Reporting Date

There were no significant events after 30 June 2017.

Risk Report

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

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

The principal objectives of the Helaba Group's risk strategy are to maintain the organisation's conservative risk profile and ensure that its solvency is assured at all times, that risk-bearing capacity is always maintained and that all regulatory requirements are met. The risk management system accordingly plays a central role in the management of the company.

Risk Types

The risk types of relevance to Helaba result directly from its business activities. The structured risk inventory process examines, at regular intervals and – where necessary – in response to relevant developments, which risks have the potential to cause material damage to the net assets (including capital resources), financial performance or liquidity position of the Helaba Group and Helaba Bank. The following primary risk types have been identified for the Helaba Group and Helaba Bank (real estate risk excepted):

- default risk,
- market risk,
- liquidity risk,
- operational risk,
- business risk and
- real estate risk.

Risk-Bearing Capacity

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

The calculation of risk-bearing capacity across risk types takes into account risk exposures in relation to default risks, market risks, operational risks, business risks and real estate risks. Risk exposures are quantified as part of an economic assessment and the regulatory expected loss (EL) and regulatory capital requirement are calculated using the regulatory measurement specifications. A capital deduction from the regulatory EL/impairment comparison is taken into account when quantifying the regulatory capital.

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

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

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

Helaba's Group calculation of risk-bearing capacity maps two distinct situations reflecting the regulatory requirements stipulating a going-concern approach and a gone-concern approach.

The going-concern approach aims to verify that the minimum capital requirements specified by the regulator can be satisfied even if expected and unexpected losses are incurred. Risk exposures are quantified with a 95.0 % confidence level for this purpose. The calculation of risk-bearing capacity under the gone-concern approach is intended to demonstrate that the Helaba Group's capital is sufficient to satisfy all creditors in full even in the event of exceptional and heavy losses being incurred (expected and unexpected losses at a confidence level of 99.9 %).

The going-concern approach involves comparing the total economic risk exposures according to the Group calculation of risk-bearing capacity against a sustainable result before risks and total own funds not committed for regulatory purposes (minus an internally defined risk buffer, depending on the scenario). The going-concern approach also regularly quantifies the implications of the stress scenarios for the regulatory capital requirement and regulatory own funds in order to analyse the impact on the regulatory capital ratios.

Helaba applies particular weight to the going-concern approach, which focuses on compliance with the regulatory capital ratios, in its capital allocation decisions and allocates regulatory capital to divisions and Group units on the basis of the associated anticipated changes in capital ratios. This ensures consistency between capital allocation assuming full utilisation of the limits and the result thus produced in the calculation of risk-bearing capacity. In addition, the economic risk exposures are limited to ensure that, if the allocated regulatory capital is utilised at the same time as the economic risk exposures, the capital does not fall below the internally specified minimum capital requirements even if economic risks materialise.

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

The risk-bearing capacity assessment for the Group covering all risk types reveals that the existing risk cover pools once again exceeded the quantified risk exposures by a substantial margin at the end of the second quarter of 2017, underlining Helaba's conservative risk profile. The same applies in respect of the calculation of risk-bearing capacity for Helaba Bank.

The base scenario of the going-concern approach for the Group shows a capital buffer of € 2.5 bn (31 December 2016: € 3.5 bn) with respect to the economic risk exposures taking account of an internal risk buffer. The capital buffer with respect to the economic risk exposures under the gone-concern approach for the Group amounts to € 7.5 bn (31 December 2016: € 7.1 bn).

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

Helaba additionally conducts two inverse stress tests to investigate what nature of event could jeopardise its continued existence. The associated scenarios, "minimum capital requirements not met" and "illiquid", examine the implications of a variety of economic developments that could result in Helaba being unable to comply with the minimum capital requirements specified by the regulator or consuming its liquidity reserves. There is currently no indication of these scenarios becoming a reality.

Other protection mechanisms
There are other protection mechanisms in addition to the risk cover pool. Helaba is a member of the Reserve Fund of the Landesbanken and Girozentralen and is thus included in the Sparkassen-Finanzgruppe's protection scheme, which comprises the eleven regional Sparkasse support funds, the aforementioned reserve fund and the deposit security reserve fund of the Landesbausparkassen.

The most notable features of this protection scheme are the way that it safeguards the viability of the affiliated institutions, especially their liquidity and solvency, its risk monitoring system for the early detection of specific risk profiles and its use of a method based on risk parameters defined by the supervisory authorities to calculate the amounts to be paid into the protection scheme by the various institutions. The legally dependent Landesbausparkasse Hessen-Thüringen, the subsidiary Frankfurter Sparkasse, and Frankfurter Bankgesellschaft (Deutschland) AG, which is a subsidiary of Frankfurter Bankgesellschaft (Schweiz) AG (which in turn is a subsidiary of Helaba), are also directly integrated into this protection scheme.

The Sparkassen-Finanzgruppe scheme includes a deposit guarantee scheme to protect qualifying deposits up to a value of € 100,000 per customer as well as safeguarding the viability of the affiliated institutions themselves. The deposits thus protected at the Helaba Group amount to € 15.3 bn in total (31 December 2016: € 15.1 bn). The target total value of the protection scheme to be contributed by 2024 was also raised and an amended basis for assessment was adopted. The German Federal Financial Supervisory Authority (BaFin) has recognised the Sparkassen-Finanzgruppe's institutional protection scheme as a deposit guarantee scheme for the purposes of the German Deposit Guarantee Act (EinSiG).

Helaba and Frankfurter Sparkasse are also affiliated to the Reserve Fund of the Sparkassen- und Giroverband Hessen-Thüringen under the terms of their Charters. The reserve fund provides further protection in the event of a default in addition to the nationwide Joint Liability Scheme. It covers the liabilities of Helaba and Frankfurter Sparkasse to customers, including banks, insurance companies and other institutional investors, and their securitised liabilities. Liabilities that serve or have served at the institutions as components of own funds pursuant to section 10 KWG, such as asset contributions of dormant shareholders, liabilities under profit participation rights and subordinated liabilities, are not covered irrespective of their remaining term. The total volume of the fund is equal to 0.5 % of the affiliated institutions' total risk exposure amount as defined by article 92(3) CRR and stood at € 522 m at the end of 2016 (31 December 2015: € 521 m). The total contributions paid in cash as at the same date amounted to € 410 m (31 December 2015: € 381 m). The Sparkassen- und Giroverband Hessen-Thüringen has undertaken to make up the shortfall between the amount actually paid in and the full amount should the fund be required before such time as the full amount has been contributed.

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

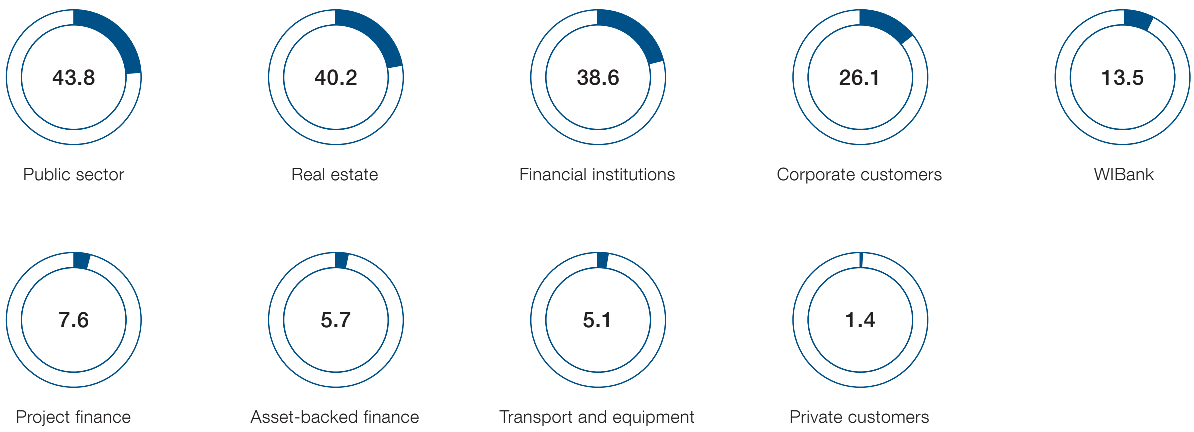
Development institution WIBank, which is organised as a dependent institution within Helaba, enjoys the direct statutory guarantee of the State of Hesse as regulated by law and as permitted under EU law on state aid.

Default Risk

Chart 1 shows the total volume of lending in the narrow Group companies (Helaba Bank plus subsidiaries Frankfurter Sparkasse, Frankfurter Bankgesellschaft (Schweiz) AG and Helaba Asset Services) of € 182.0 bn as at 30 June 2017 (31 December 2016: € 178.2 bn) broken down by customer group. The total volume of lending is the risk exposure value calculated in accordance with the legal provisions applicable to large exposures before applying the exemptions in relation to calculating utilisation of the large exposure limit and before applying credit mitigation techniques.

Total volume of lending by portfolio (narrow Group companies)
Chart 1

in € bn



Helaba's lending activities as at 30 June 2017 focused on the following portfolios: public sector, real estate and financial institutions (especially in the banking sector).

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

Region	Share 30.6.2017	31.12.2016
Germany	61.11 %	59.42 %
Western Europe	19.20 %	18.89 %
Scandinavia	2.80 %	2.70 %
Rest of Europe	3.95 %	4.20 %
Europe	**87.06 %**	**85.21 %**
North America	11.74 %	13.52 %
Rest of the world	1.20 %	1.27 %

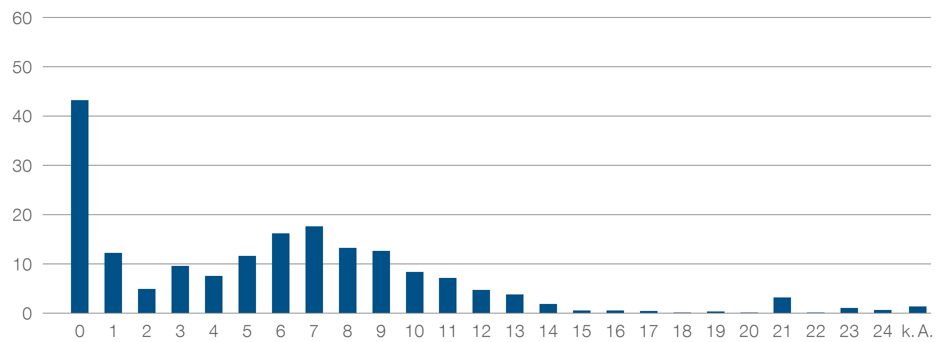
The table shows that Germany and selected other countries in Western Europe continue to account for most of the total lending volume. The United Kingdom accounted for 4.8 % (31 December 2016: 4.4 %).

Creditworthiness/risk appraisal

The Bank employs 14 rating systems developed together with DSGV or other Landesbanken and two rating systems developed internally. Based on statistical models, these systems classify loan exposures, irrespective of the customer or asset group, by the fixed probability of default (PD) using a 25-point cardinal default rating scale.

Chart 2 shows the total volume of lending in the narrow Group companies (Helaba Bank plus subsidiaries Frankfurter Sparkasse, Frankfurter Bankgesellschaft (Schweiz) AG and Helaba Asset Services) of € 182.0 bn (31 December 2016: € 178.2 bn) broken down by default rating category.

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



The base scenario of the risk-bearing capacity calculation shows an economic risk exposure from default risks of € 526 m (31 December 2016: € 561 m) for the Group. The decrease in the first half of 2017 was largely attributable to the ending of some risk exposures.

Provisions for Losses on Loans and Advances

Appropriate provisions for losses on loans and advances are recognised to cover default risk. The adequacy of the provisions is reviewed regularly and adjustments are made where necessary.

Country Risk

The transfer, conversion and event risks from Helaba loans issued by the narrow Group companies to borrowers based outside Germany amounted to € 48.2 bn (31 December 2016: € 48.7 bn), most of which was accounted for by borrowers in Europe (83.3 %) and North America (14.2 %). As at 30 June 2017, 73.3 % (31 December 2016: 74.4 %) of these risks were assigned to country rating classes 0 and 1 and a further 26.5 % (31 December 2016: 25.4 %) came from rating categories 2–13. Just 0.2 % (31 December 2016: 0.2 %) fell into rating class 14 or worse.

Equity Risk

The equity risk category brings together those risks attributable to equity investments whose individual risk types are not considered separately in risk controlling activities by risk type.

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

Market Risk

Quantification of market risks
Market risks are quantified using a money-at-risk approach backed up by stress tests, the measurement of residual risks, sensitivity analyses for credit spread risks and the assessment of incremental risks for the trading book. The money-at-risk (MaR) figure corresponds to what is deemed, with a certain confidence level, to be the upper threshold of the potential loss of a portfolio or position due to market fluctuations within a prescribed holding period.

The risk measurement systems employed at Helaba for each of the various types of market risk (interest rates, share prices and foreign exchange rates) all use the same statistical parameters in order to facilitate comparisons across the different risk types. This also makes it possible to aggregate the risk types into an overall risk. The overall risk assumes that the various different losses occur simultaneously. The MaR figure calculated using the risk models provides a measure of the maximum loss that will not be exceeded, with a probability of 99.0 %, on the basis of the underlying historical observation period of one year and a holding period for the position of ten trading days.

The summary below presents a reporting date assessment of the market risks (including correlation effects between the portfolios) taken on as at 30 June 2017 plus a breakdown by trading book and banking book. The linear interest rate risk is the most significant of the market risk types. The fall in the linear interest rate risk is primarily attributable to a modification of the model in the second quarter. In addition to improving the modelling of trends in interest rates in the environment of low interest rates, Helaba also broadened the yield curve universe. Various country- and rating-dependent government, financials and corporate yield curves are also used alongside swap and Pfandbrief curves for measurement purposes. Euro positions account for 86 % (31 December 2016: 90 %) of the linear interest rate risk for the overall portfolio of the narrow Group companies, US dollar positions 8 % (31 December 2016: 6 %). In the field of equities, the focus is on securities listed in the DAX and DJ Euro Stoxx 50. The main foreign currency risks are attributable to US dollar, Canadian dollar and sterling positions. Residual risk amounted to € 12 m for the Group (31 December 2016: € 12 m). The incremental risk in the trading book amounted, with a time horizon of one year and a confidence level of 99.9 %, to € 127 m (31 December 2016: € 136 m). The base scenario of the going-concern approach for the risk-bearing capacity calculation shows an economic risk exposure of € 318 m (31 December 2016: € 395 m) for the Group from market risks. The decline is due mainly to the fall in linear interest rate risk and decreased incremental risk.

Group MaR by risk type — in € m

	Total risk		Interest rate risk		Currency risk		Equities risk	
	30.6.2017	31.12.2016	30.6.2017	31.12.2016	30.6.2017	31.12.2016	30.6.2017	31.12.2016
Total	**69**	**92**	**61**	**88**	**1**	**0**	**7**	**4**
Trading book	21	28	18	26	0	0	3	2
Banking book	56	67	51	64	1	0	4	2

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

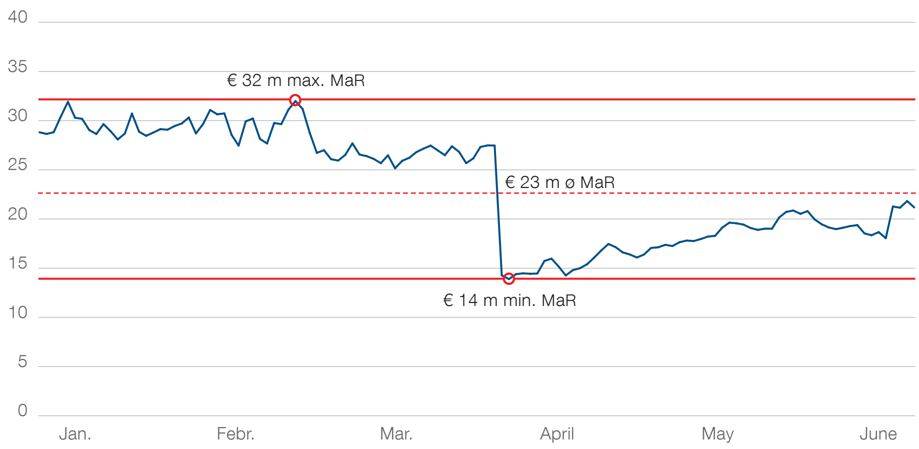
Internal model in accordance with the Capital Requirements Regulation (CRR)

Helaba calculates the regulatory capital required for the general interest rate risk using an internal model in accordance with the CRR. This model, which consists of the risk measurement systems MaRC² (linear interest rate risk) and ELLI (interest rate option risk), has been approved by the banking regulator.

Market risk in the trading book

All market risks are calculated daily on the basis of the end-of-day position of the previous trading day and the current market parameters. Helaba also uses the parameters prescribed by the regulatory authorities for internal risk management. Chart 3 shows the MaR for the trading book (Helaba Bank) for the first half of 2017. In the first six months of 2017, the average MaR was € 23 m (2016 as a whole: € 25 m), the maximum MaR was € 32 m (2016 as a whole: € 33 m) and the minimum MaR was € 14 m (2016 as a whole: € 19 m). The fall in risk in the second quarter of 2017 compared with 2016 and the first quarter of 2017 is largely explained by the modification of the model used for linear interest rate risk to improve its ability to reflect the low level of interest rates.

Daily MaR of the trading book in the first half of 2017
Chart 3



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

Helaba employs the MaR approach used for the trading book to map the market risks in the banking book. The risk figures calculated using this approach are supplemented with maturity gap analyses calculated daily, from which the maturity structure of the positions taken out can be ascertained. Regular stress tests with holding periods of between ten days and twelve months back up the daily risk measurement routine for the banking book.

The quantification of interest rate risks in the banking book is also subject to regulatory requirements, which stipulate a risk computation based on standardised interest rate shocks. The computation examines the effects of a rise and fall of 200 basis points in interest rates in line with the requirements of the banking regulator. As at 30 June 2017, such an interest rate shock would, in the unfavourable scenario, have resulted in a negative change of € 254 m in the value of the Helaba Group banking book (31 December 2016: € 261 m). Of this figure, € 227 m (31 December 2016: € 249 m) is attributable to local currency and € 27 m (31 December 2016: € 12 m) to foreign currencies. The slight rise in the amount accounted for by foreign currencies was caused by a higher US dollar exposure. Helaba carries out an interest rate shock test at least once every quarter.

Performance measurement

Risk-return comparisons are conducted at regular intervals to assess the performance of individual organisational units. Other aspects, including qualitative factors, are also included in the assessment in acknowledgement of the fact that the short-term generation of profits is not the sole objective of the trading units.

Liquidity and Funding Risk

Ensuring liquidity so as to safeguard its short-term solvency and avoid cost risks in procuring medium-term and long-term funding is a top priority at Helaba, which accordingly employs a comprehensive set of constantly evolving tools to record, quantify, contain and monitor liquidity and funding risks. The processes, tools and responsibilities in place for managing liquidity and funding risks have clearly demonstrated their value over recent years in the face of the global crisis in the financial markets and the resultant turmoil in the money and capital markets. Helaba's liquidity was once again fully assured at all times in the first half of 2017. The processes of containing and monitoring liquidity and funding risks are combined in the Internal Liquidity Adequacy Assessment Process (ILAAP) and comprehensively validated on a regular basis.

Containment and monitoring

The Helaba Group operates a local containment and monitoring policy for liquidity and funding risks under which each company has responsibility for ensuring its own solvency, for potential cost risks associated with funding and for independently monitoring those risks. The corresponding conditions are agreed with Helaba. The subsidiaries falling within the narrow Group companies report their liquidity risks regularly to Helaba as part of Group-wide risk management using methods based on Helaba's own.

Short-term liquidity risk

Helaba has been authorised by BaFin to use its own liquidity risk measurement and management procedure in accordance with Section 10 of the German Regulation on the Liquidity of Institutions (Liquiditätsverordnung – LiqV). This enables it to use its own method for establishing its short-term liquidity status for regulatory reporting rather than the monthly notification required under the LiqV standard method. Helaba complied in full with the liquidity requirements imposed by the banking regulator at all times in the first half of 2017.

The short-term liquidity status concept has been selected to allow various stress scenarios to be mapped. The process involves comparing the net liquidity balance (liquidity needed) with the available liquidity. The defined limits are five days up to one year depending on the specific scenario. Monitoring the limits is the responsibility of the Risk Controlling unit. The utilisation rate in the most relevant scenario (solvency) was 0 % as at 30 June 2017 (31 December 2016: 20 %) as a result of the excellent level of liquidity adequacy. This increased to 6 % (31 December 2016: 24 %) when Frankfurter Sparkasse was included. The average utilisation rate in the first half of 2017 was 5 % (31 December 2016: 27 %), reflecting the success of funding activities.

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

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

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

Structural liquidity risk and market liquidity risk

Funding risk is managed on the basis of liquidity gap analyses where liquidity mismatches are limited. The Bank prevents concentrations of risk from arising when obtaining liquidity by diversifying its sources of funding. Market liquidity risk is quantified in the MaR model for market risks. Monthly scenario calculations using a variety of holding periods are carried out. The scaled MaR suggested no significant market liquidity risk as at 30 June 2017, as was also the case at 31 December 2016. Market liquidity is also monitored on the basis of the margin between bid and offer prices.

The Board of Managing Directors defines the risk tolerance for liquidity and funding risk at least annually. This covers the limit applicable for short-term and structural liquidity risk (funding risk), liquidity building for off-balance sheet liquidity risks and the definition of the corresponding models and assumptions. A comprehensive plan of action in the event of any liquidity shortage is maintained for all locations. In addition, Helaba maintains a liquidity transfer pricing system for allocating liquidity costs. Both funding costs and the costs associated with the measures to safeguard liquidity are allocated.

Operational Risk

Principles of risk containment
Helaba identifies, monitors and controls operational risks using an integrated management approach introduced for this purpose in accordance with the regulatory requirements.

The approach taken by Helaba provides for the disciplinary and organisational segregation of operational risk containment and monitoring. Risk management is accordingly a local responsibility discharged by Helaba's individual units, which are supported in this task by central containment units. Central responsibility for operational risk monitoring rests with the Risk Controlling unit.

Quantification
Operational risks are quantified for Helaba, Frankfurter Sparkasse and Helaba Invest using an internal model based on a loss distribution approach, which considers risk scenarios and internal and external losses to calculate unexpected losses (economic risk exposure). This also includes internal loss events and risk scenarios arising from operational risks that originate from risk sub-categories, including legal, information security and IT risks. The summary below shows the risk profile as at 30 June 2017 for Helaba, Frankfurter Sparkasse, Helaba Invest and the other companies of the Helaba Group that are included in risk management at the level of individual risks:

Operational risks – risk profile

Economic risk exposure – base scenario in € m

	Reporting date 30.6.2017 VaR 95.0 %	Reporting date 31.12.2016 VaR 95.0 %
Helaba Bank	36	36
Frankfurter Sparkasse, Helaba Invest and other companies included in risk management at the level of individual risks	38	37
Total	**74**	**73**

The base scenario of the going-concern approach for the risk-bearing capacity calculation shows an unexpected loss (economic risk exposure) of € 74 m (31 December 2016: € 73 m) for the Group from operational risks. The slight increase was attributable to the other companies.

Other Risk Types

Business risk
Risk containment in respect of business risks encompasses all of the measures implemented in order to reduce, limit and avoid risks and to keep intentional risk exposure compliant with the risk strategy and the specified limits adopted by the Board of Managing Directors. Operational and strategic risk containment is the responsibility of the Bank's front office units and the management of the respective equity investments. The Risk Controlling unit quantifies the business risks for the purposes of calculating risk-bearing capacity and analyses any changes.

As at 30 June 2017, business risks had risen by € 1 m compared with the end of the 2016 financial year to € 159 m (31 December 2016: € 158 m).

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

As a result of the growth in business, risks from real estate projects and real estate portfolios increased to € 37 m in the first half of 2017 (31 December 2016: € 31 m). These risks continue to be fully covered by the expected income from the associated transactions.

Outlook and Opportunities

Global economic conditions

The global economy remains on a growth trajectory, although the growth rates are lower than those before the financial crisis. China's growth curve is becoming flatter. Other key emerging markets, such as Russia and Brazil, have come through the period of extremely weak economic performance. In the US, the economy has gathered some momentum. However, the moderate rate of expansion in the US is continuing overall. Even though the stimulus targeted by fiscal policy is taking some time to come through and is likely to be modest, the US economy is expected to expand by around 2.5 % in the next year. In the euro zone, the pace of growth has picked up in the first half of 2017. This applies to France as well as Germany. All the countries in the euro zone are expanding. Growth is particularly dynamic in Spain, which was previously badly affected by the crisis, whereas the prospects for Italy remain subdued because of the reforms stalemate. Consumer spending is also the main driver behind the growth in the euro zone, although inflation has risen to 1.4 % in 2017, thereby acting as a constraint on the financial latitude available to households. Rising employment is providing a boost for the economy. Monetary policy remains extremely expansionary in the euro zone, making it easier to finance capital investment, and fiscal policy is not exerting any drags. The ECB is holding key interest rates at record lows and continuing its bond-buying programme until the end of the year. The US Federal Reserve (Fed) is very gradually normalising its monetary policy, so it will be a long time yet before key interest rates reach a level where they become a brake on the US economy. Global economic growth in the coming year is expected to be roughly at the same level as in 2017 at over 3 %.

Opportunities

The robust nature of Helaba's business model has been clearly demonstrated over many years now, even when market conditions have been tough. Over the last few years, the Bank has therefore been able not only to consolidate its market position in its core areas of business but also – on the basis of good operating results – service all subordinated liabilities, profit participation rights and silent participations in full at all times and pay regular dividends. The key factors behind Helaba's success remain its conservative risk profile, backed up by effective risk management, and the strategic business model for the Group as a whole based on the concept of a full-service bank with its own retail business, a strong base in the region, a very close relationship with the Sparkassen and robust capital and liquidity adequacy. Helaba is valued by its customers as a reliable partner because of its sound business model. This is reflected particularly in the long-term financing operations in real estate lending and corporate finance, in which the Bank is one of the leading providers in Germany.

Nevertheless, the challenging conditions mean that it is necessary to carry out regular reviews and constantly refine the business model across all the strategic core activities. To this end, Helaba carried out an internal project to analyse the Bank's areas of activity and equity investments. This also resulted in plans for various organisational adjustments and a focus on certain ranges of products that will be implemented in the second half of 2017.

Rating agencies Moody's Investors Service (Moody's), Fitch Ratings (Fitch) and Standard & Poor's (S&P) have awarded Helaba issuer ratings of A1, A+ and A. In terms of ratings for plain vanilla senior unsecured debt in accordance with section 46f (6) KWG, the approaches taken by the rating agencies differ in the way that they take into account the German bail-in sequence in light of the new European resolution system; they have issued ratings in this category of A1, A+ and A- respectively. The ratings for short-term liabilities are P-1, F-1+ and A-1.

The ratings from Fitch and S&P are based on a joint S-Group rating for the Sparkassen-Finanzgruppe Hessen-Thüringen. The strategically significant funding instruments "public Pfandbriefe" and "mortgage Pfandbriefe" both have AAA ratings. Thanks to its excellent standing among institutional and private investors and its diversified product range, Helaba has consistently enjoyed direct access to the funding markets over the last few years. Helaba's status as part of a strong association of financial institutions also underpins its ongoing ability to access funding in the money and capital markets.

Helaba is firmly and permanently established as part of the German Sparkassen-Finanzgruppe by virtue of its ownership structure (88 % of its shares are held by members of the Sparkassen organisation) and its central bank function for around 40 % of Sparkassen in Germany. Further enhancing its position as a leading S-Group bank for the German Sparkassen and permanently integrating with the Sparkassen are among Helaba's strategic objectives. The pressure on profitability created by the level of competition in retail banking and exacerbated by the current period of low interest rates will lead to greater task-sharing within the S-Group.

The S-Group business with the Sparkassen and their customers forms an integral component of Helaba's business model. In this regard, Helaba is the tried-and-tested provider of products and services for the Sparkassen in proprietary business, private and corporate customer business, and transaction banking. Regulatory requirements and the protracted period of low and negative interest rates are also exerting downward pressure on Sparkassen income. Helaba has therefore decided to modify the structure of its S-Group business in the same way as that for the commercial bank so that it is in a better position to meet the requirements of the Sparkassen. Product responsibility is being pooled in the product units so that the Bank can further develop its product expertise for the benefit of all customer groups and ensure that all the product units become even more closely integrated into the S-Group business. A new unit is being created for the Sparkassen lending business. The aim of the unit is to support the local expansion of the joint lending business with the corporate customers of the institutions. Overall, this will enable the Bank to broaden product coverage in the provision of finance and create more efficient processes. From the perspective of the sales teams, the regional proximity to the Sparkassen will be maintained.

The real estate business is one of Helaba's strategic core business areas. It offers almost all products and services along the value chain, including structuring, financing and portfolio management. Long-term customer relationships combined with a sustainable business policy in the carefully selected domestic and international target markets have formed the basis for the growth in new business over the last few years. Even during periods of increasing competition and downward pressure on margins, Helaba believes that there are good opportunities for the Bank to continue to consolidate its market position in real estate lending based on its product expertise and on its well-established presence in the markets over many years.

In the real estate lending and corporate finance businesses, Helaba will continue to expand the syndication offering it extends to customers and investors and thus fine-tune the management of its own assets and liabilities. Syndication arrangements also allow Sparkassen to participate in lending transactions set up by Helaba experts and thus diversify the risk.

In the structured sales finance business, Helaba is extending its range of services aimed at consumers and corporate customers. It is also expanding supply chain finance. It is offering finance along the value chain, enabling clients to optimise their working capital and fostering a close relationship between customer and supplier. In sales financing operations with consumers, Helaba is strengthening and extending its role as a source of refinancing.

Export-oriented corporate customers expect their partner bank to offer a range of products that will help them with their international activities. The Bank's institutional roots in the Sparkassen-Finanzgruppe and its extended customer base are enabling Helaba to establish itself as a leading provider of international trade finance and payment transactions in the Sparkassen-Finanzgruppe and lift business volumes and income in this segment. In this regard, the Bank has specified various regions in which it intends to focus. To support the development of business in these regions, a further representative office is to be opened in São Paulo. In the international public-sector business, Helaba will not take on any further new business in the US from mid-2017 onwards and will therefore be focusing on its core activities.

In the payments business, Helaba continues to be one of Germany's leading payment transaction clearing houses and a dominant Landesbank in a market shaped by increasing competitive pressure and further regulatory requirements. The associated opportunities, particularly in the clearing and card processing business, are being systematically exploited with the aim of generating fees and commissions to counter further increases in the downward pressure on margins.

The structural shift to digital is leading to an ongoing change in customer behaviour and impacting on trading and payment methods in e-commerce and m-commerce. At the same time, fiercer competition is resulting from the entry of new market players from a digital background. These players are colonising parts of the payments value chain, particularly web-based payment systems, mobile payments and also point-of-sale. Helaba identified the fundamental processes of transformation in the payments market at an early stage and in the last few years has already developed various initiatives to take into account the technical advances in digitalisation. This also includes participation in the paydirekt online payments system. Helaba has taken on a leading role in the implementation of the regulatory requirements for the introduction of instant payments in 2017 (payments within just a few seconds) and is actively helping the Sparkassen-Finanzgruppe to meet the requirements.

Over the next few years, the key issue of digitalisation will provide banks with the opportunity to streamline their business and IT processes. The interfaces with the customer are being redefined, creating other options for developing new products. This applies to lending business as well as to payments.

Helaba has set up a separate unit for strategic issues in connection with digitalisation. In an initial step, this unit systematically analysed the opportunities that digitalisation could open up for Helaba's various divisions. This led to the creation of digitalisation initiatives, in which mixed teams comprising IT and other relevant specialists have used agile development methodology to produce prototypes for customer portals and payments applications. The first payments application went online in July 2017; the customer portal will follow by the end of the year. In parallel, Helaba has launched further initiatives with the aim of using digital solutions to enhance both transparency at the interfaces with the customer and the efficiency of downstream processes. The Bank is also systematically building up its relationships with fintechs, notably through its engagement as a platinum partner for the TechQuartier hub in Frankfurt and its investment in the Capnamic Ventures II fund, which specialises in innovative web companies.

Helaba aims to achieve further efficiency enhancements by introducing a new core banking system. A preliminary study to prepare the ground for the replacement of the core banking system was completed in 2016. Implementation has begun in 2017. The changeover will not only modernise IT systems but also bring improvements to many internal processes, thereby making a key contribution to ensuring that Helaba is fit for the future.

Following the vote in the UK in favour of Brexit, Helaba has set up an internal project to analyse the implications for the Bank. The aim of this project is to draw up the details of any necessary action and meet the requirements specified by the supervisory authorities (Bank of England/Prudential Regulation Authority and ECB). No serious risk has been identified for Helaba to date. The exit negotiations are being monitored mainly by the branch in London with a view to analysing the consequences for Helaba.

Overall, based on its strategic business model, Helaba is well placed to meet the challenges of the future over the long term. It sees additional development opportunities in the expansion of regional private customers and SME business, S-Group business, public development and infrastructure business, and in the closure of gaps in its client base and product range (at both domestic and international levels) in wholesale business. Helaba's strategy for profitability aims to safeguard its long-term earnings power in order to strengthen its capital base while observing its risk strategy requirements and taking account of the changes in the regulatory environment and marked increase in the structural costs of banking.

Probable development of the Group

In light of the volume of new medium- and long-term business already achieved in the first half of the year, Helaba expects to reach the budgeted volume of new business for the year.

Because of the protracted period of zero and negative interest rates as well as the continuation of the ECB's bond-buying programme, Helaba anticipates that there will be a rising adverse impact on net interest income, as a result of which the figure for the whole of the year is projected to be slightly below the budgeted level and thus substantially below the prior-year figure.

In view of the low requirement for provisions for losses on loans and advances in the first half of the year, the Bank forecasts that the figure for this item over the whole of the year will be significantly less than both the budgeted and the prior-year figures.

The combined effect of countervailing trends is likely to mean that net interest income after provisions for losses on loans and advances will exceed the budget by some way.

The steady trend in net fee and commission income is likely to continue in the second half of the year resulting in an on-budget figure for the year as a whole.

In the year to date, net trading income has been impacted by significantly lower remeasurement markdowns on derivatives. Helaba is projecting that the remeasurement markdowns at the end of the year will be at the level recognised at the half-year point. As a consequence, net trading income will rise much more slowly in the second half of the year but will be well ahead of budget because of the excellent figure achieved in the first half of the year.

Helaba anticipates that the remeasurement losses incurred in the first half of the year in respect of non-trading derivatives and financial instruments to which the fair value option is applied will also remain at the end of the year. For this reason, this item's figure for the year as a whole is expected to fall well short of the budgeted figure.

Under other net operating income, negative remeasurement effects are anticipated in the second half of the year and the year-end figure will then probably only be around 30 % higher than the figure as at 30 June 2017, as a result of which there will be a considerable budget shortfall.

Because the European bank levy and the expenses for the Association overhead allocation and contributions to the DSGV Reserve Fund and the SGVHT deposit security reserve fund were all already fully taken into account in the first half of the year, general and administrative expenses will rise at a rate that is slightly below a linear trend in the second half of the year. Nevertheless, the figure for the whole of the year is anticipated to be a little higher than budget.

From the current perspective, the budgeted consolidated profit before taxes at the end of the year of € 385 m is expected to be exceeded by some way.

Risks to the Helaba's earnings performance in the second half of the year stem from political and macroeconomic trends. The main sources of uncertainty are the progress of the negotiations for the UK's exit from the EU, and geopolitical developments. These uncertainties could impact the conditions in which banks have to operate and have a detrimental effect on business performance. The Bank assumes that interest rates will remain low in the second half of 2017. Risks then arise if interest rates move even further into negative territory and weigh on money and capital markets as well as customer business.

Opportunities and risks arise both from the operating business and from the mark-to-market measurement of trading book and banking book portfolios if the measurement parameters in the second half of the year vary significantly from the planning assumptions.

The anticipated performance will enable all silent participations, profit participation rights and subordinated debt to be serviced in full in financial year 2017. The CET1 capital ratio and the total capital ratio are expected to be lower than the levels achieved at the midpoint in the year, but better than the budgeted ratios.

Overall assessment
Underlying Helaba's business performance in the first half of 2017 were two main factors. In the operating customer business, Helaba benefited from its excellent, long-term customer relationships and its strong market position. However, earnings performance was impacted by the protracted period of zero and negative interest rates, the effects of which are becoming ever more noticeable, and by the expansionary monetary policy of the central banks. While markedly lower year on year, consolidated net profit before tax was nevertheless in excess of the pro rata forecast. This figure was positively influenced, in particular, by the substantial rise in net trading income and the low provisions for losses on loans and advances, although net income from hedge accounting and derivatives had an adverse impact. From the current perspective, it is anticipated that it will be possible to exceed the target for the whole of the year set in the budget for 2017. Helaba sees the greatest uncertainties with an impact on full-year business performance in potential turmoil on the capital markets, which may be triggered by global political developments.

Frankfurt am Main/Erfurt, 16 August 2017

Landesbank Hessen-Thüringen Girozentrale

The Board of Managing Directors

Grüntker	Groß	Fenk	Dr. Hosemann
Kemler	Mulfinger	Dr. Schraad	

Consolidated Interim Financial Statements

Income Statement

for the period 1 January to 30 June 2017

	Notes	1.1.–30.6.2017 in € m	1.1.–30.6.2016 in € m	Change in € m	Change in %
Interest income		1,890	2,024	–134	–6.6
Interest expense		–1,348	–1,413	65	4.6
Net interest income	(3)	**542**	**611**	**–69**	**–11.3**
Provisions for losses on loans and advances	(4)	–2	–75	73	97.3
Net interest income after provisions for losses on loans and advances		**540**	**536**	**4**	**0.7**
Fee and commission income		241	282	–41	–14.5
Fee and commission expenses		–61	–110	49	44.5
Net fee and commission income	(5)	**180**	**172**	**8**	**4.7**
Net trading income	(6)	168	–13	181	>100.0
Gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied	(7)	–108	107	–215	>–100.0
Net income from hedge accounting	(8)	–1	–1	–	–
Net income from financial investments	(9)	5	9	–4	–44.4
Share of profit or loss of equity-accounted entities	(10)	2	1	1	100.0
Other net operating income	(11)	108	99	9	9.1
General and administrative expenses	(12)	–656	–631	–25	–4.0
Profit before taxes		**238**	**279**	**–41**	**–14.7**
Taxes on income		–88	–95	7	7.4
Consolidated net profit		**150**	**184**	**–34**	**–18.5**
thereof: Attributable to non-controlling interests		–2	–3	1	33.3
thereof: Attributable to shareholders of the parent company		152	187	–35	–18.7

Statement of Comprehensive Income

for the period 1 January to 30 June 2017

	1.1.–30.6.2017	1.1.–30.6.2016	Change	
	in € m	in € m	in € m	in %
Consolidated net profit according to the income statement	**150**	**184**	**–34**	**–18.5**
Items that will not be reclassified to the income statement:				
Remeasurement of net defined benefit liability	92	–299	391	> 100.0
Taxes on income on items that will not be reclassified to the income statement	–26	90	–116	> –100.0
Subtotal	**66**	**–209**	**275**	**> 100.0**
Items that will be subsequently reclassified to the income statement:				
Gains or losses on available-for-sale financial assets				
Measurement gains (+) or losses (–) on available-for-sale financial assets	–30	97	–127	> –100.0
Gains (–) or losses (+) reclassified to the income statement upon disposal or impairment of the assets	–5	–8	3	37.5
Changes due to currency translation				
Gains (+) or losses (–) on currency translation of foreign operations	–8	–2	–6	> –100.0
Taxes on income on items that will be reclassified to the income statement	12	–24	36	> 100.0
Subtotal	**–31**	**63**	**–94**	**> –100.0**
Other comprehensive income after taxes	**35**	**–146**	**181**	**> 100.0**
Comprehensive income for the reporting period	**185**	**38**	**147**	**> 100.0**
thereof: Attributable to non-controlling interests	–	–1	1	100.0
thereof: Attributable to shareholders of the parent company	185	39	146	> 100.0

Statement of Financial Position

as at 30 June 2017

Assets

	Notes	30.6.2017 in € m	31.12.2016 in € m	Change in € m	Change in %
Cash reserve	(14)	11,187	3,096	8,091	> 100.0
Loans and advances to banks	(15)	12,071	15,235	– 3,164	– 20.8
Loans and advances to customers	(16)	91,690	93,078	– 1,388	– 1.5
Allowances for losses on loans and advances	(17)	– 594	– 772	178	23.1
Trading assets	(18)	16,910	20,498	– 3,588	– 17.5
Positive fair values of non-trading derivatives	(19)	3,298	4,024	– 726	– 18.0
Financial investments	(20)	25,238	25,771	– 533	– 2.1
Shares in equity-accounted entities	(21)	26	25	1	4.0
Investment property	(22)	2,151	2,163	– 12	– 0.6
Property and equipment	(23)	410	435	– 25	– 5.7
Intangible assets	(24)	132	113	19	16.8
Income tax assets		441	522	– 81	– 15.5
Non-current assets and disposal groups classified as held for sale	(25)	15	–	15	–
Other assets	(26)	1,000	976	24	2.5
Total assets		**163,975**	**165,164**	**– 1,189**	**– 0.7**

Equity and liabilities

		30.6.2017	31.12.2016	Change	
	Notes	in € m	in € m	in € m	in %
Liabilities due to banks	(27)	31,942	30,138	1,804	6.0
Liabilities due to customers	(28)	49,482	46,824	2,658	5.7
Securitised liabilities	(29)	51,097	50,948	149	0.3
Trading liabilities	(30)	13,884	18,713	–4,829	–25.8
Negative fair values of non-trading derivatives	(31)	2,846	3,918	–1,072	–27.4
Provisions	(32)	2,206	2,319	–113	–4.9
Income tax liabilities		193	184	9	4.9
Other liabilities	(33)	788	647	141	21.8
Subordinated capital	(34)	3,592	3,623	–31	–0.9
Equity	(35)	7,945	7,850	95	1.2
Subscribed capital		2,509	2,509	–	–
Capital reserves		1,546	1,546	–	–
Retained earnings		3,649	3,521	128	3.6
Revaluation reserve		221	246	–25	–10.2
Currency translation reserve		22	30	–8	–26.7
Non-controlling interests		–2	–2	–	–
Total equity and liabilities		**163,975**	**165,164**	**–1,189**	**–0.7**

Statement of Changes in Equity

for the period 1 January to 30 June 2017

in € m

	Equity attributable to shareholders of the parent company						Non-controlling interests	Total equity
	Subscribed capital	Capital reserves	Retained earnings	Revaluation reserve	Currency translation reserve	Subtotal		
Equity at 1.1.2016	**2,509**	**1,546**	**3,398**	**202**	**23**	**7,678**	**−2**	**7,676**
Dividend payment			−100			−100		−100
Comprehensive income for the reporting period			−22	63	−2	39	−1	38
Equity at 30.6.2016	**2,509**	**1,546**	**3,276**	**265**	**21**	**7,617**	**−3**	**7,614**
Changes in the basis of consolidation			2			2		2
Dividend payment			−4			−4		−4
Comprehensive income for the reporting period			247	−19	9	237	1	238
Equity at 31.12.2016	**2,509**	**1,546**	**3,521**	**246**	**30**	**7,852**	**−2**	**7,850**
Dividend payment			−90			−90		−90
Comprehensive income for the reporting period			218	−25	−8	185	–	185
Equity at 30.6.2017	**2,509**	**1,546**	**3,649**	**221**	**22**	**7,947**	**−2**	**7,945**

Cash Flow Statement

for the period 1 January to 30 June 2017 – condensed

in € m

	2017	2016
Cash and cash equivalents at 1.1.	**3,096**	**1,909**
Cash flow from operating activities	8,021	451
Cash flow from investing activities	176	42
Cash flow from financing activities	–154	–114
Effect of exchange rate changes, measurement changes and changes in basis of consolidation	48	47
Cash and cash equivalents at 30.6.	**11,187**	**2,335**
thereof:		
Cash on hand	69	80
Balances with central banks	11,118	2,255

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

Notes

Accounting Policies

(1) Basis of Presentation

Basis of accounting
The consolidated interim financial statements of the Helaba Group for the period ended 30 June 2017 have been prepared pursuant to section 315a (1) of the German Commercial Code (Handelsgesetzbuch, HGB) and Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 (IAS Regulation) in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). They also take into consideration the requirements of IAS 34 Interim Financial Reporting. The cash flow statement is presented in a condensed version; only selected information is disclosed in the notes.

Generally, the accounting policies applied in the preparation of these interim financial statements are the same as those applied in the preparation of the consolidated financial statements for the year ended 31 December 2016.

All IFRSs and IFRS Interpretations (IFRICs) for which application was mandatory in the EU as at 30 June 2017 have been applied in full.

New financial reporting standards for future financial years

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

  – Classification and measurement of financial instruments
    Compared with IAS 39, the provisions governing the classification and measurement of financial instruments, particularly those covering the assets side, have been fundamentally recast. In the future, the classification and measurement of financial assets will be based on the business model concerned and the characteristics of the contractual cash flows: Debt instruments on the asset side with cash flows typical of a simple lending relationship qualify for measurement at amortised cost or at fair value through other comprehensive income, depending on whether the business model aims to hold the asset and collect the contractual cash flows or to hold the asset with a view to selling it prior to its contractual maturity. If neither of these two business models applies or the cash flow criterion is not satisfied, it is mandatory to recognise and measure the asset at fair value through profit or loss. One exception is the option to recognise equity instruments at fair value through other comprehensive income if they are not held for trading (FVOCI option).

    The classification requirements on the assets side are different from the existing requirements under IAS 39. This is likely to lead to a slightly higher level of financial assets at fair value through profit or loss. The FVOCI option should be exercised solely for selected strategic investments. Under IFRS 9, all other equity investments within financial investments must be measured at fair value through profit or loss. It is also anticipated that some individual instruments may have to be shifted to the “at fair value through profit or loss” category because they do not satisfy the cash flow criterion. Each business model is assessed at a portfolio level lower than that of the core business areas. In this regard, the business model in which the asset is held and the contractual cash flows collected has been identified as the relevant business model for the lending business in the core areas of business. The only exceptions are restricted syndication operations, which are measured at fair value through profit or loss. The entire liquidity reserve equates to a business model in which the assets are held with a view to selling and is therefore measured at fair value through other comprehensive income.

    Overall, Helaba does not anticipate that these changes will have a significant impact on the statement of financial position or income statement. Under IAS 39, the liquidity reserve is already categorised for the most part as available for sale (AfS) and measured at fair value through other comprehensive income. Restricted syndication activities are also already recognised at fair value. It is anticipated that portfolio instruments with a value in the three-digit millions will need to be moved to the “at fair value” category because they do not satisfy the cash flow criterion. Currently, it is not possible to quantify the impact from initial application because of future changes in the portfolio and fluctuations in the market.

    There are hardly any changes in IFRS 9 relating to the classification and measurement provisions governing financial liabilities. The only change affects liabilities designated at fair value (FV option). Changes in this fair value attributable to changes in own credit risk will have to be presented in other comprehensive income (OCI) rather than in profit or loss. Initial application will lead solely to a reclassification within equity. The standard states that this provision may be applied separately prior to the initial application of IFRS 9. Helaba has no plans for voluntary earlier application.

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

The design phase specifying the technical requirements for the implementation of the new rules for recognising impairment losses has been completed. Helaba is planning to exercise the option to allocate instruments with low credit risk to stage 1 as a group, but only for the securities portfolio. In line with the standard process all other instruments will be reviewed to establish whether there has been a significant increase in credit risk. Helaba will rely on the well-established internal rating process to carry out this review. If a significant increase arises compared with the amount of credit risk expected on initial recognition, the instrument concerned will be transferred to stage 2. The transfer of an instrument to loan workout will also be used as a qualitative criterion for assessing whether the instrument needs to be moved to stage 2. In the context of stage 3, indicators constituting objective evidence will be harmonised with the regulatory definition of a default event in accordance with article 178 CRR. The amount of the loss allowances to be recognised will be calculated with the existing procedures and parameters used for regulatory purposes. Any deviating requirements under IFRS 9 will be adequately taken into account, for example by using internally estimated loss given default (LGD) parameters or by including different macroeconomic scenarios.

The project will now concentrate on testing going forward. Implementation activities and modifications to the IT architecture have been largely completed. Based on simulated calculations, it is likely that there will be an increase in the level of provisions for losses on loans and advances and greater earnings volatility.

Initial application is expected to lead to an increase in provisions for losses on loans and advances in the mid-double-digit millions. This forecast is subject to portfolio and measurement changes in the meantime, for example resulting from changes in macroeconomic factors.

As definitive transitional regulatory arrangements covering the impact from the initial application of IFRS 9 on capital ratios are not yet available, no decision has yet been taken on whether these arrangements will be used. Based on the effects from the initial application of the new impairment requirements referred to above, it is projected that the change in the Common Equity Tier 1 (CET1) capital ratio will be less than 0.25 percentage points.

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

As macro hedge accounting does not form part of the current IFRS 9, there is an option to continue to apply all the provisions in IAS 39 relating to hedge accounting (general and macro hedge accounting) until the IASB’s macro hedge accounting project has been completed. Helaba has not yet decided whether it will make use of this option.

IFRS 9 will have to be applied for the first time in annual reporting periods beginning on or after 1 January 2018. Helaba has no plans for voluntary earlier application. Generally speaking, first-time application must be retrospective, but various simplification options are available. These include the option not to restate comparative figures for prior periods. Helaba intends to utilise these simplification options.

- IFRS 15 Revenue from Contracts with Customers
  Under IFRS 15, revenue is recognised when control over the agreed goods and/or services is passed to the customer and the customer can obtain substantially all of the remaining benefits from the goods and/or services involved. The key factor is no longer the transfer of substantially all the risks and rewards as specified in the superseded provisions in IAS 18 Revenue. The revenue must be measured in the amount of consideration to which the entity expects to be entitled in exchange for transferring the promised goods or services to the customer. The new model sets out a five-step framework for determining revenue recognition. The scope of the disclosure requirements is also extended under IFRS 15. The provisions and definitions in IFRS 15 will in the future replace the content of both IAS 18 Revenue and IAS 11 Construction Contracts as well as that of the associated interpretations; however, they will not have any impact on the recognition of revenue arising in connection with financial instruments that fall within the scope of IFRS 9/IAS 39. IFRS 15 must be applied in annual reporting periods beginning on or after 1 January 2018. Helaba is currently reviewing the implications of IFRS 15 but, on the basis of the analyses carried out so far, no material impact is expected.

- IFRS 16 Leases
  The basic thrust of this new standard is that lessees will generally have to recognise all leases and the associated contractual rights and obligations in the statement of financial position. From the perspective of the lessee, the previous distinction between finance and operating leases as specified by IAS 17 will no longer be required in the future.

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

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

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

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

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

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

The distribution of the net gains or losses from the centrally held liquidity securities has been restated in the segment reporting for the period under review (see Note (13)). As a result, amounts have been moved between the segments Real Estate, Corporate Finance, Financial Markets, S-Group Business, Private Customers and SME Business, and Other. The prior-year figures have been restated accordingly.

Trade accounts receivable and trade accounts payable have been added to Note (37). The prior-year figures have been restated accordingly. Please refer to the relevant notes for details.

In the disclosures on issuing activities, interest payments already due were reported as accrued interest in the opening balance of the securitised subordinated debt; changes were reported correctly however. The opening and closing balances in the prior year have been restated (see Note (40)).

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

(2) Basis of Consolidation

In addition to the parent company Helaba, a total of 124 entities are consolidated in the Helaba Group (31 December 2016: 116 entities). Of this total, 89 (31 December 2016: 88) entities are fully consolidated and 35 entities are included using the equity method (31 December 2016: 28). The fully consolidated companies are subsidiaries and special purpose entities, including collective investment undertakings.

The consolidated financial statements do not include 38 subsidiaries, 18 joint ventures and 15 associates that are of minor significance for the presentation of the financial position and financial performance of the Helaba Group. The shares in these companies are reported under financial investments.

The changes in the basis of consolidation during the reporting period were predominantly related to the OFB Group.

Changes in the group of fully consolidated entities

Additions

Family Office der Frankfurter Bankgesellschaft AG, Frankfurt am Main	Entity established in June 2017
ASTARTE Verwaltungsgesellschaft mbH & Co. Vermietungs KG, Pullach	Opportunity for control obtained by Helaba in June 2017 through potential majority of voting rights in the company

Disposals

Haus am Zentralen Platz GmbH & Co. KG, Frankfurt am Main	Entity merged with Helaba in June 2017

The initial consolidation of ASTARTE Verwaltungsgesellschaft mbH & Co. Vermietungs KG gave rise to income of € 13 m, which is reported under other net operating income.

Changes in the group of equity-accounted entities

Additions

FHP Friedenauer Höhe Dritte GmbH & Co. KG, Berlin	Established May 2017
FHP Friedenauer Höhe Erste GmbH & Co. KG, Berlin	Established May 2017
FHP Friedenauer Höhe Fünfte GmbH & Co. KG, Berlin	Established May 2017
FHP Friedenauer Höhe Projekt GmbH, Berlin	Acquired May 2017
FHP Friedenauer Höhe Sechste GmbH & Co. KG, Berlin	Established May 2017
FHP Friedenauer Höhe Vierte GmbH & Co. KG, Berlin	Established May 2017
FHP Friedenauer Höhe Zweite GmbH & Co. KG, Berlin	Established May 2017

Income Statement Disclosures

(3) Net Interest Income

in € m

	1.1.–30.6.2017	1.1.–30.6.2016
Interest income from		
Lending and money market transactions	1,177	1,270
Fixed-income securities	110	129
Hedging derivatives under hedge accounting	129	118
Derivatives not held for trading	405	453
Financial instruments to which the fair value option is applied	37	31
Financial liabilities (negative interest)	19	5
Current income from		
Equity shares and other variable-income securities	7	12
Shares in affiliates	1	1
Equity investments	5	5
Interest income	**1,890**	**2,024**
Interest expense on		
Liabilities due to banks and customers	–476	–525
Securitised liabilities	–165	–158
Subordinated capital	–67	–75
Hedging derivatives under hedge accounting	–106	–117
Derivatives not held for trading	–375	–406
Financial instruments to which the fair value option is applied	–114	–102
Financial assets (negative interest)	–28	–8
Provisions	–17	–22
Interest expense	**–1,348**	**–1,413**
Total	**542**	**611**

(4) Provisions for Losses on Loans and Advances

in € m

	1.1.–30.6.2017	1.1.–30.6.2016
Additions	**–76**	**–173**
Allowances for losses on loans and advances	–68	–162
Provisions for lending business risks	–8	–11
Reversals	**64**	**95**
Allowances for losses on loans and advances	49	84
Provisions for lending business risks	15	11
Loans and advances directly written off	**–2**	**–2**
Recoveries on loans and advances previously written off	**12**	**5**
Total	**–2**	**–75**

(5) Net Fee and Commission Income

in € m

	1.1.–30.6.2017	1.1.–30.6.2016
Lending and guarantee business	19	18
Payment transactions and foreign trade business	57	51
Asset management and fund design	46	42
Securities and securities deposit business	26	28
Placement and underwriting obligations	11	11
Management of public-sector subsidy and development programmes	18	18
Home savings business	–5	–5
Trustee business	1	1
Other	7	8
Total	**180**	**172**

(6) Net Trading Income

in € m

	1.1.–30.6.2017	1.1.–30.6.2016
Share-price-related business	**2**	**2**
Equities	3	–25
Equity derivatives	7	14
Issued equity/index certificates	–8	13
Interest-rate-related business	**112**	**–52**
Primary interest-rate-related business	10	149
Interest-rate derivatives	102	–201
Currency-related business	**66**	**39**
Foreign exchange	184	103
FX derivatives	–118	–64
Net income or expense from credit derivatives	**–7**	**4**
Commodity-related business	**4**	**3**
Net fee and commission income or expense	**–9**	**–9**
Total	**168**	**–13**

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

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

The net income from currency-related business includes foreign currency translation differences, among other items.

The net income from commodity-related business relates to hedging transactions recognised by the Bank for precious metals inventories.

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

in € m

	1.1.–30.6.2017	1.1.–30.6.2016
Gains or losses on non-trading derivatives	–206	129
Gains or losses on financial instruments to which the fair value option is applied	98	–22
Total	**–108**	**107**

This item includes the net gain or loss from economic hedges (hedged items and derivatives). It also includes the realised and unrealised gains or losses on other financial instruments designated voluntarily at fair value. Interest and dividend income from financial instruments to which the fair value option is applied is recognised in net interest income. Of the net loss on non-trading derivatives, credit derivatives accounted for a gain of € 1 m (H1 2016: gain of € 1 m). Within the gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied, the amount attributable to such instruments held by consolidated special and retail funds was a net loss of € 27 m (H1 2016: net gain of € 15 m).

(8) Net Income from Hedge Accounting

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

in € m

	1.1.–30.6.2017	1.1.–30.6.2016
Remeasurement gains (losses) on hedging instruments	–59	35
Remeasurement gains (losses) on hedged items	58	–36
Total	**–1**	**–1**

(9) Net Income from Financial Investments

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

in € m

	1.1.–30.6.2017	1.1.–30.6.2016
Net disposal gains (losses) on available-for-sale financial investments	**5**	**11**
Equity investments	–	9
Bonds and other fixed-income securities	5	2
Remeasurement gains (losses) on available-for-sale financial investments	**–**	**–2**
Impairment losses	–	–2
Total	**5**	**9**

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

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

in € m

	1.1.–30.6.2017	1.1.–30.6.2016
Share of profit or loss of equity-accounted joint ventures	–	–1
Share of profit or loss of equity-accounted associates	2	2
Total	**2**	**1**

(11) Other Net Operating Income

in € m

	1.1.–30.6.2017	1.1.–30.6.2016
Other operating income	**265**	**218**
Rental and lease income (operating leases)	171	163
Income from the disposal of non-financial assets	30	24
Income from the reversal of provisions	6	3
Income from non-banking services	15	13
Reversal of impairment losses on non-financial assets	1	–
Miscellaneous other operating income	42	15
Other operating expenses	**–157**	**–119**
Operating costs of property not used for owner occupancy	–82	–79
Depreciation, amortisation and impairment losses on non-financial assets	–19	–18
Expenses from the deconsolidation of subsidiaries	–	–4
Restructuring expenses	–11	–
Profit transfer expenses	–2	–2
Miscellaneous other operating expenses	–43	–16
Total	**108**	**99**

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

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

in € m

	1.1.–30.6.2017	1.1.–30.6.2016
Income from investment property	**184**	**168**
Rental income	161	153
Income from disposals	23	15
Expenses from investment property	**–98**	**–94**
Operating expenses from investment property	–80	–77
thereof: From property leased to third parties	–80	–77
Depreciation and impairment losses	–18	–17
Total	**86**	**74**

(12) General and Administrative Expenses

in € m

	1.1.–30.6.2017	1.1.–30.6.2016
Personnel expenses	**–311**	**–302**
Wages and salaries	–250	–247
Social security	–38	–36
Expenses for pensions and other benefits	–23	–19
Other administrative expenses	**–325**	**–310**
Buildings and premises	–27	–28
IT costs	–93	–82
Mandatory contributions, audit and consultancy fees	–142	–138
Cost of advertising, public relations and representation	–16	–17
Business operating costs	–47	–45
Depreciation, amortisation and impairment losses	**–20**	**–19**
Depreciation of and impairment losses on property and equipment	–14	–12
Amortisation of and impairment losses on software and other intangible assets	–6	–7
Total	**–656**	**–631**

The mandatory contributions included the portion of contributions to the European Single Resolution Fund subject to recognition in profit or loss amounting to € 38 m (H1 2016: € 37 m).

(13) Segment Reporting

in € m

	Real Estate		Corporate Finance		Financial Markets		S-Group Business, Private Customers and SME Business	
	30.6. 2017	30.6. 2016[1]	30.6. 2017	30.6. 2016[1]	30.6. 2017	30.6. 2016[1]	30.6. 2017	30.6. 2016[1]
Net interest income	174	183	149	159	33	26	177	183
Provisions for losses on loans and advances	3	–14	–31	–110	–1	–	4	1
Net interest income after provisions for losses on loans and advances	**177**	**169**	**118**	**49**	**32**	**26**	**181**	**184**
Net fee and commission income	8	10	4	6	43	45	87	77
Net trading income	–	–	–	–	138	–22	12	15
Gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied	2	3	–	–	–109	96	–2	6
Net income from hedge accounting	–	–	–	–	–1	–1	–	–
Net income from financial investments	–	1	–	–1	–	–	3	2
Share of profit or loss of equity-accounted entities	2	2	–	–	–	–	–	–
Other net operating income	123	112	17	2	2	2	–	3
Total income	**312**	**297**	**139**	**56**	**105**	**146**	**281**	**287**
General and administrative expenses	–117	–119	–74	–66	–115	–108	–232	–232
Profit before taxes	**195**	**178**	**65**	**–10**	**–10**	**38**	**49**	**55**
Assets (€ bn)	33.7	34.2	27.6	28.0	29.3	42.2	34.9	35.7
Liabilities (€ bn)	3.6	3.4	4.0	4.6	68.6	65.5	57.7	57.5
Risk-weighted assets (€ bn)	15.1	15.7	13.2	13.5	6.6	7.6	5.9	5.9
Allocated capital (€ m)	2,730	2,731	1,765	1,670	869	916	1,269	1,126
Return on allocated capital (%)	14.4	13.0	7.3	–	–	8.3	7.8	9.9
Cost income ratio	37.8	38.2	43.3	39.8	108.4	73.9	83.7	81.0

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

in € m

	Public Development and Infrastructure Business		Other		Consolidation/ reconciliation		Group	
	30.6.2017	30.6.2016	30.6.2017	30.6.2016[1]	30.6.2017	30.6.2016	30.6.2017	30.6.2016
Net interest income	25	24	–16	–10	–	46	542	611
Provisions for losses on loans and advances	–	–	22	46	1	2	–2	–75
Net interest income after provisions for losses on loans and advances	**25**	**24**	**6**	**36**	**1**	**48**	**540**	**536**
Net fee and commission income	19	19	16	14	3	1	180	172
Net trading income	–	–	–	–	18	–6	168	–13
Gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied	–	–	1	2	–	–	–108	107
Net income from hedge accounting	–	–	–	–	–	–	–1	–1
Net income from financial investments	–	–	2	7	–	–	5	9
Share of profit or loss of equity-accounted entities	–	–	–	–1	–	–	2	1
Other net operating income	–	–	–15	4	–19	–24	108	99
Total income	**44**	**43**	**10**	**62**	**3**	**19**	**894**	**910**
General and administrative expenses	–35	–31	–123	–118	40	43	–656	–631
Profit before taxes	**9**	**12**	**–113**	**–56**	**43**	**62**	**238**	**279**
Assets (€ bn)	16.6	16.4	31.3	23.3	–9.4	–4.2	164.0	175.6
Liabilities (€ bn)	16.9	16.5	10.1	10.8	3.1	17.3	164.0	175.6
Risk-weighted assets (€ bn)	1.1	1.1	8.2	8.8	–	–	50.1	52.6
Allocated capital (€ m)[1]	138	127	1,040	1,033	–	–	7,811	7,603
Return on allocated capital (%)[1]	12.2	18.3	–	–	–	–	6.1	7.4
Cost income ratio	80.7	72.7	–	–	–	–	73.3	64.0

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

IFRS 8 is the basis for preparing the segment report. The segment definition is based on the internal divisional structure of the Bank and follows the management approach. Equity investments are assigned to the segments on the basis of their specific focus.

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

- The Real Estate Lending and Real Estate Management business lines are reported in the Real Estate segment. The services Helaba provides for real estate customers are thus pooled in one operating segment. The range of products covers traditional real estate financing in Germany and abroad, residential investments, planning and support for own and third-party real estate as well as public-private partnership projects right through to facility management. The OFB Group and the GWH Group are included in this operating segment.

- The Corporate Finance segment comprises the Corporate Finance business line. Financing solutions tailored specifically to meet the needs of corporate customers are pooled in this segment. These include structured finance, investment finance, asset-backed securities, lease finance as well as the structuring and distribution of fund concepts. Certain property companies of HANNOVER LEASING are fully consolidated as special purpose entities of Helaba in accordance with IFRS 10 and are reported together with the other contributions to earnings from the HANNOVER LEASING Group in the Corporate Finance segment.

- The Financial Markets segment brings together the earnings of the Capital Markets, Asset/Liability Management, Sales Public Authorities, Financial Institutions and Public Finance business lines and those of securitisation and issues vehicles and of the equity investment in Helaba Invest Kapitalanlagegesellschaft mbH. The segment primarily pools the treasury, trading and sales activities of Helaba. The Financial Markets product portfolio contains traditional capital market products, financial instruments for managing interest rate risk, currency risk, credit risk and liquidity as well as financing solutions tailored to meet the needs of businesses and the public sector. The asset management products at Helaba Invest Kapitalanlagegesellschaft mbH also include traditional asset management and administration, the management of special and retail funds for institutional investors and support for master investment trust clients.

- The S-Group Business, Private Customers and SME Business segment encompasses the retail banking and private banking businesses, the S-Group Bank and Landesbausparkasse Hessen-Thüringen. Frankfurter Sparkasse reflects the earnings from the conventional products of a retail bank. The Frankfurter Bankgesellschaft Group rounds off the range of private banking products available from Helaba. This segment deals primarily with providing support for the Sparkassen and their customers for whom products are developed and provided.

- The Public Development and Infrastructure Business segment mainly comprises the Wirtschafts- und Infrastrukturbank Hessen (WIBank) business line. This segment thus pools the earnings from Helaba's development and infrastructure activities in the fields of housing, municipal and urban development, agriculture and environmental protection.

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

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

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

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

Assets included in the statement of financial position are reported under assets, and equity and liabilities under equity and liabilities of the respective units. Contribution margin accounting is used for allocating these items to the operating segments. The risk exposure item comprises the risk exposure of the banking and trading book, including the market risk exposure in accordance with the Capital Requirements Regulation (CRR). The average equity stated in the statement of financial position is allocated to the segments (allocated capital). For the units assigned to a segment, the allocation is based on risk exposures; for the subsidiaries and equity investments assigned to a segment, the allocation basis is their equity on the statement of financial position.

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

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

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

Statement of Financial Position Disclosures

(14) Cash Reserve

in € m

	30.6.2017	31.12.2016
Cash on hand	69	105
Balances with central banks	11,118	2,991
Total	**11,187**	**3,096**

(15) Loans and Advances to Banks

in € m

	30.6.2017	31.12.2016
Affiliated Sparkassen	5,753	6,351
Central giro institutions	323	333
Banks	5,995	8,551
Total	**12,071**	**15,235**
thereof:		
Domestic banks	8,702	9,860
Foreign banks	3,369	5,375

in € m

	30.6.2017	31.12.2016
Loans and advances repayable on demand	3,848	6,120
Other loans and advances	8,223	9,115
Total	**12,071**	**15,235**
thereof:		
Demand deposits	366	254
Overnight and time deposits	1,840	3,025
Cash collateral provided	3,126	5,026
Forwarding loans	4,989	5,024
Registered bonds	634	696
Promissory note loans	437	578

(16) Loans and Advances to Customers

in € m

	30.6.2017	31.12.2016
Corporate customers	67,402	68,176
Retail customers	5,485	5,529
Public sector	18,803	19,373
Total	**91,690**	**93,078**
thereof:		
Domestic customers	58,679	58,926
Foreign customers	33,011	34,152

in € m

	30.6.2017	31.12.2016
Loans and advances repayable on demand	3,211	3,337
Other loans and advances	88,479	89,741
Total	**91,690**	**93,078**
thereof:		
Commercial real estate loans	32,624	33,002
Residential building loans	4,046	4,040
Forwarding loans	1,949	1,922
Infrastructure loans	14,941	15,006
Project finance loans	5,546	5,750
Consumer loans	122	105
Promissory note loans	3,419	3,504
Financial assets from credit substitute business	80	89
Current account overdrafts	1,720	1,434
Cash collateral provided	705	781
Overnight and time deposits	2,674	2,689
Receivables from finance leases	3	4

(17) Provisions for Losses on Loans and Advances

in € m

	30.6.2017	31.12.2016
Allowances on loans and advances to banks	**1**	**1**
Portfolio loan loss allowances	1	1
Allowances on loans and advances to customers	**593**	**771**
Specific loan loss allowances	308	453
Specific loan loss allowances evaluated on a group basis	38	46
Portfolio loan loss allowances	247	272
Provisions for lending business risks	**31**	**43**
Total	**625**	**815**

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

in € m

	Specific allowances		Specific allowances on a group basis		Portfolio allowances		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
As at 1.1.	**453**	**577**	**46**	**61**	**273**	**348**	**772**	**986**
Changes in basis of consolidation	–	12	–	–	–1	–	**–1**	**12**
Changes due to currency translation	–18	–4	–	–	–1	–	**–19**	**–4**
Use	–169	–83	–6	–1	–	–	**–175**	**–84**
Reversals	–21	–25	–6	–10	–22	–49	**–49**	**–84**
Reclassifications	5	4	–	–	–1	–1	**4**	**3**
Unwinding	–6	–10	–	–			**–6**	**–10**
Additions	64	155	4	7	–	–	**68**	**162**
As at 30.6.	**308**	**626**	**38**	**57**	**248**	**298**	**594**	**981**

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

in € m

	30.6.2017	31.12.2016
Government	1	1
Mining and quarrying	1	1
Manufacturing	54	42
Electricity, gas, steam and air-conditioning supply	14	17
Water supply, sewerage, waste management and remediation activities	–	1
Construction	5	5
Wholesale and retail trade; repair of motor vehicles and motorcycles	6	9
Transportation and storage	240	370
Accommodation and food service activities	1	2
Information and communication	18	21
Real estate activities	75	105
Professional, scientific and technical activities	32	33
Administrative and support service activities	6	14
Human health and social work activities	3	3
Arts, entertainment and recreation	1	1
Other service activities	41	50
Other financial activities	58	56
Households	37	40
Total	**593**	**771**

(18) Trading Assets

in € m

	30.6.2017	31.12.2016
Bonds and other fixed-income securities	**5,707**	**6,723**
Money market instruments	10	–
Other issuers	10	–
Bonds and notes	5,697	6,723
Public-sector issuers	835	1,421
Other issuers	4,862	5,302
Equity shares and other variable-income securities	**108**	**96**
Positive fair values of derivatives	**9,986**	**12,343**
Share-price derivatives	155	143
Interest-rate derivatives	8,551	10,574
Currency derivatives	1,225	1,590
Credit derivatives	51	32
Commodity derivatives	4	4
Loans held for trading	**1,109**	**1,336**
Total	**16,910**	**20,498**

The financial instruments under trading assets are measured at fair value and assigned exclusively to the category of financial assets at fair value through profit or loss (held-for-trading sub-category). Loans held for trading mainly comprise promissory note loans.

(19) Positive Fair Values of Non-Trading Derivatives

in € m

	30.6.2017	31.12.2016
Hedging derivatives under hedge accounting	642	753
Other non-trading derivatives	2,656	3,271
Total	**3,298**	**4,024**

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

(20) Financial Investments

in € m

	30.6.2017	31.12.2016
Bonds and other fixed-income securities	**24,861**	**25,386**
Public-sector issuers	8,668	8,686
Other issuers	16,193	16,700
Equity shares and other variable-income securities	**122**	**128**
Equities	1	1
Other variable-income securities	121	127
Shares in unconsolidated affiliates	**24**	**25**
Measured at fair value	17	18
Measured at cost	7	7
Equity investments	**103**	**100**
Measured at fair value	78	77
Measured at cost	25	23
Purchase of receivables from endowment insurance policies	**128**	**132**
Measured at fair value	128	132
Total	**25,238**	**25,771**

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

(21) Shares in Equity-Accounted Entities

in € m

	30.6.2017	31.12.2016
Investments in joint ventures	19	21
Investments in associates	7	4
Total	**26**	**25**

(22) Investment Property

in € m

	30.6.2017	31.12.2016
Land and buildings leased to third parties	2,050	2,012
Undeveloped land	54	54
Vacant buildings	3	3
Property under construction	44	94
Total	**2,151**	**2,163**

Residential property held by the GWH Group accounted for € 2,060 m (31 December 2016: € 2,059 m) of the total investment property.

(23) Property and Equipment

in € m

	30.6.2017	31.12.2016
Owner-occupied land and buildings	358	362
Operating and office equipment	51	55
Assets used for leasing	–	17
Machinery and technical equipment	1	1
Total	**410**	**435**

(24) Intangible Assets

in € m

	30.6.2017	31.12.2016
Goodwill	68	68
Purchased software	64	45
Total	**132**	**113**

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

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

Agreements for the sale of two ships were signed before the reporting date. The legal transfer of ownership and the payment of the purchase price only took place after 30 June 2017. The fair value of € 15 m equates to the sale prices less costs to sell.

The two ships were legally transferred and the sale prices recognised as revenue on 28 July 2017.

(26) Other Assets

in € m

	30.6.2017	31.12.2016
Property held for sale	**403**	**363**
Completed property	88	74
Property under construction	315	289
Advance payments and payments on account	**159**	**92**
Trade accounts receivable	**18**	**36**
Other taxes receivable (excl. income taxes)	**5**	**5**
Other assets	**415**	**480**
Total	**1,000**	**976**

(27) Liabilities Due to Banks

in € m

	30.6.2017	31.12.2016
Central banks	2,199	200
Affiliated Sparkassen	5,833	5,464
Central giro institutions	902	1,466
Banks	23,008	23,008
Total	**31,942**	**30,138**
thereof:		
Domestic banks	29,157	27,103
Foreign banks	2,785	3,035

in € m

	30.6.2017	31.12.2016
Amounts payable on demand	6,989	6,774
Amounts due with an agreed maturity or period of notice	24,953	23,364
Total	**31,942**	**30,138**
thereof:		
Promissory note loans raised	4,646	4,461
Forwarding loans	7,342	7,311
Issued registered bonds	3,027	2,757
Overnight and time deposits	3,816	2,516
Demand deposits	4,635	4,762

(28) Liabilities Due to Customers

in € m

	30.6.2017	31.12.2016
Corporate customers	27,928	25,729
Retail customers	17,397	17,230
Public sector	4,157	3,865
Total	**49,482**	**46,824**
thereof:		
Domestic customers	45,737	43,796
Foreign customers	3,745	3,028

in € m

	30.6.2017	31.12.2016
Amounts payable on demand	27,274	23,731
Amounts due with an agreed maturity or period of notice	22,208	23,093
Total	**49,482**	**46,824**
thereof:		
Demand deposits	15,813	13,276
Overnight and time deposits	14,553	14,093
Savings deposits	1,652	1,712
Home savings deposits	4,557	4,456
Issued registered bonds	10,001	9,984
Promissory note loans raised	1,704	1,744

(29) Securitised Liabilities

in € m

	30.6.2017	31.12.2016
Bonds issued	**45,520**	**42,966**
Mortgage Pfandbriefe	10,580	8,151
Public Pfandbriefe	11,399	12,563
Other debt instruments	23,541	22,252
Issued money market instruments	**5,577**	**7,982**
Commercial paper	1,569	3,050
Certificates of deposit	3,363	4,071
Asset-backed commercial paper	645	861
Total	**51,097**	**50,948**

(30) Trading Liabilities

in € m

	30.6.2017	31.12.2016
Negative fair values of derivatives	**8,498**	**10,795**
Share-price derivatives	161	136
Interest-rate derivatives	7,241	9,377
Currency derivatives	1,036	1,247
Credit derivatives	57	31
Commodity derivatives	3	4
Issued money market instruments	**143**	**1,552**
Issued equity/index certificates	**123**	**123**
Liabilities held for trading	**5,120**	**6,243**
Total	**13,884**	**18,713**

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

(31) Negative Fair Values of Non-Trading Derivatives

in € m

	30.6.2017	31.12.2016
Hedging derivatives under hedge accounting	117	161
Other non-trading derivatives	2,729	3,757
Total	**2,846**	**3,918**

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

(32) Provisions

in € m

	30.6.2017	31.12.2016
Provisions for pensions and similar obligations	**1,751**	**1,839**
Other provisions	**455**	**480**
Personnel provisions	102	131
Provisions for lending business risks	31	43
Restructuring provisions	22	13
Provisions for litigation risks	39	45
Sundry provisions	261	248
Total	**2,206**	**2,319**

In calculating the pension provisions, the main pension obligations in Germany were measured using a discount rate of 2.0 % (31 December 2016: 1.75 %).

(33) Other Liabilities

in € m

	30.6.2017	31.12.2016
Trade accounts payable	77	84
Liabilities to employees	32	25
Advance payments and payments on account	337	304
Other taxes payable (excl. income taxes)	40	33
Other liabilities	302	201
Total	**788**	**647**

(34) Subordinated Capital

in € m

	30.6.2017	31.12.2016
Subordinated liabilities	2,332	2,364
thereof: Accrued interest	51	33
Profit participation rights	283	276
thereof: Accrued interest	7	–
Silent participations	977	983
thereof: Accrued interest	8	14
Total	**3,592**	**3,623**
thereof: Securitised subordinated debt	1,520	1,527

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

(35) Equity

in € m

	30.6.2017	31.12.2016
Subscribed capital	2,509	2,509
Capital reserves	1,546	1,546
Retained earnings	3,649	3,521
Revaluation reserve	221	246
Currency translation reserve	22	30
Non-controlling interests	–2	–2
Total	**7,945**	**7,850**

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

As at 30 June 2017, the share capital was attributable to the owners as follows:

	in € m	in %
Sparkassen- und Giroverband Hessen-Thüringen	405	68.85
State of Hesse	48	8.10
Rheinischer Sparkassen- und Giroverband	28	4.75
Sparkassenverband Westfalen-Lippe	28	4.75
Fides Alpha GmbH[1]	28	4.75
Fides Beta GmbH[1]	28	4.75
State of Thuringia	24	4.05
Total	**589**	**100.00**

[1] Represented by DSGV e.V. as the trustee.

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

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

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

Further Disclosures About Financial Instruments

(36) Derivatives

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

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

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

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

in € m

	Nominal amounts		Positive fair values		Negative fair values	
	30.6.2017	31.12.2016	30.6.2017	31.12.2016	30.6.2017	31.12.2016
Equity-/index-related transactions	**4,170**	**3,646**	**155**	**143**	**162**	**137**
OTC products	**3,153**	**2,735**	**140**	**124**	**132**	**118**
Equity options	3,153	2,735	140	124	132	118
Calls	1,793	1,548	140	124	–	–
Puts	1,360	1,187	–	–	132	118
Exchange-traded products	**1,017**	**911**	**15**	**19**	**30**	**19**
Equity/index futures	275	212	–	3	10	–
Equity/index options	742	699	15	16	20	19
Interest-rate-related transactions	**430,062**	**418,466**	**11,324**	**14,344**	**9,402**	**12,144**
OTC products	**414,903**	**407,859**	**11,311**	**14,342**	**9,399**	**12,135**
Forward rate agreements	–	2,920	–	–	–	–
Interest-rate swaps	365,159	355,341	10,296	13,026	6,901	8,729
Interest rate options	49,513	49,491	1,015	1,316	2,498	3,406
Calls	17,590	17,670	912	1,241	55	39
Puts	31,923	31,822	103	75	2,443	3,367
Other interest rate contracts	231	107	–	–	–	–
Exchange-traded products	**15,159**	**10,607**	**13**	**2**	**3**	**9**
Interest rate futures	15,098	10,587	13	2	3	9
Interest rate options	61	20	–	–	–	–
Currency-related transactions	**64,038**	**74,322**	**1,750**	**1,844**	**1,720**	**2,396**
OTC products	**64,038**	**74,322**	**1,750**	**1,844**	**1,720**	**2,396**
Currency spot and futures contracts	39,328	49,010	523	968	671	832
Cross-currency swaps	24,070	24,650	1,218	868	1,039	1,556
Currency options	640	662	9	8	10	8
Calls	321	328	9	8	–	–
Puts	319	333	–	–	10	8
Credit derivatives	**5,440**	**5,828**	**51**	**32**	**57**	**32**
OTC products	**5,440**	**5,828**	**51**	**32**	**57**	**32**
Commodity-related transactions	**111**	**147**	**4**	**4**	**3**	**4**
OTC products	**111**	**147**	**4**	**4**	**3**	**4**
Commodity swaps	48	53	3	4	3	4
Commodity options	63	94	1	–	–	–
Total	**503,821**	**502,409**	**13,284**	**16,367**	**11,344**	**14,713**

Nominal amounts broken down by term to maturity:

in € m

	Equity-/index-related transactions		Interest-rate-related transactions		Currency-related transactions	
	30.6.2017	31.12.2016	30.6.2017	31.12.2016	30.6.2017	31.12.2016
Up to three months	455	354	20,291	33,000	21,718	28,838
More than three months and up to one year	723	707	49,719	43,463	16,861	18,638
More than one year and up to five years	2,676	2,435	189,437	185,508	19,378	20,792
More than five years	316	150	170,615	156,495	6,081	6,054
Total	**4,170**	**3,646**	**430,062**	**418,466**	**64,038**	**74,322**

in € m

	Credit derivatives		Commodity-related transactions		Total	
	30.6.2017	31.12.2016	30.6.2017	31.12.2016	30.6.2017	31.12.2016
Up to three months	230	130	37	48	42,731	62,370
More than three months and up to one year	506	1,311	24	32	67,833	64,151
More than one year and up to five years	4,571	4,253	50	67	216,112	213,055
More than five years	133	134	–	–	177,145	162,833
Total	**5,440**	**5,828**	**111**	**147**	**503,821**	**502,409**

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

in € m

	Nominal amounts		Positive fair values		Negative fair values	
	30.6.2017	31.12.2016	30.6.2017	31.12.2016	30.6.2017	31.12.2016
Banks in OECD countries	191,195	208,678	7,197	8,469	8,796	11,885
Banks outside OECD countries	13	21	–	–	1	1
Other counterparties (including exchanges)	282,005	259,804	2,465	3,222	1,135	1,117
Public institutions in OECD countries	30,608	33,906	3,622	4,676	1,412	1,710
Total	**503,821**	**502,409**	**13,284**	**16,367**	**11,344**	**14,713**

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

The following table sets out the carrying amounts of financial assets and liabilities as at 30 June 2017 in accordance with the measurement categories of IAS 39. It also shows the figures reported in the statement of financial position.

in € m

	LaR/OL	AfS	HfT, non-trading derivatives	FVO	Total
Assets					
Cash reserve	1,085		10,102		11,187
Loans and advances to banks	12,071			–	12,071
Loans and advances to customers	91,195			495	91,690
Trading assets			16,910		16,910
Positive fair values of non-trading derivatives			3,298		3,298
Financial investments		23,397		1,841	25,238
Other assets	18				18
Total	**104,369**	**23,397**	**30,310**	**2,336**	**160,412**
Liabilities					
Liabilities due to banks	31,513			429	31,942
Liabilities due to customers	45,813			3,669	49,482
Securitised liabilities	45,407			5,690	51,097
Trading liabilities			13,884		13,884
Negative fair values of non-trading derivatives			2,846		2,846
Subordinated capital	3,546			46	3,592
Other liabilities	77				77
Total	**126,356**		**16,730**	**9,834**	**152,920**

The corresponding carrying amounts as at 31 December 2016 were as follows:

in € m

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

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

The other assets in the LaR measurement category consist of trade accounts receivable. The other liabilities in the OL measurement category consist of trade accounts payable.

The following table shows the contributions to earnings from financial instruments in each measurement category for the period 1 January to 30 June 2017:

in € m

	LaR	OL	AfS	HfT	FVO	Non-trading derivatives	Total
Net interest income	1,149	–689	122		–76	53	559
Provisions for losses on loans and advances	–2						–2
Net trading income				168			168
Gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied					98	–206	–108
Net income from hedge accounting	5	53				–59	–1
Net income from financial investments			5				5
Contributions to earnings recognised under other comprehensive income			–35				–35
Total	**1,152**	**–636**	**92**	**168**	**22**	**–212**	**586**

The equivalent amounts for the first six months of 2016 were as follows:

in € m

	LaR	OL	AfS	HfT	FVO	Non-trading derivatives	Total
Net interest income	1,262	–753	144		–68	48	633
Provisions for losses on loans and advances	–75						–75
Net trading income				–13			–13
Gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied					–22	129	107
Net income from hedge accounting	–6	–30				35	–1
Net income from financial investments			9				9
Contributions to earnings recognised under other comprehensive income			89				89
Total	**1,181**	**–783**	**242**	**–13**	**–90**	**212**	**749**

Net interest income as per the income statement includes not only interest from financial instruments but also net interest attributable to pension obligations and other non-current provisions. Net interest income includes interest income and interest expense from financial instruments not measured at fair value through profit or loss amounting to € 1,318 m (H1 2016: € 1,419 m) and € 736 m (H1 2016: € 766 m) respectively.

(38) Fair Values of Financial Instruments

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

in € m

	Fair value		Carrying amount		Difference	
	30.6.2017	31.12.2016	30.6.2017	31.12.2016	30.6.2017	31.12.2016
Assets						
Cash reserve	11,187	3,096	11,187	3,096	–	–
Loans and advances to banks[1]	12,166	15,346	12,070	15,234	96	112
Loans and advances to customers[1]	95,833	97,557	91,097	92,307	4,736	5,250
Trading assets	16,910	20,498	16,910	20,498	–	–
Positive fair values of non-trading derivatives	3,298	4,024	3,298	4,024	–	–
Financial investments	25,238	25,771	25,238	25,771	–	–
Total	**164,632**	**166,292**	**159,800**	**160,929**	**4,832**	**5,362**
Liabilities						
Liabilities due to banks	32,616	31,098	31,942	30,138	674	960
Liabilities due to customers	50,798	48,162	49,482	46,824	1,316	1,338
Securitised liabilities	51,309	51,245	51,097	50,948	212	297
Trading liabilities	13,884	18,713	13,884	18,713	–	–
Negative fair values of non-trading derivatives	2,846	3,918	2,846	3,918	–	–
Subordinated capital	3,741	3,971	3,592	3,623	149	348
Total	**155,194**	**157,107**	**152,843**	**154,164**	**2,351**	**2,943**

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

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

in € m

	Level 1		Level 2		Level 3		Total	
	30.6.2017	31.12.2016	30.6.2017	31.12.2016	30.6.2017	31.12.2016	30.6.2017	31.12.2016
Non-derivative financial instruments	**28,970**	**29,784**	**3,255**	**4,176**	**398**	**447**	**32,623**	**34,407**
Loans and advances to customers			405	411	90	101	495	512
Trading assets	5,492	6,144	1,420	1,974	12	37	6,924	8,155
Financial investments	23,478	23,640	1,430	1,791	296	309	25,204	25,740
Derivatives	**28**	**21**	**13,136**	**16,233**	**120**	**113**	**13,284**	**16,367**
Trading assets	23	20	9,858	12,234	105	89	9,986	12,343
Positive fair values of non-trading derivatives	5	1	3,278	3,999	15	24	3,298	4,024
Total	**28,998**	**29,805**	**16,391**	**20,409**	**518**	**560**	**45,907**	**50,774**

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

in € m

	Level 1		Level 2		Level 3		Total	
	30.6.2017	31.12.2016	30.6.2017	31.12.2016	30.6.2017	31.12.2016	30.6.2017	31.12.2016
Non-derivative financial instruments	**131**	**139**	**14,708**	**16,878**	**381**	**508**	**15,220**	**17,525**
Liabilities due to banks			429	373	–	10	429	383
Liabilities due to customers			3,669	3,491	–	48	3,669	3,539
Securitised liabilities	–	–	5,309	5,136	381	450	5,690	5,586
Trading liabilities	131	139	5,255	7,779	–	–	5,386	7,918
Subordinated capital	–	–	46	99	–	–	46	99
Derivatives	**33**	**28**	**11,195**	**14,588**	**116**	**97**	**11,344**	**14,713**
Trading liabilities	30	24	8,363	10,681	105	90	8,498	10,795
Negative fair values of non-trading derivatives	3	4	2,832	3,907	11	7	2,846	3,918
Total	**164**	**167**	**25,903**	**31,466**	**497**	**605**	**26,564**	**32,238**

The changes within the three measurement levels largely arose as a result of additions or disposals and not as a consequence of transfers between the levels.

The breakdown of assets-side non-derivative financial instruments in Level 3 was as follows:

in € m

	30.6.2017	31.12.2016
Loans and advances to customers	**90**	**101**
Bonds and other fixed-income securities	**16**	**42**
Promissory notes	1	37
Asset-backed securities	5	5
Certificates of deposit	10	–
Unlisted equity investments	**95**	**95**
Investment units	**69**	**77**
Purchase of receivables from endowment insurance policies	**128**	**132**
Total	**398**	**447**

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

in € m

	30.6.2017	31.12.2016
AAA	–	35
BBB and below	16	7
Bonds and other fixed-income securities	**16**	**42**

Helaba's model for measuring the Level 3 instruments used inputs producing a price that knowledgeable market participants would apply. For individual inputs, more or less favourable factors could have been applied as an alternative.

For loans and advances to customers, bonds and other fixed-income securities, this is particularly true of the inputs used in estimating and determining credit spreads. The process uses scenario values on the basis of determined historical standard deviations in the sectors concerned. As was the case at 31 December 2016, the deviations calculated in this way were negligible.

Simulations were carried out for unlisted equity investments and investment units for which a discounted earnings approach is used to determine fair value. The main variations in the simulations were to increase or reduce the cash flows by 10 % before discounting. The enterprise values calculated in this way were used as the basis for determining alternative values, which were then found to be up to € 17 m (31 December 2016: € 18 m) higher or lower.

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

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

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

The following tables show the changes in the portfolio of financial instruments that are measured at fair value and allocated to Level 3 as well as the net gains or losses on remeasurement of the financial instruments still held in the portfolio as at the reporting date:

in € m

	Loans and advances to customers		Trading assets		Financial investments	
Assets	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Carrying amounts as at 1.1.	**101**	**103**	**37**	**108**	**309**	**518**
Gains or losses recognised in profit or loss						
Net interest income	–	–			–	–
Net trading income			–	1		
Gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied	–3	4			1	–
Net income from financial investments					–1	–1
Gains or losses recognised in other comprehensive income					2	2
Additions	–	–	10	–	2	2
Disposals/liquidations	–8	–2	–	–10	–16	–186
Changes due to currency translation	–	–	–	–	–1	–1
Transfers from Level 2	–	–	–	–	–	5
Transfers to Level 2	–	–	–35	–53	–	–5
Carrying amounts as at 30.6.	**90**	**105**	**12**	**46**	**296**	**334**
Gains or losses on financial assets in the portfolio recognised in profit or loss	–2	6	–	1	–2	–3

in € m

Assets	Positive fair values of the trading portfolio 2017	Positive fair values of the trading portfolio 2016	Positive fair values of non-trading derivatives 2017	Positive fair values of non-trading derivatives 2016
Carrying amounts as at 1.1.	**89**	**97**	**24**	**23**
Gains or losses recognised in profit or loss				
Net interest income			–4	–5
Net trading income	33	52		
Gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied			–5	11
Net income from financial investments				
Gains or losses recognised in other comprehensive income				
Additions	5	3	–	–
Disposals/liquidations	–10	–6	–	–1
Changes due to currency translation	–	–	–	–
Transfers from Level 2	–	–	–	–
Transfers to Level 2	–12	–15	–	–
Carrying amounts as at 30.6.	**105**	**131**	**15**	**28**
Gains or losses on financial assets in the portfolio recognised in profit or loss	40	51	–4	12

in € m

Liabilities	Liabilities due to banks 2017	Liabilities due to banks 2016	Liabilities due to customers 2017	Liabilities due to customers 2016	Securitised liabilities 2017	Securitised liabilities 2016
Carrying amounts as at 1.1.	**10**	**10**	**48**	**37**	**450**	**413**
Gains or losses recognised in profit or loss						
Net interest income	–	–	–	1	–	–
Net trading income						
Gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied	–	–	–4	1	–9	3
Additions	–	–	–	10	53	42
Disposals/liquidations	–5	–	–6	–12	–113	–18
Changes due to currency translation	–	–	–1	–	–	–
Transfers to Level 2	–5	–	–37	–	–	–
Carrying amounts as at 30.6.	**–**	**10**	**–**	**37**	**381**	**440**
Gains or losses on liabilities in the portfolio recognised in profit or loss	–	–	–	–	4	1

in € m

Liabilities	Negative fair values of the trading portfolio 2017	Negative fair values of the trading portfolio 2016	Negative fair values of non-trading derivatives 2017	Negative fair values of non-trading derivatives 2016
Carrying amounts as at 1.1.	**90**	**99**	**7**	**8**
Gains or losses recognised in profit or loss				
Net interest income			–	–1
Net trading income	34	50		
Gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied			3	–2
Additions	4	3	1	1
Disposals/liquidations	–10	–6	–	–
Changes due to currency translation	–	–	–	–
Transfers to Level 2	–13	–15	–	–
Carrying amounts as at 30.6.	**105**	**131**	**11**	**6**
Gains or losses on liabilities in the portfolio recognised in profit or loss	–41	–49	–4	–1

Fair values were determined for financial instruments not measured at fair value. According to the hierarchy of the inputs used, the breakdown as at 30 June 2017 was as follows:

in € m

	Level 1		Level 2		Level 3		Total	
	30.6.2017	31.12.2016	30.6.2017	31.12.2016	30.6.2017	31.12.2016	30.6.2017	31.12.2016
Assets								
Cash reserve	11,187	3,096					11,187	3,096
Loans and advances to banks			7,519	10,726	4,647	4,620	12,166	15,346
Loans and advances to customers			80,299	81,342	15,039	15,703	95,338	97,045
Financial investments	–	–	–	–	34	31	34	31
Total	**11,187**	**3,096**	**87,818**	**92,068**	**19,720**	**20,354**	**118,725**	**115,518**
Liabilities								
Liabilities due to banks			26,913	25,498	5,274	5,217	32,187	30,715
Liabilities due to customers			42,417	39,997	4,712	4,626	47,129	44,623
Securitised liabilities	2,158	2,184	43,461	43,475	–	–	45,619	45,659
Subordinated capital	536	525	3,159	3,347	–	–	3,695	3,872
Total	**2,694**	**2,709**	**115,950**	**112,317**	**9,986**	**9,843**	**128,630**	**124,869**

The portfolios reported under Level 3 involve types of business for which observable measurement parameters are not generally available for all the key inputs. The development and retail businesses are the main types of business involved in this case.

(39) Reclassification of Financial Assets

The following table shows the carrying amounts and the fair values of the reclassified assets.

in € m

	30.6.2017 Carrying amount	30.6.2017 Fair value	31.12.2016 Carrying amount	31.12.2016 Fair value	1.7.2008 Carrying amount
Trading assets reclassified to loans and advances to customers	59	59	64	63	437
Financial investments reclassified to loans and advances to customers	21	20	25	25	1,722
Total	**80**	**79**	**89**	**88**	**2,159**

If the reclassifications had not been carried out, this would have resulted in the first half of 2017 in additional measurement gains of € 1 m (H1 2016: measurement gains of € 0 m) for trading assets in profit or loss and additional unrealised measurement gains also of € 1 m (H1 2016: measurement gains of € 0 m) for financial investments in other comprehensive income.

As in the previous year, no impairment losses were recognised on the reclassified financial assets.

(40) Disclosures Relating to Issuing Activities

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

in € m

	Securitised trading liabilities		Securitised liabilities		Securitised subordinated capital		Total	
	2017	2016	2017	2016	2017	2016[1]	2017	2016[1]
As at 1.1.	**1,675**	**4,664**	**50,948**	**47,073**	**1,527**	**1,836**	**54,150**	**53,573**
Changes due to currency translation	–17	–41	–458	–163	–	–	–475	–204
Additions from issues	154	3,819	35,120	20,113	–	–	35,274	23,932
Additions from reissue of previously repurchased instruments	–	–	626	768	–	–	626	768
Redemptions	–1,458	–3,579	–33,935	–18,298	–	–	–35,393	–21,877
Repurchases	–97	–2	–982	–867	–	–	–1,079	–869
Changes in accrued interest	–	–	–52	–113	–7	–	–59	–113
Changes in value recognised through profit or loss	9	–10	–170	89	–	–3	–161	76
As at 30.6.	**266**	**4,851**	**51,097**	**48,602**	**1,520**	**1,833**	**52,883**	**55,286**

[1] Prior-year figures restated: due interest had been reported in the carrying amount under securitised subordinated capital as at 31 December 2015; this amount was reclassified to other liabilities in restated prior-year figures as at 31 December 2016. However, the change in 2016 was correctly determined, as a result of which the balances at both 1 January 2016 and 30 June 2016 have been reduced by € 16 m.

As part of its issuing activities, the Helaba Group places short-term commercial paper as well as medium- and long-term bonds and subordinated sources of funding on the money and capital markets.

Additions from issues and redemptions also include the placement volume of short-term commercial paper that could be repaid again by as early as the end of the reporting period. The changes in value recognised through profit or loss result from remeasurement gains or losses on financial liabilities held as at the reporting date that were either accounted for as hedged items or to which the fair value option was applied.

Off-Balance Sheet Transactions and Obligations

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

in € m

	30.6.2017	31.12.2016
Irrevocable loan commitments	**19,057**	**19,650**
Financial guarantees	**4,778**	**5,038**
Other obligations	**4,551**	**4,364**
Liabilities from guarantees and warranty agreements	1,331	1,272
Placement and underwriting obligations	2,843	2,753
Contribution obligations	43	43
Contractual obligations for the acquisition of property and equipment, intangible assets and other assets	140	135
Contractual obligations in connection with investment property	140	118
Sundry obligations	54	43
Total	**28,386**	**29,052**

(42) Fiduciary Transactions

in € m

	30.6.2017	31.12.2016
Trust assets		
Loans and advances to banks	305	243
Loans and advances to customers	500	525
Equity shares and other variable-income securities	201	202
Equity investments	54	56
Other assets	13	13
Total	**1,073**	**1,039**
Trust liabilities		
Liabilities due to banks	125	125
Liabilities due to customers	640	606
Other liabilities	308	308
Total	**1,073**	**1,039**

Other Disclosures

(43) Capital Management and Regulatory Ratio Disclosures

Capital management in the Helaba Group comprises planning regulatory own funds as part of the planning process, allocating own funds, monitoring changes in risk exposures and complying with capital limits, monitoring and determining the plausibility of the remaining capital buffer as well as recognising a projected cost of capital as part of contribution margin accounting. The aim of capital management is to allocate capital over the various divisions of the Group, with due consideration being given to risk and return aspects, and also in line with the need to comply with regulatory requirements concerning capital adequacy.

The regulatory own funds of the Helaba banking group are determined in accordance with Regulation (EU) No. 575/2013 (CRR) and the complementary provisions in sections 10 and 10a of the German Banking Act (KWG). In accordance with the classification specified in the CRR, own funds comprise Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital.

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

As at 30 June 2017, the breakdown of the own funds of the Helaba banking group was as follows (each amount shown after regulatory adjustments):

in € m

	30.6.2017	31.12.2016
Tier 1 capital	**8,054**	**8,110**
Common Equity Tier 1 capital (CET1)	7,555	7,534
Additional Tier 1 capital	499	576
Tier 2 capital	**2,742**	**2,699**
Own funds, total	**10,796**	**10,809**

The own funds requirements and capital ratios as at the reporting date were as follows:

in € m

	30.6.2017	31.12.2016
Default risk (including equity investments and securitisations)	3,425	3,585
Market risk (including CVA risk)	289	348
Operational risk	292	295
Total own funds requirement	**4,006**	**4,228**
CET1 capital ratio	15.1 %	14.3 %
Tier 1 capital ratio	16.1 %	15.3 %
Total capital ratio	21.6 %	20.5 %

Helaba is complying with the regulatory capital requirements.

(44) Related Party Disclosures

In the course of the ordinary activities of the Helaba Group, transactions with parties deemed to be related in accordance with IAS 24 are conducted on an arm's-length basis. The following disclosures relate mainly to transactions with unconsolidated affiliated companies and with associates and joint ventures of the Helaba Group, the Sparkassen- und Giroverband Hessen-Thüringen, and the Federal State of Hesse and the Free State of Thuringia in their role as shareholders, including subsidiaries. The disclosures relating to persons in key positions of the Helaba Group and the Sparkassen- und Giroverband Hessen-Thüringen as defined in IAS 24, including their close family relations and companies controlled by those persons, are also included in the following table.

The Helaba Group had the following receivables from, liabilities due to and off-balance sheet commitments to related parties as at 30 June 2017:

in € m

	Unconsolidated subsidiaries	Equity investments in joint ventures and associates	Helaba shareholders	Other related parties	Total
Assets					
Loans and advances to banks	–	3	–	–	3
Loans and advances to customers	57	784	1,183	1	2,025
Allowances for losses on loans and advances	–	– 13	–	–	– 13
Trading assets	–	2	619	–	621
Financial investments	23	23	395	–	441
Other assets	–	2	116	– 1	117
Total	**80**	**801**	**2,313**	**–**	**3,194**
Liabilities					
Liabilities due to banks	–	–	177	–	177
Liabilities due to customers	8	335	1,551	29	1,923
Trading liabilities	–	–	59	–	59
Subordinated capital	–	–	81	–	81
Other liabilities	–	2	16	5	23
Total	**8**	**337**	**1,884**	**34**	**2,263**
Off-balance sheet activities	**3**	**137**	**54**	**–**	**194**

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

in € m

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

The following contributions to income and expense from related party transactions were recognised in the income statement in the period 1 January to 30 June 2017:

in € m

	Unconsolidated subsidiaries	Equity investments in joint ventures and associates	Helaba shareholders	Other related parties	Total
Interest income	–	15	15	–	30
Interest expense	–	–7	–9	–	–16
Net interest income	**–**	**8**	**6**	**–**	**14**
Provisions for losses on loans and advances	–	–3	–	–	–3
Net interest income after provisions for losses on loans and advances	**–**	**5**	**6**	**–**	**11**
Fee and commission income	–	–	20	–	20
Net fee and commission income	**–**	**–**	**20**	**–**	**20**
Net trading income	–	–10	–175	–	–185
Net income from hedge accounting	–	–	1	–	1
Net income from financial investments	–	24	–	–	24
Share of profit or loss of equity-accounted entities	–	8	–	–	8
Other net operating income	–	1	–	–	1
General and administrative expenses	–	–3	–9	–	–12
Profit before taxes	**–**	**25**	**–157**	**–**	**–132**

The equivalent amounts for the first six months of 2016 were as follows:

in € m

	Unconsolidated subsidiaries	Equity investments in joint ventures and associates	Helaba shareholders	Other related parties	Total
Interest income	1	19	11	–	31
Interest expense	–	−7	−10	–	−17
Net interest income	**1**	**12**	**1**	**–**	**14**
Provisions for losses on loans and advances	–	1	–	–	1
Net interest income after provisions for losses on loans and advances	**1**	**13**	**1**	**–**	**15**
Fee and commission income	–	–	21	–	21
Net fee and commission income	**–**	**–**	**21**	**–**	**21**
Net trading income	–	1	540	–	541
Net income from hedge accounting	–	–	−3	–	−3
Net income from financial investments	–	2	–	–	2
Other net operating income	–	1	–	–	1
General and administrative expenses	–	–	−5	–	−5
Profit before taxes	**1**	**17**	**554**	**–**	**572**

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

(45) Members of the Board of Managing Directors

Herbert Hans Grüntker
Chairman

Thomas Groß
Vice-Chairman

Jürgen Fenk

Dr. Detlef Hosemann

Hans-Dieter Kemler
– since 1 May 2017 –

Klaus-Jörg Mulfinger

Dr. Norbert Schraad

Responsibility Statement

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

Frankfurt am Main/Erfurt, 16 August 2017

Landesbank Hessen-Thüringen Girozentrale

The Board of Managing Directors

Grüntker	Groß	Fenk	Dr. Hosemann
Kemler	Mulfinger	Dr. Schraad	

Copy of the Auditor's 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, the 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 2017, which are part of the half-yearly 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 Bank'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 Bank 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, 16 August 2017

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Burkhard Eckes	Peter Flick
Wirtschaftsprüfer	Wirtschaftsprüfer
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