

Helaba's Business Divisions

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Helaba's strategic model: three business units



Corporate Strategy of Helaba

A credit institution organised under public law, Helaba has the long-term strategic business model of a full-service bank with a regional focus, a presence in carefully selected international markets and a very close relationship with the Sparkassen organisation. Central to Helaba's business model are its legal form as a public-law institution and its status as part of the Sparkassen-Finanzgruppe, with which comes membership of the latter's joint liability scheme offering institutional protection and its system of sharing tasks between the Sparkassen, the Landesbank and other S-Group institutions. Also highly significant are its ownership arrangements – it continues to be largely owned by the Sparkasse organisation – and its retention and expansion of activities in 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. Stable, long-term business relationships with its customers are one of Helaba's hallmarks.

Helaba follows two distinct sales approaches in wholesale business. One addresses product customers from the various product areas. The other, which spans all products, focuses on target customers in the major companies and upper SME segment, institutional customers, selected international customers, German municipal corporations and German central, regional and local public authorities.

The main objective of Helaba's S-Group Business, Private Customers and SME Business unit is to continue to build on its position as the leading S-Group bank for the Sparkassen in Germany. Helaba's Public Development and Infrastructure Business unit administers public development programmes for the State of Hesse through Wirtschafts- und Infrastrukturbank Hessen (WIBank).

The Bank's head offices are situated in Frankfurt am Main and Erfurt, and it also has branches in Düsseldorf, Kassel, London, New York and Paris. The organisation also includes representative and sales offices, subsidiaries and affiliates. The Helaba Group is organised into discrete divisions for operational and business control purposes, meaning that all product, customer and service units are managed on a Group-wide basis.

Customer Relationship Management

The counselling services provided by Helaba's customer relationship management (CRM) teams focus on the companies, institutional customers and public-sector institutions customer segments. Customer relationship managers cultivate close relationships with their clients and analyse each customer's specific requirements continuously. The central point of contact at the Bank for their assigned accounts, they are thoroughly familiar both with the customer and with the sector. They have access to the Bank's extensive product expertise and work with the product specialists to devise potential solutions matched to the customer's specific position. This approach enables Helaba to produce and implement customised transactions in a properly coordinated manner quickly and reliably. Its capabilities, continuity and reliability in customer counselling go a long way to explaining the high level of appreciation and trust the Bank enjoys from its customers and the often all-encompassing co-operative relationships that develop between the two underline the high regard in which it is held.

Helaba's proven business model and good credit standing enable it to meet the needs of its customers without compromise. The Bank gained numerous strong new customers with attractive business approaches in 2016. The co-operation agreement with Deutsche Leasing creates new opportunities for Helaba to support companies internationally.

Helaba strengthened its sale force in North Rhine-Westphalia (NRW) again in 2016 in recognition of the importance of this regional market for its business. A total of three CRM units in the state give a strong presence on the ground.

The advance of digitalisation has implications for the whole of the financial sector including Helaba, whose priority in this context is to simplify interaction between the Bank and its customers and thereby create greater scope for personal dialogue at an individual level. The Bank is preparing a modern, intuitive customer interface for this purpose that will enable customers to access banking system information easily as well as supporting more effective communication with advisors.

The **CRM Wholesale Business** section serves companies with sales revenue in excess of € 1 bn. Four highly capable teams, each with its own sector focus, share responsibility for supporting existing customers, many of which have been with Helaba for a long time, and acquiring new customers. The support team assesses the customer's positioning in the sector, its strengths and weaknesses and potential target areas for financial optimisation measures in rating meetings, strategic analyses or peer group appraisals and is available to discuss any financial matters of concern with the customer.

The **CRM MidCaps** customer relationship managers specialise in companies with annual sales of between € 250 m and € 1 bn. Helaba has been providing comprehensive coverage of this segment since 2015. The work done to establish new sales offices in Stuttgart, Munich and Münster and enlarge the existing teams in Frankfurt and Düsseldorf is bearing fruit. Strengthening its regional presence in this way brings Helaba closer to its customers and enables it to become active in local networks. The Bank's main objectives in this context are to attract new customers and build on existing business relationships while giving customers greater scope to pursue their commercial aspirations.

Helaba created and staffed a new section to support corporate customers, **CRM International**, in 2016. This team's customer relationship managers support customers based in the UK, France, Spain, Scandinavia and North America and also serve as contacts for subsidiaries of German companies involved in international transactions in these countries. They assist customers of the Bank from the Helaba branch offices in London, Paris and New York and the representative offices in Madrid and Stockholm. The Stockholm representative office opened in summer 2016 to provide locally-based support for German and Scandinavian customers. Adding new sites and expanding the network of correspondent banks where this is likely to be of use to customers allows Helaba to support customers even more effectively.

The **CRM Institutional Investors** section serves direct insurers and reinsurance companies, both German and international, plus healthcare funding bodies, pension funds, religious institutions and trade unions. Growing volatility and persistently low interest rates are driving the diversification of investment activities into less liquid assets, which generally require higher risk budgets. Helaba increased lending business, primarily real estate lending business, with multinational insurance groups in 2016 thanks in no small measure to the international offices. The Bank maintained its position well in the context of re-tendering processes, especially in the area of payment transactions. The popularity of less-liquid asset classes is likely to continue growing while interest rates remain low.

CRM Public Authorities/Municipal Corporations is the central point of contact for the German federal government, the states and the German municipal authorities together with their respective institutions and majority-owned companies. Helaba assists this customer group, in spheres including the realisation of a wide range of infrastructure projects, with conventional municipal loans, municipal capital market transactions, which have expanded dramatically in recent years, and complex financing structures for energy infrastructure. Helaba made full use of the opportunities presented to public-sector customers by the prevailing low interest rates, further expanding its market-leading position in the core regions in the process.

Real Estate

Helaba's Real Estate segment encompasses commercial real estate lending operations and the real estate management activities pursued with subsidiaries and affiliates of the Bank.

Real Estate Lending

Helaba concentrates in its real estate lending business on Germany and selected international markets in Europe and the USA. Real estate lending business has special strategic significance for Helaba on account of its deep roots in the real economy of its home region. It has built its business model in this area around stable, long-lasting customer relationships and it is these, in conjunction with its international profile and uninterrupted presence in the target markets, that underpin Helaba's successful real estate lending.

Helaba ranks as one of the leading providers of commercial real estate loans in Germany, where it focuses on financing larger portfolio and project developments in the commercial-use sector and portfolios for the commercial housing sector. Its real estate lending customers include professional commercial investors – both private and institutional – as well as real estate funds and residential property companies.

The main target markets of interest in Europe are France, the UK, Scandinavia, Poland, the Czech Republic and the Benelux countries. Real estate lending business in the USA concentrates on New York and the other major urban areas of the East and West Coasts. Customers in international business include international and local funds, real estate companies and other commercial investors. Helaba has achieved moderate growth in the international markets over the years. The strength of its presence in the market has helped to further enhance its good reputation and its market standing. Helaba continued to diversify its real estate lending portfolio across the target markets in 2016 in line with the preferred use types. The proven relationship banking approach remains the cornerstone of its activities in the market.

The pattern of steady growth that has become established in target markets of relevance for Helaba in Europe and the USA over recent years continued in 2016. The European investment markets were in good shape overall. Favourable economic fundamentals provided for ongoing growth in the US office space markets and the rented housing market and owner-occupier residential construction both remained on an upwards trajectory, particularly in the major population centres along the Eastern and Western Seaboards.

The investment market in Germany, as in Helaba's other target markets, grew again in 2016 as a result of the persistently low level of interest rates and a lack of investment alternatives. Real estate remains a priority for institutional investors and insurance companies with funds to invest. Central locations and prime properties in the office, retail and mixed use categories remain the focus of attention, although a shortage of supply in these areas is driving increased investment activity in the hotel, logistics and special-purpose real estate categories and in regional locations.

Demand for residential portfolios remains very strong. The favourable conditions enabled Helaba to beat its forecasts in new business. It maintained its lending portfolio in a competitive environment for finance despite a significant proportion of early loan repayments. Margins in new business declined, due to the sustained high level of competition, but remained adequate.

Helaba capitalised on the sustained positive environment for syndication once more in 2016 as an underwriter of relatively large deals. It strengthened its collaboration with the Sparkassen by enabling them to become involved in commercial real estate finance business. Joint working in relation to smaller volumes is being stepped up and the Bank continues to expand co-operation with debt investors such as insurance companies and pension plans and funds. Helaba expects new business to decline slightly in 2017 in the face of even tougher competition. It intends to prioritise qualitative growth in the lending portfolio, including through an increase in the activities of the Debt Capital Markets unit.

Helaba's business activities in France focus on the Paris area and selected regional markets. Progress continued along the successful established trajectory in the year under review. Moderate growth is expected in this important European market in 2017.

New business at the London branch office fell back slightly in 2016. Helaba's experts believe that London will remain a significant location for real estate despite Brexit.

New business continued to grow in the USA, where Helaba increased its volume of business despite another year of plentiful early loan repayments – albeit in part thanks to the strong dollar. New York, Washington and the major cities of the West Coast will remain Helaba's principal focus in new business activities. Helaba does not anticipate any change in the direction of travel in US real estate business following the political transfer of power and expects this important market to continue to offer good opportunities.

The Bank strengthened its business in Scandinavia significantly, especially in Norway and Finland, and opened a representative office in Stockholm in September 2016 to bring it closer to customers and target markets in the Nordic region.

Helaba enjoyed continued success in the Central European markets of Poland and the Czech and Slovak Republics, concluding a series of large financing transactions, especially for international investors, against the backdrop of further dynamic economic growth and increasing investment activity in the real estate sector.

The Bank aims to maintain its market position in what is a highly competitive environment. Hand in hand with the consistently high level of demand for real estate investments goes sharp competition for lucrative financing arrangements. Helaba expects 2017 to bring a significant quantity of early repayments once again and is therefore forecasting only a slight increase in the volume of real estate finance business. Activities will accordingly centre on consolidating customer relationships and maintaining a consistent presence in the market. Helaba employs professional portfolio management to meet regulatory capital requirements.

Real Estate Management

Helaba's Real Estate Management unit looks after the Bank's real estate affiliates and performs the role of owner in respect of the Bank's own real estate as well as taking on a range of other tasks in the real estate management field. Real estate group Helaba Immobiliengruppe comprises the GWH Immobilien Holding GmbH Group (GWH Group) and OFB Projektentwicklung GmbH (OFB), which includes the subsidiary GGM Gesellschaft für Gebäude-Management mbH (GGM).

Helaba is able to manage its real estate assets successfully to optimise profitability and risk. It increased the already high occupancy rates of the various properties again during the year under review. The MAIN TOWER, one of its two head offices, continues to offer exceptionally high building quality thanks to substantial investment. This building received a Platinum rating – the highest award possible for existing real estate – under the U.S. Green Building Council's LEED (Leadership in Energy and Environmental Design) standards in September 2016, an accolade that recognises the constant improvements made in building management to optimise energy performance. The professionally operated viewing platform has made the striking MAIN TOWER a popular destination for Frankfurt residents and visitors alike.

The companies of the GWH Group cover the fields of real estate management, real estate sales, real estate development business and real estate services. The Group had a portfolio under management comprising around 49,000 residential and commercial units as at the end of 2016, a year in which it continued with various measures to optimise the portfolio including the successful sale from the portfolio of homes for owner occupation.

GWH purchased real estate assets to increase its portfolio of homes to let in the defined growth regions of Rhine-Main, Rhine-Neckar and the Rhineland and also acquired properties in the new locations of Hanover and the Erfurt-Weimar region. The company purchased approximately 2,000 homes in total in financial year 2016. GWH Group plans further purchases and new build projects for homes to let in the current financial year and is systematically identifying opportunities to add further homes to existing sites to ensure best use is made of the land already in its possession. GWH Bauprojekte GmbH boosted revenue and income once again in real estate development business. It built 86 homes for owner occupation and 214 homes to let for the GWH Wohnungsgesellschaft portfolio within the Alea new build project in Frankfurt.

The outlook for all divisions of the GWH Group is positive. Demand is strong in the residential real estate markets, which offer potential for growth in the areas of both new build homes to let and the letting of existing residential space in the portfolio. The attractiveness of real estate investments at a time of persistently low interest rates is boosting real estate development business and real estate sales.

OFB provides commercial real estate services covering Frankfurt, Erfurt, Berlin, Kassel, Munich, Düsseldorf and Leipzig. Its project development activities involve the planning, construction and marketing of commercial space and it also provides general contractor and project management services as well as professional management of commercial real estate through subsidiary GGM Gesellschaft für Gebäude-Management mbH.

The OFB Group specialises in its project business in the office, retail, hotel and logistics sectors. The highlights of 2016 in this area included the start of construction of the Kornmarkt Arkaden development in Frankfurt am Main. The Sono West (Frankfurt am Main), new KION Group HQ (Gateway Gardens at Frankfurt airport), VERSO (Wiesbaden), new SAP office building (Eschborn) and BernsteinCarré (Leipzig) projects were marketed successfully and are presently under construction. OFB has completed the Lutherplatz (Kassel) and Stresemann-Quartier (Berlin) projects and handed them over to the respective tenants. Acquisitions of land in urban locations in Frankfurt, Munich, Berlin, Erfurt and Düsseldorf and demand-led planning for their utilisation provide the foundation for future project developments.

Corporate Finance

Helaba's Corporate Finance core business division operates from the Frankfurt am Main, Düsseldorf, New York and London sites. Serving both customers of Helaba itself and customers of the Sparkassen, it structures and arranges tailored finance for companies and the public sector and also provides complete design, contract drafting and tax engineering services. Total business volume at the Corporate Finance business division rose to € 38.6 bn in 2016.

Corporate loans business represents one of the cornerstones of Helaba's corporate customer business. A reliable partner for finance, the Bank provides a wide range of credit products to help corporate customers advance their business and make the investments their aspirations demand. Corporate loans are very important in cementing the customer relationship and are hence also a central tool for attracting new customers. Key products include syndicated loans and development loans as well as bilateral loans, credit lines and promissory note loans. The Bank maintains a strategic dialogue with its corporate customers with regard to their financing needs. It assumes an active role in the design of loan transactions of all sizes and takes on structuring tasks as a lead player in the implementation of financing instructions. It also assists its customers in the facility agent function in syndicated finance transactions. The total volume of business in this area reached € 13.8 bn in 2016.

The year ended proved a very good one for acquisition finance business – as predicted – thanks to a favourable economic background, especially the low level of interest rates. Helaba claimed a substantial share of this strong market, with 20 domestic and international transactions, and forged partnerships with customers from all segments. More good progress is expected in 2017.

Helaba concluded approximately € 1 bn of new transactions in the **ABS/forfaiting** area. The volume of business rose only moderately though, from € 5.9 bn to € 6.4 bn, because the high level of liquidity in the market led to many financing deals being completed instead using more straightforward corporate loan structures. It is difficult to offset the combination of shrinking margins and rising regulatory costs by increasing volume and the Bank is consequently working to extend the product range, for example by expanding supply chain finance. It is also stepping up efforts to attract ABS mandates in relation to customer current asset optimisation.

Helaba has a reputation among customers of the Bank and of the German Sparkassen as a reliable partner for **foreign trade finance**. Bucking the wider trend, the Bank grew its business with corporate customers in the areas of buyer's credit products and guarantee transactions in particular. Income generated from business with customers of the Sparkassen increased by 6 % year on year. Risk transfer services in the documentary business were a priority and Helaba also built up collaboration in the area of buyer's credit for Sparkasse customers, underlining the closeness of its partnership with the Sparkassen. Helaba expects growth in the buyer's credit area for 2017 in the Middle East and, on a selective basis, in Latin America. Documentary business will continue to be dominated by the effects of tough competition in relation to terms and risk transfer, with small transactions the order of the day in the Sparkasse segment.

The leasing sector in Germany made very good progress: investments totalling approximately € 64 bn were financed through **leasing**, which equates to a year-on-year increase of around 9 %. The Leasing Finance business division saw only moderate growth in the financial year ended due in large part to a further increase in competition from the financial community. Transactions concluded in relation to real estate included long-term financing arrangements for administrative and logistics facilities in Germany. The desire to lock in a low interest rate is currently one of the main motivating factors for concluding long-term real estate transactions. Helaba again stepped up direct co-operation with leasing companies in connection with financing through loans and credit lines and intends to continue developing its successful collaborative relationship with the Deutsche Leasing Group and the many co-operative ventures.

The civil **aviation** market remained stable in 2016. Airline profits moved into record-breaking territory as air traffic measured by seat kilometres sold increased by around 6 % – well ahead of the rate of global economic growth. Once again in 2016 Helaba managed to conclude 29 attractive financing deals with airlines and aircraft leasing companies with which it has a long history of trusting co-operation. Expectations for business in 2017 are positive again, although competitive pressure will continue to grow.

Conditions in the **shipping industry**, which has experienced a succession of difficult years, continued to deteriorate. This led to a significant increase in the allowance for losses on loans and advances in this segment. The market is not expected to recover to any significant degree in 2017. Helaba focused its efforts in this area on portfolio management.

Providing **project finance** to help realise infrastructure projects is a business area of interest to a great many banks, including an increasing number of foreign banks, and a growing contingent of other institutional investors. Transport infrastructure projects, such as public-private partnership models for the development of the German motorway network, and projects of the international energy sector are both particularly popular. Helaba concluded financing arrangements in the energy segment for a number of quite large transactions – including ten wind power projects and two combined cycle power plants.

The Bank arranges **structured finance** throughout Germany in the key infrastructure and renewable energy segments in the form of joint loans with Sparkassen. Helaba continued to build on its position as a leading S-Group bank, in particular through the financing of wind farms. The realisation of the initial tranche of wind power projects to have gone through the competitive bidding process is imminent. The Bank expects rising customer demand in the infrastructure field for finance to enable remunicipalisation projects, especially in relation to electricity and gas networks.

Helaba's group contractual trust or "group CTA" model offers customers and S-Group partners a proven and cost-efficient alternative to proprietary CTA models. Helaba ranks among the market leaders in this area with a volume of approximately € 2.2 bn entrusted to it under the group CTA. CTA business focuses on the creation of successor solutions for existing in-house CTA models in connection with the sale of companies. This market is expected to see further growth in 2017. The prevailing low level of interest rates also affects the market for the external financing of pension obligations. The investment focus is shifting to asset classes involving material assets due to the persistently low yields available in the bond market. The Bank offers customers solutions based on (bank) guarantees as well as CTA solutions to protect company pension scheme entitlements not covered by the PSVaG mutual insurance association for pensions and credit held in semiretirement and long-term flextime accounts in the event of insolvency.

Helaba sold 44.2 % of its shares in the **HANNOVER LEASING Group** to CORESTATE Capital Holding S.A. with the notarised contract of sale of 15 December 2016. It retains a minority stake of 5.1 % in the HANNOVER LEASING Group. The completion of this transaction is conditional on the conclusion of the ownership control procedure by BaFin, which is expected to come in the first half of 2017.

Transaction Banking

Helaba's Transaction Banking segment brings together the Cash Management and Settlement/Custody Services business divisions.

Cash Management

Helaba serves as the central giro institution for all of the Sparkassen in Hesse, Thuringia, North Rhine-Westphalia and Brandenburg, which together represent 40% of all Sparkassen in Germany. Cash management consists in the main of liquidity planning, the management of liquid assets and payment stream optimisation in order to ensure solvency at all times. Clients in this area include corporate customers, domestic and foreign banks and the public sector as well as the S-Group Sparkassen.

The Bank's aims in its payment transactions activities are to enhance its customer-specific product packages on a continuous basis and to carry on developing the standard services while maintaining the existing high level of performance. This approach enables it to maintain its position as one of the leading payment transactions service providers in Germany and far and away the largest transaction processor for the Sparkassen-Finanzgruppe.

New regulatory requirements are being added in this area all the time, necessitating further investment on the part of both Helaba and the customer. The Bank also actively supported the Sparkassen-Finanzgruppe with the introduction of instant payments in 2017.

Helaba continues to work hard on expanding its card processing business and optimising and consistently developing its service range, which has now been extended to large retail companies and network operators. Other priorities for product development work include digital customer solutions, among which are product offerings for electronic commerce, especially mobile commerce with contactless technologies, and internet payment processing. Helaba is playing a leading role within the Sparkassen-Finanzgruppe in the development and marketing of paydirekt.

The Cash Management unit has faced a number of challenging years as a result of the prevailing persistently low interest rates. Negative interest rates are having a noticeable detrimental effect on the banks but Helaba intends to maintain the consistently positive trend it has seen in recent years in this area by providing alternative payment transaction services and digital product solutions and making the most of the edge conferred by the high quality and advanced nature of its proposition.

Settlement/Custody Services

The Settlement/Custody Services unit provides processing services in respect of all of the securities, money market, foreign exchange and derivatives transactions concluded within the Group and with customers. Helaba offers a comprehensive special funds depository service for the Sparkassen and institutional investors as well and provides services for Sparkassen and their customers in the foreign notes and coins and precious metals product area. The Settlement/Custody Services unit also oversees the Helaba Group's own portfolios, on both the assets and the liabilities sides, and manages all of the outsourced securities services.

The unit focuses on ensuring that the settlement services offered deliver the high level of quality expected and on implementing further efficiency and process improvements at the Offenbach and Düsseldorf production sites. Recently the Bank has introduced a system for the optimal settlement of liabilities-side promissory note loans and registered securities, for example. Regulatory requirements continue to drive activities too: the main issues in this respect in financial year 2016 involved transaction-based reporting, the minimisation of risks, and depository business.

The Settlement/Custody Services unit began providing its foreign notes and coins and precious metals services centrally from the Düsseldorf site in 2015. Bringing processes together on one site ensures that all customer deliveries can be completed to the same high standard and at an attractive price despite more and more customers receiving a personalised service. Helaba revised its secure transportation processes and contracts in 2016 with this in mind. Secure transportation costs are rising across the board, but Helaba has been able to offset the impact of this trend by optimising production processes at the Düsseldorf site so that customers can continue to enjoy a high level of price stability in future.

The Helaba depository's powerful technical system platform gives it a scalable basis on which to meet specific customer requirements optimally. Investors benefit from the high quality of investment asset processing and safekeeping and from having their assets covered by important oversight functions to Helaba standards.

Prompt implementation of regulatory requirements is a priority for the Helaba depository as part of its commitment to ensuring customers always receive the high level of quality and security they have come to expect. New products and value added services are consistently aligned with customer requirements, moreover, and piloted and implemented with customer involvement. The Helaba depository tracked the changes in the allocation of investment assets, the notable increase in global diversification and the expansion of asset classes closely in 2016, significantly increasing business volume as a consequence and elevating Helaba to the position of ninth largest provider in Germany.

Financial Markets

The Financial Markets segment encompasses the Capital Markets unit, the Asset/Liability Management unit, the Sales Public Authorities unit and the Financial Institutions and Public Finance unit plus asset management activities for institutional investors supported through Helaba Invest Kapitalanlagegesellschaft mbH.

Capital Markets

The activities of the Capital Markets unit revolve around the twin objectives of maintaining a customer-led approach and consolidating its position as a strong and reliable partner for Sparkassen, companies, institutional customers and the public sector. The unit backs up its range of securities, money market, foreign exchange and derivatives products with professional counselling and proposed solutions designed to meet specific customer requirements.

Developments in the European capital markets were largely driven by further falls in interest rates, the expansion of securities purchasing (quantitative easing programme) by the European Central Bank and prominent political decisions such as the Brexit vote in the UK, the presidential election in the USA and the constitutional referendum in Italy. Declining – even negative in some cases – yields and risk premiums for government and corporate bonds created a subdued mood among customers in investment business.

Helaba continued to consolidate its capital market business in conjunction with the Sparkassen, which benefited in respect of both their proprietary business and capital market transactions for their corporate customers (ClientPlus). The Capital Markets unit provided training courses for Sparkasse staff in support of the new sales approach for Sparkassen in the foreign notes and coins and precious metals business area.

The low level of interest rates depressed revenue from interest rate hedging products in capital market business with corporate customers and public sector entities, although the rise in long-term interest rates in the fourth quarter did breathe some life back into active interest rate management activities for companies. Greater volatility in the foreign exchange markets led to an increase in currency hedging transactions with corporate customers. The Bank arranged interest rate and currency hedges for real estate customers in the context of credit finance.

Helaba continued to build up its activities in primary market business for customers. A year-on-year increase of over 50% in the volume of issues in the promissory note market ensured that it remains one of the leading arrangers in Germany. Numerous issues for customers including international companies and public sector entities were delivered under

Helaba's leadership. The range of promissory note and bond issues, including structured issues, proved very popular with Sparkassen and institutional investors. Helaba took on the administrator role for the structuring of the largest Sparkasse credit pooling transaction to date (Loan Basket XIII), including risk diversification using credit derivatives.

Asset/Liability Management

Helaba's Asset/Liability Management unit looks after group-wide liquidity management and funding and the management of banking book interest rate risks. Managing the liquidity portfolio to ensure compliance with economic and regulatory liquidity requirements (Liquidity Coverage Ratio – LCR) also falls within its remit. The unit manages Helaba's issuing activities for funding purposes. This includes medium-term and long-term borrowing in the capital market (including cultivating relationships with the investor base, which consists largely of institutional investors) as well as the issue of retail certificates through the Sparkassen-Finanzgruppe.

This has brought significantly greater diversity to the funding base. The Bank successfully raised the necessary funds from institutional and private investors on reasonable terms in a market environment heavily influenced by the low level of interest rates. The long-standing policy of arranging funding largely with matched maturities was retained.

Helaba raised much of its funding by taking advantage of demand for its issues among German investors. The strength of investor confidence in its strategic business model and the progress of its business smoothed the way for Helaba's funding activities in the unsecured segment. The good ratings enjoyed by Helaba and the Sparkassen-Finanzgruppe Hessen-Thüringen underline the importance of belonging to a strong association of financial institutions. Strong ratings safeguard the Bank's continuous, cost-efficient access to funding in the domestic and international money and capital markets.

Retail certificate business proved a stable source of funding once again with an issue volume of approximately € 2.5 bn. The Sparkassen made a very substantial contribution to this total. Pfandbriefe remained one of the cornerstones of funding activities with a total issue volume of € 3 bn. Helaba has always been an active issuer in euros, but it also managed to raise sums in US dollars in the reporting period through the issue of Pfandbriefe. The regulatory environment and the European Central Bank's covered bond purchase programme (CBPP3) had a positive impact on the funding cost base.

Sales Public Authorities

Helaba's Sales Public Authorities unit looks after activities associated with the financing of the investment and liquidity needs of municipal authorities and their corporations. The Bank provides a strong and extensive range of products and counselling services for public-sector entities in its core regions.

Demand for long-term credit finance remained high due to the persistently low level of interest rates. Central, regional and local authorities with a high demand for short-term loans benefited from the negative interest rates situation when seeking loans to maintain liquidity. The Bank's counselling services again proved very popular, especially among customers wanting guidance on different interest rate management options and term management.

Financial Institutions and Public Finance

The Financial Institutions and Public Finance unit serves two discrete customer groups: financial institutions; and international central, regional and local authorities and municipal corporations. Customers on the financial institutions side include established commercial banks, prominent European regional banks, insurance companies, brokers and stock exchanges, while the international public finance customer group takes in central governments and their administrative agencies plus not-for-profit institutions. Helaba offers target customers in these two groups a range of sector-specific advisory services plus bilateral and syndicated credit products, promissory note loans, letters of credit and liquidity lines.

Helaba focuses in this segment on the European Economic Area and North America, indeed the New York branch office ranks as one of the leading foreign counterparties in US public finance business. Helaba's network of representative offices – Madrid, Moscow, Shanghai and Singapore – enhances its international presence and the capabilities of the S-Group Sparkassen in international business. A representative office in São Paulo is currently being set up. The Bank is also expanding its correspondent bank network in key markets for German exporters in response to increased demand for foreign trade finance from customers of the Sparkassen and corporate customers. Helaba insists on working only with high-quality counterparties in lending business with foreign central, regional and local authorities and governmental institutions.

Helaba Invest

Helaba's Asset Management core business division provides a wealth of professional asset management services for institutional investors. Helaba Invest pursues a three-pronged business strategy constructed around the master management company (Master-KVG) service, asset management with securities, strategic and tactical asset allocation and asset management with real estate and alternative asset classes.

The importance attached by investors and asset management companies to ensuring compliance with the ever tougher regulatory requirements imposed – for both risk management and statutory reporting – continues to grow in respect of administration and hence for the Master-KVG business area. Helaba Invest accordingly continues to develop its range of services in this field, adding elements such as new reporting options (an ongoing process) and comprehensive support covering an institutional investor's entire investment portfolio as well as the integration of real estate and infrastructure investments into capital investment.

The low and negative interest rates dominating the capital market further boosted the importance of multi-asset mandates, which take in commodities, currencies and infrastructure and real estate investments as well as the traditional shares and bonds. Investors also had a lively appetite for relatively safe shares that would enable them to take advantage of income opportunities without neglecting the pertinent risks. Helaba Invest addressed this demand by creating the HI-Aktien Low Risk Euroland-Fonds institutional public fund at the beginning of the year. The fund's investment concept includes multi-dimensional risk analysis, consideration of income-boosting selection criteria and a non-capitalisation-based weighting of individual instruments. Combining these three elements leads to an attractive investment profile in terms of risk and return with smaller downside risks than comparable capitalisation-weighted indexes.

Investors willing to accept lower liquidity in the search for returns stepped up their involvement in alternative asset classes, especially real estate. Helaba Invest's main area of expertise in real estate asset management lies in counselling institutional investors on formulating and implementing a real estate strategy compliant with their overall investment strategy. Helaba Invest continued its steady expansion into the real estate business area, to which it is still very much a newcomer, with two successful closings. Helaba Invest completed the sole closing for the HI-Immobilien-Multi Manager II-Fonds in the middle of the year. It managed to attract equity commitments amounting to around € 230 m for this product, a special fund organised under German law, which invests indirectly in European (primarily German) real estate. The first closing for the HI-Immobilien-Asien-Fonds was completed at the end of the year with capital of € 76 m having been attracted. This special fund organised under the law of Luxembourg invests indirectly in real estate throughout Asia. Helaba Invest prioritises broad regional and sectoral diversification for both funds.

Helaba Invest took advantage of new sales opportunities opened up by the expansion of Helaba's S-Group business in North Rhine-Westphalia and Brandenburg. These extend to insurers and companies from the occupational retirement pension sector as well as the Sparkassen-Finanzgruppe. The highly diversified customer structure and the strategic combination of administration as Master-KVG and own asset management contributed significantly to the continued growth of the Company.

Helaba Invest anticipates continued growth in the institutional market, especially the special funds market, and expects insurance companies, pension schemes such as pension funds and pension plans, manufacturers and industry foundations to remain the principal sources of new business with special funds. Sparkassen in the role of institutional investors constitute an important customer group not just for Helaba Invest but in the market as a whole.

S-Group Business, Private Customers and SME Business

The S-Group Business, Private Customers and SME Business segment encompasses S-Group business with Sparkassen, Frankfurter Sparkasse's retail business, Landesbausparkasse Hessen-Thüringen (LBS) and the wealth management services provided by Frankfurter Bankgesellschaft.

S-Group Bank

Helaba's S-Group strategy is founded on the institutional and commercial bond it shares with its customers, owners and partners the Sparkassen. As a leading S-Group bank with sales operations spanning the whole of Germany, Helaba aims to provide meaningful and sustainable support to the Sparkassen to help them master the challenges they face in the market. Helaba acts always as a partner and never as a competitor. It offers the Sparkassen nationwide assistance, a demand-led range of products, joint marketing and continuous dialogue in numerous S-Group boards and committees. Virtually all of Germany's Sparkassen work with Helaba in at least one business area.

Helaba's tight integration with the Sparkassen in the core regions of Hesse, Thuringia, North Rhine-Westphalia and Brandenburg is reflected in the joint clearing house process as well as in the very successful collaboration achieved in the S-Group boards and committees. The product utilisation rates excluding trading business range between 60 % and 80 % in all three core regions. S-Group ratios in proprietary business are quite low due to the intense terms-based competition typical of trading business.

Helaba designs its sales concepts with the objective of assisting the Sparkassen in relation to the regulatory, business administration, sales support and technical challenges before them. Examples include the Helaba Themenwelten concept, the Asset AllocationPlus strategic consulting concept, syndication options and the Bank's digitalisation and OSPlus activities. Helaba also provides a central information and communication platform known as the SPARKASSENPortal.

These cross-product services are complemented by innovative product propositions conceived in response to the challenges of operating in an age of particularly low interest rates and high liquidity: Helaba assists the Sparkassen with Asset AllocationPlus counselling, the Helaba Anleihen Portfolio, Helaba Anlage Indikator and Helaba Invest's comprehensive offer in the areas of special funds, real estate funds and public funds.

Helaba has sharpened up its proposition in corporate customer business. It has tweaked the strategic focus of co-operation with a new modular sales support offering and devised a programme to standardise co-operation agreements in corporate loans business nationwide, giving it an even better starting point for sales activities in the corporate customer segment (UnternehmenskundenPlus). The strength of Helaba's position in the market enables it to offer the Sparkassen an extensive range of ways to make more of their market potential in international business as well. The Bank managed to maintain the established very high level of development loans business in Hesse and Thuringia.

Sparkassen competing for the attention of discerning customers need the edge conferred by a properly differentiated product range in private customer business too. Helaba assists them in this respect with a demand-led line-up in certificates business, the Helaba DEPOTMASTER, and in the form of help mastering the pertinent regulatory requirements. The Bank's Helaba Anleihen-Portfolio provides a tool that takes account of investors' pursuit of the magical triangle of financial investment: return, safety and availability. Helaba has increased the scale of foreign notes and coins and precious metals trading within the S-Group enormously as part of a dedicated sales offensive. Customers are able to order foreign notes and coins and precious metals via the Sparkassen using the internet branch.

The market environment for proprietary business increasingly leaves Sparkassen with a considerable challenge on their hands in terms of investment management. Helaba's Asset AllocationPlus strategic consulting concept aims to help Sparkassen optimise their risk-return profile at the whole-bank level. Credit risk diversification instrument S-KB XIII KLASSIK, the largest loan basket to date with a volume of € 676 m and involving 77 Sparkassen and 330 counterparties, launched in November 2016. Helaba additionally offers the S-Group Sparkassen securities lending options and the ability to transfer cover assets under a Pfandbrief cover pooling arrangement to generate additional returns.

Frankfurter Sparkasse

Frankfurter Sparkasse is the leading retail bank for private customers and SME corporate customers in the Rhine-Main region. A wholly-owned and fully consolidated subsidiary of Helaba, it has total assets of € 18 bn and a headcount of 1,785 people, making it the fifth largest German Sparkasse. A regional full-service bank, Frankfurter Sparkasse provides a comprehensive range of financial services for private and corporate customers alike and, with 80 branches and advice centres, operates the densest sales network in the region. It has been active in the direct banking sector since 1996 in the form of 1822direkt.

Frankfurter Sparkasse reported net income for the year of € 45 m in 2016. The total capital ratio exceeded the required 8 % level at all times. Demand in primary lending business focused, as in previous years, on real estate finance. Although the new residential property credit directive unsettled the market and gave cause to anticipate a reduction in lending, the value of payments issued in the residential construction sector ended up just short of

6% higher than the already unusually high figure for the previous year. Customers deposited € 568 m of new funds with the Sparkasse. Short-term investments remained their preferred option, although securities transactions also increased noticeably. Customer business grew to become an even more significant element of the balance sheet structure: loans and advances to customers make up the largest item on the assets side, while customer deposits dominate on the liabilities side.

Frankfurter Sparkasse offers its customers an ever greater selection of payment methods. All customers have been able to enjoy highly secure payments for internet purchases using paydirekt since April and Frankfurter Sparkasse has also been supporting a field test for Blue Code, which allows payment by smartphone in all of the catering outlets operated by Studentenwerk Frankfurt am Main, since November.

The high quality of Frankfurter Sparkasse's advice and counselling earned it a number of accolades, with the home finance counselling service, 1822 Private Banking and 1822direkt each achieving top rankings in relevant tests.

Frankfurter Sparkasse received a certificate recognising its family-friendly HR policies as determined in the audit berufundfamilie process from German Federal Minister of Family Affairs Manuela Schwesig in June. Frankfurter Sparkasse took on 37 new trainees in August 2016, meaning that it remains the largest provider of training leading to the qualified bank officer qualification in the Frankfurt am Main Chamber of Commerce and Industry region.

Landesbausparkasse Hessen-Thüringen

Landesbausparkasse (LBS) Hessen-Thüringen is a regional company specialising in home loan and savings business and real estate finance. Its home loan and savings contract is a key product through which Sparkassen are able to attract young customers and establish a lasting relationship with them. Traditional home savings loans, which require the borrower to save for a period before accessing the funds to be loaned, remain popular but here is also increasing demand for up-front loans with very long terms. Combined with the new generation of home loan and savings tariffs, these provide protection against interest rate fluctuations until full repayment. Municipal authorities and their corporations are increasingly looking to finance activities through the municipal home loan and savings contract. LBS markets its products through its own field service and jointly with the Sparkassen in their territories.

The course of new business at LBS in 2016 reflected the wider market trend, falling back slightly from the high level seen in the previous year. The entire sector is now focusing very largely on financing tariffs only: savings interest rates are irrelevant in the current climate. This has put the principal advantage of home loan and savings products – protection against interest rate fluctuations and an inexpensive loan – centre stage once more, helping LBS to generate a sustaining volume of new business again in the year under review.

Government support programmes are also helping to maintain demand for traditional home loan and savings products. The Wohnungsbauprämie employee savings bonus and the Arbeitnehmersparzulage, a subsidy paid on savings to be used for the construction, purchase or improvement of residential real estate, supply an additional incentive for young people not to put off thinking about accumulating capital, purchasing real estate and providing for their retirement and the combined effect of bonuses and tax savings can often make financing under the Wohn-Riester state subsidy programme for private old-age provision a cheaper option by several tens of thousands of euros.

LBS still sees very substantial untapped potential in financing business. It intends to work with the Sparkassen to service those segments of the market in which its products have most to offer – locked-in very long term interest rates, finance under the Wohn-Riester scheme and modernisation projects – even more intensively. LBS is pursuing all available optimisation approaches during the ongoing phase of extremely low interest rates to ensure its performance and capabilities continue to improve.

Frankfurter Bankgesellschaft

Frankfurter Bankgesellschaft continued to consolidate its position as the private bank for the Sparkassen-Finanzgruppe in 2016. It now has co-operation agreements in place with over 50 % of Sparkassen concerning the acquisition and support of high net worth private customers with € 1 m or more to invest. The Frankfurter Bankgesellschaft group includes subsidiary Frankfurter Bankgesellschaft (Deutschland) AG, fund manager LB(Swiss) Investment AG and the only multi-family office available to all German Sparkassen as well as the parent company, Frankfurter Bankgesellschaft (Schweiz) AG.

The group grew its investment volume by approximately € 1 bn to € 10 bn in the year under review. This makes the Frankfurter Bankgesellschaft group one of the ten largest private banks in Germany and one of the two largest German-owned banks in Switzerland. Multiple quality awards presented by independent assessment bodies in 2016 constitute a strong foundation for further growth. The performance test of actual portfolios conducted by publishers FUCHSBRIEFE, which has now been running for six years, once again rated Frankfurter Bankgesellschaft the best Swiss private/commercial bank. One annual test covering all German-language banks identified Frankfurter Bankgesellschaft as the second best Swiss bank. New service propositions in asset management for the Sparkassen on the ground should allow the Sparkassen-Finanzgruppe to make further inroads into the market in the high-net-worth customers segment and deliver additional gains in fee and commission income both for the Sparkassen and for Frankfurter Bankgesellschaft.

Public Development and Infrastructure Business

Wirtschafts- und Infrastrukturbank Hessen (WIBank) looks after the financial side of the State of Hesse's public and infrastructure development activities. It plays an important role in supporting sustainable development in Hesse and keeping the state fit for the future. An economically and organisationally independent but legally dependent institution within Helaba, it works impartially with all bank and customer groups. WIBank employs measures including separate posting groups and the use of a distinct logo to ensure compliance with the European Commission's strict rules on the separation of commercial bank and development bank functions. It covers the whole of Hesse from offices in Offenbach, Kassel, Wetzlar and Wiesbaden.

WIBank aims to improve quality of life for residents of the state of Hesse and to help make the state a more attractive place to live and do business. The competence centre for monetary development assistance in Hesse, it concentrates on actively supporting structural change and prioritises sustainability in all of its development activities. New business in 2016 was down year on year as expected, but WIBank nevertheless increased its net income for the year significantly thanks largely to one-off effects. Margins contracted as a result of the persistently low level of interest rates.

WIBank favours integrated cross-sector development approaches to realising structural change in areas such as digitalisation. It is a co-founder of the new TechQuartier in Frankfurt am Main (a hub for the growing community of young financial technology companies or fintechs), a role it took on to help encourage companies to settle in the area and to support community-building, and is also supporting the digital transformation in Hesse by helping to fund the necessary infrastructure (broadband networks, for example) and assisting innovative companies. It is adapting its own IT and sales support processes too to make sure that it can continue to meet customer requirements.

WIBank's role as competence centre for monetary development assistance in Hesse involves it supporting and advising the state, in particular, in relation to the development of efficient financing solutions and development programmes to banking standards. It offers a competitive range of development products, which it adapts dynamically to keep pace with relevant economic and social challenges. The product range is backed up by comprehensive high-quality counselling for customers seeking development assistance.

WIBank follows a conservative business model based on two main pillars: development loans business and service business. The development loans business pillar brings together all development transactions that should in principle generate a return, which in practice means loans, equity investments and revolving funds. WIBank's activities on behalf of higher-level administrative authorities fall under the service business pillar. These are based on long-term agreements (for example the European Structural Funds and European agricultural development subsidies) and involve off-balance-sheet subsidies as the primary financial instrument. WIBank conducts its operations through four different business divisions – Build & Live, Train & Employ, Create & Grow and Sustain & Modernise – making optimal use of the entire palette of available public development instruments to achieve the public development objectives.

Build & Live

The persistently favourable market conditions for financing dampened demand for the Build & Live business division. The Bank did though manage to increase new business, largely thanks to subsidies granted in urban development and under the regional aircraft noise abatement fund. Loans for the construction of housing for rental and new products such as the public authority investment programme, with its residential space tranche, will continue to promote business growth over the financial year ahead.

Train & Employ

The Train & Employ business division continues to focus on supporting education and training measures based on EU development programmes, the scale of which will be essentially the same as in the previous year. The volume of subsidies approved for development measures associated with social inclusion, on the other hand, declined year on year as a result of funds having been brought forward in 2015. New business overall fell slightly in this development segment.

Create & Grow

WIBank is introducing new products designed to meet the evolving requirements of its customers, which are increasingly seeking both an element of risk sharing and risk capital. The importance of supporting young, innovative companies continues to grow and WIBank has plenty to offer in this area including the Hesse innovation loan and the Technologiefonds Hessen III technology fund, which increases the investment opportunities available. Both products are enjoying strong demand and promise much for the future.

Sustain & Modernise

New business in the Sustain & Modernise business division dropped back as expected due to the effect of one-off items on the previous year's figures. The main sources of new business were the Municipal Protection Shield (KSH) and public authority investment development programmes, support for projects in healthcare and broadband expansion and infrastructure finance arrangements.

Staff

The Helaba Group employed 6,086 people in 2016. This equates to a year-on-year reduction of 62. The Bank strengthened its teams in strategic core business divisions such as foreign trade finance and sales and in relation to its digitalisation initiatives. Some posts were shed, however, as part of efforts to optimise processes. The great majority of the people affected took up the offer of an early retirement package. The Bank successfully completed the HelabaPRO restructuring programme, which began in 2011, in the third quarter of 2016 with the elimination of a total of 450 posts in Germany and other countries.

Helaba stepped up sales support activities significantly both in Germany and internationally in line with the business strategy. A new sales office was acquired in the city of Münster in January 2016 to provide a physical presence closer to the Sparkassen and corporate customers in Westphalia, Lippe, Lower Saxony and Bremen. The staff based at the site look after SME corporate customer business. The team serving the upper SME segment has been systematically strengthened in a process that began in 2015 and is now operating successfully from the Stuttgart, Munich, Düsseldorf and Münster sites. Work to set up the Customer Relationship Management International unit was completed at the same time. The sales support activities of the various international units have been pooled and the relevant teams increased in size. Helaba is now able to serve key accounts from the London, New York, Paris, Stockholm and Madrid sites and plans to commence operations from a base in São Paulo in the course of 2017 to support customers in Brazil. The Bank also created a new unit at the beginning of 2016 to provide professional design and oversight of its strategic digitalisation projects.

Helaba believes that helping employees keep private and professional life in harmony is essential to attract and retain the best people. It offers part-time and teleworking arrangements and flexible working hours, for example, and helps employees to identify childcare options close to their home. Helaba also operates an employee welfare department open to all employees that offers confidential professional support to help people resolve problems at work or at home. Set up to provide rapid assistance and effective intervention in the event of a crisis, it aims to stabilise the service user's mental wellbeing, activate personal and company resources and help employees continue to work as normal. The employee welfare department actively seeks to prevent problems developing in the first place too by providing advice on work-life balance and on how to recognise stress-related illnesses at an early stage and deal with them effectively. Approximately five percent of employees – very much in line with the sector average – sought the assistance of the employee welfare department in 2016. Management level staff also made use of the employee welfare department to clarify psychosocial and health issues within their area of management responsibility.

Another key element of Helaba's human resources policy is its occupational health management program, which aims to promote and enhance health awareness and help employees stay healthy. Priorities in this context include not only the occupational health and safety, occupational healthcare and company return to work programme requirements laid down by law, but also the activities organised as part of the HelabaVital initiative, which sees presentations and workshops on issues such as nutrition, exercise and mental equilibrium/relaxation (including a series of talks entitled "the heart under stress") offered at all sites.

Helaba has no choice but to adapt internal structures and processes in the face of rapid change in the wider setting. It deploys professionally-backed change processes to help ensure such developments within its organisation always work towards a stronger future. Employee surveys represent an ideal way to find out what employees think about corporate culture and change processes. The picture they paint makes it possible to analyse the current position and derive measures to be taken to boost employee satisfaction and company performance in tandem. As well as supporting analysis and planning, such survey initiatives also actively involve employees in the work of moulding cultural and change processes. Helaba conducted an employee survey in early 2016, and 83% of those surveyed took advantage of the opportunity to share their views with Helaba. The findings provide a basis for further demand-led work to enhance Helaba's corporate culture and management culture. They will also be scrutinised in 2017 to reveal areas in which additional strategic and operational improvements might most productively be made.

New company agreements concerning the employee meeting covering target agreement, target attainment and performance assessment and the determination of a variable year-end bonus were adopted by mutual consent with the employee representative bodies. The Bank regards the new employee meeting as central to its management approach because the forum it provides for the formal agreement of targets enables managers and employees to establish a high degree of transparency as to what is expected in terms of duties and performance. Using targets as a management tool provides a good foundation on which to express appreciation for a job well done and to render assistance when change is required. The employee meeting fosters mutual trust between employee and manager too. The negotiating results, which now have to be presented promptly to the Supervisory Board, also satisfy the current regulatory requirements set out in the German Regulation on the Supervisory Requirements for Institutions' Remuneration Systems (Instituts-Vergütungsverordnung – IVV).

Sustainability

Helaba has always embraced its responsibilities to society and the natural environment and its commitment to acting as a force for good in these areas guides its activities in all business areas.

Corporate Values and principles

Its mission as defined in the Treaty of the Formation of a Joint Savings Banks Association Hesse-Thuringia requires it to operate in the public interest. Helaba's Charter commits it to conducting the banking operations of local authorities and local authority associations, of the Federal States of Hesse and Thuringia, of other corporations, institutions and foundations under public law as well as of enterprises associated with them and assisting them in the realisation of their functions by means of its business operations. The Charter also tasks it with helping to facilitate public development initiatives, particularly in the fields of housing and urban development, industry and commerce, agriculture and environmental protection.

Helaba's Corporate Values reflect its formal mandate to operate in the public interest. Its core values are customer focus, responsibility for employees, the environment and society, commitment to its home regions and a prudent risk policy and it is guided in everything it does by a corporate culture that prioritises responsibility and respect for all. Its mandate to operate in the public interest also extends to supporting educational, cultural, social, sports, environmental and academic projects and events.

Helaba's sustainability principles acknowledge its environmental and social responsibilities, both internally and before the public at large, and lay down standards of conduct in the areas of business interests, business operations, staff and corporate social responsibility. The sustainability principles include a commitment on the part of Helaba to take an active role in confronting pressing challenges such as climate change and the increasing scarcity of important natural resources. Helaba has been a member of the German Association for Environmental Management and Sustainability in Financial Institutions (Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten e. V. – VfU) since 2011.

Sustainability standards in the business strategy

Helaba considers ensuring that its business activities are sustainable to be the most important aspect of its socially responsible approach and the business strategy itself consequently incorporates wide-ranging sustainability standards.

Helaba's efforts to maintain appropriate environmental and social standards include identifying relevant environmental factors and social and ethical considerations, which are then evaluated and incorporated into its risk assessment and loan approval processes. Such commitments ensure that Helaba does not finance the manufacture and trading of controversial types of weapon, for example, in particular cluster munitions, anti-personnel mines and biological and chemical weapons. Helaba also avoids speculating in or developing investment products based on agricultural commodities. Helaba's endeavours in response to the threat posed by climate change include a clear commitment to supporting energy-efficient technologies and renewable energy; it advocates the use of environmentally friendly technologies wherever possible when financing technical plant and systems. It intends to carry on continuously adding new sustainable banking products to its proposition in future.

Environmental factors in business operations

Helaba has been offering project finance in the area of renewable energy since the 1990s. It has extensive experience with the financing of large power station projects, both in Germany and abroad, having built up a substantial portfolio in this segment. The provision of finance for measures to improve the energy efficiency of buildings makes up a large part of the business of LBS Hessen-Thüringen, which offers residential property owners inexpensive individual financing solutions for projects such as home energy efficiency improvement and the installation of solar power systems.

WIBank supports the construction of energy-efficient residential buildings and residential property modernisation measures to improve energy efficiency on behalf of the State of Hesse as part of efforts to reduce energy consumption and carbon dioxide emissions. It supports environmentally-friendly energy generation using renewable agricultural and forestry products and efficient energy use too, most notably local heating networks, biomass-fuelled heating systems and agricultural biogas plants. WIBank also provides subsidies for projects to restore inshore waters to a more natural state, to construct and extend flood defence schemes and to repair flood damage.

Helaba's real estate subsidiaries similarly strive to minimise their impact on the natural environment. Major residential real estate company GWH prioritises sustainability throughout its residential property new build, renovation and operation activities and invests in improved insulation and more energy-efficient windows and heating systems for its residential real estate portfolios.

Real estate project developer and manager OFB has laid down its own environmental and sociocultural requirements for new build projects in its formal assessment for sustainable planning, construction and operation. The majority of its projects actually exceed the requirements of the German Energy Saving Ordinance (Energieeinsparverordnung – EnEV)

and it intends that in future virtually all of its projects will comply with the specifications published by the German Sustainable Building Council (Deutsche Gesellschaft für Nachhaltiges Bauen – DGNB) or the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) criteria. Many of the properties developed by OFB have already obtained corresponding accreditation.

Internal operating measures

Helaba's response to the challenge of climate change extends to targeting significant reductions in its own energy consumption and the carbon dioxide emissions attributable to the direct energy consumption of its office sites too. The Bank calculates environmental indicators and publishes them on an annual basis in order to make key elements of its environmental profile transparent and create incentives to further reduce consumption and emissions. Helaba and Frankfurter Sparkasse has switched completely to electricity from renewable sources. This decision, one of the most important measures implemented to reduce the organisation's environmental impact, has reduced carbon dioxide emissions significantly across the Group.

Helaba's MAIN TOWER head office building in Frankfurt am Main obtained a Platinum rating – the highest award possible for existing real estate – under the U.S. Green Building Council's LEED standards in 2016 having achieved Gold status back in 2011.

The Bank's company car policy also incorporates climate protection objectives: efficient diesel engines are as a rule to be preferred over petrol engines, high-powered models are prohibited and there are defined limits for carbon dioxide emissions.

Frankfurter Sparkasse operates an environmental management system accredited under the European Union's EMAS III Eco-Management and Audit Scheme and DIN EN ISO 14001. The environmental management system is regularly audited by independent inspectors. Frankfurter Sparkasse has been a member of the "Wirtschaft pro Klima" initiative since 2014 and has signed up to the initiative's climate change pledge. Wirtschaft pro Klima aims to highlight and advance German companies' commitment to tackling the challenges of climate change. Frankfurter Sparkasse supports three velotaxis in Frankfurt am Main to encourage more environmentally-friendly personal transport in the city centre and has installed four charging points for cars and bikes offering free recharges for customers using the Sparkasse head office car park. Around 64 % of staff use the JobTicket employer-provided public transport pass for their commute and business travel. Frankfurter Sparkasse's "1822 School and nature" project, which has helped over 100,000 children and young people to increase vegetation and planted areas around their school since 1982, delivered plants to 3,600 students at 25 Frankfurt schools once again in 2016. The best creative junior landscape artists among them won a prize for the most attractive school garden.

Corporate Social Responsibility

Transparency and open discussion are two of the fundamental principles that underpin all of Helaba's activities. The dedicated sustainability section of the Bank's website at <https://nachhaltigkeit.helaba.de> provides up-to-date information about all aspects of the social and environmental responsibility of the companies of the Helaba Group.

WIBank operates various programmes to promote home ownership, the construction of social housing for rental, the improvement of student accommodation in Hesse and the adaptation of living space to meet the needs of people affected by disabilities or serious ill health. It administers the regional aircraft noise abatement fund, providing low-interest finance for passive building soundproofing measures to help mitigate noise pollution from Frankfurt am Main airport, and also supports sustainable urban development measures to improve quality of life and social and educational opportunities as a specific response to noise-related disadvantages. WIBank is active in promoting economic development too, for example by providing finance to help small and midsize companies safeguard existing jobs and training positions and create new ones, and is also involved in delivering the State of Hesse's KIP municipal investment programme. Municipal authorities in the state are able to use the funds provided to invest in various areas including building affordable homes, for example for students, large families and refugees, and expanding all-day care at schools.

GWH manages around 49,000 residential properties, providing a home for an enormous number of people. It works through all kinds of avenues to improve accommodation and quality of life and promote social justice. It makes premises available for social outreach purposes, including homework assistance, youth support schemes and community centres, and supports housing development residents by setting up help and advice offices, for example, and employing welfare officers to respond to relevant contacts. Specially-adapted homes meet the needs of older people and people with disabilities. GWH supports social and religious institutions too and contributes financially to promote social welfare activities both within and beyond its immediate sphere of influence.

Culture and Sport

Helaba regards support for the arts and cultural life as a part of its social mission and a natural element of its own corporate culture. It remains an enthusiastic backer of the performing arts – the DomStufen-Festspiele (festival on the cathedral steps) in Erfurt, the Rheingau Music Festival and the Ruhr Piano Festival have all benefited from its assistance – and also supports art galleries and exhibitions, most notably Frankfurt's MMK museum of modern art and Städel gallery. Helaba has an art collection of its own too. Collecting activities have focused since 1996 on international contemporary artists, especially

younger talents just breaking through. The Bank regards supporting this group – including through carefully selected acquisitions where appropriate – as an important expression of its corporate citizenship.

The question of artistic merit dominates the collection strategy and the list of artists represented over some 20 years of collecting speaks of both expertise and far-sightedness: the collection includes many artists now well established on the international stage who were still largely unknown when Helaba first acquired their work. The strategy has produced an internationally significant art collection that challenges, opens new perspectives and stimulates active dialogue.

Helaba's art collection today comprises close to 1,500 works across a range of media and includes not just classic paintings from the modern period, but also convoluted concrete-constructive art from the 1960s and 1970s and examples of American minimal art, which are incorporated in the collection as precursors of modern contemporary art. These older works generate new and unfamiliar perspectives in juxtaposition with more recent works and make it possible to trace certain movements in art over the period concerned. One of the more unusual features of the collection are the numerous large-scale artistic murals, some created on-site in the MAIN TOWER, that exist in direct symbiosis with the surrounding architecture. Only a small proportion of the collection is held in storage and the rest is on display at Helaba Group buildings around the world, enabling Bank employees to experience contemporary art directly. Guided tours ensure that a large proportion of the works are also accessible to the public.

The Helaba Group maintains a prominent profile in the sporting arena as well. It sponsors regional sporting charity Sporthilfe Hessen, is a "Premium Partner" of the Bundesliga football team Eintracht Frankfurt and supports the Oberhof round of the luge World Cup. Its sponsorship of the Düsseldorf marathon and Ironman Night Run in Frankfurt am Main extend Helaba's backing for sports out of the elite bracket and into the world of mass participation.

Frankfurter Sparkasse has created a financially independent charitable trust to look after its outreach activities: primed with capital of almost € 17.9 m, "Stiftung der Frankfurter Sparkasse" coordinates and finances a wide range of regional cultural, social and educational projects.

Sustainability Ratings

Helaba keeps a very close eye on the development of the sustainability ratings. Agencies specialising in sustainability scrutinise companies regularly to determine how they are performing in sustainability matters. Helaba is currently rated by the following agencies:

Rating agency	Rating
 <small>AKTIENGESELLSCHAFT</small>	<p>“C-”</p> <p>In the upper third of the comparison group of 85 banks</p>
 <small>HYPOTHEKENPFANDBRIEFE</small> <small>SEIT 2008</small> <small>POSITIVE BB</small>	<p>Public Pfandbriefe: “positive (BBB)”</p> <p>Mortgage Pfandbriefe: “positive (BB)”</p> <p>Unsecured bonds: “neutral (CC)”</p>
	<p>62 points out of 100</p> <p>“Average performer”</p> <p>“Outperformer in social ranking: 98 of 334”</p>
	<p>“BBB”</p> <p>41 % of the comparison group is rated higher and 37 % lower</p>

Ratings last updated as follows:

Oekom 21 November 2016

imug 11 January 2017

Sustainalytics 24 March 2017

MSCI 11 March 2016

Helaba strives for continuous improvements in its sustainability ratings and maintains close contacts with all rating agencies to this end. It launched a comprehensive project in 2016 to identify strategic focus areas for sustainability at Helaba and to hone the Bank's profile further in this sphere.

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