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Consolidated financial statements 2015: Sparkassen-Finanzgruppe Hessen-Thüringen remains stable within difficult environment

The Sparkassen-Finanzgruppe Hessen-Thüringen ended the 2015 financial year with a respectable result. According to the consolidated financial statements, the Group achieved a net profit before tax of approximately EUR 1.5 billion. Gerhard Grandke, Managing President of the Savings Bank and Giro Association of Hesse-Thuringia (SGVHT), sums up the previous financial year: “In view of the challenging conditions for business in the banking industry we can be very satisfied. It was particularly pleasing that we were able to post further gains in our most important segments – net interest income and net fee and commission income. This demonstrates that, so far, we have been able to compensate for the protracted period of low interest rates and are firmly established in the market.”

Since 2003, the Sparkassen-Finanzgruppe Hessen-Thüringen has published group financial statements prepared in accordance with IFRS standards on a voluntary basis. These consolidated financial statements are a central component of the so-called S-Group concept, in which the Group acts as a single economic entity consisting of legally and economically independent companies with a common market, business and risk strategy as well as a joint risk management system with an additional reserve fund.

S-Group rating from two rating agencies

The Sparkassen-Finanzgruppe Hessen-Thüringen has had recourse to an S-Group rating from two rating agencies since 2006, which every company in the S-Group is able to take advantage of in the scope of their capital market activities. Currently, the regional savings banks association is rated “A+” and “A” by Fitch and Standard & Poor’s,

S-Group has so far able to compensate for effects of period of persistently low interest rates

Group financial statements prepared in accordance with IFRS

Stable S-Group rating from Fitch and S&P

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respectively. This S-Group rating, which has remained stable for years, also reflects the confidence that the rating agencies place in the sustainability and future viability of the S-Group concept as well as in the business model of the Sparkassen-Finanzgruppe Hessen-Thüringen.

Sparkassen-Finanzgruppe Hessen-Thüringen employs approximately 27,000 staff

The group of consolidated companies that the financial statements of the Group comprise primarily includes the 50 savings banks in both federal states as well as the Helaba Landesbank Hessen-Thüringen Group, with the latter incorporating LBS Hessen-Thüringen among other entities. The group of SV SparkassenVersicherung Holding AG is accounted for at equity in the Group's financial statements. Overall, the companies of the Group have a balance sheet total amounting to EUR 260.3 billion and employ around 27,000 staff (excluding SV SparkassenVersicherung). The S-Group in Hesse and Thuringia has a prominent position in the retail customer and SME segments.

Prominent position in the retail customer and SME segments

S-Group with strong customer business

In the 2015 financial year, the Group's balance sheet declined slightly by EUR 4.1 billion or 1.6 %, amounting to EUR 260.3 billion. This was mainly a result of a targeted reduction in assets held for trading. In contrast, customer business remained strong. On the asset side, loans and advances to customers rose by EUR 4.2 billion, or 2.8 %, to EUR 154.2 billion thanks to low interest rates and the positive economic environment. On the liabilities side, liabilities due to customers, including customer deposits at 1822direkt, increased by EUR 5.1 billion, or 4.3 %, to EUR 123.0 billion. At EUR 70.2 billion, instant access deposit accounts were once again by far the most popular form of investment (2014: EUR 62.0 billion).

Growth in loans and advances to customers and customer liabilities

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Group's balance sheet equity grows to just over EUR 20 billion

In 2015, the Sparkassen-Finanzgruppe Hessen-Thüringen once again managed to substantially boost its balance sheet equity, which rose by EUR 0.8 billion, or 4.1 %, to a total of EUR 20.1 billion. "Thanks to a comfortable level of reserves as well as a diversified balance sheet structure, our Group is characterised by having a very stable risk bearing capacity. A combination of the rather small-scale business of the savings banks in the retail segment and the wholesale business of the Landesbank has a positive impact on the Group's balance sheet", Grandke explained.

Stable risk bearing
capacity

Group achieves pre-tax profits of around EUR 1.5 billion

The Sparkassen-Finanzgruppe Hessen-Thüringen was satisfied with the development of earnings in 2015, too. Earnings before taxes amounted to EUR 1.5 billion and were EUR 169 million, or 10.2 %, lower than in the previous year. This was mainly a result of higher loan loss provisioning which, having fallen to a record low of EUR 71 million in 2014, rose again to slightly over EUR 200 million in 2015.

Loan loss provisions rise
to just over EUR 200
million

Notwithstanding the difficult banking environment, the operating income of the S-Group proved itself to be robust. Despite the prolonged phase of low interest rates and pressure on margins, net interest income improved by EUR 50 million, or 1.6 %, to around EUR 3.3 billion, not least thanks to larger portfolios. Net income from fees and commission grew by EUR 58 million, or 6.6 %, to EUR 943 million; net trading income moved up from EUR 118 million to EUR 186 million. Strict discipline on the cost side paid dividends. Thanks to reduced material expenditure, the Group's general and administrative expenses showed an improved of EUR 15 million, or 0.5 %, falling to EUR 3.1 billion. The annual net profit after adjusting for income taxes amounted to EUR 1.1 billion, which was EUR 99 million or 8.5 % lower

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than the year before. Return on equity before taxes declined from 8.8 % to 7.5 %. The cost/income ratio of 64.6 % was practically stable.

Forecast for 2016: Adequate result in sight

For 2016, the Sparkassen-Finanzgruppe Hessen-Thüringen anticipates achieving a lower pre-tax profit. Grandke expressed his confidence about the current financial year: "Just like the sector as a whole, we will not be able to completely withstand the pressure on earnings from low interest rates and higher costs. In spite of this, our result in 2015 once again underscores the fact that, even in difficult times, we are successfully competing on the market. We will continue to work on our costs, on our strength in sales and on our S-Group cooperation, while adhering to our conservative risk strategy. We will once again achieve satisfactory results in 2016."

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Information and Communication Department
Matthias Haupt
Tel: +49 69 2175-150

www.sparkassen-finanzgruppe-ht.de

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Cost/income ratio remains
stable at 64.6%

Group adheres to
conservative risk strategy