

Press Release

Consolidated financial statements 2014: Sparkassen-Finanzgruppe Hessen-Thüringen significantly improves on previous result

In 2014, the Sparkassen-Finanzgruppe Hessen-Thüringen once again achieved an outstanding result. According to the consolidated financial statements, the Group's earnings before tax rose by over 23 % to EUR 1.6 billion. Gerhard Grandke, Managing President of the Savings Bank and Giro Association of Hesse-Thuringia (SGVHT), drew a positive conclusion to the previous financial year: "In achieving this very good result, we benefited from lower loss provisions; but our operating business also had a positive impact on earnings. Increases came from both the net interest income and the net fee and commission income. This underlines the fact that our Group is well placed to tackle future challenges in an environment characterised by persistent low interest rates and intense competition."

Each year, the Sparkassen-Finanzgruppe Hessen-Thüringen publishes group financial statements 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. The Sparkassen-Finanzgruppe Hessen-Thüringen avails of an S-Group rating of "A+" (Fitch) and "A" (Standard & Poor's), which all members of the association can take advantage of when tapping the capital markets. The S-Group rating of SGVHT has remained stable for many years. This also reflects the trust that the rating agencies place in the effectiveness and viability of the S-Group concept.

Improvement in earnings
before tax to EUR 1.6 bn

Stable S-Group rating
from Fitch and Standard &
Poor's

Press Release

Savings bank association in Hesse-Thuringia is market leader in many business segments

The regional association mainly consists of the 50 savings banks in the two federal states of Hesse and Thuringia as well as the Helaba Landesbank Hessen-Thüringen Group, which includes, inter alia, LBS Hessen-Thüringen. The group companies of SV SparkassenVersicherung Holding AG are included in the consolidated financial statements on an at-equity basis. With a combined balance sheet total of EUR 264.7 billion and a staff of 27,000 (excluding SV SparkassenVersicherung), the companies in the Group are market leaders in a range of business segments in Hesse and Thuringia.

Group has total workforce of 27,000 employees

Retail business drives balance sheet total

The balance sheet total of the regional S-Group rose by EUR 3.2 billion or 1.2% to EUR 264.7 billion in the 2014 financial year. This was in no small part due to growth in retail customer business. On the asset side, loans and advances to customers benefited from low interest rates and the on-going economic recovery. They rose by EUR 1.0 billion or 0.7 % to EUR 150.0 billion. On the liabilities side, liabilities to customers defied the low interest rate environment and grew by EUR 2.7 billion or 2.3 % to EUR 117.9 billion, which includes customer deposits at 1822direkt. Once again, instant access deposit accounts proved to be an increasingly attractive product.

Loans and advances and liabilities to customers increase

S-Group enjoys sound capital base

The Sparkassen-Finanzgruppe Hessen-Thüringen was yet again able to boost its reserves in 2014. Reported equity increased by a total of EUR 1.3 billion or 7.7 % to EUR 19.6 billion. "Our Group has a sound capital base and is characterised by a stable risk-bearing capacity. We also attribute this to our well-diversified balance sheet structure, in which

Group increases reported equity by EUR 1.3 bn to EUR 19.6 bn

Press Release

the rather more small-scale savings bank business in the retail segment is combined with the wholesale Landesbank business. The resulting diversification is and shall remain a particular strength of our Group”, Grandke affirmed.

Substantial rise in earnings before tax

The earnings trend of the Sparkassen-Finanzgruppe Hessen-Thüringen in the 2014 financial year was marked by strong growth. Pre-tax earnings improved by EUR 312 million or 23.3 % to EUR 1.6 billion. The two most important sources of income – the net interest income and the net fee and commission income – both increased. In spite of the persistent phase of low interest rates and resulting pressure on interest margins, the Group nevertheless managed to achieve net interest income of EUR 3.2 billion, a rise of EUR 23 million or 0.7 %. Net fee and commission income rose by as much as EUR 33 million or 3.9 % to EUR 885 million. On the other hand, net trading income declined to EUR 118 million (2013: EUR 347 million). The Group also has administration expenses under control – they fell by EUR 31 million or 1.0% to EUR 3.1 billion, albeit the reduction was due to lower operating costs.

Loan loss provisions fall to record low

In 2014, a further decline in provisions for losses on loans and advances yet again provided welcome relief. At EUR 71 million they reached their lowest ever level since IFRS accounting standards were first applied to the Group’s consolidated financial statements in 2009. Adjusted for income taxes, annual earnings improved by EUR 151 million or 14.6 % to EUR 1.2 billion. Return on equity before taxes rose from 7.5 % to 8.7 %, despite the significant capital increase. The cost/income ratio, at 64.3 % compared to 66.6 % in the previous year, also improved.

Net interest and commission income increase, administration expenses fall

Cost/income ratio falls to 64.3 %

Press Release

Outlook for 2015: Earnings will be lower but still respectable

The Sparkassen-Finanzgruppe Hessen-Thüringen anticipates that earnings before tax in 2015 will be lower than the year before. “Last year we benefited from the strong decline in loan loss provisions. That will not be repeated in 2015. At the same time, we expect to achieve a respectable result this year. We have demonstrated that we can be successful even in a challenging environment. Our aim is to keep our costs under control and to adhere to our conservative risk policy. In addition to that, we will continue working towards improving our market share and competitive position by boosting our sales activities and enhancing co-operation within the S-Group”, Grandke stressed.

Focus on intensified sales activities and co-operation within the S-Group

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