

## Press Release

### **Consolidated financial statements 2017: Sparkassen-Finanzgruppe Hessen-Thüringen holds its own in a challenging environment**

The Sparkassen-Finanzgruppe Hessen-Thüringen closed the 2017 financial year with a respectable result. According to the consolidated financial statements, the Group achieved pre-tax earnings of around EUR 1.4 billion. Gerhard Grandke, Managing President of the Savings Bank and Giro Association of Hesse-Thuringia (SGVHT), summed up last year's encouraging result: "Although this is slightly lower than in the previous year, which was a particularly successful period, it is nevertheless the third-best result that our Group has ever generated. In particular, a positive factor in this success was the fact that our Group managed to post increases in its most important earnings segments – net interest income after provisions for losses on loans and advances and net fee and commission income – despite the on-going negative impact of the low interest rate phase. This demonstrates the robust and solid position of our regional S-Group within a challenging business environment."

Profit before tax: EUR 1.4  
billion

The Sparkassen-Finanzgruppe Hessen-Thüringen has been publishing annual consolidated financial statements on a voluntary basis since 2003, which are prepared in accordance with IFRS standards and which are a key component of the S-Group concept. The S-Group concept means the Group acts as a single economic entity consisting of legally and economically independent companies with a common business and risk strategy as well as a joint risk management system and an additional reserve fund.

Consolidated financial  
statements an important  
part of the S-Group  
concept

### **Stable S-Group rating**

The Group's consolidated financial statements are a measure of its business success and thus constitute a requirement for the awarding of a true S-Group rating by the rating agencies Fitch and Standard & Poor's

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that every company in the S-Group is able to take advantage of in the scope of their capital market activities. Currently, the Group is rated “A+” and “A” by Fitch and Standard & Poor’s, respectively. This Group rating has remained stable for many years and reflects the trust that the rating agencies place in the sustainability and effectiveness of the S-Group in Hesse and Thuringia and its business model.

### **Regional S-Group with a balance sheet total of EUR 251.8 billion**

The consolidated group of companies included in the financial statements mainly comprise the savings banks in the two federal states as well as the Group of Helaba Landesbank Hessen-Thüringen, whose subsidiaries include LBS Hessen-Thüringen, among others. The Group of SV SparkassenVersicherung Holding AG is accounted for at equity in the consolidated financial statements. Overall, the companies of the Group have a combined balance sheet total of EUR 251.8 billion and employ around 24,700 people (excluding SV SparkassenVersicherung). Thanks to its strong regional presence, the companies in the Sparkassen-Finanzgruppe Hessen-Thüringen are market leaders in a range of business segments. It enjoys a prominent position in the retail customer and corporate midcap segments.

Around 24,700 employees

### **Customer business provides impulses for growth**

In the 2017 financial year, the Group’s balance sheet total fell by EUR 4.8 billion, or 1.9 %, to EUR 251.8 billion, primarily as a result of a reduction in assets held for trading and a decline in loans and advances to banks. Overall, customer business continued to provide further growth momentum. Despite a reduction in loans and advances to customers of EUR 1.0 billion, or 0.6 %, to EUR 155.5 billion on the asset side as a result of exchange rates, there was a strong increase in liabilities due to customers, including customer deposits at 1822direkt. They rose by EUR 4.8 billion, or 3.9 %, to EUR 128.8 billion.

Significant rise in liabilities due to customers

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### **S-Group with solid capital base**

The Group was once again successful in significantly reinforcing its balance sheet equity in 2017, with the latter rising by EUR 0.9 billion, or 4.3 %, to a total of EUR 22.0 billion. “This means our Group has a greater capital buffer at its disposal and sufficient leeway for additional growth in our business. Moreover, our very good capitalisation also boosts the Group’s risk-bearing capacity, which is further improved by having a well-balanced financial structure. This is because the Group is able to achieve a higher level of diversification than the individual companies themselves. This reflects the positive impact of combining the smaller-scale business of the savings banks with the wholesale activities of the Landesbank”, explained Grandke.

Balance sheet equity  
grows to EUR 22.0 billion

### **Growth in important sources of income**

The earnings position of the German banking industry was again weighed down by the long-running phase of low interest rates and higher costs due to regulations. On the other hand, buoyant economic growth had a positive effect. Against this backdrop, the Sparkassen-Finanzgruppe Hessen-Thüringen once again achieved a respectable performance in the previous financial year. Although the profit before tax declined by EUR 155 million, or 9.7 %, to around EUR 1.4 billion, this was mainly due to a negative result in non-trading derivatives and financial instruments to which the fair value option is applied of EUR -118 million (2016: EUR +56 million). In contrast, the Group’s most important sources of income posted increases. Net interest income before provisions for losses on loans and advances and net fee and commission income rose by EUR 26 million, or 0.8 %, to EUR 3.1 billion and by EUR 57 million, or 5.9 %, to EUR 1.0 billion respectively. Net trading income also improved, rising from EUR 123 million to EUR 269 million. General and administrative expenses increased moderately by EUR 37 million, or 1.2 %, to EUR 3.1 billion, principally as a consequence of higher IT costs in

Lower profit before tax

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the regulatory environment. Adjusted for income tax expenses, the annual net profit declined by EUR 148 million, or 12.9 %, to EUR 1.0 billion compared to the previous year. Return on equity before taxes fell from 7.7 % to 6.7 %, while the cost/income ratio rose from 64.4 % to 69.9 %.

Cost/income ratio rises to  
69.9 %

### **Forecast for 2018: Earnings projected to be slightly lower**

Against a backdrop of the on-going low interest rate environment and a growing burden of regulatory-induced costs, the Sparkassen-Finanzgruppe Hessen-Thüringen expects to achieve a slightly lower profit before tax in 2018. “Our Group once again proved in 2017 that it is well-positioned to cope with these challenging conditions. By working together closely within the Group, we are firmly committed to further improving our market and competitive positions and, consequently, boosting our earnings. We will work on optimising our cost structure and we will adhere to our tried-and-tested conservative risk strategy. Therefore, I anticipate that the Sparkassen-Finanzgruppe Hessen-Thüringen will also achieve a respectable result in 2018 as well”, Grandke concluded.

Grandke: “Group well-  
positioned to cope with  
these challenging  
conditions”

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