

## Press Release

### **Consolidated financial statements 2018: Sparkassen-Finanzgruppe Hessen-Thüringen achieves respectable result**

The Sparkassen-Finanzgruppe Hessen-Thüringen generated a respectable net profit in the 2018 financial year. According to the consolidated financial statements, the Group achieved earnings before taxes of EUR 958 million. "In view of an environment characterised by ultra-low interest rates, increasing competitive pressure and political and economic uncertainty, we can be satisfied with this. Although the result was lower than in the previous year, this was primarily due to one-time special items. However, our two major earnings components – net interest income and net fee and commission income – remained intact. This demonstrates that the business model of our regional S-Group is still viable, even in difficult times," said Gerhard Grandke, Managing President of the Savings Banks and Giro Association of Hesse-Thuringia (SGVHT), in summing up the last financial year.

Net profit before taxes:  
EUR 958 million

Every year, the Sparkassen-Finanzgruppe Hessen-Thüringen voluntarily publishes consolidated financial statements, prepared in accordance with IFRS accounting standards, which measure the business performance of the association and thus represent an important part 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 under IFRS

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

For many years, the rating agencies Fitch and Standard & Poor's have awarded the Sparkassen-Finanzgruppe Hessen-Thüringen a true S-Group rating that is based on the consolidated financial statements and that can be used by any institution in the association in the scope of

## Press Release

their capital market activities. Fitch and Standard & Poor's currently assign the Group 'A+' and 'A' ratings, respectively. These S-Group ratings, which have remained stable for years, reflect the rating agencies' confidence in the sustainability and effectiveness of the regional S-Group association.

### **Regional S-Group employs approximately 24,000 people**

The Group's consolidated financial statements primarily include the savings banks in the two federal states and the group of Helaba Landesbank Hessen-Thüringen, which also owns LBS Hessen-Thüringen among others. The Group of SV SparkassenVersicherung Holding AG is accounted for at equity in the consolidated financial statements. With a workforce of more than 24,000 employees (excluding SV Sparkassen-Versicherung) and a balance sheet total of EUR 258.8 billion, the Group's companies are market leaders in a range of business lines in the federal states of Hesse and Thuringia. The Group plays a prominent role in the retail customer and SME segments.

Prominent role in retail customer and SME segments

### **Group benefits from growth in client-driven business**

Thanks to strong growth in customer-related business, the balance sheet total of the Sparkassen-Finanzgruppe Hessen-Thüringen increased by EUR 7.4 billion, or 2.9 %, to EUR 258.8 billion in the 2018 financial year. On the asset side, loans and advances to customers rose by EUR 7.3 billion to EUR 161.4 billion, an increase of 4.7%. On the liabilities side, liabilities due to customers climbed by EUR 3.8 billion, or 3.0%, to EUR 130.6 billion. "This success in our client-driven business underscores the fact that we have a solid foothold in the market and that our customers have enormous confidence in us," Grandke stressed.

Growth in both loans and advances to customers and liabilities due to customers

## Press Release

### **Balance sheet equity grows to EUR 22 billion**

In 2018, the Group was once again in a position to strengthen its reserves. Balance sheet equity increased by 1.4 % from EUR 0.3 billion to a total of EUR 22.0 billion. "This represents yet another increase in our reserves, providing us with additional scope so that we can continue to expand our client-driven activities. At the same time, it also improves our risk-bearing capacity which, thanks to our having a diversified balance sheet structure consisting of smaller-scale retail business at the savings banks and larger-scale wholesale business at the Landesbank, is higher at association level than it would be if the individual S-Group companies were viewed on a stand-alone basis," explained Grandke.

Additional scope for  
growth in client-related  
activities

### **Earnings adversely affected by one-off charges**

The on-going phase of low interest rates, high regulatory costs and growing investments in the shift to digital technology all played their part in ensuring that the profitability of the German banking industry remained under pressure in 2018. At the same time, the German economy experienced a marked slowdown in the second half of the year under review. Against this backdrop, the Sparkassen-Finanzgruppe Hessen-Thüringen generated a satisfactory result in the previous financial year. The net profit before taxes declined by EUR 415 million, or 30.2 %, to EUR 958 million. However, this decrease was largely a result of non-recurring items. Net trading income fell by EUR 237 million to EUR 32 million, partly as a result of the absence of market-related valuation adjustments that had previously had a positive effect on earnings in the 2017 financial year. This was accompanied by a significant widening of credit spreads on the bond markets due to Italy, which had a negative impact on the net trading income. In addition, net income from financial instruments measured at fair value fell by EUR 133 million to EUR -214 million.

Decline in net trading  
income

## Press Release

However, the two most important sources of income in the association could once again be relied upon in 2018. Despite the low and negative interest rate environment, net interest income after provisions for losses on loans and advances only saw a moderate decline of EUR 92 million, or 3.2%, to just under EUR 2.8 billion. Net fee and commission income increased by EUR 4 million, or 0.4 %, to just over EUR 1 billion. General and administrative expenses rose by EUR 162 million to EUR 3.1 billion, an increase of 5.5%. This was attributable to higher personnel expenses and higher costs in connection with the implementation of regulatory requirements. Net profit adjusted for income tax expenses fell by EUR 282 million, or 30.2%, to EUR 652 million compared with the previous year. Return on equity before taxes fell from 6.5 % to 4.4 % while the cost/income ratio rose from 70.1 % to 77.4 %.

### **Forecast for 2019: Stable result in sight**

Given the protracted phase of low interest rates and sustained pressure on costs, the Sparkassen-Finanzgruppe Hessen-Thüringen anticipates that earnings will remain stable in 2019, as the aforementioned negative one-off effects incurred in 2018 are likely to be lower in the current year. "Our Group once again achieved an adequate result in the previous financial year. One positive aspect worth highlighting is that earnings in our core business are very stable, despite the challenging environment. We will continue to work hard on our revenues and costs. Co-operation within our Group will play a key role in this respect", Grandke concluded.

Frankfurt am Main / Erfurt, 31. July 2019  
Information and Communication Department  
Matthias Haupt  
Tel.: +49 69 2175-150

[www.sparkassen-finanzgruppe-ht.de](http://www.sparkassen-finanzgruppe-ht.de)

Group still able to rely on principal sources of income

Grandke: Co-operation within the Group to play a key role in improving costs and revenues