

## Press Release

### **Consolidated financial statements 2019: Sparkassen-Finanzgruppe Hessen-Thüringen achieves good result**

The Sparkassen-Finanzgruppe Hessen-Thüringen continued its successful performance by closing the 2019 financial year with a pre-tax profit of around EUR 1.5 billion. "The result we achieved last year significantly exceeded that of the previous year. Although it was primarily a result of measurement effects due to IFRS, our Group was once again able to considerably improve net fee and commission income while maintaining net interest income, as our main earnings driver, at practically the same level – despite the challenging interest rate environment. We are encouraged by the fact that we also managed to keep administrative expenses, which decreased slightly in 2019, under control," said Gerhard Grandke, Managing President of the Savings Bank and Giro Association of Hesse-Thuringia (SGVHT), in summarising the previous financial year.

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.

### **S-Group rating stable for years**

The SGVHT's consolidated financial statements form the basis upon which the rating agencies Fitch and Standard & Poor's award a true S-Group rating that reflects the S-Group's economic unity. At the same time, it can also be used by each of the Group's member institutions within the scope of their capital market activities. Fitch and Standard &

Net profit before taxes:  
up from approx. EUR 1.0  
bn to around EUR 1.5 bn

Consolidated financial  
statements prepared on a  
voluntary basis

S-Group rating can be  
used by any institution in  
the Group

## Press Release

Poor's have awarded the Sparkassen-Finanzgruppe Hessen-Thüringen S-Group ratings of "A+" and "A", respectively, and these ratings have been stable for many years. These stable ratings are a reflection of the confidence the rating agencies place in the sustainability and effectiveness of the regional S-Group association and its business model.

### **S-Group with total assets of EUR 309.0 billion**

The Group's consolidated financial statements primarily include the savings banks in the two federal states as well as the group of Helaba Landesbank Hessen-Thüringen, which also owns LBS Hessen-Thüringen among others. In 2019, KOFIBA-Kommunalfinanzierungsbank GmbH (KOFIBA), formerly known as Dexia Kommunalbank Deutschland, was merged into Landesbank Hessen-Thüringen by way of accrual. The Group of SV SparkassenVersicherung Holding AG is accounted for at equity in the consolidated financial statements. With a workforce of around 24,000 employees (excluding SV SparkassenVersicherung) and a balance sheet total of EUR 309.0 billion, the companies of the Sparkassen-Finanzgruppe 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

### **Integration of KOFIBA and customer business drive balance sheet total**

The total assets of the Sparkassen-Finanzgruppe Hessen-Thüringen rose by EUR 50.2 billion, or 19.4 %, to EUR 309.0 billion in the 2019 financial year, which was largely due to the integration of KOFIBA in addition to a buoyant level of customer-related business. KOFIBA contributed approximately EUR 26 billion to this increase. On the assets side, loans and advances to customers grew by EUR 21.4 billion, or 13.3 %, to EUR 182.8 billion, with KOFIBA accounting for EUR

Growth in loans and advances and liabilities due to customers

## Press Release

11.7 billion of this increase. On the liabilities side, liabilities due to customers were EUR 16.2 billion, or 12.4 %, higher at EUR 146.8 billion.

### **Solid capital backing and diversified balance sheet structure improve Group's risk-bearing capacity**

In 2019, the Sparkassen-Finanzgruppe was once again in a position to strengthen its reserves. Balance sheet equity rose by EUR 1.0 billion, or 4.5 %, to a total of EUR 23.0 billion. "This represents the continuation of a strategy that we have been pursuing for years and that has proven to be successful. After all, our Group enjoys solid capital backing which also provides us with the necessary scope to grow our business further. The combination of the savings banks' smaller-scale business and Landesbank Hessen-Thüringen's wholesale activities provides us with a broad mix of lending and funding structures. This also has a positive effect on our risk-bearing capacity," emphasised Grandke.

Balance sheet equity  
increases to EUR 23.0 bn

### **Significant rise in net profit thanks to measurement effects under IFRS**

The ongoing phase of low and negative interest rates, high regulatory costs and increased investments in digitisation all had a negative impact on the German banking sector in 2019. Despite this, the Sparkassen-Finanzgruppe Hessen-Thüringen performed significantly better in the year under review than in 2018. The net profit before taxes rose by EUR 513 million, or 53.5 %, to around EUR 1.5 billion. The principal factors behind this strong growth were measurement effects, such as the net income from financial instruments measured at fair value, which increased by EUR 586 million in 2019. The two principal sources of income in the Group also developed well. Net interest income before provisions for losses on loans and advances remained virtually stable at around EUR 2.7 billion (down EUR 17 million or -0.6 %), notwithstanding the persistent phase of weak interest rates. The Group

Net interest income  
before risk provisioning  
stable, renewed growth in  
net fee and commission  
income

## Press Release

was once again successful in boosting net fee and commission income, which improved by EUR 85 million or 8.3 % to EUR 1.1 billion. General and administrative expenses provided some relief, falling by a total of EUR 13 million or 0.4 % to EUR 3.1 billion. Compared to the previous financial year, net profit adjusted for income tax expenses increased by EUR 496 million, or 76.1 %, to over EUR 1.1 billion. Return on equity before taxes improved from 4.4 % to 6.5 % and the cost/income ratio from 77.4 % to 66.6 %.

Cost/income ratio falls  
from 77.4 % to 66.6 %

### **Forecast for 2020: Significant decline in earnings due to Covid-19 pandemic**

As a result of the economic impact of the Covid-19 pandemic and the temporary shutdown, the net profit of the Sparkassen-Finanzgruppe Hessen-Thüringen is expected to be significantly lower in 2020 compared with the previous year. "In March and April, the coronavirus largely paralysed public and economic life and some restrictions are still in place. It is not yet possible to give a precise estimate of the overall impact of the pandemic. However, thanks to our further improved capital backing, our conservative risk strategy that involves an effective risk management system and our intensive cooperation within the S-Group, our regional association is strong enough to cope well with this exceptional situation as well," concluded Grandke.

Grandke: "Our regional association is strong enough to cope well with the impact of the Covid-19 crisis."

*You can find the Group's figures at a glance on the Internet at [www.sfg-ht.de/finanzgruppe/verbundkonzept](http://www.sfg-ht.de/finanzgruppe/verbundkonzept).*

Frankfurt am Main / Erfurt, 31. July 2020  
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