

Presseinformation

Consolidated financial statements 2022: Sparkassen-Finanzgruppe Hessen-Thüringen reports break-even result

Despite the rapid and steep rise in market interest rates as a result of a move towards significantly tighter monetary policy by the European Central Bank (ECB) in addition to a macroeconomic environment that remained challenging, the Sparkassen-Finanzgruppe Hessen-Thüringen was able to post an break-even result in the 2022 financial year. However, at EUR 7 million, the Group's net profit before tax was substantially lower than in the previous year (EUR 1.4 billion), according to the consolidated financial statements. "Monetary policymakers have finally reversed interest rates. For the banking industry, though, it represents a double-edged sword: on the one hand, the return to normal interest rate conditions will have a noticeably positive impact on institutions' earnings over the medium term. In 2022, this already had an impact on our Group in terms of a significant increase in net interest income before risk provisioning. On the other hand, the sudden onset of the turnaround in interest rates led to considerably negative short-term consequences for the result from financial instruments measured at fair value, which had a correspondingly adverse effect on the Group's consolidated results," said Stefan G. Reuß, Managing President of the Savings Bank and Giro Association Hesse-Thuringia (SGVHT), in summing up the 2022 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 Group 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

Pre-tax profit falls to
EUR 7 m

Consolidated financial
statements in accordance
with IFRS accounting
standards

Presseinformation

independent companies with a common business and risk strategy as well as a joint risk management system and an additional protection scheme.

S-Group rating reflects economic unit of the Group

The consolidated financial statements form the basis for assigning a true S-Group rating that reflects the economic unit of the S-Group, which can also be used by each of the Group's member institutions in the scope of their capital market activities. The business model of the Sparkassen-Finanzgruppe Hessen-Thüringen has long been rewarded with solid ratings. The rating agency Fitch, for instance, has assigned the Group an issuer default rating of A+ for many years and most recently affirmed this rating with a stable outlook on 18 April 2023.

Historically solid ratings

Regional savings bank association employs almost 23,000 people

The consolidated financial statements primarily encompass the savings banks in the two federal states of Hesse and Thuringia as well as the Helaba Landesbank Hessen-Thüringen group of companies, which includes LBS Hessen-Thüringen, among others. The Group of SV SparkassenVersicherung Holding AG is accounted for at equity and is thus included on a pro-rata basis in the consolidated financial statements. With a workforce of almost 23,000 employees (excluding SV SparkassenVersicherung) and total assets of EUR 331.5 billion, the Group plays a prominent role in the retail and SME segments of both federal states. This is also the case in the home loan and savings (Bauspar) and building insurance business.

S-Group enjoys leading or prominent positions in many regional market segments

Balance sheet total remains stable

In the 2022 financial year, the balance sheet total of the Sparkassen-Finanzgruppe Hessen-Thüringen was almost unchanged from the previous year at EUR 331.5 billion (2021: EUR 332.0 billion). On the

Presseinformation

asset side, cash and cash equivalents as well as sight deposits at central banks and credit institutions rose by EUR 2.5 billion (+5.3 %) to EUR 49.8 billion. The Group also managed to raise its volume of loans and advances to customers by EUR 4.8 billion (+2.5 %) to EUR 195.3 billion. This contrasts with a decline in assets held for trading and financial instruments measured at fair value, which fell by EUR 2.8 billion (-18,5 %) to EUR 12.3 billion and by EUR 8.0 billion (-15.2 %) to EUR 44.5 billion, respectively. On the liabilities side, additional deposits from credit institutions and customers once again contributed to a higher balance sheet total, with the former increasing by EUR 3.8 billion (+5.8 %) to EUR 69.7 billion and the latter by EUR 3.2 billion (+2.0 %) to EUR 165.7 billion. However, the items of "liabilities held for trading" and "other liabilities" declined by EUR 0.2 billion (-1.5 %) to EUR 12.9 billion and by EUR 4.3 billion (-18.5 %) to EUR 19.0 billion, respectively.

Further growth in loans and advances as well as liabilities due to customers

Group reports balance sheet equity of EUR 24.4 billion

The total balance sheet equity of institutions within the Group remained stable at EUR 24.4 billion as of 31 December 2022. As a result, the Group continues to enjoy an adequate capital buffer that also provides it with sufficient scope to further expand its business. "Our Group is characterised by a strong risk-bearing capacity, which primarily benefits from a combination of the small-scale retail activities of local savings banks and Helaba's large-volume wholesale business. This widely diversified balance sheet structure ensures a more favourable risk profile and provides greater stability in the Group relative to its constituent parts," explained Reuß.

Group enjoys stable risk-bearing capacity

Presseinformation

Interest rate turnaround has decisive impact on earnings performance

The macroeconomic environment in Germany was dominated by the war in Ukraine and the ensuing energy crisis in 2022. Furthermore, a multitude of supply chain bottlenecks and shortages in materials that emerged during the COVID-19 pandemic continued to have an impact. Both of these effects caused record levels of inflation, prompting the ECB to reverse its monetary policy stance in the summer of 2022 by sharply raising interest rates. This abrupt and dramatic turnaround in interest rates also significantly impacted the operating result of the Sparkassen-Finanzgruppe Hessen-Thüringen in the previous year. On balance, the combined effect of both positive and negative factors resulted in a significant decline in the Group's consolidated net profit before tax from EUR 1.4 billion to EUR 7 million.

Temporarily negative impact of interest rate turnaround

Growth in net fee and commission as well as net trading income

Higher interest rates had a noticeably positive effect on the net interest income before allowances for losses on loans and advances, which rose by a considerable EUR 354 million (+12.9 %) to just over EUR 3.1 billion. The growth in net fee and commission income also remained on track, increasing by EUR 70 million (+5.4 %) to just under EUR 1.4 billion in 2022. Furthermore, the Group was successful in more than quadrupling its net trading income to EUR 356 million compared to the previous year as well as raising dividend income by EUR 72 million (+33.0 %) to EUR 290 million. At around EUR 3.4 billion, general and administrative expenses were significantly higher than the previous year's level, rising by EUR 274 million (+8.9 %). However, the most adverse factor last year was the result from financial instruments measured at fair value, which had previously made a positive contribution of EUR 285 million to the Group's net profit before tax in 2021. As a result of the sudden reversal in interest rate levels and

Result from financial instruments measured at fair value acts as a drag on overall result

Presseinformation

associated downward valuation adjustments, it had a negative effect in the previous financial year of almost EUR 1.2 billion on the pre-tax result. Adjusted for income tax expenses, the result for the year fell to EUR -16 million from somewhat over EUR 1.1 billion in 2021. The cost-income ratio increased from 65.0 % to 81.3 % in 2022.

Baseline scenario outlook for 2023: Significant recovery in net earnings

For the current financial year, interest rates are not expected to rise as steeply as they did in 2022, even if the ECB hikes its key rates further. Stefan G. Reuß expresses his optimism about the prospects for 2023: "That is why we are proceeding on the assumption that the temporary charges resulting from the pivot in monetary policy have already been largely absorbed in the 2022 balance sheets. From now on, positive aspects will dominate and will provide our member institutions with a robust and sustained tailwind in terms of boosting their primary source of earnings - net interest income before risk provisioning. For this reason, in our baseline scenario we anticipate a consolidated net profit before tax for the Sparkassen-Finanzgruppe Hessen-Thüringen as a whole in 2023 that should return to the level achieved in 2021 and, therefore, be considerably higher than in the 2022 financial year".

Reuß: "Positive aspects will dominate and will provide a robust and sustained tailwind for net interest income."

You can find an overview of the Group's figures at
www.sfg-ht.de/finanzgruppe/verbundkonzept (Verbundrechnungslegung)

Frankfurt am Main / Erfurt, 6. October 2023
Information and Communication Department
Matthias Haupt
Tel.: +49 69 2175-150
www.sfg-ht.de