

## Presseinformation

### **Consolidated financial statements 2020: Sparkassen-Finanzgruppe Hessen-Thüringen posts respectable earnings**

The Sparkassen-Finanzgruppe Hessen-Thüringen generated remarkably solid earnings in the 2020 financial year, with a pre-tax profit of EUR 724 million according to the Group's consolidated financial statements. "In light of the Covid-19 crisis and the challenging market conditions, which had a negative impact on earnings, we are satisfied with this result as it proves that our operating performance remains intact. While net interest income before risk provisioning was virtually unchanged despite the adverse interest rate environment, we were able to significantly boost net fee and commission income once again. At the same time, administrative expenses only saw a modest increase. The appreciable decline in net earnings was primarily attributable to extraordinary factors, such as higher loan loss provisions, which were to some extent a precautionary measure in the wake of the pandemic as well as, in particular, temporary valuation effects in accordance with IFRS, which will balance out over time given the current credit rating of the underlying financial assets," said Gerhard Grandke, Managing President of the Savings Bank and Giro Association of Hesse-Thuringia (SGVHT), in his assessment of the results.

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. The SGVHT's consolidated financial statements form the basis upon

Net profit before taxes:  
declined from approx.  
EUR 1.5 bn to EUR 724 m

Consolidated financial  
statements based on IFRS  
accounting standards

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which the rating agencies Fitch and Standard & Poor's award a true S-Group rating that reflects the S-Group's status as a single economic unit. 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. Despite the difficult macroeconomic environment in 2020, the Group was once again awarded "A+" and "A" ratings by Fitch and Standard & Poor's. These rating categories reflect the confidence of the rating agencies in the viability of the regional S-Group association and the resilience of its business model. Fitch recently confirmed their "A+" rating, while Standard & Poor's downgraded the Group's rating by one notch to "A-" in June 2021 in the course of a systematic review of all banks operating in the German market.

### **Around 23,500 employees in regional S-Group association**

The regional association primarily includes the savings banks in the two federal states as well as the Helaba Landesbank Hessen-Thüringen group of companies, which also includes 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 around 23,500 employees (excluding SV Sparkassen-Versicherung) and total assets of EUR 332.2 billion, the Group plays a prominent role in the retail and SME segments of both federal states. This also applies to the baupar and building insurance business.

### **Customer business remains strong**

In 2020, the Group's balance sheet total grew by EUR 23.2 billion or 7.5 % to EUR 332.2 billion, which was largely due to an increase in liquidity reserves and a buoyant level of customer related business. On the asset side, cash and cash equivalents as well as sight deposits at central banks and credit institutions rose by EUR 17.3 billion or 86.5 % to EUR 37.3 billion. At the same time, loans and advances to customers grew by

S-Group ratings reflect confidence by rating agencies in viability of S-Group

S-Group has leading or significant presence in regional market

Increase in liquidity reserves and buoyant customer related business lead to growth in balance sheet total

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EUR 4.2 billion or 2.3 % to EUR 187.0 billion. On the liabilities side, liabilities due to banks and customers were responsible for the growth in the balance sheet total, increasing by EUR 21.3 billion or 57.3 % to EUR 58.5 billion and EUR 11.4 billion or 7.8 % to EUR 157.9 billion.

### **Despite Covid crisis, Group continues to strengthen reserves**

The Group's balance sheet equity improved by EUR 0.6 billion or 2.6 % to a total of EUR 23.6 billion in 2020. "Once again, we managed to strengthen our capital buffers, which were already comfortably high, so that we are in a position to more readily absorb any potential damage to the real economy resulting from the Covid-19 pandemic. Our Group is extremely well capitalised. Its stable risk-bearing capacity, which is a hallmark of our organisation, draws its strength from a distinctive combination of the savings banks' generally smaller-scale business and Landesbank Hessen-Thüringen's wholesale activities," said Grandke.

Balance sheet equity rises to EUR 23.6 bn

### **Extraordinary effects weigh on result**

In addition to persistently low interest rates, an intensely competitive environment and extensive regulatory requirements, the economic risks of the coronavirus pandemic had the largest impact on profitability in the German banking sector in 2020. With this in mind, the S-Group's net earnings in the year under review were satisfactory. Although the pre-tax profit declined from around EUR 1.5 billion to EUR 724 million, which represents a decrease of 50.3 % after having jumped by 52.0 % in the previous year, as in 2019 this was mainly due to extraordinary effects. For instance, the result from financial instruments measured at fair value incurred a loss of EUR 114 million in 2020. In the previous year, this item made a positive contribution of EUR 357 million. By contrast and despite the ongoing pressure on interest margins, the Group succeeded in keeping net interest income before provisions for losses on loans and advances – its most important source of earnings –

Net interest income before risk provisioning virtually unchanged, further rise in net fee and commission income

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at a largely stable level. This item fell by only EUR 39 million or 1.4 % to approximately EUR 2.7 billion. At the same time, the Group more than doubled its loan loss provisions in 2020 to EUR 400 million due to the economic impact of Covid-19, which had a correspondingly negative effect on net interest income after provisions for losses on loans and advances. However, the Group achieved a further increase in net fee and commission income, which improved by EUR 63 million or 5.7 % to around EUR 1.2 billion. Administrative expenses, which rose by EUR 38 million or 1.2 % to EUR 3.1 billion, only registered a modest increase. Compared to the previous financial year, net earnings after allowing for income tax expenses fell by EUR 583 million to EUR 555 million in 2020. Return on equity before taxes declined from 6.5 % to 3.1 %, while the cost/income ratio rose from 66.8 % to 74.8 %.

Credit risk provisions  
twice as high as previous  
year

### **Forecast for 2021: baseline scenario assumes higher earnings**

The impact of Covid-19 will continue to be felt throughout the 2021 financial year as well. "The economic recovery is expected to continue over the course of the year. The scale of this recovery will depend on how the pandemic unfolds in the months ahead. In our baseline scenario, we anticipate higher pre-tax earnings in 2021. Our prudent and stable business model has proven its effectiveness, especially during the pandemic. That is why I am confident that we will emerge from the Covid-19 crisis in an even stronger position than before," Grandke concluded.

Grandke: "S-Group will  
emerge from Covid-19  
crisis in even stronger  
position than before"

*You can find an overview of the Group's figures at:  
[www.sfg-ht.de/finanzgruppe/verbundkonzept](http://www.sfg-ht.de/finanzgruppe/verbundkonzept)*

Frankfurt am Main / Erfurt, 23 July 2021  
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