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Consolidated financial statements 2021: Sparkassen-Finanzgruppe Hessen-Thüringen almost doubles pre-tax profit

In the 2021 financial year, the Sparkassen-Finanzgruppe Hessen-Thüringen achieved strong net earnings despite challenging conditions in the real economy and the banking sector. At just over EUR 1.4 billion, the pre-tax profit was almost twice as high as in the previous financial year, which was dominated to a large extent by the COVID-19 pandemic. In summing up the 2021 financial year, Stefan G. Reuß, Managing President of the Savings Bank and Giro Association Hesse-Thuringia (SGVHT), said: "This is a result we can be absolutely satisfied with. The two key sources of earnings for our Group – net interest income before risk provisioning and net fee and commission income – both improved in 2021. At the same time, there was a substantial decline in costs related to loan loss provisions and, in addition, we managed to achieve a modest reduction in administrative expenses. This result was also largely attributable to net income from financial instruments measured at fair value, which made a positive contribution this time round."

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

Pre-tax profit rises from
EUR 724 m to over EUR
1.4 bn

Consolidated financial
statements an instrument
to measure the Group's
economic success

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S-Group rating underlines sustainability of Group

At the same time, the consolidated financial statements form the basis for the awarding of a true S-Group rating that reflects the S-Group's status as a single economic unit. This rating can also be used by each of the Group's member institutions within the scope of their capital market activities. The rating agency Fitch has awarded the Sparkassen-Finanzgruppe Hessen-Thüringen a credit rating of "A+" for many years and most recently confirmed this rating with a stable outlook on 15 June 2022. The rating agency Standard & Poor's upgraded its credit rating for the Group on 22 March 2022 by one notch from "A-" to "A" with a stable outlook. The S-Group rating reflects the sustainability and successful implementation of the S-Group concept. In particular, it is an endorsement of the Group's robust capitalisation, relatively stable sources of income, strong basis in the retail deposit business as well as its high level of cohesion.

Major presence in many market segments

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 just over 23,200 employees (excluding SV SparkassenVersicherung) and total assets of EUR 332.0 billion, the Group plays a prominent role in the retail and SME segments of both federal states. Through LBS and SV Sparkassenversicherung, the Group is the market leader in the home loan and savings (Bauspar) and building insurance segments in both Hesse and Thuringia.

Rating agency Fitch has awarded Group "A+" rating for many years

Regional S-Group employs just over 23,200 people

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Balance sheet total stable

In the 2021 financial year, the balance sheet total of the Sparkassen-Finanzgruppe Hessen-Thüringen was almost unchanged from the previous year at EUR 332.0 billion (2020: EUR 332.2 billion). On the asset side, cash and cash equivalents as well as sight deposits at central banks and credit institutions rose by EUR 10 billion (+26.8 %) to EUR 47.3 billion. Loans and advances to customers increased by EUR 3.5 billion (+1.9 %) to EUR 190.5 billion. At the same time, assets held for trading and financial instruments measured at fair value decreased by EUR 5.8 billion (-27.8 %) to EUR 15.1 billion and by EUR 5.4 billion (-9.3 %) to EUR 52.5 billion, respectively. On the liabilities side, liabilities due to banks and customers were responsible for an expansion in the balance sheet total, with the former rising by EUR 7.4 billion (+12.6 %) to EUR 65.9 billion and the latter by EUR 4.6 billion (+2.9 %) to EUR 162.5 billion. In contrast, the items of liabilities held for trading and other liabilities declined by EUR 4.4 billion (-25.1 %) to EUR 13.1 billion and by EUR 3.4 billion (-12.7 %) to EUR 23.3 billion, respectively.

Rise in loans and advances from and liabilities due to customers

Balance sheet equity rises to EUR 24.5 billion

In 2021, the Group once again managed to significantly increase its balance sheet equity by EUR 0.9 billion (+3.8 %) to a total of EUR 24.5 billion. "This means that our constituent credit institutions have recourse to an even stronger cushion of reserves, providing us with sufficient scope for new business. The broadly diversified balance sheet structure, consisting of smaller-scale savings bank activities and Helaba's wholesale business, is our Group's key strength. That is because this diversification ensures we have a more favourable risk profile, thereby contributing to the Group's risk-bearing capacity – which is much more resilient than on a stand-alone basis," explained Reuß.

Sufficient scope available for new business

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Group achieves significant jump in earnings

Due to persistently low interest rates, intense competition as well as the effects of the COVID-19 pandemic, which continue to be felt, the overall environment for the German banking industry and its profitability were once again extremely challenging in 2021. Despite this, the Sparkassen-Finanzgruppe Hessen-Thüringen was able to achieve a marked improvement in its earnings in the year under review. At over EUR 1.4 billion, the pre-tax profit almost doubled from the previous year (2020: EUR 724 million), thereby returning to its pre-COVID level.

A number of different factors were responsible for this considerable growth in earnings. On the one hand, net interest income before risk provisioning rose by EUR 62 million (+2.3 %) to just under EUR 2.8 billion while, on the other hand, expenses related to loan loss provisions fell by EUR 34 million (-8.5 %) to EUR 366 million. The constituent institutions within the Group were also able to boost their net fee and commission income, which saw a sharp gain of EUR 108 million (+9.2 %) to just under EUR 1.3 billion. Furthermore, net trading income more than doubled, rising by EUR 45 million to a total of EUR 80 million. This strong performance was largely a result of interest-related transactions and interest rate derivatives. The Group was also successful in reducing administrative expenses, which fell by EUR 41 million (-1.3 %) to just under EUR 3.1 billion. The result from financial instruments measured at fair value of EUR 285 million made the largest contribution to the Group's pre-tax earnings, having previously had a negative impact of EUR 114 million in the 2020 financial year. Adjusted for income tax, the consolidated net profit for the year rose by EUR 583 million to more than EUR 1.1 billion compared to the previous year. Return on equity before taxes

At more than EUR 1.4 bn, pre-tax profit almost doubles from 2020

Cost/income ratio falls sharply from 74.8% auf 65.0%

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improved from 3.1 % to 5.9 %, while the cost/income ratio fell from 74.8 % to 65.0 %.

Outlook for 2022: Baseline scenario indicates sharp decline in result

Due to the war in Ukraine and its various impacts on energy supplies, supply chains and inflation, it is almost impossible to make a reliable forecast for the rest of the year. "However, we must work on the assumption that the emerging economic slowdown will ultimately also have an impact on the financial sector. Even the reversal in monetary policy that has finally materialised will not change this in the short term, albeit it will provide banks with a tailwind on the earnings side in the long run. For the Sparkassen-Finanzgruppe Hessen-Thüringen, our baseline scenario for the current financial year anticipates a significantly lower pre-tax profit than in 2021 as a result of the unfavourable economic environment and especially due to sharply higher interest rates combined with impairments on securities. Nevertheless, our Group has demonstrated in the past that it is extremely resilient and effective – particularly in times of crisis. And even the current difficult environment will do nothing to change this," added Reuß, sounding an optimistic note.

Reuß: "Regional S-Group is extremely resilient and effective – particularly in times of crisis."

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

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