

24 August 2022

### **LBBW increases profit in the first half-year**

- **Consolidated profit before tax rises to EUR 476 million as at 30 June (previous year: EUR 428 million)**
- **Net consolidated profit after tax increases to EUR 315 million (previous year: EUR 283 million)**
- **Best half-year net profit since 2011**
- **Strong operating performance in all customer segments / income up 10%**
- **Cost/income ratio (CIR) improves to 66%**
- **Thanks to the strong operating business and due to extraordinary effects from the first-time consolidation of Berlin Hyp, LBBW expects profit before tax of more than EUR 1 billion for the year as a whole.**

LBBW boosted its profit significantly in the first half of 2022 thanks to strong customer business. Consolidated profit before tax improved to EUR 476 million, up on EUR 428 million in the previous year. This represents the highest pre-tax profit since H1 2011. Net profit after tax climbed to EUR 315 million compared to EUR 283 million in the previous year.

“This strong profit shows that our business model is successful even in an extremely challenging environment. We achieved further growth in all

segments and again topped up our allowances for losses on loans and securities," said LBBW's CEO Rainer Neske. With regard to the acquisition of Berlin Hyp, he adds: "The Berlin Hyp represents major strategic progress for us. We are thus bolstering another of our profitable core business areas alongside the corporate customer business. At the same time, in addition to interest rate, currency and commodity management, a second major center of expertise for the entire Sparkassen-Finanzgruppe concerning commercial real estate financing is being created under the LBBW umbrella."

Looking ahead to the next few months, Neske went on: "The war Russia has launched against Ukraine has massively dimmed economic prospects in Germany and in Europe. Nevertheless, thanks to the strong operating performance and due to extraordinary effects from the first-time consolidation of Berlin Hyp, we expect profit before tax of more than EUR 1 billion for the year as a whole."

### **Income increases, cost/income ratio improves**

Income increased by 10% year-on-year to EUR 1,647 million. Thanks to income growth, the cost/income ratio (CIR) improved to 66.0% (previous year: 67.2%) despite a significant increase in mandatory expenses for the bank levy and deposit guarantee system (plus 38%) Return on equity (ROE) rose to 6.8% (previous year: 6.3%). Business expansion and greater market volatility, especially since the start of the war in Ukraine, led to an increase in risk-weighted assets up to EUR 91 billion. The common equity Tier 1 capital ratio (CRR II/CRD V, fully loaded) declined to 13.6% as a result (31 December 2021: 14.6%). The total capital ratio was 19.7% (31 December 2021: 21.4%). This again puts the capital ratios well in excess of regulatory requirements.

### **Impact of the war in Ukraine**

The war in Ukraine affected the first half of the year in many ways. LBBW has consistently applied international sanctions and supports its customers in a variety of ways, for example with extensive advisory services or the provision of additional loan funds. In retail customer business, it has also ensured that refugees can quickly access cash,

provided free basic accounts and allowed them to exchange hryvnia for euros.

The immediate repercussions of the war on LBBW have so far been relatively limited thanks to cautious internal crisis management and low exposure related directly to Russia and Ukraine. Net credit exposure in Russia as at 30 June 2022 was just EUR 84 million. The bank has already recognized impairment losses of EUR 44 million on this portfolio, largely in the Capital Markets Business segment. In addition, the bank has increased its loss allowance adjustments by a further EUR 90 million.

However, the extent of second and third-round effects caused by the strain on the economy as a whole is hard to gage.

### **Takeover of Berlin Hyp / growth areas shored up**

One milestone in strategic further development was the acquisition of the commercial real estate financier **Berlin Hyp**, which closed with effect from 1 July. Accordingly, Berlin Hyp is not included in LBBW's consolidated profit for the first half of the year. Berlin Hyp helps LBBW expand one of its established core business areas even further and improves the set-up of the Group as a whole. Together with Berlin Hyp, the Group will have a financing volume of over EUR 50 billion in commercial real estate financing. Within the LBBW Group, Berlin Hyp operates as an independent subsidiary under its established brand name.

LBBW has also continued to shore up its growth areas. The financing volume in Corporate Finance business has increased by 15% since the start of the year, with income up 10% on the first half of 2021. The defined growth sectors have grown by 7% since the start of the year. Asset & Wealth Management opened a new location in Berlin. This means that the Group now has more than 10 locations across Germany in the area of Wealth Management, with over 70 specialist advisers.

## **LBBW continues to strengthen sustainability**

All aspects of sustainability remain extremely important. LBBW does its best to support the economic transformation and help its customers by providing extensive advice and a wide range of products. This is increasingly recognized by customers. The annual survey of CFOs, treasurers and financial directors conducted by the business magazine "Finance" named LBBW as the best bank on the German market for sustainability and ESG consulting for the second time in a row. BW-Bank was also named the most sustainable asset manager by the business magazine "Capital". In recent months, the LBBW Green Bond Framework has also been adapted in view of the EU Taxonomy. At the same time, LBBW is continuing to consistently drive the lending portfolio's focus on the Paris Climate Agreement and it will set and publish specific climate targets for the relevant sectors in the lending portfolio by no later than the end of 2022. It has already done so for some sectors. The bank also aims to boost its sustainable business volume to EUR 250 billion by 2025. At present, this comes to about EUR 170 billion.

## **Significant improvement in income**

All in all, LBBW boosted **income** in the first half of 2022 to EUR 1,647 million (previous year: EUR 1,496 million) on the back of very good operating performance. Income from longer-term TLTRO III refinancing operations was far lower than in the previous year at EUR 68 million (previous year: EUR 110 million). All customer segments saw income rise, with commercial real estate financing enjoying a particularly strong upturn.

**Expenses** rose to a total of EUR 1,087 million as at 30 June 2022 (previous year: EUR 1,005 million). This includes considerably higher **expenses for the bank levy and deposit guarantee system** for 2022 as a whole, which increased to EUR 188 million and were recognized in full in the first half of the year. This represents a 38% rise on the previous year. By contrast **administrative expenses** increased by just 3% to EUR 897 million. While staff costs declined slightly, expenses for IT,

consulting and projects went up, partly in connection with the acquisition of Berlin Hyp.

**Allowances for losses on loans and securities** remained low in the first half of the year at EUR 85 million (previous year: EUR 63 million). Intrinsic allowances for losses on loans and securities are still unremarkable. This underscores the good quality of the lending portfolio, as well as the still low non-performing exposure (NPE) ratio of just 0.5%. Nevertheless, the additional provisions of EUR 90 million described above were recognized by way of a model adjustment in view of the numerous macroeconomic and geopolitical risks.

**Consolidated profit before tax** improved considerably to EUR 476 million (previous year: EUR 428 million). **Income tax expenses** increased accordingly to EUR 160 million (previous year: EUR 145 million). **Net consolidated profit after tax** improved to EUR 315 million (previous year: EUR 283 million).

### **Operating segments at a glance**

All four operating segments made a positive contribution to consolidated profit.

The **Corporate Customers** segment contributed the most to profit. Profit before tax rose by 38% to EUR 281 million. Income picked up despite bonus payments from the TLTRO program being far lower than in the previous year. There was particularly high demand for hedging products in interest and currency management. The growth area of corporate finance was also expanded further. Allowances for losses on loans and securities were affected by management adjustments and, on the whole, were substantially lower than in the previous year. As well as rising income, the increasing appreciation we enjoy among customers is also demonstrated by the fact that for the first time LBBW was named one of the top three banks in German corporate customer business in a survey by the business magazine "Finance".

The **Real Estate/Project Finance** segment increased its pre-tax profit by 24% to EUR 169 million. With the risk profile remaining good, income

picked up chiefly thanks to a higher credit volume in commercial real estate financing and successful project handovers in the real estate development business. Customer loans increased to about EUR 32 billion (30 June 2021: EUR 29 billion), with commercial real estate financing accounting for about EUR 28 billion of this (previous year: EUR 26 billion). New business in real estate financing was similar to the previous year's level at just under EUR 4 billion (previous year: EUR 4.3 billion). In project financing, the focus was on the future fields of glass fiber expansion and offshore wind energy, among others.

Customer business in the **Capital Markets Business** segment remained strong, especially for hedging and investment products and certificates. Nevertheless, the segment was adversely affected by the impairment losses described for exposure related directly to Russia and Ukraine, EUR 38 million of which were in Capital Markets Business. At EUR 159 million, profit before tax was thus slightly lower than the very good previous year figure (EUR 170 million).

The **Private Customers/Savings Banks** segment performed very well, increasing income in almost all product areas. The deposit business and asset management did particularly well. Profit before tax in the segment increased to EUR 41 million (30 June 2021: EUR 1 million).

## Key figures of the LBBW Group as of 30 June 2022

### Income statement

|  | 1 Jan. -<br>30 June 2022 | 1 Jan. -<br>30 June 2021 | Change         |           |
|--|--------------------------|--------------------------|----------------|-----------|
|  | EUR million              | EUR million              | in EUR million | in %      |
| Net interest income                                    | 1,039                    | 1,026                    | 13             | 1         |
| Net fee and commission income                          | 322                      | 294                      | 28             | 9         |
| Net gains/losses on remeasurement and disposal         | 125                      | 51                       | 74             | >100      |
| Other operating income/expenses                        | 76                       | 62                       | 14             | 23        |
| <i>Total operating income/expenses</i>                 | <i>1,563</i>             | <i>1,433</i>             | <i>130</i>     | <i>9</i>  |
| of which income  | 1,647                    | 1,496                    | 152            | 10        |
| of which allowances for losses on loans and securities | -85                      | -63                      | -22            | 34        |
| Expenses   | -1,087                   | -1,005                   | -82            | 8         |
| of which administrative expenses                       | - 897                    | - 868                    | -29            | 3         |
| of which bank levy and deposit guarantee system        | - 188                    | - 137                    | -52            | 38        |
| of which net income/expenses from restructuring        | -2                       | 0                        | -2             | --        |
| <i>Consolidated profit/loss before tax</i>             | <i>476</i>               | <i>428</i>               | <i>48</i>      | <i>11</i> |
| Income taxes   | -160                     | -145                     | -16            | 11        |
| <i>Net consolidated profit/loss</i>                    | <i>315</i>               | <i>283</i>               | <i>32</i>      | <i>11</i> |

Figures may be subject to rounding differences. Percentages are based on the exact figures.

### Key figures

|                      | 30 June 2022   | 31 Dec. 2021   | Change         |      |
|----------------------|----------------|----------------|----------------|------|
|                      | in EUR billion | in EUR billion | in EUR billion | in % |
| Total assets         | 329            | 282            | 47             | 17   |
| Risk-weighted assets | 91             | 85             | 7              | 8    |

Figures may be subject to rounding differences. Percentages are based on the exact figures.

|  | 30 June 2022 | 31 Dec. 2021 |
|--|--------------|--------------|
|  | in %         | in %         |
| Common equity Tier 1 capital ratio (CRR II/CRD V "fully loaded") | 13.6         | 14.6         |
| Total capital ratio (CRR II/CRD V "fully loaded")                | 19.7         | 21.4         |

|                         | 1 Jan. –<br>30 June 2022 | 1 Jan. –<br>30 June 2021 |
|-------------------------|--------------------------|--------------------------|
|                         | in %                     | in %                     |
| Return on equity (RoE)  | 6.8                      | 6.3                      |
| Cost/income ratio (CIR) | 66.0                     | 67.2                     |

|           | 30 June 2022 | 31 Dec. 2021 | Change   |      |
|-----------|--------------|--------------|----------|------|
|           |              |              | absolute | in % |
| Employees | 9,785        | 9,893        | - 108    | - 1  |

## Segments at a glance

### Corporate Customers

|  | 1 Jan. -<br>30 June 2022 | 1 Jan. -<br>30 June 2021 <sup>1</sup> |
|--|--------------------------|---------------------------------------|
|  | EUR million              | EUR million                           |
| Net interest income                                    | 484                      | 484                                   |
| Net fee and commission income                          | 116                      | 91                                    |
| Net gains/losses on remeasurement and disposal         | - 2                      | - 77                                  |
| Other operating income/expenses                        | 7                        | 13                                    |
| <i>Total operating income/expenses</i>                 | <i>605</i>               | <i>511</i>                            |
| of which income  | 618                      | 596                                   |
| of which allowances for losses on loans and securities | - 12                     | - 85                                  |
| Expenses   | - 324                    | - 307                                 |
| of which administrative expenses                       | - 295                    | - 287                                 |
| of which bank levy and deposit guarantee system        | - 29                     | - 20                                  |
| of which net income/expenses from restructuring        | 0                        | 0                                     |
| <i>Consolidated profit/loss before tax</i>             | <i>281</i>               | <i>204</i>                            |

<sup>1</sup> Restatement of prior year amounts

### Real Estate/Project Finance

|  | 1 Jan. -<br>30 June 2022 | 1 Jan. -<br>30 June 2021 <sup>1</sup> |
|--|--------------------------|---------------------------------------|
|  | EUR million              | EUR million                           |
| Net interest income                                    | 247                      | 201                                   |
| Net fee and commission income                          | 9                        | 7                                     |
| Net gains/losses on remeasurement and disposal         | - 40                     | - 16                                  |
| Other operating income/expenses                        | 62                       | 38                                    |
| <i>Total operating income/expenses</i>                 | <i>278</i>               | <i>230</i>                            |
| of which income  | 325                      | 247                                   |
| of which allowances for losses on loans and securities | - 46                     | - 17                                  |
| Expenses   | - 109                    | - 94                                  |
| of which administrative expenses                       | - 95                     | - 84                                  |
| of which bank levy and deposit guarantee system        | - 14                     | - 10                                  |
| of which net income/expenses from restructuring        | 0                        | 0                                     |
| <i>Consolidated profit/loss before tax</i>             | <i>169</i>               | <i>136</i>                            |

<sup>1</sup> Restatement of prior year amounts



## Capital Markets Business

|  | 1 Jan. -<br>30 June 2022 | 1 Jan. -<br>30 June 2021 <sup>1</sup> |
|--|--------------------------|---------------------------------------|
|  | EUR million              | EUR million                           |
| Net interest income                                    | 191                      | 236                                   |
| Net fee and commission income                          | 55                       | 65                                    |
| Net gains/losses on remeasurement and disposal         | 194                      | 112                                   |
| Other operating income/expenses                        | -2                       | 4                                     |
| <i>Total operating income/expenses</i>                 | <i>438</i>               | <i>417</i>                            |
| of which income  | 476                      | 417                                   |
| of which allowances for losses on loans and securities | -39                      | 0                                     |
| Expenses   | -279                     | -247                                  |
| of which administrative expenses                       | -236                     | -214                                  |
| of which bank levy and deposit guarantee system        | --43                     | -32                                   |
| of which net income/expenses from restructuring        | 0                        | 0                                     |
| <i>Consolidated profit/loss before tax</i>             | <i>159</i>               | <i>170</i>                            |

<sup>1</sup> Restatement of prior year amounts

## Private Customers/Savings Banks

|  | 1 Jan. -<br>30 June 2022 | 1 Jan. -<br>30 June 2021 |
|--|--------------------------|--------------------------|
|  | EUR million              | EUR million              |
| Net interest income                                    | 141                      | 133                      |
| Net fee and commission income                          | 142                      | 126                      |
| Net gains/losses on remeasurement and disposal         | 4                        | 1                        |
| Other operating income/expenses                        | -2                       | -13                      |
| <i>Total operating income/expenses</i>                 | <i>286</i>               | <i>247</i>               |
| of which income  | 282                      | 247                      |
| of which allowances for losses on loans and securities | 3                        | 0                        |
| Expenses   | -245                     | -246                     |
| of which administrative expenses                       | -243                     | -246                     |
| of which bank levy and deposit guarantee system        | -2                       | 0                        |
| of which net income/expenses from restructuring        | 0                        | 0                        |
| <i>Consolidated profit/loss before tax</i>             | <i>41</i>                | <i>1</i>                 |

<sup>1</sup> Restatement of prior year amounts

## Corporate Items/Reconciliation/Consolidation

|  | 1 Jan. -<br>30 June 2022 | 1 Jan. -<br>30 June 2021 <sup>1</sup> |
|--|--------------------------|---------------------------------------|
|  | EUR million              | EUR million                           |
| Net interest income                                    | -23                      | -28                                   |
| Net fee and commission income                          | 0                        | 5                                     |
| Net gains/losses on remeasurement and disposal         | -31                      | 32                                    |
| Other operating income/expenses                        | 10                       | 19                                    |
| <i>Total operating income/expenses</i>                 | <i>-44</i>               | <i>28</i>                             |
| of which income  | -54                      | -10                                   |
| of which allowances for losses on loans and securities | 9                        | 38                                    |
| Expenses   | -130                     | -111                                  |
| of which administrative expenses                       | -28                      | -36                                   |
| of which bank levy and deposit guarantee system        | -100                     | -75                                   |
| of which net income/expenses from restructuring        | -2                       | 0                                     |
| <i>Consolidated profit/loss before tax</i>             | <i>-174</i>              | <i>-83</i>                            |

<sup>1</sup> Restatement of prior year amounts

**Contact:**

Christian Potthoff

Strategic Communication

Tel. +49 (0) 711 127 73946

Fax + 49 (0) 711 127-6673946

Christian.Potthoff@LBBW.de

Bernd Wagner

Head of Press Team

Tel. +49 (0) 711 127 76402

Fax + 49 (0) 711 127-6676402

Bernd.A.Wagner@LBBW.de