

## **LBBW generates operating profit of EUR 901 million, the best result since 2006**

- **Berlin Hyp acquisition generating a non-recurring consolidation effect of just below EUR 1 billion pushing net profit to EUR 1.9 billion**
- **Successful customer business in all bank segments – credit volume increases again**
- **Allowances for losses on loans and securities of EUR 239 million at high previous year level– including EUR 206 million in additional provisions**
- **Solid capital resources despite Berlin Hyp acquisition: common equity Tier 1 (CET 1) capital ratio very good at 14.1%**
- **EUR 240 million distribution to owners planned**

Stuttgart. In 2022, a financial year dominated by volatility and crises, LBBW generated operating profit before tax of EUR 901 million, once again far exceeding the already very good 2021 figure (EUR 817 million). This is the highest company profit since 2006. The EUR 901 million does not include a non-recurring positive valuation effect from the initial consolidation of Berlin Hyp as at 1 July 2022. The EUR 972 million non-recurring effect further bolsters LBBW's capital base and increases its consolidated profit before tax to EUR 1.873 billion.

“LBBW reliably delivered in a challenging 2022 financial year and was a solid partner for its customers. These figures result again show that our business model as a mittelstand-minded universal bank is successful in the long term. We far exceeded our own targets and also continued to develop the bank strategically. One key milestone was the successful acquisition of Berlin Hyp,” said Rainer Neske, Chairman of the Board of Managing Directors at LBBW, at the financial statement press conference.

With the aim of “growth and relevance”, LBBW focused its strategic compass for 2022 on current and future economic and social developments at an early stage. Our aim is to continue the bank's successful growth trajectory and further bolster its relevance on the market and among customers. “We are committed to support our customers changes to their business models by providing sustainable and innovative solutions. While further increasing our appeal as an employer and at the same time expanding the bank's commitment to the good of society,” Neske went on.

LBBW enjoyed a positive earnings trend in all customer segments in 2022 and resolutely stood by its customers in difficult times. In the areas of corporate customer business defined as growth sectors, for example, the bank increased volumes by 12%. The bank continues to enjoy comfortable capitalization. Despite the acquisition of Berlin Hyp, the common equity Tier 1 (CET 1) capital ratio came to 14.1% with full implementation of CRR II/CRD V (31 December 2021: 14.6%). The Group's operating return on equity (excluding the non-recurring effect from the Berlin Hyp acquisition) improved once again to 6.2% (2021: 6.0%).

### **Growth in income – allowances for losses on loans and securities increased further**

The good result was driven by strong customer business, with the risk situation remaining good. Operating **income**, including Berlin Hyp's operating contribution, rose by 11% to EUR 3,316 million (2021: EUR 2,997 million) excluding the non-recurring effect thanks to growth in customer business. This more than offset the considerable decline in payments from the ECB's targeted longer-term refinancing operations (TLTRO III), which declined to EUR 68 million last year (2021: EUR 186 million).

**Allowances for losses on loans and securities** came to EUR 239 million, on par with the previous year. Defaults remained low thanks to good risk management. With a view to future risks, the bank recognized additional provisions (adjustments) of EUR 206 million, which are included in the EUR 239 million figure and provide a buffer for potential negative effects. LBBW had already built significant provisions in previous years. Overall, the adjustments now come to more than EUR 800 million. LBBW thus considers itself well equipped for any greater turbulence that may arise. The low non-performing exposure (NPE) ratio of just 0.4% also underscores the resilience of the lending book.

**Expenses** across the Group rose to EUR 2,175 million (previous year EUR 1,940 million) following the takeover of Berlin Hyp. Administrative expenses increased to EUR 1,985 million (previous year: EUR 1,802 million) as a result of costs for the integration and inclusion of Berlin Hyp as well as investment in growth initiatives and IT infrastructure. Expenses for the bank levy and deposit guarantee system also climbed considerably, picking up by 37% y-o-y to EUR 188 million.

## **Contributions to earnings well into positive territory in all customer segments**

Profit before tax in the **Corporate Customers** segment rose by more than 25% to EUR 513 million (2021: EUR 406 million). In the areas defined as growth sectors (pharmaceuticals and healthcare and utilities and energy, among others), LBBW increased volumes by 12%, as mentioned above. The financing volume in Corporate Finance increased by 26%, with income up 11%. Once again, the bank also defended its traditional market leadership in Schuldschein loans. Hedges in interest, currency and commodities management, cash management and export financing also performed very well. Thanks to the high portfolio quality, allowances for losses on loans and securities declined despite additional adjustment provisions.

The **Real Estate/Project Finance** segment increased its profit by 12% to EUR 328 million (2021: EUR 292 million). This includes Berlin Hyp for the first time. The acquisition as at 1 July 2022 created a strong competence center for commercial real estate financing within S-Finanzgruppe. New business volume in commercial real estate financing came to EUR 14 billion, half of which is attributable to LBBW and half to Berlin Hyp. Increased allowances for losses on loans and securities are due solely to adjustments on the basis of the high portfolio quality.

In project finance, new business rose to EUR 2.4 billion. The focus here was on digital infrastructure, expanding renewable energy and social infrastructure.

**Capital Markets Business** also generated good profit before tax of EUR 183 million, although this was down on the very strong previous year (EUR 246 million) on account of allowances for losses on loans and securities for the Russia/Ukraine war. Once again, the bank's investment and hedging products and certificates business fared well. Income in the Asset & Wealth Management growth area, which is shown under the Capital Markets Business and Private Customers/Savings Banks segments, rose by 16%. Expenses increased, among other things, due to the higher bank levy.

The **Private Customers/Savings Banks** segment also had a positive impact on net consolidated profit. The effects of restructuring the branch network and interest rate increases were particularly key factors. Profit before tax was EUR 104 million, compared to EUR 14 million in 2021. The previous year was negatively affected by provisions for the court ruling on terms and conditions, for example. Income increased for almost all products. This was especially true of financing, the deposit business and investment business, including asset management. Revenue also increased in payments and building society savings. The development loan business saw an upturn to over EUR 35 billion. Administrative expenses remained at 2021 levels, whereas the rise in allowances for losses on loans and securities was the result of adjustments, as in the Group as a whole.

### **LBBW reiterates commitment to growth and relevance**

Looking to the financial year ahead, LBBW Chairman Rainer Neske summarized: “The challenging market environment and economic and geopolitical uncertainties will continue. Nevertheless, our bank is well prepared to maintain its high performance and success due to its business model of a resilient, mittelstand-minded universal bank and a strategy focused on growth and relevance.”

LBBW currently anticipates consolidated profit/loss before tax in the upper triple-digit million range in the 2023 financial year. This will likely be down slightly on the previous year’s figure on account of the economic and geopolitical uncertainties.

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## Key figures of the LBBW Group as at 31 December 2022

## Income statement

	1 Jan. – 31 Dec. 2022	1 Jan. – 31 Dec. 2021	Change	
	EUR million	EUR million	EUR million	%
Net interest income	2,305	2,031	273	13
Net fee and commission income	628	598	30	5
Net gains/losses on remeasurement and disposal	55	35	20	58
Other operating income/expenses	1,061	93	967	> 100
<i>of which non-recurring effect from the initial consolidation of Berlin Hyp</i>	972	-	-	-
<b>Total operating income/expenses</b>	<b>4,048</b>	<b>2,757</b>	<b>1,291</b>	<b>47</b>
of which income	4,288	2,997	1,291	43
of which allowances for losses on loans and securities	-239	-240	0	-0
Expenses	-2,175	-1,940	-235	12
of which administrative expenses	-1,985	-1,802	-184	10
of which bank levy and deposit guarantee system	-188	-137	-51	37
of which net income/expenses from restructuring	-2	-1	-1	> 100
<b>Consolidated profit/loss before tax excluding non-recurring effect from the initial consolidation of Berlin Hyp</b>	<b>901</b>	<b>817</b>	<b>84</b>	<b>10</b>
Consolidated profit/loss before tax	1,873	817	1,056	> 100
Income taxes	-363	-399	36	-9
<b>Net consolidated profit/loss excluding non-recurring effect from the initial consolidation of Berlin Hyp</b>	<b>538</b>	<b>418</b>	<b>120</b>	<b>29</b>
Net consolidated profit/loss	1,510	418	1,092	> 100

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

## Key figures

	31 Dec. 2022	31 Dec. 2021	Change	
	EUR billion	EUR billion	EUR billion	%
Total assets	324.2	282.3	41.8	15
Risk-weighted assets	93.5	84.6	8.9	11

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

	31 Dec. 2022	31 Dec. 2021
	%	%
Common equity Tier 1 capital ratio (CRR II/CRD V "fully loaded")	14.1	14.6
Total capital ratio (CRR II/CRD V "fully loaded")	20.0	21.4

	1 Jan. – 31 Dec. 2022	1 Jan. – 31 Dec. 2022	1 Jan. – 31 Dec. 2021 <sup>1</sup>
	%	Excluding non-recurring effect Berlin Hyp %	%
Return on equity (RoE)	13.4	6.2	6.0
Cost/income ratio (CIR)	50.7	65.6	64.7

<sup>1</sup> Prior year figures including restatement

	31 Dec. 2022	31 Dec. 2021	Change	
			absolute	%
Employees	10,384	9,893	491	5.0

## Segments at a glance

### Corporate Customers

	1 Jan. – 31 Dec. 2022	1 Jan. – 31 Dec. 2021 <sup>1</sup>
	EUR million	EUR million
Net interest income	1,024	965
Net fee and commission income	241	198
Net gains/losses on remeasurement and disposal	-84	-150
Other operating income/expenses	8	27
<i>Total operating income/expenses</i>	<i>1,188</i>	<i>1,041</i>
of which income	1,249	1,231
of which allowances for losses on loans and securities	-61	-190
Expenses	-675	-635
of which administrative expenses	-618	-595
of which bank levy and deposit guarantee system	-57	-40
of which net income/expenses from restructuring	0	0
<i>Consolidated profit/loss before tax</i>	<i>513</i>	<i>406</i>

<sup>1</sup> Prior year figures including restatement

### Real Estate/Project Finance

	1 Jan. – 31 Dec. 2022	1 Jan. – 31 Dec. 2021 <sup>1</sup>
	EUR million	EUR million
Net interest income	667	437
Net fee and commission income	18	16
Net gains/losses on remeasurement and disposal	-129	-92
Other operating income/expenses	99	132
<i>Total operating income/expenses</i>	<i>655</i>	<i>493</i>
of which income	824	587
of which allowances for losses on loans and securities	-168	-94
Expenses	-328	-201
of which administrative expenses	-300	-182
of which bank levy and deposit guarantee system	-28	-19
of which net income/expenses from restructuring	0	0
<i>Consolidated profit/loss before tax</i>	<i>328</i>	<i>292</i>

<sup>1</sup> Prior year figures including restatement

## Capital Markets Business

	1 Jan. – 31 Dec. 2022	1 Jan. – 31 Dec. 2021 <sup>1</sup>
	EUR million	EUR million
Net interest income	371	409
Net fee and commission income	100	118
Net gains/losses on remeasurement and disposal	286	231
Other operating income/expenses	5	11
<i>Total operating income/expenses</i>	<i>763</i>	<i>769</i>
of which income	793	769
of which allowances for losses on loans and securities	-30	0
Expenses	-580	-522
of which administrative expenses	-492	-457
of which bank levy and deposit guarantee system	-88	-65
of which net income/expenses from restructuring	0	-1
<i>Consolidated profit/loss before tax</i>	<i>183</i>	<i>246</i>

<sup>1</sup> Prior year figures including restatement

## Private Customers/Savings Banks

	1 Jan. – 31 Dec. 2022	1 Jan. – 31 Dec. 2021 <sup>1</sup>
	EUR million	EUR million
Net interest income	347	267
Net fee and commission income	277	262
Net gains/losses on remeasurement and disposal	-17	1
Other operating income/expenses	5	-12
<i>Total operating income/expenses</i>	<i>612</i>	<i>519</i>
of which income	632	519
of which allowances for losses on loans and securities	-20	0
Expenses	-508	-504
of which administrative expenses	-505	-505
of which bank levy and deposit guarantee system	-3	1
of which net income/expenses from restructuring	0	0
<i>Consolidated profit/loss before tax</i>	<i>104</i>	<i>14</i>

<sup>1</sup> Prior year figures including restatement

## Corporate Items/Reconciliation/Consolidation

	1 Jan. – 31 Dec. 2022	1 Jan. – 31 Dec. 2021 <sup>1</sup>
	EUR million	EUR million
Net interest income	-104	-47
Net fee and commission income	-8	4
Net gains/losses on remeasurement and disposal	-1	44
Other operating income/expenses	943	-65
<i>Total operating income/expenses</i>	<i>830</i>	<i>-64</i>
of which income	790	-109
of which allowances for losses on loans and securities	40	46
Expenses	-84	-78
of which administrative expenses	-70	-64
of which bank levy and deposit guarantee system	-12	-14
of which net income/expenses from restructuring	-1	0
<i>Consolidated profit/loss before tax</i>	<i>746</i>	<i>-141</i>

<sup>1</sup> Prior year figures including restatement