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Press release→

LBBW with significant growth in first half of the year: profit before tax improves by 45% to EUR 691 million

- **Income climbs by a fifth due to an excellent customer business and higher interest rates**
- **CIR improved from 66.0 to 61.3%**
- **Allowances for losses on loans and securities remain low; additional adjustments recognized**
- **The bank is aiming for pre-tax profit of more than EUR 1 billion for the whole year**

LBBW maintained its very good previous year run in the first half of 2023 and once again increased its profit considerably. Provisional figures indicate that profit before tax rose by 45% against H1 2022 to EUR 691 million (previous year: EUR 476 million). This represents the bank's best half-year result since IFRS accounting was introduced in 2007. Even excluding Berlin Hyp, which was not consolidated until 1 July 2022 and so is not included in the comparable previous year figures, earnings growth was strong at 34%. This good performance reflects far higher income and the still good risk situation. For the whole year, the bank now anticipates pre-tax profit of more than EUR 1 billion.

“The figures underscore our efficiency as a mittelstand-minded universal bank,” said Rainer Neske, Chairman of the Board of Managing Directors. “In a challenging economic environment, we generated perceptible growth in customer business and still have our risks under control. We are very confident that we can achieve our goals for the whole year. Nevertheless, we are increasingly worried about the state of the economy as a whole. The German economy is stagnating and the country's structural problems are increasingly clear to see. This is primarily a matter for the government. As a bank, we will continue to stand by our customers in these tough times.”

Higher income – expenses under control – well provided for risks

Across the Group, **income** climbed by 22% in the first six months to around EUR 2 billion. Growth was particularly pronounced with corporate and retail customers, where higher interest rates in particular had a sustained positive impact. Berlin Hyp is also now making a major contribution to earnings performance. Even excluding Berlin Hyp, however, Group income saw double-digit growth in the first half of the year.

Expenses were up 13% at EUR 1,232 million. This rise is largely the result of including Berlin Hyp for the first time. The bank also invested in growth areas such as corporate finance and modernized its IT infrastructure. It also increased staff capacity in these future-oriented areas. Expenses also include mandatory expenses for the bank levy and deposit guarantee system of EUR 188 million for 2023 as a whole. All in all, this improved the cost/income ratio (CIR) to 61.3% (previous year: 66.0%).

Allowances for losses on loans and securities came to EUR 86 million (H1 2022: EUR 85 million), again a low level. The original allowances for losses on loans and securities for actual defaults included are still extremely low. In view of current market developments, LBBW recognized additional provisions of EUR 83 million in the form of adjustments. Including the adjustments already built up in previous years, they now amount to a high three-digit million figure. This gives the bank a good buffer, even in the event of greater market turbulence.

All in all, the bank reported net consolidated profit after tax of EUR 488 (315) million for the first half of the year. Return on equity (RoE) thus increased to a strong 9.1%. The bank's capitalization remains very sound. At 14.2%, the common equity Tier 1 capital ratio (CRR II /CRD V fully loaded) easily exceeds banking regulatory requirements.

Operating segments at a glance

All operating segments contributed to net profit for the first half of the year, reporting nine-figure amounts. This shows that the bank's business model is very well balanced. The **Corporate Customers** segment contributed the most to profit. Profit before tax here climbed by 49% to EUR 418 million. The growth area of corporate finance, as well as leasing/factoring and business with hedging products in interest rate, currency and commodities management performed well. In addition deposit business benefited from higher interest rates. In allowances for losses on loans and securities, individual additions were offset by reversals of provisions that were no longer needed.

The **Real Estate/Project Finance** segment is shaped by the inclusion of Berlin Hyp, which is being integrated as planned. Nonetheless, the segment's profit before tax was lower than in the first half of 2022 at EUR 119 million 2022 (EUR 169 million), although this chiefly reflects the general adjustments of EUR 83 million in allowances for losses on loans and securities described above; the original allowances for losses on loans and securities remain manageable. At EUR 5.4 billion, new business with real estate financing was still relatively high considering the extremely negative market performance. In project finance, new business came to EUR 1.5 billion. Strategic focus areas here include renewable energy and digital infrastructure. The bank has established a leading position as a financial backer of sustainable transformation in both of these areas.

In **Capital Markets Business**, customer demand for hedging and investment products remained high, especially in the retail-targeted structured notes business. In recent years, the bank has increasingly positioned itself as a leading capital market bank for savings banks. Net profit before tax was in line with the previous year at EUR 156 million (EUR 158 million).

The **Private Customers / Savings Banks** segments generated profit before tax of EUR 154 million (2022: EUR 42 million). As well as interest rate hikes, the restructuring of branch business completed in 2022 had a positive impact here. Earnings increased especially in deposit business, while costs increased only moderately. The financing volume was also expanded. The bank also further increased the number of asset management mandates.

Key figures of the LBBW Group as at 30 June 2023

Income statement

	01/01 - 30/06/2023	01/01 - 30/06/2022	Change	
	EUR million	EUR million	in EUR million	in %
Net interest income	1,417	1,039	378	36
Net fee and commission income	305	322	-17	-5
Net gains/losses on remeasurement and disposal	81	125	-45	-36
Other operating income/expenses	120	76	44	58
Total operating income/expenses	*1,923*	*1,563*	*361*	*23*
of which income	2,009	1,647	362	22
of which allowances for losses on loans and securities	-86	-85	-1	2
Expenses	-1,232	-1,087	-145	13
of which administrative expenses	-1,043	-897	-147	16
of which bank levy and deposit guarantee system	-188	-188	0	0
of which net income/expenses from restructuring	0	-2	2	-
Consolidated profit/loss before tax	*691*	*476*	*216*	*45*
Income taxes	-203	-160	-43	27
Net consolidated profit/loss	*488*	*315*	*173*	*55*

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

Key figures

	30/06/2023	31/12/2022	Change	
	in EUR billion	in EUR billion	in EUR billion	in %
Total assets	364	324	40	12
Risk-weighted assets	93.8	93.5	0.4	0

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

	30/06/2023	31/12/2022
	in %	in %
Common equity Tier 1 capital ratio (CRR II/CRD V “fully loaded”)	14.2	14.1
Total capital ratio (CRR II/CRD V “fully loaded”)	19.8	20.0

	01/01 – 30/06/2023	01/01 – 30/06/2022
	in %	in %
Return on equity (RoE)	9.1	6.8
Cost/income ratio (CIR)	61.3	66.0

	30/06/2023	31/12/2022	Change	
			absolute	in %
Employees	10,158	10,384	-226	-2

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