

26 August 2024

## Press release →

### Half-year results:

## Strong earnings confirm LBBW's strategic direction

- **Profit before tax for first half of the year rises to EUR 731 million – excellent prior-year result exceeded again by 6 percent**
- **Balanced business model: All four operating segments achieve three-digit million profits each**
- **Allowances for losses on loans and securities remain at moderate level despite increase**
- **Solid capital base: common equity Tier 1 capital ratio of 14.6%**

LBBW has continued its successful performance in the first half of 2024. Despite the slowdown in interest rate momentum, consolidated profit before tax once again exceeded the highly successful prior-year period at EUR 731 million (previous year: EUR 691 million). This result was driven by strong customer business and a consistently good risk situation.

Net consolidated profit after tax rose to EUR 509 million (prior year: EUR 488 million). The return on equity (RoE) was higher than in the previous year at 9.3% (9.1%). The cost/income ratio (CIR) also improved again to 58.6% (prior year: 61.3%).

CEO Rainer Neske commented: "Despite considerable global uncertainty and a weak economy in Germany, we remain on track. Our balanced business model of a universal bank with four strong pillars has demonstrated what it is capable of once again. We are successfully navigating our risk situation, we are investing in growth areas and we continue to implement our strategy focused on growth and relevance. We are therefore confident for the coming months, even with the currently challenging landscape. Following a strong first half of the year, we expect to achieve a successful full year."

Regarding current economic developments, Neske said: "Germany is undoubtedly facing enormous challenges. The time has come to tackle them and give Germany a significant boost in global competition with the right economic policy incentives."

## **Income continues to rise, risk situation robust**

The positive results are based on a strong performance in customer business. Despite sluggish investment activities by companies and declining revenue in deposit business, primarily due to the slowdown in interest rate momentum, LBBW's operating income rose again year-on-year to EUR 2.052 billion (prior year: EUR 2.009 billion), improving net fee and commission income in particular by 5%.

Expenses were lower than in the previous year at EUR 1.203 billion (EUR 1.232 billion). The positive effect is primarily due to the discontinuation of the European bank levy. Meanwhile, administrative expenses rose in line with expectations. In addition to general rising prices, this was caused by higher staff costs as a result of active recruitment in growth areas and as an early move to prepare for demographic change. There was also strategic investment in growth initiatives such as Corporate Finance and the ongoing development of IT, in particular in the fields of cyber-resilience and digitization.

Allowances for losses on loans and securities increased against the previous year to EUR 118 million (EUR 86 million). While this was largely due to additional provisions for model adjustments in the previous year, allowances for losses are mainly recognized for specific real estate cases in the current year. Nonetheless, the moderate level of allowances in the first half of 2024 highlights the quality of the portfolio. In addition, the level of the so-called model adjustments has been held stable at EUR 925 million. A further indicator of the quality of the lending book is the non-performing exposure (NPE) ratio, which is low by industry standards at 0.5%. Capitalization is similarly sound. At 14.6%, the common equity Tier 1 capital ratio (CRR II/CRD V fully loaded) is still significantly above banking supervisory requirements. The total capital ratio is 19.7%.

## **All four operating segments report three-digit million profits**

LBBW's balanced customer business is mirrored by its four operating segments. Each of them contributed a three-digit million amount to consolidated profit in the first half of the year, thereby validating the universal bank strategy.

The **Corporate Customers** segment generated a pre-tax profit of EUR 307 million (prior year: EUR 412 million). Demand for loans was extremely modest at the start of the year in particular, and revenue from deposit business has diminished measurably as a result of interest rate developments. By contrast, the Corporate Finance growth area again

performed well, with LBBW further consolidating its market leadership in the *Schuldschein* market. At EUR 10 million, loss allowances are still at a very low level despite the weak economy.

Despite the generally challenging situation on the real estate markets, the **Real Estate/Project Finance** segment reported a marked increase in profit to EUR 190 million (2023: EUR 115 million). Following its acquisition in 2022, Berlin Hyp once again delivered a strong contribution primarily driven by its customer business. Treasury of Berlin Hyp also contributed to the good result.

Allowances for losses on loans and securities were stable year-on-year at EUR 106 million. Unlike in the previous year, when a majority of allowances were based on to model adjustments, this year they are related to actual specific cases. New business in Real Estate Finance was slightly higher than in the previous year at EUR 6.2 billion (EUR 5.3 billion). Almost half of new business related to sustainable financing. LBBW is making a valuable contribution to the industry's transformation on this front. Digital infrastructure was a key area in Project Finance.

In **Capital Markets Business**, profits increased to EUR 144 million after EUR 134 million in the previous year. In particular, the segment benefited from its strong position as the capital market bank for savings banks as well as its strong position for institutional clients. Key sources of income included issuing business, certificates and strong treasury earnings. LBBW also reported high demand for foreign payments.

The **Private Customers/Savings Banks** segment generated a profit of EUR 105 million in the first half of 2024. The significant downturn against the previous year (EUR 149 million) was caused by the anticipated reduction in revenue from deposit business as a result of declining interest margin. Deposit levels were on the rise. LBBW further increased the number of its mandates in portfolio and wealth management.

Following a strong first half of the year, LBBW is still expecting a profit before tax of more than EUR 1 billion for the full year 2024. "We feel that our operating performance has validated our strategy," said Neske. "We will continue to pursue this path consistently."

## Key figures of LBBW Group as of 30 June 2024

### Income statement

	01/01 – 30/06/2024	01/01 – 30/06/2023	Change	
	EUR million	EUR million	EUR million	%
Net interest income	1,295	1,417	-122	-9
Net fee and commission income	320	305	15	5
Net gains/losses on remeasurement and disposal	248	81	167	>100
Other operating income/expenses	71	120	-50	-41
<i>Total operating income/expenses</i>	<i>1,934</i>	<i>1,923</i>	<i>11</i>	<i>1</i>
of which income	2,052	2,009	43	2
of which allowances for losses on loans and securities	-118	-86	-32	37
Expenses	-1,203	-1,232	29	-2
of which administrative expenses	-1,148	-1,043	-104	10
of which bank levy and deposit guarantee system	-52	-188	136	-72
of which net income/expenses from restructuring	-3	0	-2	>100
<i>Consolidated profit/loss before tax</i>	<i>731</i>	<i>691</i>	<i>40</i>	<i>6</i>
Income taxes	-222	-203	-19	10
<i>Net consolidated profit/loss</i>	<i>509</i>	<i>488</i>	<i>21</i>	<i>4</i>

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

## Key figures

	30/06/2024	30/06/2023	Change	
	EUR billion	EUR billion	EUR billion	%
Total assets	360.4	364.1	-4	-1.0
Risk-weighted assets	94.1	93.8	0.3	0.3

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

	30/06/2024	30/06/2023
	%	%
Common equity Tier 1 capital ratio (CRR II/CRD V “fully loaded”)	14.6	14.2
Total capital ratio (CRR II/CRD V “fully loaded”)	19.7	19.9

	01/01 – 30/06/2024	01/01 – 30/06/2023
	%	%
Return on equity (RoE)	9.3	9.1
Cost/income ratio (CIR)	58.6	61.3

	30/06/2024	31/12/2023	Change	
			Absolute	%
Employees	10,603	10,434	169	1.6

## Segments at a glance

### Corporate Customers

	01/01 – 30/06/2024	01/01 – 30/06/2023
	EUR million	EUR million
Net interest income	552	580
Net fee and commission income	110	113
Net gains/losses on remeasurement and disposal	-11	52
Other operating income/expenses	11	13
<i>Total operating income/expenses</i>	662	758
of which income	672	753
of which allowances for losses on loans and securities	-10	5
Expenses	-355	-346
of which administrative expenses	-346	-315
of which bank levy and deposit guarantee system	-9	-32
of which net income/expenses from restructuring	0	0
<i>Consolidated profit/loss before tax</i>	307	412

### Real Estate/Project Finance

	01/01 – 30/06/2024	01/01 – 30/06/2023
	EUR million	EUR million
Net interest income	478	412
Net fee and commission income	4	5
Net gains/losses on remeasurement and disposal	-102	-124
Other operating income/expenses	47	49
<i>Total operating income/expenses</i>	426	342
of which income	532	451
of which allowances for losses on loans and securities	-106	-109
Expenses	-236	-227
of which administrative expenses	-230	-196
of which bank levy and deposit guarantee system	-4	-30
of which net income/expenses from restructuring	-2	0
<i>Consolidated profit/loss before tax</i>	190	115

## Capital Markets Business

	01/01 – 30/06/2024	01/01 – 30/06/2023
	EUR million	EUR million
Net interest income	12	210
Net fee and commission income	64	60
Net gains/losses on remeasurement and disposal	348	161
Other operating income/expenses	13	4
<i>Total operating income/expenses</i>	438	437
of which income	437	421
of which allowances for losses on loans and securities	1	16
Expenses	-293	-302
of which administrative expenses	-279	-260
of which bank levy and deposit guarantee system	-14	-42
of which net income/expenses from restructuring	0	0
<i>Consolidated profit/loss before tax</i>	144	134

## Private Customers/Savings Banks

	01/01 – 30/06/2024	01/01 – 30/06/2023
	EUR million	EUR million
Net interest income	237	266
Net fee and commission income	142	134
Net gains/losses on remeasurement and disposal	-6	4
Other operating income/expenses	-1	0
<i>Total operating income/expenses</i>	373	404
of which income	379	402
of which allowances for losses on loans and securities	-7	2
Expenses	-268	-254
of which administrative expenses	-262	-251
of which bank levy and deposit guarantee system	-6	-3
of which net income/expenses from restructuring	0	0
<i>Consolidated profit/loss before tax</i>	105	149

## Corporate Items/Reconciliation/Consolidation

	01/01 – 30/06/2024	01/01 – 30/06/2023
	EUR million	EUR million
Net interest income	16	-52
Net fee and commission income	1	-7
Net gains/losses on remeasurement and disposal	18	-13
Other operating income/expenses	1	54
<i>Total operating income/expenses</i>	35	-17
of which income	31	-17
of which allowances for losses on loans and securities	4	0
Expenses	-50	-102
of which administrative expenses	-30	-21
of which bank levy and deposit guarantee system	-20	-81
of which net income/expenses from restructuring	0	0
<i>Consolidated profit/loss before tax</i>	-14	-120

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