

Press release

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LBBW improves half-year result

- **Net consolidated profit before tax increases to EUR 271 million after six months (previous year: EUR 251 million)**
- **Increase in net consolidated profit after tax to EUR 182 million (previous year: EUR 153 million)**
- **Positive earnings trend in all operating segments, stable development of customer business**
- **Adequate risk profile and comfortable capital resources: common equity Tier 1 (CET 1) capital ratio of 14.0 percent and total capital ratio of 19.7 percent (CRR/CRD IV fully loaded)**
- **Net profit before tax for the year as a whole still expected to be moderately higher than the previous year**

The positive earnings trend in the first six months of the year remained intact at Landesbank Baden-Württemberg (LBBW) despite difficult underlying conditions. Net consolidated profit before tax as at 30 June rose to EUR 271 million, up from EUR 251 million in the previous year. After tax, the figure rose to EUR 182 million (previous year: EUR 153 million). "We achieved a good result in the first half of the year and have continuously operated profitably for three and a half years now. The Bank's solid development, despite

Page 2

Press release

25 August 2015

historically low interest rates, challenging regulatory requirements and intense competition, demonstrates the viability of our customer-oriented business model", Hans-Jörg Vetter, LBBW's Chairman of the Board of Managing Directors, stated.

LBBW consistently pursued its strategy of risk-conscious growth in customer business in the first half of 2015 on the basis of comfortable capital resources. It broadened its range of services with the acquisition of Nord/LB's custodian bank activities and strengthened its capital base with the placement of a EUR 500 million subordinated issue. LBBW reports good capital ratios relative to its peers as at 30 June. Under current regulatory law (Basel III respectively CRR/CRD IV with transitional rules) the common equity Tier 1 (CET 1) capital ratio rose to 15.1 percent. On the basis of the fully loaded CRR/CRD IV regulations, which do not come into effect until 2019, it stood at 14.0 percent. At 20.5 percent, the total capital ratio in accordance with the transitional CRR/CRD IV rules exceeded the level of 20 percent for the first time. It amounted to 19.7 percent fully loaded. Risk weighted assets under CRR/CRD IV fell slightly during the first half of the year to EUR 81 billion. On a fully loaded basis, the leverage ratio was 4.1 percent. "We have an appropriate risk profile for a customer-oriented bank and reliably meet the existing and foreseeable regulatory requirements with respect to our capital resources", Hans-Jörg Vetter explained.

Page 3

Press release

25 August 2015

Overview of expense and income items

Net interest income of EUR 819 million for the first half of 2015 (previous year: EUR 954 million) reflects the persistently low interest rates and intense competition. Additionally, accounting-specific effects arising from the application of IFRS burdened this item.

Allowances for losses on loans and advances fell from EUR 45 million to EUR 12 million. The lower provisioning requirements were a result of the high quality of the loan portfolio, targeted risk run-offs in the past and favorable economic conditions in the Bank's core markets.

Net fee and commission income of EUR 255 million was marginally higher than in the previous year. Securities and custody business, for example, performed favorably, as did asset management.

Underpinned by strengthening customer-oriented capital market business, **net gains/losses from financial instruments measured at fair value through profit and loss** increased substantially to EUR 97 million as at 30 June, after EUR 23 million in the same period of the previous year.

Net gains/losses from financial instruments and net income/expense from investments accounted for using the equity method posted an increase of EUR 46 million to EUR 78 million. This was attributable primarily to income from companies measured at equity.

Page 4

Press release

25 August 2015

Other operating income/expenses fell by EUR 12 million in the first six months to EUR 58 million. For example, income generated from successfully completed project finance in the real estate sector was lower than in the previous year.

The moderate increase in **administrative expenses** to EUR 960 million was largely due to the fact that the new European bank levy and a higher contribution for the deposit insurance scheme of the Savings Bank Finance Group were accounted for in full in the first half of the year.

After the sale of the guarantee portfolio in August 2014, the **guarantee commission for the State of Baden-Württemberg risk shield** amounted to EUR 64 million in the first half.

All in all, **net consolidated profit before tax** came to EUR 271 million as at 30 June 2015 (previous year: EUR 251 million). **Net consolidated profit after tax** improved to EUR 182 million (previous year: EUR 153 million).

Overview of the operating segments

In the first half of the year, all three of the Bank's operating segments succeeded in achieving net profit before tax in excess of the prior year level. The **Corporates** segment, comprising corporate customer and commercial real estate finance business, increased its net profit before tax after six months from EUR 356 million to EUR 440 million. A decline in net interest income on deposits and financing, owing to the persistent low interest rate, environment was contrasted

Page 5

Press release

25 August 2015

by slightly higher commission income, particularly from cross-selling and lower allowances for losses on loans and advances, due to the quality of the loan portfolio.

Net profit before tax in the **Retail/Savings Bank** segment increased to EUR 47 million (previous year: EUR 41 million) in the first half of the year despite the ongoing burden caused by the low interest rate environment. Net fee and commission income, for example, increased thanks to higher income from the securities business and asset management.

The **Financial Markets** segment achieved net profit before tax of EUR 139 million and thus significantly exceeded the figure of EUR 90 million achieved in the first half of the previous year. This increase was driven by a favorable market environment and solid customer demand.

Outlook for the current year confirmed

Despite the challenging market, LBBW still expects in the current year net consolidated profit before tax to come in moderately higher than in the previous year, barring any unforeseen market turbulence.

Business figures for the LBBW Group as at 30 June 2015

	1 Jan.-30 June 2015 EUR mn	1 Jan.-30 June 2014* EUR mn	Change	
			EUR mn	in %
Net interest income	819	954	-135	-14.2
Allowances for losses on loans and advances	-12	-45	33	-72.7
Net fee and commission income	255	254	1	0.4
Net gains/losses from financial instruments measured at fair value through profit or loss	97	23	75	>100
Net gains/losses from financial investments, net income/expenses from investments accounted for using the equity method and from profit/loss transfer agreements	78	32	46	>100
Other operating income/expenses	58	71	-12	-17.6
Total operating income/expenses (after allowances for losses on loans and advances)	1295	1288	7	0.5
Administrative expenses	-960	-902	-59	6.5
Guarantee commission for the State of Baden-Württemberg	-64	-119	55	-46.5
Impairment of goodwill	0	-16	16	-100
Net income/expenses from restructuring	0	0	0	-
Net consolidated profit/loss before tax	271	251	20	8.1
Income tax	-90	-98	8	-8.6
Net consolidated profit/loss	182	153	29	18.9

	30 June 2015 EUR bn	31 Dec 2014 EUR bn	Change	
			EUR bn	in %
Total assets	279	266	12	4.7
Risk weighted assets (CRR/CRD IV)	81	82	-2	-1.9

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

*After adjustments in accordance with IAS 8.

Page 7

Press release

25 August 2015

	30 June 2015 in %	31 Dec 2014 in %
Common equity Tier 1 ratio (CRR/CRD IV with transitional rules)	15.1	14.6
Common equity Tier 1 ratio (CRR/CRD IV "fully loaded")	14.0	13.6
Total capital ratio (CRR/CRD IV with transitional rules)	20.5	19.9
Total capital ratio (CRR/CRD IV "fully loaded")	19.7	18.9

	30 June 2015	31 Dec 2014	Change absolute in %	
Employees (Group)	11,098	11,117	-19	-0.2

More detailed information is provided in the "2015 Half-yearly financial report" of LBBW, which will be available on the Internet from 25 August 2015:

www.LBBW.de/halfyearlyreport2015