



LB Kiel

Landesbank  
Schleswig-Holstei  
n  
Girozentrale

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## LB Kiel - First half of 1999

### Good start into the first half Satisfactory operating results and qualitative growth

In the first half of 1999, Landesbank Schleswig-Holstein (LB Kiel) continued the positive business and earnings performance of the previous years. At e 206.3 million, the Group operating result before risk provisions and evaluation was up 12% on the previous year's e 184.2 million.

"LB Kiel's regional roots have resulted in a considerable market strength, while its national and international activities have provided the Bank with an excellent reputation as a competent and reliable partner," said Dr. Dietrich Rümker, LB Kiel Board Chairman, at the presentation of the first-half results. "We have not only maintained the high results of the previous year but even improved on them."

Net interest income continues to be LB Kiel's main source of income. At e 355 million, it was up e 50.8 million or 16.7% on the first half of the previous year. The increase was primarily attributable to the higher interest income from business with customers.

Net commission income rose by 5.9% to e 48.1 million, with the lively securities business making the largest contribution. Net income from trading activities stood at e 16.5 (e 20.4) million on the reporting date.

On the expense side, personnel expenses rose by a moderate 4.8% to e 96.0 million, reflecting an increase in the workforce by 40 people.

Other administrative expenses, which continue to be characterized by high investments in information technology as a result of regulatory requirements and the preparations for the year 2000 date change, climbed 8.6% to e 88.6 million. Compared to last years' surge, the increase in expenses seems to be returning to a more moderate level.

The positive earnings performance will enable LB Kiel to set up further provisioning in 1999, which will not least also be reflected in additions to the

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reserves for general bank risks. Accordingly, risk provisions and evaluation rose to € 83.9 million in the first half of the year, up 9.1% on the previous year's € 76.9 million.

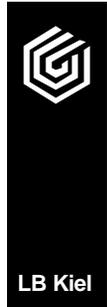
The first-half operating result after risk provisions and evaluation reached € 122.4 million, up 14.1% on the first half of 1998 (€ 107.3 million).

"We are optimistic that this positive earnings performance will continue in the second half of the year so that LB Kiel will be able to repeat the good full-year result of 1998," said Dr. Rümker.

Thanks to gratifying new business growth, total assets reached € 107.1 billion as per June 30, 1999, which represents an increase by € 6.8 billion or 6.8% over year-end 1998.

The business volume rose to € 120.1 billion on the reporting date, up € 8.2 billion or 7.3%. The credit volume increased by 6.9% to € 117.0 (1998: 109.4) billion. Growth on the assets side was primarily attributable to the 4.7% increase in claims on customers to € 49.1 (46.9) billion. Claims on banks climbed 2.8% to € 28.5 billion. The securities portfolio was expanded by € 3.2 billion to € 26.0 (22.7) billion. This growth was refinanced on the liabilities side through an increase in liabilities to banks by 10.6% to € 48.2 (43.5) billion and in liabilities to customers by 1.6% to € 21.6 (21.3) billion. At € 27.3 billion, certificated liabilities remained almost unchanged from year-end 1998 (€ 27.5 billion).

As regards off-balance sheet transactions, the nominal volume of financial derivatives increased by € 9.6 billion or 7.6% to € 135.6 billion in the first six months of the year. Credit risk equivalents - an indication of the maximum counterparty credit risk - remained unchanged at € 1.1 billion, i.e. roughly 3% of total risk assets.



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Dr. Rümker also expressed his satisfaction with the strategic business areas of the Bank. New business in the Corporate Banking Division, which comprises German Corporate Clients, Ship and Transport Financing, increased by 10% to € 2.2 billion, with claims totalling € 10 billion as per June 30, 1999 (December 31, 1998: € 9.2 billion). There was a trend towards higher-margin transactions, with the risk structure remaining well-balanced.

Despite the difficult real estate environment, new business in this division held steady at the previous year's level of € 0.6 billion. The real estate financing portfolio rose to € 6.2 billion (compared to € 6.0 billion at year-end 1998).

The Copenhagen Branch, which, together with the representative offices in Stockholm, Oslo and Helsinki, coordinates LB Kiel's business activities in the Baltic region, expanded its business volume from € 4.9 billion to € 6.3 billion, i.e. by just under one third.

LB Kiel has continued to develop its successful strategy, which positions it as the "Bank for the North" with regional roots and an international orientation. As a result, LB Kiel now intends to

- further expand its position as the leading bank in the region,
- consolidate its role as the leading German wholesale bank in the Baltic Sea Region,
- strengthen its position as a regional real estate finance provider,
- expand its activities as an international special finance provider focusing on ships, aircrafts and infrastructure,
- expand its international investment banking operations, which include the successful activities of its Luxembourg subsidiary as well as of its Nordic Investmentbank Gudme Raaschou, Copenhagen.

Strict profitability targets for the individual divisions are to increase their performance orientation and will be used to determine the allocation of equity capital.



*Press release*



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The preparations for the year 2000 date change are proceeding on course, and the regulatory requirements have been fulfilled. Y2K compatibility of the core functions was tested successfully in the first half of 1999.



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**Landesbank Schleswig-Holstein Girozentrale  
Group Figures June 30, 1999**

Profit and Loss Account	1st half of 1999 millions of e	6/12 of 1998 millions of e	changes in	
			millions of e	%
1. Net interest income	355.0	304.2	50.8	16.7
2. Net commission income	48.1	45.4	2.7	5.9
3. Net income from trading activities	16.5	20.4	-3.9	-19.1
4. Personnel expenses	-96.0	-91.6	-4.4	4.8
5. Other administrative expenses	-88.6	-81.6	-7.0	8.6
6. Other operating income/ expenses	-28.7	-12.6	-16.1	127.8
<b>7. Operating profit before risk provisions and evaluation</b>	<b>206.3</b>	<b>184.2</b>	<b>22.1</b>	<b>12.0</b>
8. Risk provisions/ result of evaluation	-83.9	-76.9	-7.0	9.1
<b>9. Operating profit after risk provisions and evaluation</b>	<b>122.4</b>	<b>107.3</b>	<b>15.1</b>	<b>14.1</b>

	30.6.1999 billions of e	31.12.1998 billions of e	changes in	
			billions of e	%
Business volume	120.1	111.9	8.2	7.3
Balance sheet total	107.1	100.3	6.8	6.8
Credit volume	117.0	109.4	7.6	6.9
Bonds and other interest-bearing securities	25.9	22.8	3.1	13.6
Certificated liabilities	27.3	27.5	-0.2	-0.7
Liabe capital funds	4.4	3.9	0.5	12.8