



## Press release

August 23, 2001

### **LB Kiel: Difficult market environment in the first half of the year – operating profit up 6%**

“In view of the difficult market environment, our result in the first half of fiscal 2001 is satisfactory. One of the consequences of the agreement in Brussels is, that we must aim higher in order to safeguard LB Kiel’s position in the capital markets even without the benefit of maintenance obligation and guarantee obligation. We reckon to be able to improve on our performance in the second half of the year compared to the first half and we expect our 2001 operating profit to exceed the previous year’s level,” said Dr. Dietrich Rümker, Chairman of the Managing Board of LB Kiel, at the presentation of the Bank’s half-year figures.



In the first half of fiscal 2001, Group operating profit before risk provisions, which includes 49.5% of the also satisfactory result of Hamburgische Landesbank (HLB), increased to € 254.4 million. This represents a 6% increase on the previous year (6/12 of 2000: € 239.9 million).

### **Clear increase in operating income**

At € 505.6 million, operating income of the LB Kiel Group was up by a clear 11.7% on the previous year (6/12 of 2000: € 452.6 million).

Net interest income continued to make a major contribution to the favourable income development, increasing by a strong 13.5% to € 426.1 (6/12 previous year: 375.6) million. In spite of the weakening economy, new client business continued to develop gratifying, and most divisions improved their margins due to the implementation of risk-oriented return targets. The unfavourable stock market environment led to a decline in the market price result posted in the trading income. Net income from trading operations declined to € 7.4 (6/12 previous year: 13.7) million. In addition, the trading units made a pro-rata contribution to net interest and commission income. Hence, overall the trading division posted a satisfactory result.

The strong increase in net commission income achieved in the previous year could not be repeated in the first half of fiscal 2001. Net commission income declined by 5.8% to € 66.7 million, which was primarily attributable to the continued weakness on the stock exchanges.

### **Administrative expenses marked by investments in personnel and IT**

Administrative expenses increased by 18.1% to € 251.2 (6/12 previous year: 212.7) million. Personnel expenses rose by 12% to € 128.6 (114.8) million.

Landesbank  
Schleswig-Holstein  
Girozentrale

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Chairman*

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Operating expenses were up 25.3% to € 122.6 (97.9) million. The Bank continues to invest in its IT infrastructure in order to increase the efficiency of its processes as well as the security of its information processing systems. The extraordinarily strong increase in Group operating expenses was primarily attributable to the reintegration of the securities services into HLB following the retreat from WPS-Bank.

Due to higher provisions for credit risks, the result from risk provisions and evaluations increased by 9.4% to € 93.5 (85.5) million. Operating profit after risk provisions was up 4.2% to € 160.9 (154.4) million.

#### **Total assets increase by 5.0%**

As per June 30, 2001, Group total assets stood at € 134.5 billion. This represents a 5% increase on December 31, 2000 (€ 128.1 billion). Over the same period, the business volume rose by 6%. The portfolio of securities posted the strongest increase; it was up 7% to € 36.9 (34.5) billion. "We have already started to restructure our portfolio of securities with regard to Basle II," explained Dr. Rümker. Claims on customers, however, continued to account for the bulk of total assets, rising by 4.8% to € 60.9 (58.1) billion. In the first six months of the year, claims on banks declined by 2.8% to € 31.5 (32.4) billion.

Own issues remained the most important source of long-term funds. As per June 30, 2001, the Group's portfolio of bearer bonds and registered bonds to customers amounted to € 48.4 (49.1) billion.

#### **Equity basis again clearly strengthened**

Liable capital funds increased further by a considerable 10.9% to € 7.1 (6.4) billion. About 50% thereof were accounted for by silent participations qualifying as core capital placed both with the state of Schleswig-Holstein and private investors. In addition, the Bank raised subordinate and profit participation capital.


**Group figures\* of LB Kiel as per June 30, 2001**

<b>Statement of income</b>	<b>June 30, 2001 € millions</b>	<b>6/12 2000 € millions</b>	<b>Change in € millions</b>	<b>%</b>
Operating income	505.6	452.6	53.0	11.7
Net interest income	426.1	375.6	50.5	13.5
Net commission income	66.7	70.8	-4.1	-5.8
Net income from trading operations	7.4	13.7	-6.3	-46.0
Other operating income/ expenses	5.4	-7.5	12.9	172.0
Administrative expenses	251.2	212.7	38.5	18.1
Personnel expenses	128.6	114.8	13.8	12.0
Operating expenses	122.6	97.9	24.7	25.3
<b>Operating profit before risk provisions and evaluations</b>	<b>254.4</b>	<b>239.9</b>	<b>14.5</b>	<b>6.0</b>
Risk provisions/evaluations	93.5	85.5	8.0	9.4
<b>Operating profit after risk provisions and evaluations</b>	<b>160.9</b>	<b>154.4</b>	<b>6.5</b>	<b>4.2</b>

<b>Group positions</b>	<b>June 30, 2001 € billions</b>	<b>December 31, 2000 € billions</b>	<b>Change in € billions</b>	<b>%</b>
Business volume	150.6	142.1	8.5	6.0
Balance sheet total	134.5	128.1	6.4	5.0
Claims on banks	31.5	32.4	-0.9	-2.8
Claims on customers	60.9	58.1	2.8	4.8
Securities	36.9	34.5	2.4	7.0
Liabilities to banks	53.5	51.9	1.6	3.1
Portfolio of bearer bonds and registered bonds	48.4	49.1	-0.7	-1.4
Liable capital funds	7.1	6.4	0.7	10.9

\* LB Kiel's Group accounts include the Bank - including Investitionsbank Schleswig-Holstein and Landes-Bausparkasse - as well as Landesbank Schleswig-Holstein International S.A., Luxembourg, Gudme Raaschou Bankaktieselskab, Copenhagen, and the 49.5% investment in Hamburgische Landesbank (consolidated on a pro-rata basis).

