# LfA Förderbank Bayern

## Rating Report

### Rating rationale and Outlook:

The AAA rating of LfA Förderbank Bayern (LfA) is equalised with the AAA/Stable rating of the Free State of Bavaria (Bavaria), given the German federal state's explicit, unconditional, unlimited, statutory, direct and irrevocable guarantee for LfA's obligations.

Scope further acknowledges: i) a mature and very supportive legal set-up, which makes changes to LfA's business model or guarantee structure unlikely; ii) the bank's high strategic importance to the federal state, where it serves as a crucial government-related entity (GRE) with a counter-cyclical function, reinforced by the bank's resource stability; iii) high levels of capitalisation and asset quality; and iv) a robust liquidity and funding profile that ensures strong access to capital markets.

Challenges relate to LfA's modest but stable profitability and limited loan portfolio diversification, which are both driven by the bank's public policy mandate.

**Figure 1: Scope's approach to rating LfA**

| LfA Förderbank Bayern | | |
|---|---|---|
| **Public sponsor** | **Free State of Bavaria (AAA/Stable)** | |
| Step 1: Integration with the public sponsor (QS1) | Rating approach | Top-down |
| Step 2: Equalisation factor | Rating equalisation? | Yes (AAA) |
| **Final rating** | **AAA/Stable** | |

Source: Scope Ratings

### Credit Strengths and Challenges

| Credit strengths | Credit challenges |
|---|---|
| • Explicit guarantee from the Free State of Bavaria (AAA/Stable)<br>• Supportive legal framework<br>• High strategic importance to the Free State of Bavaria<br>• Sound asset quality and capitalisation<br>• Robust liquidity and funding profile | • Modest profitability, driven by non-profit-maximising development mandate<br>• Limited loan portfolio diversification |

**Foreign currency**

Long-term issuer rating/Outlook

AAA/Stable

Senior unsecured debt

AAA/Stable

Short-term issuer rating/Outlook

S-1+/Stable

**Local currency**

Long-term issuer rating/Outlook

AAA/Stable

Senior unsecured debt

AAA/Stable

Short-term issuer rating/Outlook

S-1+/Stable

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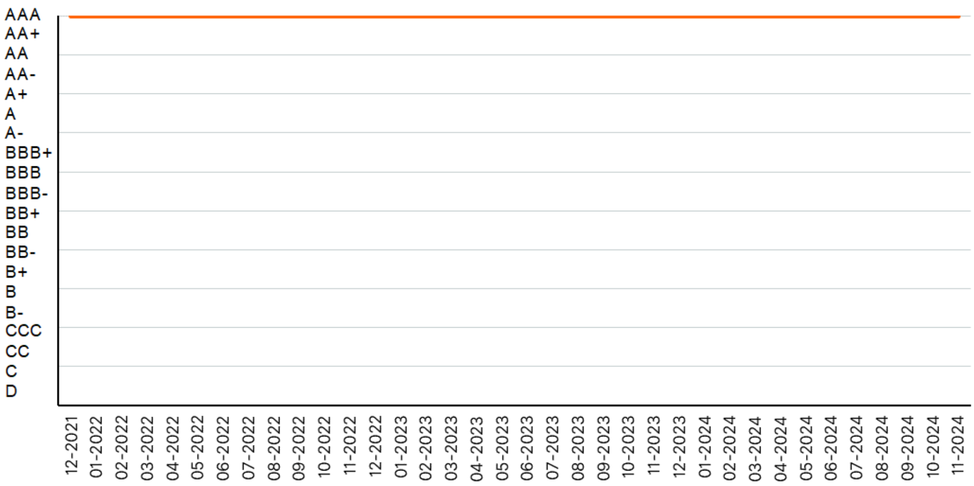
### Rating Outlook and Sensitivities

The Stable Outlook is aligned with the Stable Outlook on rating of the Free State of Bavaria and reflects our assessment that risks LfA faces are balanced.

| Positive rating divers | Negative rating drivers |
|---|---|
| • Not applicable | • Downgrade of the Free State of Bavaria<br>• Changes to guarantee framework, leading to weaker government support |

**Figure 2: Rating history**[1]




[1] Foreign-currency long-term issuer rating. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment. Source: Scope Ratings.

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## Integration with the Free State of Bavaria

Strong integration with Bavaria's economic development activities

LfA is a promotional bank that is wholly owned by the Free State of Bavaria, with total assets amounting to EUR 25bn at YE 2023. It operates out of its headquarters in Munich and two offices in Bavaria with a staff of 408, or 341 full-time equivalents.

LfA is an institution under public law and delivers essential, competition-neutral services, aligning with the criteria[1] of a government-related entity (GRE) as per our rating methodology. Its primary focus lies in promoting the regional economy, offering a diverse array of financing instruments, such as promotional loans, equity participations, and municipal infrastructure funding.

Top-down approach for rating analysis

We apply a 'top-down' approach to assign LfA's ratings, with Bavaria's AAA long-term rating acting as the anchor and starting point. This approach is driven by our assessment of LfA's 'strong' integration with Bavaria (see **Qualitative Scorecard 1** in Appendix I) based on the following considerations:

- LfA's status as an 'Anstalt des öffentlichen Rechts' (public law institution) affords it legal exemptions from insolvency procedures and German income tax, in accordance with the common practice among German federal state development banks. Altering the bank's legal structure would require a legal act by the Free State of Bavaria, a scenario we consider highly unlikely.
- LfA's operating activities are performed on behalf of Bavaria and are governed and regulated by the LfA law[2].
- The bank's activities are of 'high' strategic importance for its public sponsor. LfA plays an important role in advancing regional economic objectives, primarily by providing financing to medium-sized corporations, freelancers, start-up enterprises, and municipalities in Bavaria, further enhancing Bavaria's appeal as a business hub.
- LfA's strategic significance and its capacity to adapt to crises were demonstrated during the Covid-19 and cost-of-living crises, as it swiftly adjusted its range of products to provide support, in turn benefitting from a comprehensive guarantee from Bavaria to eliminate associated credit risks. Risks to LfA's position within public policy to provide competition-neutral financial services are remote. The bank operates within a supportive and stable framework on the national and European level[3].
- LfA is wholly owned by Bavaria, which has extensive operational and financial authority over the institution.

## Rating equalisation with the Free State of Bavaria

Equalisation with Bavaria's ratings given explicit guarantees

LfA's rating is equalised with Bavaria's AAA/Stable rating. This is because the federal state provides an explicit, unconditional, unlimited, statutory, direct and irrevocable guarantee for obligations related to money borrowed, bonds issued, and derivative transactions entered into by the bank. As the guarantee is set in public law, it can only be amended, revoked or restricted through a parliamentary act of Bavaria. Any such change is unlikely.

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[1] See point 1.2 of our Government Related Entities Rating Methodology for the definition of a GRE.

[2] LfA law (a specific law governing LfA).

[3] An agreement called 'Verständigung II' in 2002 between the European Commission and the German federal government defines regulations for legally independent development banks engaging in competition-neutral infrastructure and development business. This ensures that German development banks will continue to benefit from state support. We therefore do not expect changes in the bank's ownership status, business model, policy role or guarantee structure that would be subject to amendments in the respective laws.

As is the case with other German regional development banks, LfA benefits from two additional ownership liability support mechanisms:

Extensive guarantee framework provided by the federal state

- 'Anstaltslast' (institutional liability):

  This provision empowers the bank to make a claim against Bavaria, requiring the federal state to promptly and unconditionally cover any financial deficits. This ensures that LfA has the essential resources to fulfill its mandated functions. Creditors do not possess the right to seek recourse against the federal state.

- 'Gewährträgerhaftung' (guarantor liability):

  This entails the guarantor's unconditional legal obligation to assume LfA's liabilities in the event of the bank's liquidation. This guarantor liability only becomes relevant in specific and unlikely circumstances, given that LfA is exempt from insolvency procedures due to its public law charter.

## Supplementary analysis

LfA maintains high levels of capitalisation, adheres to prudent risk management practices, follows a conservative risk profile, and exhibits strong asset quality, which benefits from double-recourse loan protection[4] for the bank's on-lending activities.

Business profile determined by public policy mandate

LfA operates under the regulatory framework of the German Banking Act and is subject to prudential oversight by the German financial regulator BaFin and the German Bundesbank. Its public policy mandate and non-profit status contribute to its modest profitability, with most of its earnings originating from net interest income.

The institution is self-sustaining and secures funding through capital markets and credit facilities from other development banks, primarily Germany's KfW (AAA/Stable). The bank benefits from low funding costs, thanks to its robust guarantee framework.

### Business model and strategy

LfA's core mission as a promotional bank centres on supporting small- and medium-sized enterprises (SMEs), start-up companies, and regional economic development within Bavaria. Its operations are required to have a direct or indirect positive impact on businesses in Bavaria. Furthermore, alongside its development banking activities, LfA holds a conservatively managed treasury portfolio.

LfA's business focused on regional SMEs and start-ups

LfA's development banking activities encompass six primary focus areas: i) facilitating financing for start-up businesses; ii) supporting investments that drive growth; iii) promoting technology initiatives; iv) addressing energy and environmental impact concerns; v) providing liquidity support; and vi) contributing to municipal infrastructure development. To achieve these objectives, the bank engages in on-lending to commercial banks for SMEs and start-ups, direct lending to municipalities, offering guarantees, providing risk-mitigation products, and making equity participations through its holding companies.

Development activities across six main areas

In 2023, the bank's overall banking activities amounted to EUR 2.48bn (EUR 2.30bn in loans and EUR 188m in risk-participation products). This marked a decline from levels seen in 2020-22 ranging from EUR 2.95bn to EUR 4.34bn (see **Figure 3**). Elevated levels of activity in 2020-21 were driven by the Covid-19 pandemic, with related lending and risk mitigation products benefiting from

Business volume normalised in 2023, declining from high levels seen in 2020-22…

[4] In this lending practice that is common to German regional development banks, LfA benefits from both the direct claim against the ultimate borrower as well as the intermediary bank to whom it provided the initial loan.

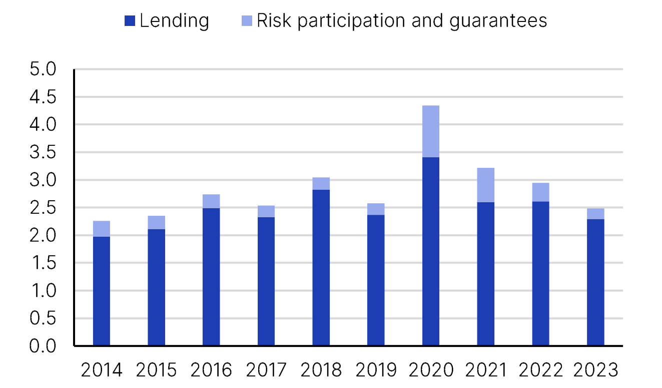
a counter-guarantee provided by Bavaria. The drop in business volume in 2023 can be attributed to the full phase out of pandemic-related initiatives and high prevailing interest rates reducing the relative attractiveness of the bank's subsidised loans and adverse macroeconomic conditions, with clients postponing investment decisions until economic activity picks up again.

2024 business volume to remain subdued

In 2024, we expect business volume to remain subdued at around EUR 2bn. In the first nine months of the year, loan approvals amounted to EUR 1.2bn. This is down from EUR 1.6bn for the same period in 2023.

**Figure 3: Business volume**

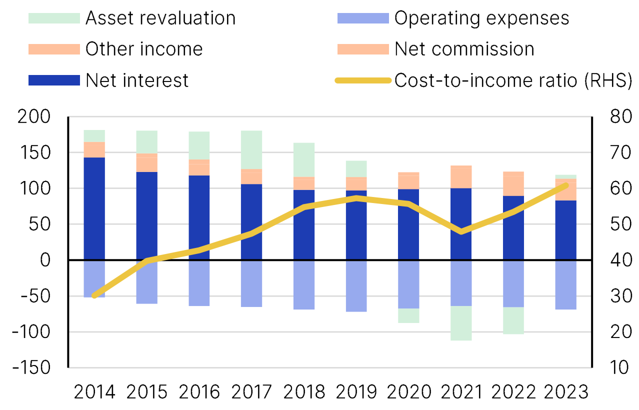
EUR bn




Source: LfA, Scope Ratings

**Figure 4: Operating result breakdown**

EUR m (LHS), % (RHS)




Source: LfA, Scope Ratings

LfA's proven ability to adapt loan programmes…

To improve the attractiveness of its products, the bank continuously innovates and adjusts conditions, including maturity, counterparties and maximum loan limits. Generally, interest-rate conditions are predetermined by EU base rates. In 2024, it simplified and expanded its largest loan programme, the 'Gründungs- und Wachstumsfinanzierung' targeted at SMEs, to include financing for operating costs. Additionally, its loan programme for digitalisation, the 'Innovationskredit 4.0', was made available to small mid-cap corporates with annual turnover of up to EUR 500m. Further, LfA offers products to support companies' energy transition, like 'Energiekredit Regenerativ' and 'Energiekredit', which remain highly relevant following the energy inflation shock of 2022.

…underpins it public policy role.

The bank's ability to tailor its products to meet current requirements was also underpinned during Covid-19 and the energy shock of 2022. Dedicated crisis support programmes have been discontinued since mid-2022 for Covid-19 and since April 2024 for energy support loans. These crisis-related efforts highlight the bank's strategic importance. In a government statement in June, Bavaria's Minister President outlined a plan to innovate financing for businesses in Bavaria by transforming LfA, via, for example, a widening of maximum loan amounts that LfA can grant.

Net interest is main income source

Mirroring its public policy mandate, LfA's revenue streams are steady but relatively undiversified. The predominant source of revenue is net interest income, constituting almost 80% of total operating income on average over the last five years. In 2023, net interest income was around EUR 83m, a moderate decrease from around EUR 90m in previous years (**Figure 4**). The decline results from the rise in interest expenses outpacing the rise in interest income from the bank's loan and investment portfolios. Net interest income relative to total assets has remained at around 0.4% over the past five years, aligning with the national peer average. Looking ahead, we anticipate LfA's earnings outlook to be broadly balanced, given that earnings from its hold-to-maturity security holdings should benefit from higher interest rates.

Main lever for continued profitability is cost containment

In 2023, net commission income amounted to EUR 24.5m, primarily stemming from compensation related to the bank's guarantee programmes. Additionally, other operating income reached EUR 5.8m. Operating expenses for LfA stood at EUR 69.1m in 2023, 5% higher than in 2022. The bank's reported cost-to-income ratio was 61.7%, up from 53.4% in 2022, but staying largely in line with national peers. The increase in the ratio can be attributed to lower net interest income and higher operating expenses.

Looking forward, we anticipate continuing cost pressures arising from rising staff and other administrative expenses, while some cost efficiencies could be realised from ongoing digitalisation efforts, including automated loan approvals for specific programmes. The bank's investments focus on its IT infrastructure. LfA's digitalisation progress is evident, as reflected in the reduction of the average time for loan approval from 4.8 days in 2019 to 2.8 days in 2023, well within the target of 5.5 days.

Continued risk provisions, net profit of EUR 20m in 2023

In 2023, net income amounted to EUR 20m, in line with 2022, after allocation of EUR 30m to the fund for general banking risk. Operating profit before provisions stood at around EUR 45m, aligning with the 2019 result but falling below the historical long-term average.

### Profitability and capitalisation

Modest profitability due to mandate and low interest rates

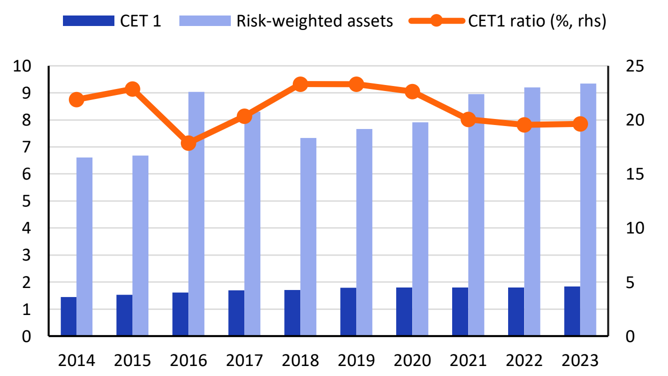
LfA's profitability is stable in recent years, but overall modest, in line with its development banking mandate. Over the past five years, the return on equity averaged 1.3%, closely in line with most national peers. LfA's favourable access to capital markets, further reinforced by the explicit state guarantee, underpins its business model. Net profits are retained and distributed to the Free State of Bavaria according to Article 18 of the LfA law. Profits distributed to Bavaria are channelled back to the bank.

Comfortable regulatory capitalisation

Earnings retention plays a pivotal role in bolstering LfA's capitalisation, which comfortably surpasses regulatory requirements. As of year-end 2023, the bank held Common Equity Tier 1 (CET1) capital of EUR 1.84bn against risk-weighted assets amounting to EUR 9.34bn, resulting in a CET1 capital ratio of 19.6% (**Figure 5**).

**Figure 5: CET 1 development**

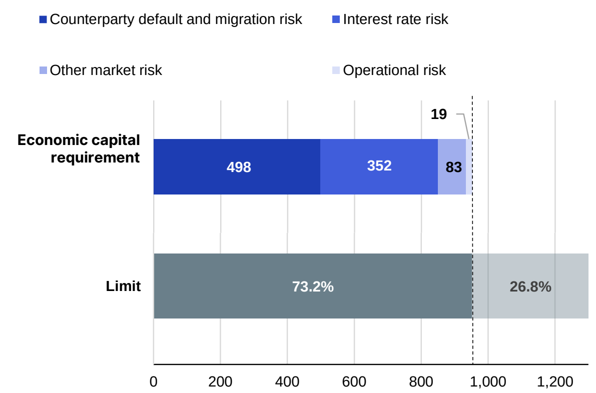
EUR bn (LHS), % (RHS)




Source: LfA, Scope Ratings

**Figure 6: LfA's risk-bearing capacity**

EUR m, %




Source: LfA, Scope Ratings

Between 2018 and 2023, risk-weighted assets increased by around 27%, which was partly matched by the rise in CET1 capital achieved through earnings retention. LfA's risk density (risk-weighted assets to total assets) was 37%, in line with previous years. The leverage ratio remained stable at 12.1% in 2023 from 2022, and up from 6.9% in 2020 due to adjustments to the Capital Requirements Regulation 2, lowering LfA's total exposure via the deduction of promotional loans.

Prudent risk management ensures capital adequacy...

The bank's risk management and capital planning align with national prudential regulation, particularly BaFin's MaRisk requirements. LfA employs an Internal Capital Adequacy Assessment Process, which mirrors the risk-bearing concept stipulated in Article 25a of the German Banking Act. As part of this framework, management establishes the bank's comprehensive risk appetite by establishing value-at-risk limits for various risk categories, thereby ensuring a systematic management of the bank's capital in alignment with regulatory standards.

... and significant capital buffers of internal capital

In accordance with the economic capital requirement approach, the bank ensures that it maintains internal capital reserves sufficient to cover potential losses arising from various activities. As of year-end 2023, the bank identified value at risk of EUR 951.7m, mainly stemming from credit and interest rate risks. In response to increasing interest rates, the bank raised the interest rate risk limit by EUR 150m to EUR 460m (utilization: 76.5%), while concurrently reducing the market risk limit by EUR 50m to EUR 140m (utilization: 59.2%). The bank's total internal limit stands at EUR 1.3bn, of which 26.8% remains unutilised, signifying a cushion of unallocated internal capital (**Figure 6**).

**Portfolio risk and asset quality**

Most of LfA's loans are to financial institutions

The majority of LfA's activities involve exposures to the financial sector, accounting for 85% of its total exposure, including on-lent loans. LfA's development loan exposure to financial institutions benefits from double-recourse loan protection, which also reduces capital requirements and effectively mitigates concentration risks. This is key to safeguarding the bank's strong asset quality.

Loans to municipalities and guarantees are provided at bank's own risk

In addition to its financial sector activities, LfA undertakes business at its own risk, including direct lending to municipalities in Bavaria, with this activity amounting to approximately EUR 1.6bn at YE 2023. Moreover, the bank's portfolio includes guarantee and risk mitigation products designed to facilitate commercial banks in financing businesses that might otherwise face challenges in obtaining bank credit, particularly startups lacking adequate collateral. In this context, LfA offers guarantees or assumes liability for the commercial bank in case of any incurred losses.

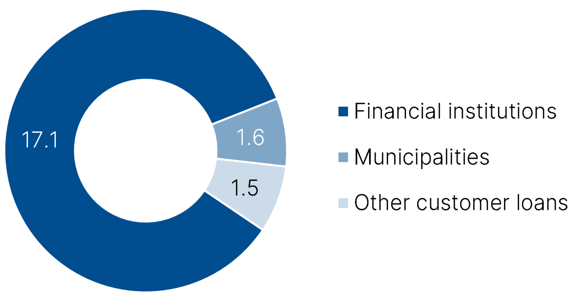
As of year-end 2023, the volume of the bank's guarantee and risk participation products stood at EUR 1.65bn, slightly down from EUR 1.84bn in 2022 but still significantly above pre-Covid levels. The increase primarily resulted from the bank's response to the Covid-19 pandemic, as mandated by the Free State of Bavaria and benefitting from counter-guarantees provided by Bavaria.

LfA's lending mostly to banks, benefitting Bavarian companies

LfA's exposure exhibits a notable concentration in the financial sector, amounting to EUR 17.1bn at the end of 2023 and representing 84.6% of its overall exposure. Around EUR 5.3bn of this represents investments in securities issued by financial institutions. The remaining 15.4% of LfA's exposure is distributed evenly between loans to municipalities and other loans (**Figure 7**). This distribution of LfA's exposure is influenced by the bank's specific mandate, which defines its focus.

**Figure 7: Exposure* by sector in 2023**

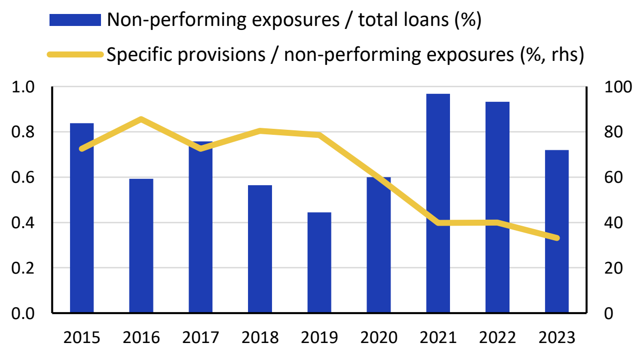
EUR bn




* Note: Exposures include interbank assets and net loans to customers.
Source: LfA, Scope Ratings

**Figure 8: LfA's asset quality***

%




* Note: Non-performing exposures as reported by LfA. Total loans are net customer loans and interbank assets. Specific provisions include individual asset revaluations for customers and provisions for specific positions. Source: LfA, Scope Ratings

While the loan portfolio on-lent to LfA's partner banks is characterised by diversification across sectors and within the state, the regional concentration in Bavaria exposes the bank to some transition risks, particularly in the automotive sector, which plays a relatively large role in the state. Bavaria's economy displayed relative resilience over recent years. In H1 2024, however, the Bavarian economy contracted by 0.6% YoY, compared to a contraction of 0.2% for Germany.

Strong asset quality with low non-performing exposures

LfA's loan portfolio exhibits robust asset quality and a low share of non-performing exposures at EUR 145.1m at YE 2023, or approximately 0.72% of the bank's interbank assets and customer loans. The bank's non-performing loans ratio, as defined by BaFin, was recorded at 0.66% at YE 2023. Risks stemming from non-performing exposures are further mitigated by specific provisions and EUR 78.7m of counter-guarantees provided by Bavaria, leading to a coverage ratio of 72.4%.

Prudent provisioning

LfA follows a prudent provisioning approach with conservative provisions to account for heightened uncertainty since 2020 via management adjustments to general risk provisions. As of YE 2023, the bank maintained the general provision at EUR 47.4m, a level consistent with the preceding year. For its general provisioning of loan exposures, as well as guarantee and risk participation products, LfA adopted the simplified approach under IDW RS BFA 7 as of 2022. This approach relies on the calculation of the 12-month expected loss for performing exposures. It underscores the bank's commitment to sound risk management practices.

Conservative investment strategy; limited market risks

Finally, LfA’s treasury book is high quality and conservatively managed. LfA maintains a hold-to-maturity fixed-income securities portfolio of EUR 3.8bn, which constitutes approximately 16% of its total assets. Approximately EUR 3.4bn of LfA's security holdings, equivalent to 87% of the total, meet the eligibility criteria as collateral for central bank refinancing facilities. This allocation aligns with the bank's prudent risk management and highlights its ability to access essential central bank support when needed.

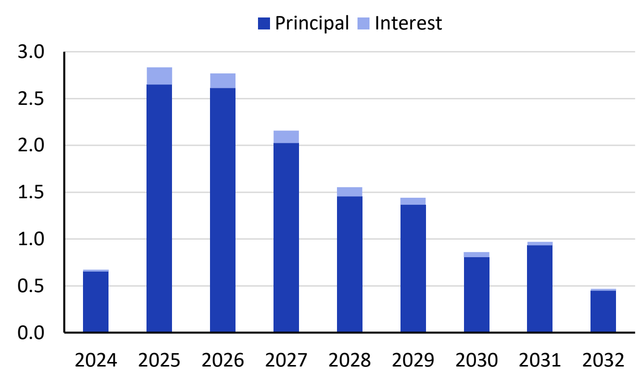
### Funding and liquidity

Favourable refinancing conditions

Supported by the explicit liability backing provided by the Free State of Bavaria, LfA benefits from robust access to the financial markets and from the preferential regulatory treatment of its debt obligations. The bank primarily finances its operations through the issuance of medium and long-term debt securities, typically featuring maturities ranging from three to ten years. This financing approach results in a relatively smooth redemption profile, with the peak occurring in 2025, at around EUR 2.8bn (**Figure 9**).

**Figure 9: Redemption profile**

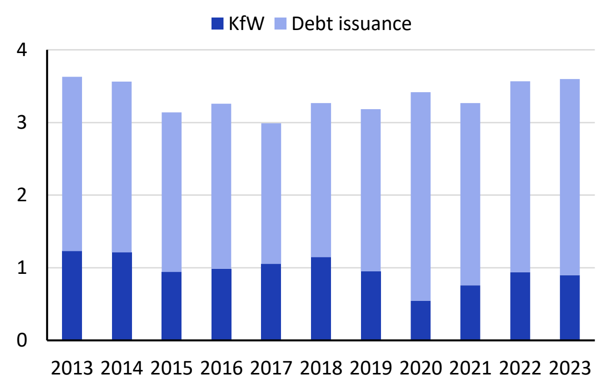
EUR bn, as of 30 October 2024




Source: Bloomberg, Scope Ratings

**Figure 10: Annual refinancing**

EUR bn




Source: LfA, Scope Ratings

LfA’s annual refinancing volumes range between EUR 2bn to EUR 2.5bn. For KfW-eligible loan programmes, refinancing is conducted via a KfW loan facility with favourable conditions, which represented around a quarter of the bank’s funding mix (**Figure 10**).

LfA's debt securities are subject to a 0% regulatory risk weight, making them highly favourable under regulatory requirements. They are also Level 1 high-quality liquid assets, meeting liquidity coverage ratio requirements, and also qualify for preferential treatment under Solvency II. Furthermore, the bank's bonds are eligible for participation in the ECB's monetary policy operations, including asset purchase programs. These characteristics underpin LfA's continued favourable capital markets access, ensuring cost-effective financing for its operations.

Assured liquidity; access to central bank facilities

Finally, LfA's liquidity is ample and liquidity risks are managed prudently. Its ability to tap central bank facilities further supports liquidity access. At YE 2023, LfA's liquidity coverage ratio stood at 915%, significantly up from 318% at YE 2022 due to lower net outflows. This supports a robust liquidity position, ensuring that the bank is well-prepared to meet its funding requirements and withstand potential liquidity stress scenarios.

## Environmental, Social and Governance Factors (ESG)

Material ESG factors are captured through several analytical areas

Governance and social considerations play a substantial role in the assessment of LfA's credit rating. These aspects were essential in our evaluation in two key areas:

- Integration with the Public Sponsor: We emphasize the significance of LfA's alignment with the public sponsor, backed by a supportive legal framework that obliges the bank to adhere to its statutes. This mandate positions LfA as a competition-neutral public-law institution, responsible for delivering essential services that facilitate regional economic objectives.
- Standalone Fundamentals: LfA's governance is characterised by high quality and drives the bank's conservative approach to risk management, which has been instrumental in shaping its standalone fundamentals.

Regarding its environmental commitment, LfA plays a pivotal role in advancing its public sponsor's sustainability and environmental goals, particularly Bavaria's Klimaschutzgesetz (climate protection act). The Free State of Bavaria has set a commendable target of achieving net carbon neutrality by 2040, which is five years ahead of the federal government's goal. LfA is equally committed to making its operations climate-neutral by 2028 and expanding its non-financial reporting. Furthermore, LfA has joined the UN Global Compact, pledging to uphold sustainability principles and support the implementation of the UN Sustainable Development Goals (SDGs).

In its banking activities, specific loan products like Energiekredit Regenerativ (Plus) and Ökokredit are designed to fund sustainable investments in renewable energies, energy efficiency, and biodiversity. LfA rigorously assesses loan approvals, taking into account KfW's forward-looking Paris-compatible sector guidelines and employing sector-specific analysis of physical and transition risks for default risk evaluations.

For its securities portfolio, LfA adheres to minimum ESG ratings and maintains a minimal share of housing stock in a covered bond's cover pool, designating them as sustainable investments. Notably, in 2022, 71% of invested assets were classified as sustainable, representing an increase from 68% in 2020. This underscores the bank's commitment to advancing sustainable financing and aligning with broader environmental and social sustainability objectives.

## Appendix I. Qualitative Scorecards

Qualitative Scorecard 1: Integration with the Free State of Bavaria (AAA/Stable) and Rating Approach

| Analytical component (weight) | Assessment (score) | Analytical rationale |
|---|---|---|
| Legal status (40%) | High (100) | LfA, like its German state development bank counterparts, is safeguarded against insolvency by its public law status. The bank is exempt from dissolution without legislative intervention, sparing it from CRR, Single Resolution Mechanism, Recovery and Resolution Act, and Restructuring Fund Act obligations. This exemption eliminates the need for the bank to create recovery plans and places it beyond the scope of the German Deposit Guarantee Act. |
| Purpose & activities (20%) | High (100) | LfA, as one of Bavaria's two promotional banks, plays a crucial role in providing essential, competition-neutral services, primarily supporting the regional economy. Its promotional lending typically consists of subsidised loans and grants, often funded by state subsidies and the bank's own profits. |
| Shareholder structure (20%) | High (100) | The Free State of Bavaria is LfA's sole owner. |
| Financial interdependencies (20%) | High (100) | LfA conducts business at its own risk, which includes providing direct loans to municipalities in Bavaria. As of the end of 2023, this activity amounted to approximately EUR 1.6bn. LfA operates as a financially self-sustaining entity, without depending on regular contributions from the public sponsor for its operational needs, investments, or debt repayment. |
| Approach adopted | | Top down |

Source: Scope Ratings

## Appendix II. Balance sheet and income statement summary

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| **Balance sheet summary (EUR m)** | | | | | |
| Assets | | | | | |
| Cash and interbank assets | 13,728 | 15,197 | 16,217 | 16,484 | 17,063 |
| Total securities | 4,973 | 4,522 | 3,903 | 3,851 | 3,930 |
| of which, derivatives | 3 | 1 | 0 | 7 | 7 |
| Net loans to customers | 2,455 | 2,696 | 2,607 | 3,136 | 3,113 |
| Other assets | 678 | 732 | 843 | 914 | 943 |
| Total assets | 21,834 | 23,146 | 23,569 | 24,386 | 25,049 |
| Liabilities | | | | | |
| Interbank liabilities | 7,980 | 7,862 | 7,597 | 7,549 | 6,987 |
| Senior debt | 9,673 | 11,094 | 11,864 | 12,843 | 13,857 |
| Derivatives | 0 | 0 | 0 | 2 | 3 |
| Deposits from customers | 1,724 | 1,622 | 1,486 | 1,407 | 1,630 |
| Subordinated debt | 0 | 0 | 0 | 0 | 0 |
| Other liabilities | 665 | 759 | 807 | 764 | 716 |
| Total liabilities | 20,042 | 21,337 | 21,754 | 22,565 | 23,193 |
| Ordinary equity | 1,792 | 1,809 | 1,816 | 1,821 | 1,856 |
| Total liabilities and equity | 21,834 | 23,146 | 23,569 | 24,386 | 25,049 |
| *Core tier 1/ common equity tier 1 capital* | *1,783* | *1,789* | *1,794* | *1,799* | *1,835* |
| **Income statement summary (EUR m)** | | | | | |
| Net interest income | 97 | 99 | 100 | 90 | 83 |
| Net fee & commission income | 15 | 19 | 28 | 27 | 24 |
| Other income | 4 | 5 | 4 | 7 | 6 |
| Operating income | 116 | 123 | 132 | 123 | 114 |
| Operating expenses | 72 | 68 | 64 | 66 | 69 |
| Pre-provision income | 44 | 55 | 68 | 58 | 44 |
| Credit and other financial impairments | -31 | 20 | 51 | 38 | 0 |
| Other impairments | 8 | 0 | -3 | 0 | -5 |
| Addition to general banking risk fund | 30 | 10 | 0 | 0 | 30 |
| Pre-tax profit | 36 | 25 | 20 | 20 | 20 |
| Tax expense | 0 | 0 | 0 | 0 | 0 |
| Net profit | 36 | 25 | 20 | 20 | 20 |

Source: SNL Financial, LfA, Scope Ratings

## Appendix III. Selected financial ratios

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| **Funding and liquidity** | | | | | |
| Liquidity coverage ratio (%) | 360.1% | 322.5% | 326.2% | 318.2% | 915.4% |
| Net stable funding ratio (%) | NA | NA | 111.1% | 108.2% | 109.1% |
| **Asset growth** | | | | | |
| Net loan growth (%) | 6.4% | 9.8% | -3.3% | 20.3% | -0.8% |
| Asset growth (%) | 3.6% | 6.0% | 1.8% | 3.5% | 2.7% |
| **Earnings and profitability** | | | | | |
| Net interest margin (%) | 0.5% | 0.5% | 0.4% | 0.4% | 0.4% |
| Net interest income/ average RWAs (%) | 1.3% | 1.3% | 1.2% | 1.0% | 0.9% |
| Net interest income/ operating income (%) | 83.5% | 80.4% | 76.0% | 72.7% | 73.4% |
| Net fees & commissions/ operating income (%) | 12.7% | 15.4% | 21.1% | 21.9% | 21.5% |
| Cost/ income ratio (%) * | 62.1% | 55.1% | 48.5% | 53.2% | 60.8% |
| Operating expenses/ average RWAs (%) | 1.0% | 0.9% | 0.8% | 0.7% | 0.7% |
| Pre-impairment operating profit/ average RWAs (%) | 0.6% | 0.7% | 0.8% | 0.6% | 0.5% |
| Impairment on financial assets / pre-impairment income (%) | -69.5% | 36.9% | 74.7% | 65.5% | -0.3% |
| Pre-tax profit/ average RWAs (%) | 0.5% | 0.3% | 0.2% | 0.2% | 0.2% |
| Return on average assets (%) | 0.2% | 0.1% | 0.1% | 0.1% | 0.1% |
| Return on average RWAs (%) | 0.5% | 0.3% | 0.2% | 0.2% | 0.2% |
| Return on average equity (%) | 2.0% | 1.4% | 1.1% | 1.1% | 1.1% |
| **Capital and risk protection** | | | | | |
| Common equity tier 1 ratio (%, transitional) | 23.3% | 22.6% | 20.0% | 19.5% | 19.6% |
| Tier 1 capital ratio (%, transitional) | 23.3% | 22.6% | 20.0% | 19.5% | 19.6% |
| Total capital ratio (%, transitional) | 25.7% | 24.2% | 21.5% | 20.6% | 20.4% |
| Leverage ratio (%) | 7.6% | 6.9% | 12.4% | 12.5% | 12.1% |
| Asset risk intensity (RWAs/ total assets, %) | 35.1% | 34.2% | 38.0% | 37.8% | 37.3% |

* As reported by SNL Financial, might differ from the cost-to-income ratio as reported by the issuer.

Source: SNL Financial, LfA, Scope Ratings

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