

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. The recent expansion of LfA's programmes has further underlined and increased the bank's significance for the Free State of Bavaria.

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

Foreign currency

Long-term issuer rating/Outlook

AAA/Stable

Senior unsecured debt/Outlook

AAA/Stable

Short-term issuer rating/Outlook

S-1+/Stable

Local currency

Long-term issuer rating/Outlook

AAA/Stable

Senior unsecured debt/Outlook

AAA/Stable

Short-term issuer rating/Outlook

S-1+/Stable

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Credit strengths and challenges

Credit strengths	Credit challenges
<ul style="list-style-type: none">Explicit guarantee from the Free State of Bavaria (AAA/Stable)Supportive legal frameworkHigh strategic importance to the Free State of BavariaSound asset quality and capitalisationRobust liquidity and funding profile	<ul style="list-style-type: none">Modest profitability, driven by non-profit-maximising development mandateLimited loan portfolio diversification

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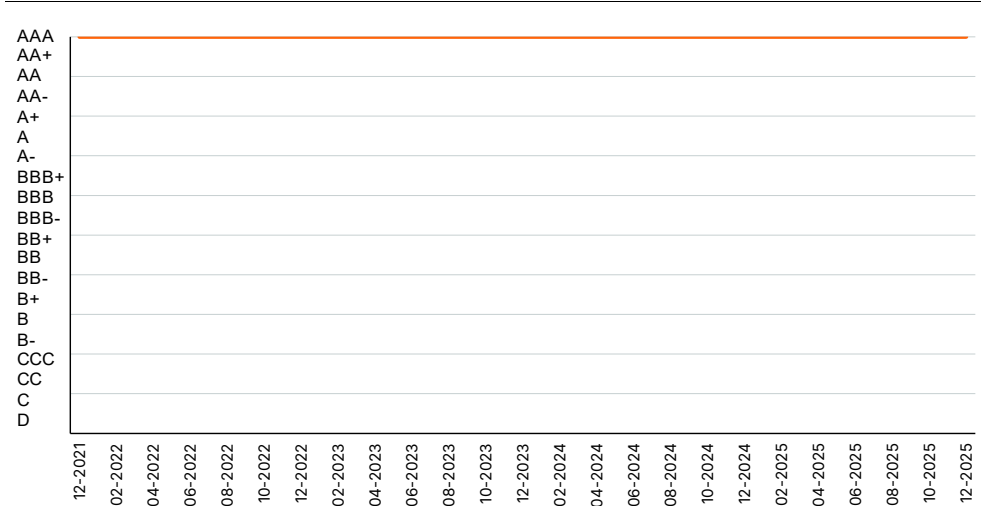
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Outlook and rating triggers

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-change drivers	Negative rating-change drivers
<ul style="list-style-type: none">Not applicable	<ul style="list-style-type: none">Downgrade of the Free State of BavariaChanges to guarantee framework, leading to weaker government support

Figure 2: Rating history*



*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.

1. Integration with the Free State of Bavaria

LfA is a promotional bank that is wholly owned by the Free State of Bavaria, with total assets amounting to EUR 24.5bn at YE 2024. It operates out of its headquarters in Munich and two offices in Bavaria with a staff of 418, or 354 full-time equivalents.

Strong integration with Bavaria's economic development activities

LfA is an institution under public law and delivers essential, competition-neutral services, aligning with the criteria¹ 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.

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:

Top-down approach for rating analysis

- 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 law².
- 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 in recent years, 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. Ongoing changes to the bank's product range ensure its relevance and highlight the bank's ability to adapt to evolving public needs. 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 level³.
- LfA is wholly owned by Bavaria, which has extensive operational and financial authority over the institution.

1.1 Rating equalisation with the Free State of Bavaria

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.

Equalisation with Bavaria's ratings given explicit guarantees

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 states

- '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

¹ See point 1.2 of our [Government Related Entity 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.

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.

2. 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 protection⁴ 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.

To safeguard the state's competitiveness LfA has embarked on a strategic transformation in response to the public sponsor's policy needs, with significantly expanded credit and venture capital financing expected in coming years.

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.

2.1 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 2024, the bank's overall banking activities amounted to EUR 1.86bn (EUR 1.73bn in loans and EUR 128m in risk-participation products). This marked a further decline from 2023 level and remains significantly below highs seen in 2020-22 ranging from EUR 2.95bn to EUR 4.34bn (see **Figure 3**). Elevated levels were driven by the Covid-19 pandemic, with related lending and risk mitigation products benefiting from a counter-guarantee provided by Bavaria. The drop in business volume in 2023 and 2024 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.

Business volume further declined in 2024, significantly below high levels seen in 2020-22...

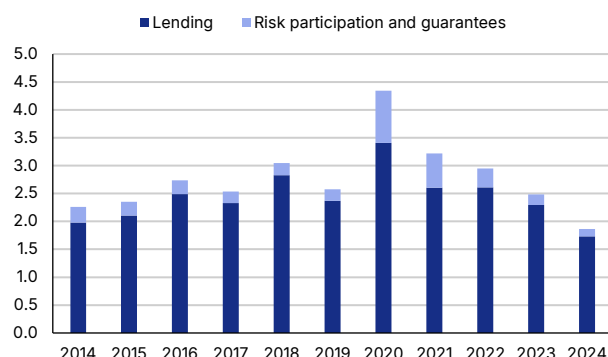
In 2025, business volume has picked up significantly. In the first nine months of the year, loan approvals were up 50% from the same period in the previous year.

2025 business volume has picked up

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.

Figure 3: Business volume

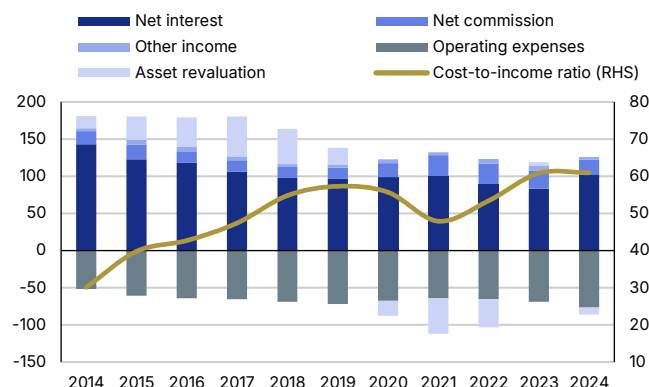
EUR bn



Sources: LfA, Scope Ratings

Figure 4: Operating result breakdown

EUR m (LHS), % (RHS)



Sources: LfA, Scope Ratings

To improve the attractiveness of its products, the bank continuously innovates and adjusts conditions. With the significant transformation of the bank, LfA can now offer larger loans and risk-participation as maximum loan amounts were extended across a wide range of products. The parliament approved the necessary funds in the supplementary budget for 2025. In addition, the potential recipients of LfA programmes were widened, with the inclusion of businesses with annual revenue of up to EUR 500m for certain loan products. Finally, the bank's venture capital activities are planned to expand significantly, with an additional EUR 750m via the 'VC4Start-ups' initiative available in coming years. At the same time, interest-rate conditions predetermined by EU base interest rates continue to significantly influence the relative attractiveness of the bank's loan products.

The bank's ability to tailor its products to meet requirements was also underpinned during Covid-19 and the energy shock of 2022. Dedicated crisis support programmes have been discontinued. These crisis-related efforts highlight the bank's strategic importance.

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 2024, net interest income was around EUR 103m, up 23.3% from around EUR 83m in 2023 (**Figure 4**). 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.

In 2024, net commission income amounted to EUR 19.6m, primarily stemming from compensation related to the bank's guarantee programmes, which however remained lower than in the previous year. Additionally, other operating income reached EUR 3.6m. Operating expenses for LfA stood at EUR 76.7m in 2024, 11% higher than in 2023. The bank's reported cost-to-income ratio was 60.2%, down from 61.7% in 2023 while still higher than 53.4% in 2022 but staying largely in line with national peers.

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. In 2024, the average approval time increased to 3.2 days amid increased product complexity but remains well within the target of 5.5 days.

In 2024, net income amounted to around EUR 20m, in line with previous years, after allocation of EUR 20m to the fund for general banking risk. Operating profit before provisions stood at around EUR 49.2m, up from EUR 44.4m in 2023.

LfA's proven ability to adapt loan programmes...

... underpins its public policy role

Net interest is main income source

Main lever for continued profitability is cost containment

Continued risk provisions, net profit of EUR 20m in 2024

2.2 Profitability and capitalisation

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 1.1%, 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.

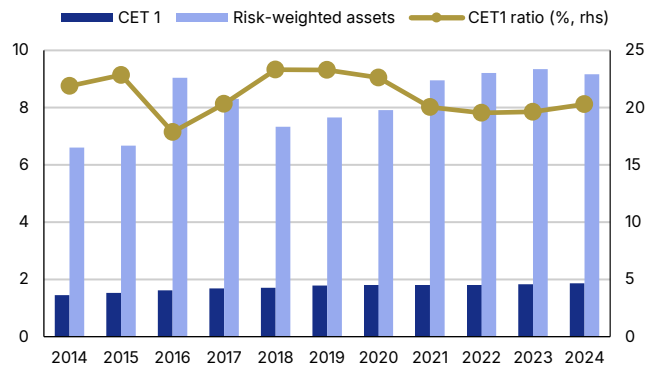
Modest profitability due to mandate and low interest rates

Earnings retention plays a pivotal role in bolstering LfA's capitalisation, which comfortably surpasses regulatory requirements. As of year-end 2024, the bank held Common Equity Tier 1 (CET1) capital of EUR 1.86bn against risk-weighted assets amounting to EUR 9.16bn, resulting in a CET1 capital ratio of 20.3% (Figure 5).

Comfortable regulatory capitalisation

Figure 5: CET development

EUR bn (LHS), % (RHS)



Sources: 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. In 2024, the CET1 ratio strengthened slightly. 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 2024, 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.

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.

Prudent risk management ensures capital adequacy...

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 2024, the bank identified value at risk of EUR 897.1m, mainly stemming from credit and interest rate risks. In 2024, risk limits remained unchanged. The bank's total internal limit stands at EUR 1.3bn, of which 31.0% remains unutilised, signifying a cushion of unallocated internal capital (Figure 6).

... and significant capital buffers of internal capital

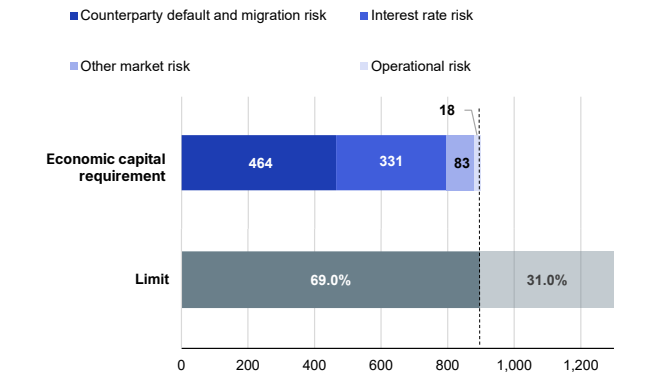
2.3 Portfolio risk and asset quality

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.

Most of LfA's loans are to financial institutions

Figure 6: LfA's risk-bearing capacity

EUR m, %



Sources: LfA, Scope Ratings

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 1.4bn at YE 2024. 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.

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

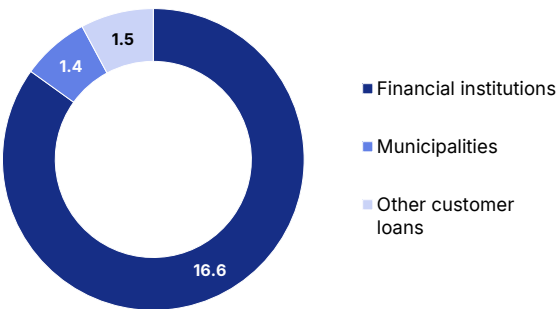
As of year-end 2024, the volume of the bank's guarantee and risk participation products stood at EUR 1.3bn, down from EUR 1.65bn in 2023 and approaching its pre-Covid levels. The spike from 2020 primarily resulted from the bank's response to the Covid-19 pandemic, as mandated by the Free State of Bavaria and benefitting from counter-guarantees provided by Bavaria.

LfA's exposure exhibits a notable concentration in the financial sector, amounting to EUR 16.6bn at the end of 2024 and representing 84.9% of its overall exposure. Around EUR 5.3bn of this represents investments in securities issued by financial institutions. The remaining 15.1% 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.

LfA's lending mostly to banks benefitting from Bavarian companies

Figure 7: Exposure* by sector in 2024

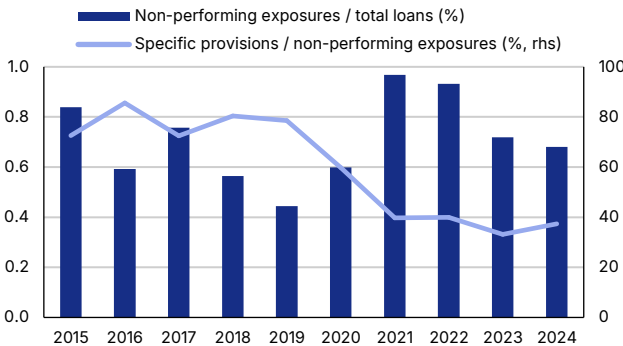
EUR bn



* Note: Exposures include interbank assets and net loans to customers.
Sources: 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. Sources: 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 in the past. In H1 2025, however, the Bavarian economy contracted by 0.4% YoY, compared to a stagnation for Germany.

LfA's loan portfolio exhibits robust asset quality and a low share of non-performing exposures at EUR 132.8m at YE 2024, or approximately 0.68% of the bank's interbank assets and customer loans. The bank's non-performing loans ratio, as defined by BaFin, was recorded at 0.62% at YE 2024. Risks stemming from non-performing exposures are further mitigated by specific provisions and EUR 64.2m of counter-guarantees provided by Bavaria, leading to a coverage ratio of 86%.

Strong asset quality with low non-performing exposures

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 2024, 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.

Prudent provisioning

Finally, LfA's treasury book is high quality and conservatively managed. LfA maintains a hold-to-maturity fixed-income securities portfolio of EUR 4.1bn, which constitutes approximately 17% of its total assets. Approximately EUR 3.7bn of LfA's security holdings, equivalent to 90% of the total,

Conservative investment strategy; limited market risk

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.

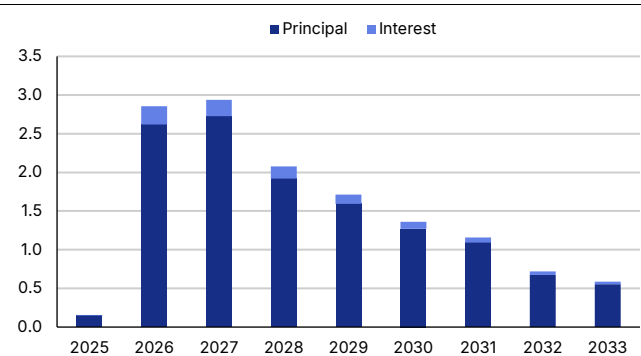
2.4 Funding and liquidity

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 (Figure 9).

Favourable refinancing conditions

Figure 9: Redemption profile

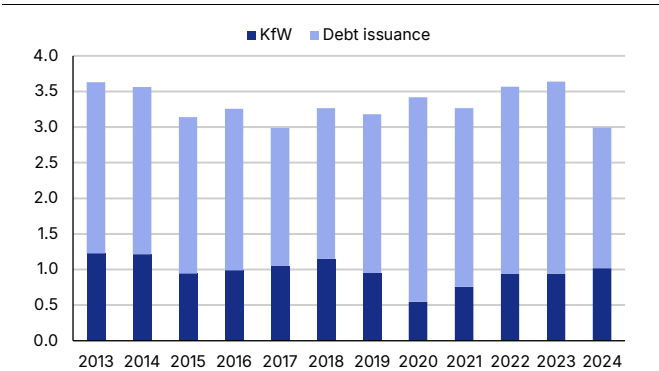
EUR bn, as of 4 December 2025



Sources: Bloomberg, Scope Ratings

Figure 10: Annual refinancing

EUR bn



Sources: LfA, Scope Ratings

LfA's annual refinancing volumes range between EUR 2bn to EUR 3bn. 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 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.

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 2024, LfA's liquidity coverage ratio stood at 263.5%, down from 915% a year earlier, but remaining comfortably above the regulatory minimum requirement of 100%. This supports a robust liquidity position, ensuring that the bank is well-prepared to meet its funding requirements and withstand potential liquidity stress scenarios.

Assured liquidity; access to central bank facilities

3. Environmental, Social and Governance Factors (ESG)

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:

Material ESG factors are captured through several analytical areas

- **Integration with the Public Sponsor:** We emphasise 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 target of achieving net carbon neutrality by 2045, in line with 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 in September 2023, pledging to uphold sustainability principles and support the implementation of the UN Sustainable Development Goals (SDGs).

In its banking activities, loan products like the various Energiekredit products 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. This underscores the bank's commitment to advancing sustainable financing and aligning with broader environmental and social sustainability objectives.

Appendix 1. Qualitative scorecard

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 2024, this activity amounted to approximately EUR 1.4bn. 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

Sources: Scope Ratings

Appendix 2. Balance sheet and income statement summary

	2020	2021	2022	2023	2024
Balance sheet summary (EUR m)					
Assets					
Cash and interbank assets	15,197	16,217	16,484	17,063	16,583
Total securities	4,522	3,903	3,851	3,930	4,069
of which, derivatives	1	0	7	7	12
Net loans to customers	2,696	2,607	3,136	3,113	2,945
Other assets	732	843	914	943	922
Total assets	23,146	23,569	24,386	25,049	24,520
Liabilities					
Interbank liabilities	7,862	7,597	7,549	6,987	7,063
Senior debt	11,094	11,864	12,843	13,857	13,278
Derivatives	0	0	2	3	8
Deposits from customers	1,622	1,486	1,407	1,630	1,618
Subordinated debt	0	0	0	0	0
Other liabilities	759	807	764	716	673
Total liabilities	21,337	21,754	22,565	23,193	22,639
Ordinary equity	1,809	1,816	1,821	1,856	1,881
Equity hybrids	0	0	0	0	0
Minority interests	0	0	0	0	0
Total liabilities and equity	23,146	23,569	24,386	25,049	24,520
Core tier 1/ common equity tier 1 capital	1,789	1,794	1,799	1,835	1,859
Income statement summary (EUR m)					
Net interest income	99	100	90	83	103
Net fee & commission income	19	28	27	24	20
Other income	5	4	7	6	4
Operating income	123	132	123	114	126
Operating expenses	68	64	66	69	77
Pre-provision income	55	68	58	44	49
Credit and other financial impairments	20	51	38	0	9
Other impairments	0	-3	0	-5	0
Addition to general banking risk fund	10	0	0	30	20
Pre-tax profit	25	20	20	20	20
Tax expense	0	0	0	0	0
Net profit	25	20	20	20	20

Sources: SNL Financial, LfA, Scope Ratings

Appendix 3. Selected financial ratios

	2020	2021	2022	2023	2024
Funding and liquidity					
Liquidity coverage ratio (%)	322.0%	325.8%	318.4%	914.8%	263.6%
Net stable funding ratio (%)	NA	111.1%	108.2%	109.1%	112.1%
Asset mix, quality and growth					
Net loan growth (%)	9.8%	-3.3%	20.3%	-0.8%	-5.4%
Asset growth (%)	6.0%	1.8%	3.5%	2.7%	-2.1%
Earnings and profitability					
Net interest margin (%)	0.5%	0.4%	0.4%	0.4%	0.4%
Net interest income/ average RWAs (%)	1.3%	1.2%	1.0%	0.9%	1.1%
Net interest income/ operating income (%)	80.4%	76.0%	72.7%	73.4%	81.6%
Net fees & commissions/ operating income (%)	15.4%	21.1%	21.9%	21.5%	15.6%
Cost/ income ratio (%)	55.1%	48.5%	53.2%	60.8%	60.9%
Operating expenses/ average RWAs (%)	0.9%	0.8%	0.7%	0.7%	0.8%
Pre-impairment operating profit/ average RWAs (%)	0.7%	0.8%	0.6%	0.5%	0.5%
Impairment on financial assets / pre-impairment income (%)	36.9%	74.7%	65.5%	-0.3%	19.2%
Pre-tax profit/ average RWAs (%)	0.3%	0.2%	0.2%	0.2%	0.2%
Return on average assets (%)	0.1%	0.1%	0.1%	0.1%	0.1%
Return on average RWAs (%)	0.3%	0.2%	0.2%	0.2%	0.2%
Return on average equity (%)	1.4%	1.1%	1.1%	1.1%	1.1%
Capital and risk protection					
Common equity tier 1 ratio (% , transitional)	22.6%	20.0%	19.5%	19.6%	20.3%
Tier 1 capital ratio (% , transitional)	22.6%	20.0%	19.5%	19.6%	20.3%
Total capital ratio (% , transitional)	24.2%	21.5%	20.6%	20.4%	21.5%
Leverage ratio (%)	6.9%	12.4%	12.5%	12.1%	12.1%
Asset risk intensity (RWAs/ total assets, %)	34.2%	38.0%	37.8%	37.3%	37.4%

* 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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