

# apoBank – Investor-Update

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April 2024.



Bank der Gesundheit

# Agenda.

1. **Overview**
2. The changing health care market
3. Business model and strategy
4. Business performance
5. Risk management, credit quality, funding



# apoBank – At a glance.

Rating of apoBank:

# A+

S&P

Tier 1 ratio:

# 16.7%

Total assets:

# 50.7

bn Euro

Net profit after tax:

# 94.2

mn Euro



## Largest cooperative bank.

We are member of the National Association of German cooperative Banks (BVR) and part of the BVR deposit insurance system.



## Our mission.

We promote our members, in particular professionals in the healthcare sector, and in their organisations as well as corporations active in the healthcare sector.



## Close to our customers.

Our 2,299 employees at 77 locations cater to the needs of our customers.



## A captivating idea.

112,431 members of the bank are convinced of our mission.



## Market leader.

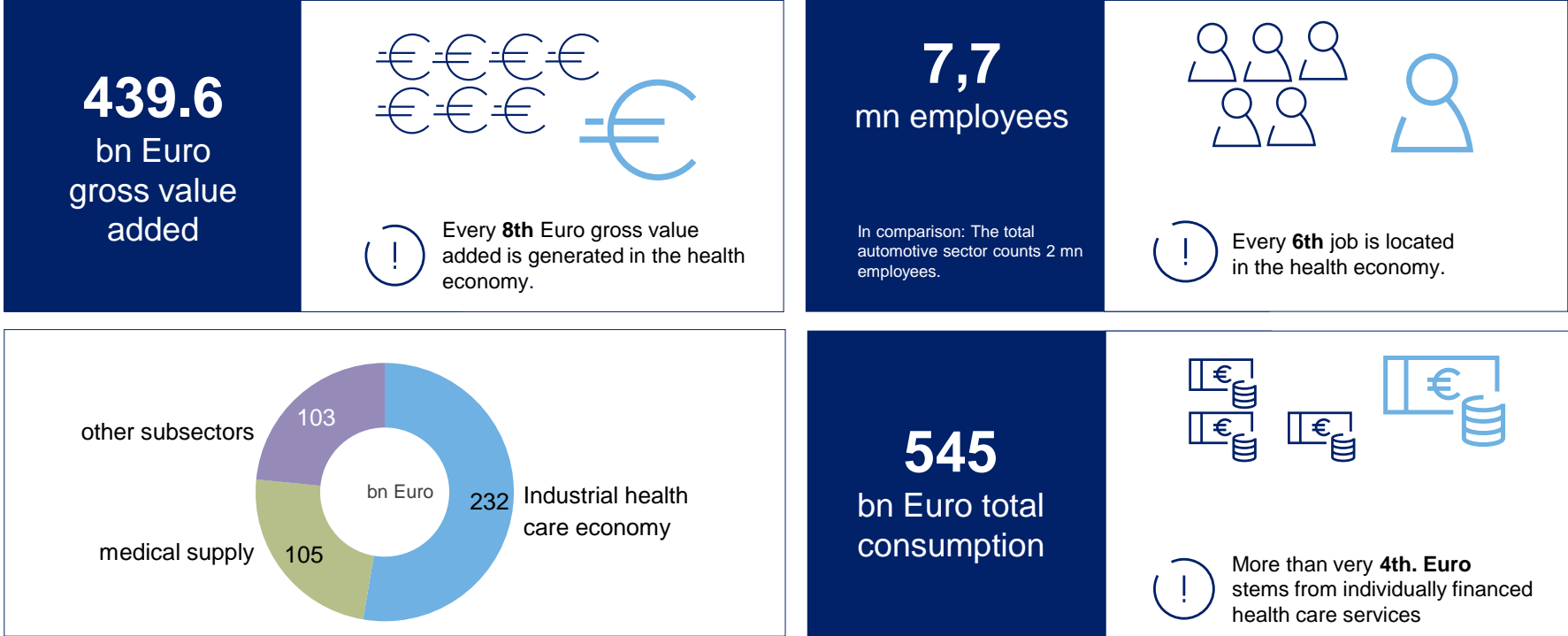
We are market leader In payments services and lending business, our market share in start-up financing reaches 60 percent.

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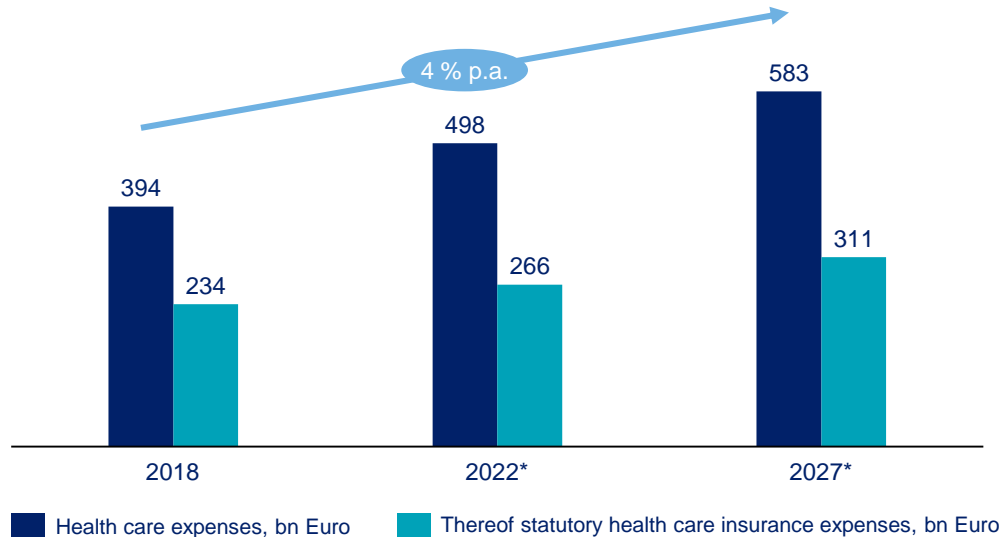


# The German health economy – an overview.



Source: Gesundheitswirtschaft, Fakten & Zahlen, Ausgabe 2023, Bundesministerium für Wirtschaft und Klimaschutz (BMWK).

# Health care market as a growth engine.



**Share of GDP 2022: 12.9 % p.a.**

- Health care expenditure rising steadily
- So called secondary health care market main driver of growth
- Statutory health insurance is the biggest spender
- Above-average growth above all in the area of nursing and therapeutic services as well as general health protection

Source: Statistisches Bundesamt, vdek, apoBank | \*estimates and forecasts, respectively

# A changing health care market.



**digitisation**



**new servicing concepts**



**employed work**



**internationalisation**



**cooperation**



**feminisation**



**sustainability**



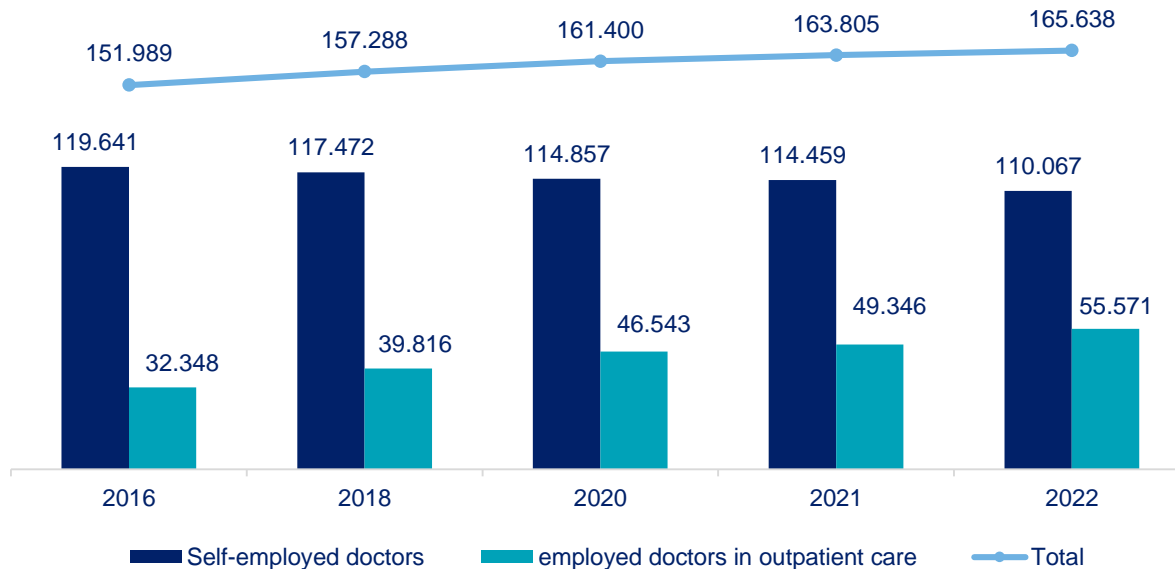
**capitalisation**

# Trend towards employed doctors in the outpatient care.



- Trend towards employment and part time work reduces number of working hours offered
- Thus rising treatment needs of an ageing society meets a declining medical care supply

## Development of self-employed and employed doctors in outpatient care



Source: Ärztstatistik of BÄK.



# Corporate growth in (dental) medical care centres (MCC).



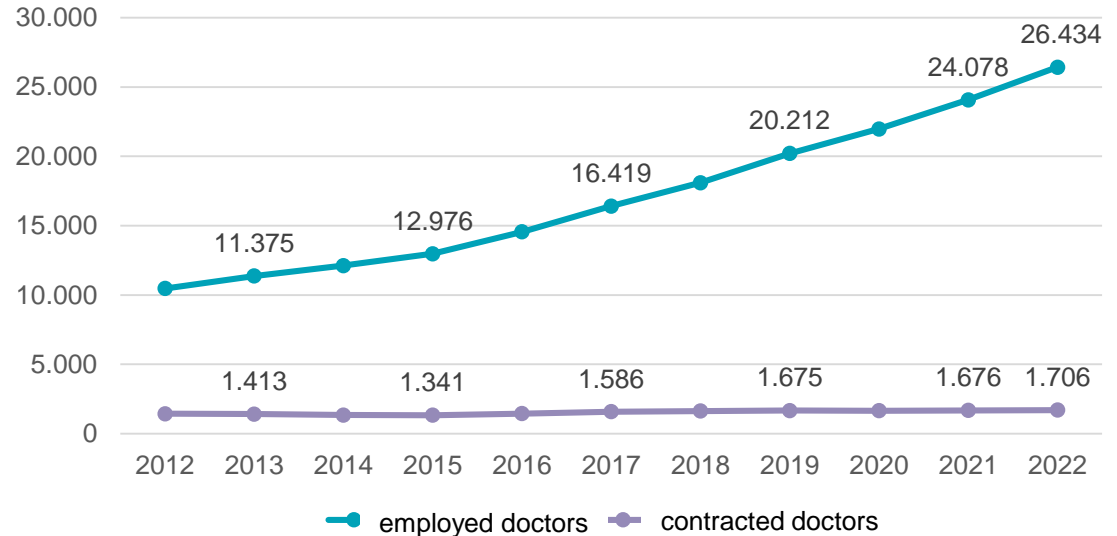
## Advantage MCC: Growth

- Unlimited employment of (dental) physicians possible; the majority of physicians working in MCCs are salaried employees

## Special Fokus: dental MCCs

- No admission restrictions for dentists!  
1,467 purely dental MCCs in 2022 with 754 contract dentists and 4,818 salaried dentists

## Development of number of doctors in MCC



Source: MVZ-Statistik 2022, Kassenärztliche Bundesvereinigung (KBV).

# Concern about industrialisation tendencies.

## Development so far

- Health care companies and investors that have **no medical professional** reference gain access to health care market via medical health care centres
- In particular, **capital and technological intensive** sectors are preferred, as they offer the greatest industrialisation potential.
- It turns problematic in the case of investors with **short term profitability targets**.

## Current influence of investors

### Market share

**15%**  
*of medical care centres owned by private equity funds*

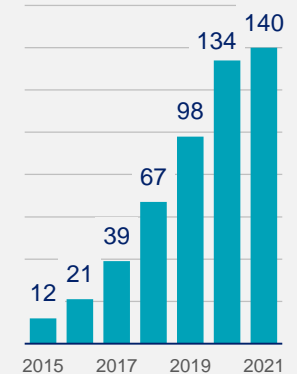
**30%**  
*Of dental medical cares centres owned by private equity funds*

**1,1%**  
*Of all of the 141.000 medical and dentist offices are owned by private equity funds*

### Accessed sectors



### Transactions



■ Number of transactions of private equity companies in the sectors (dental) practices and medical care centres

Source: [ÄrzteZeitung](#), Rainer Bobsin.

# New legislation planned.

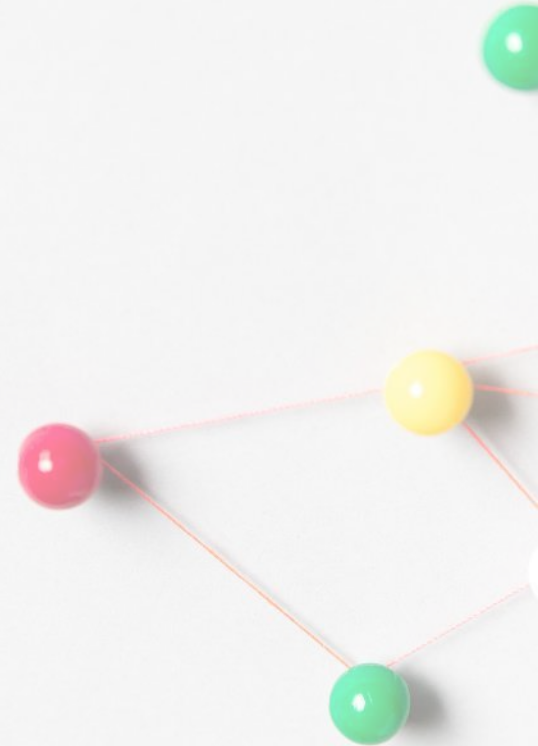
## Lauterbach announces new law

- Entry of private equity investors to be restricted in future
- If **i-MVZs** are approved, geographic, technical and / or antitrust **restrictions** as well as additional **transparency regulations** appear likely
- A fundamental ban on **i-MVZs** is unlikely to be imposed



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# apoBank: Deeply rooted in the health care market.

## Deep knowledge of the health care market and of health care professionals

Profound knowledge of cash flows and needs of health care professionals.

Better risk assessment than competitors.

## Tailor-made solutions for health care professionals

Deep know-how on what is needed.

## Unique cooperation and client access

Historically grown access to health care professionals, intensive cooperation with chambers, pension funds and professional organisations.

High reputation in particular in financing issues.

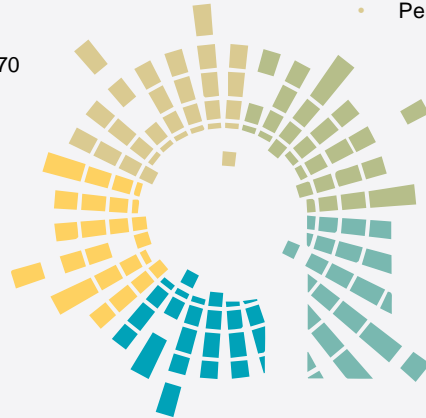
# Our way towards being a modern Standesbank.

## CREATING FUTURE VIABILITY THROUGH FINANCIAL PERFORMANCE

- Profitability campaign
- Target: Cost-Income-Ratio < 70 percent

## IMPROVING SERVICES, PROCESSES & IT

- Efficient processes
- Optimisation of digital applications



## INCREASING CUSTOMER SATISFACTION

- Perceived as a strong partner

## PROMOTION OF EMPLOYEES

- Increase in employees satisfaction
- Safeguarding a modern work environment

## FOCUSSED BUSINESS MODEL

- Health care professionals and their organisations in the spotlight
- Focus on start-up financings and wealth management

Modern Standesbank of  
the health care  
professionals



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# Business performance in 2023 at a glance.



Focusing the business model well on track



More lendings for doctors' offices and pharmacies



Wealth management increased



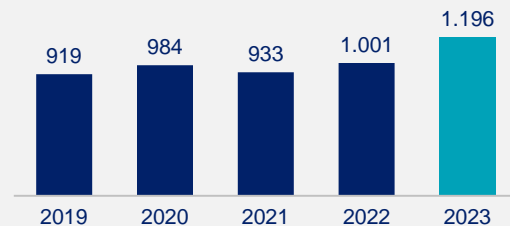
Adequate dividend for financial year 2023 possible



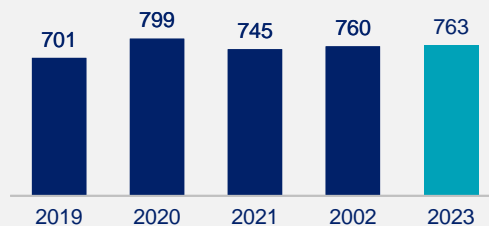
# Solid revenue basis.

in Mio. Euro

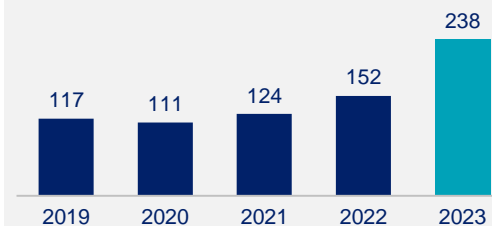
## Operating revenues



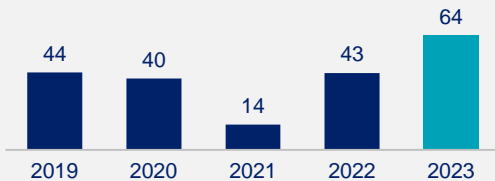
## Operating expenditures



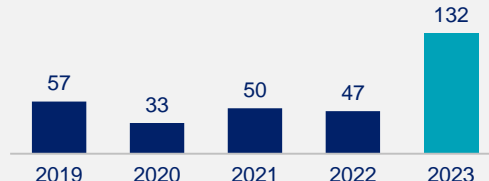
## Operating result



## Risk provisioning from the operating business

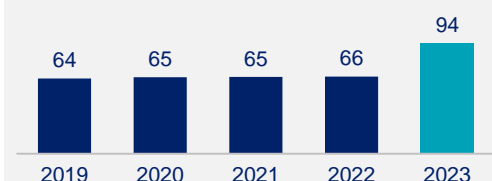


## Risk provisioning with reserve character



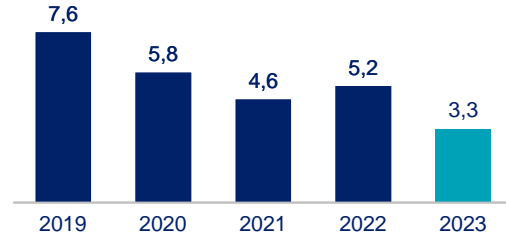
Capital accumulation

## Net profit after tax



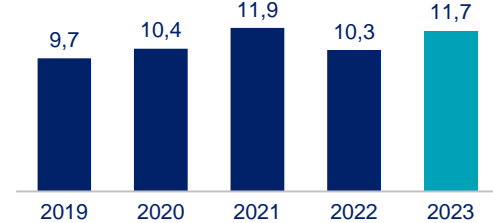
# Selective growth strategy in customer business.

## New lending business



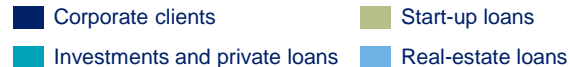
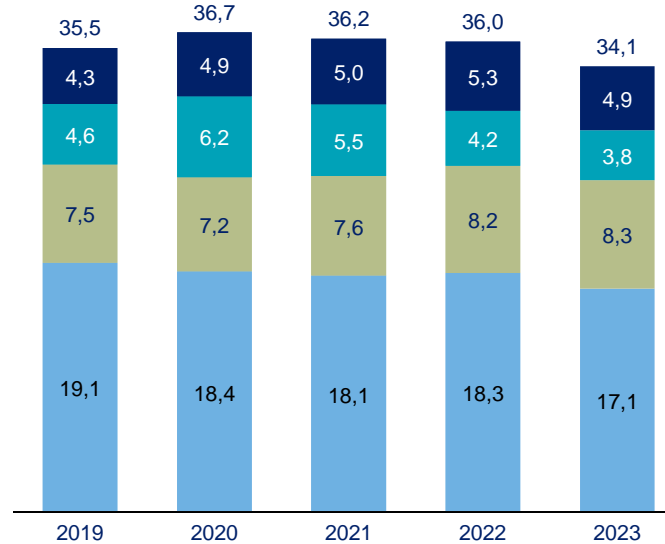
As of 2021 net new lendings

## Volume securities accounts, private clients



in bn Euro

## Lending volumes



# Financial outlook for fiscal year 2024.



Operating result returns to previous growth path



Growth in business start-up financing and asset management



Strategic partner for outpatient and inpatient care as well as companies in the healthcare market



Stable annual surplus with reasonable dividend potential

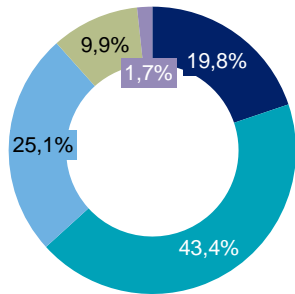
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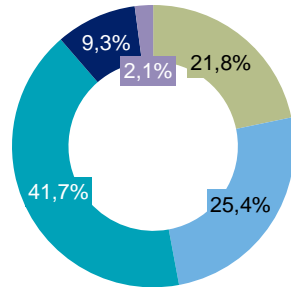


# Very good portfolio quality.

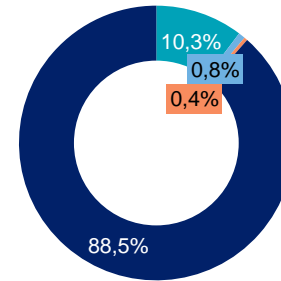
## Retail clients 30.6 bn Euro



## Professional assoc., large corporates 5.5 bn Euro



## Financial instruments 8.4 bn Euro

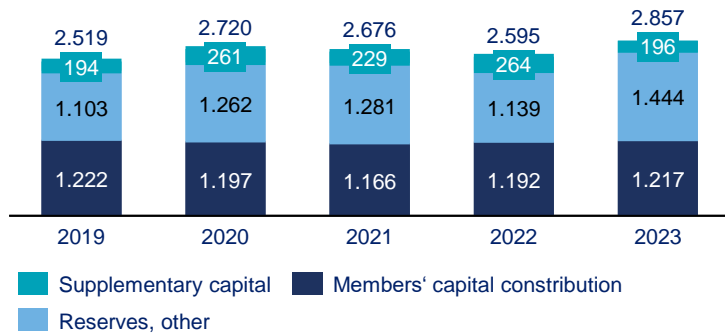


- Focus on retail clients as well as professional associations and large corporates
- 88% of retail exposure and 76% of exposure to professional associations and large corporates are investment-grade rated
- At 1.9% NPL-Ratio is at solid level (2022: 2.1%)
- Forbearance Ratio: 1.1%
- Coverage Ratio: 39.1%

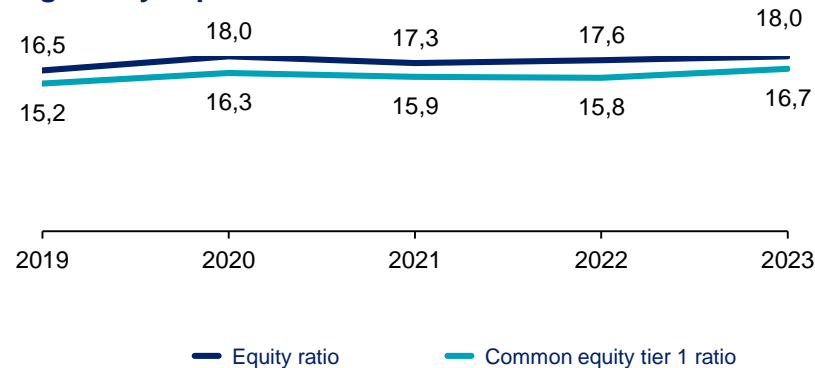
Mapping of internal apoBank rating classes (BVR-Masterskala) to external rating classes based on underlying default probabilities, drawdowns (claims to customers, gross, securities, off-balance sheet items)

# Satisfying regulatory capital position.

## Regulatory capital, in mn Euro



## Regulatory capital ratios



Capital ratios may be dampened in future due to Basle IV related increase in RWA

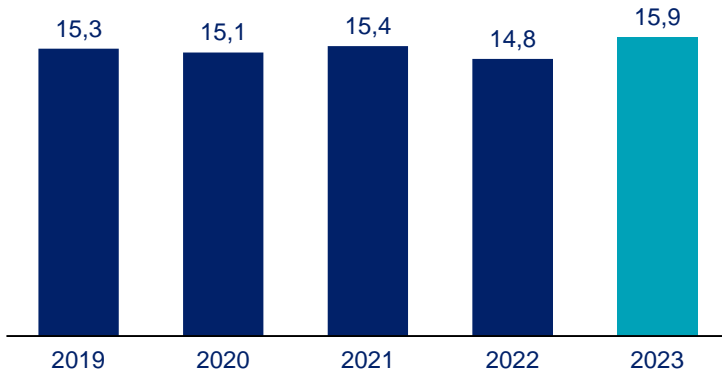
	31.12.2023	31.12.2022
Leverage Ratio	5,2%	4,3%
Liquidity coverage ratio	212%	206%
Net stable funding ratio	125%	127%

# Regulatory capital requirements.

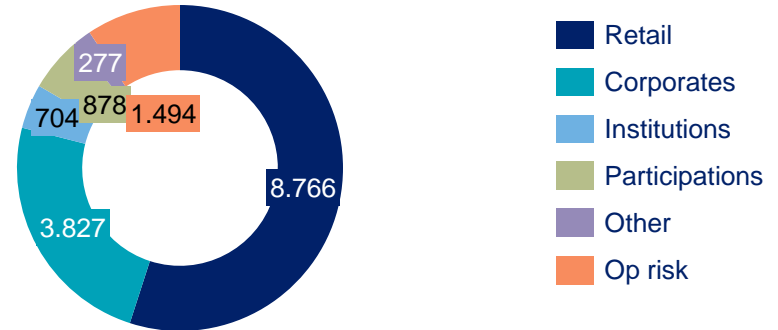
		2024
	CET 1	Equity ratio
<b>Overall capital requirement</b>	<b>9.27%</b>	<b>13.75%</b>
Systemic risk buffer	0.25%	
Anticyclical buffer	0.75%	
Capital conservation buffer	2.5%	
<b>Total SREP capital requirement</b>	<b>5.77%</b>	<b>10.25%</b>
Pillar 2 requirement	1.27%	2.25%
Pillar 1 requirement	4.5%	8.0%

# Credit risks predominant.

Risk weighted assets, in bn Euro



Distribution of RWA, in bn Euro



- Retail and corporates exposure stand for 79% of RWA
- Market risks in banking book only



# Diversified funding.

## Targets

- Congruent funding of lending business
- Expansion of product range provides funding flexibility
- Growing investor base
- Reliable and regular issuer on capital markets

## Products

- Commercial paper
- Promissory notes
- Registered bonds
- Registered covered bonds
- Benchmark bonds

### Debt-Issuance-Programme (DIP):

- apoObligationen (retail)
- Bearer bonds
- Covered bonds

## Features

- Fixed coupon
  - ascending / descending
- Variable coupon
  - with collar
- Callable
  - single right to cancel
  - multiple rights to cancel

## Costumers

- Retail clients, associations and large corporates
- Stable base of less volatile and steadily growing deposits from customers

## Investors

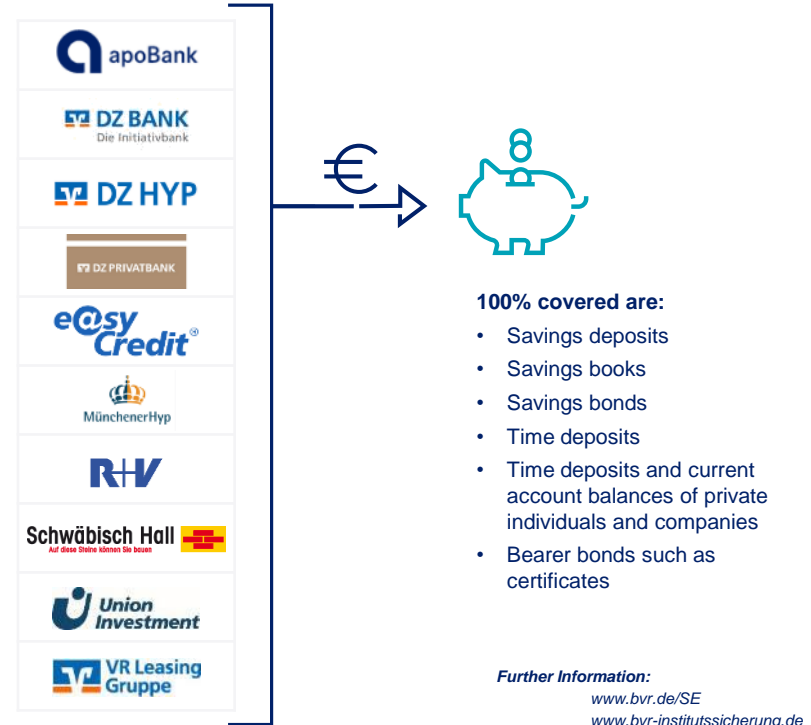
- Institutional client
- Investors from the Geno-Finanzgruppe

## Partner banks

- Funding of promotional loans via KfW-Group and regional promotional banks

# Part of a strong cooperative group.

- BVR Institutssicherung GmbH guarantees in accordance to EU-regulation deposits in a volume of up to 100,000 Euro per head/client
- A voluntary additional guarantee mechanism by the BVR-Sicherungseinrichtung safeguards the existence of member institutes (Institutsschutz) that enter financial distress
- The Institutsschutz covers:
  - all deposits and
  - bearer bonds held by customers



# Good ratings.

## S&P

Issuer credit rating	A+
Short-term debt	A-1
Covered bonds (Pfandbriefe)	AAA
Senior unsecured (preferred)	A+
Senior subordinated	A
Outlook	stable

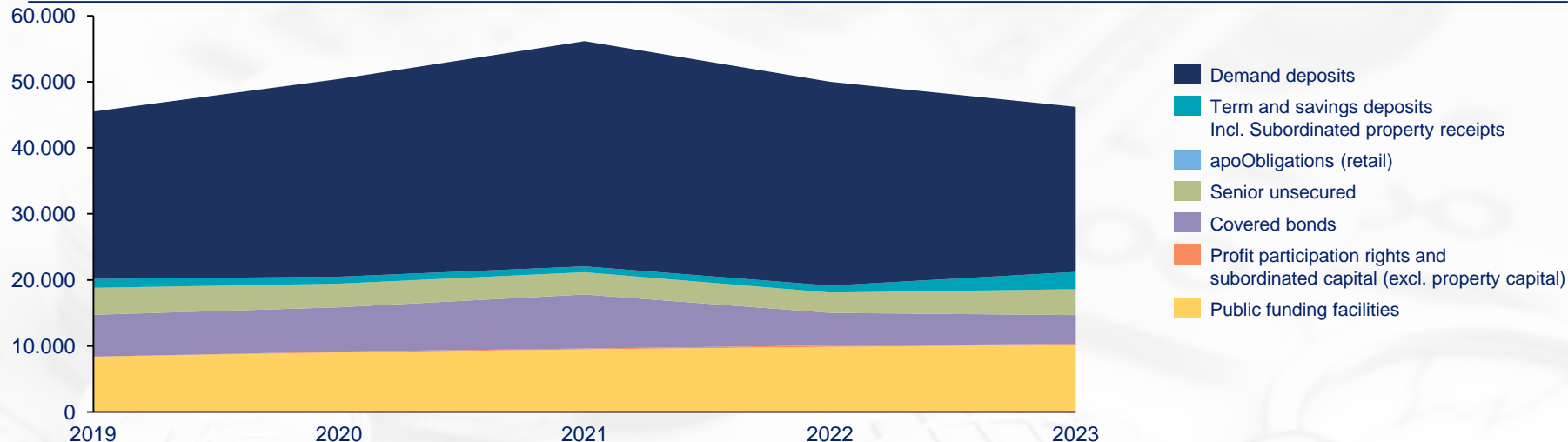
## FitchRatings (group rating)<sup>1)</sup>

Issuer Default Rating long-term	AA-
Issuer Default Rating short-term	F1+
Outlook	stable

<sup>1)</sup> Group rating for cooperative FinanzGruppe

# Funding sources – at pre-pandemic levels.

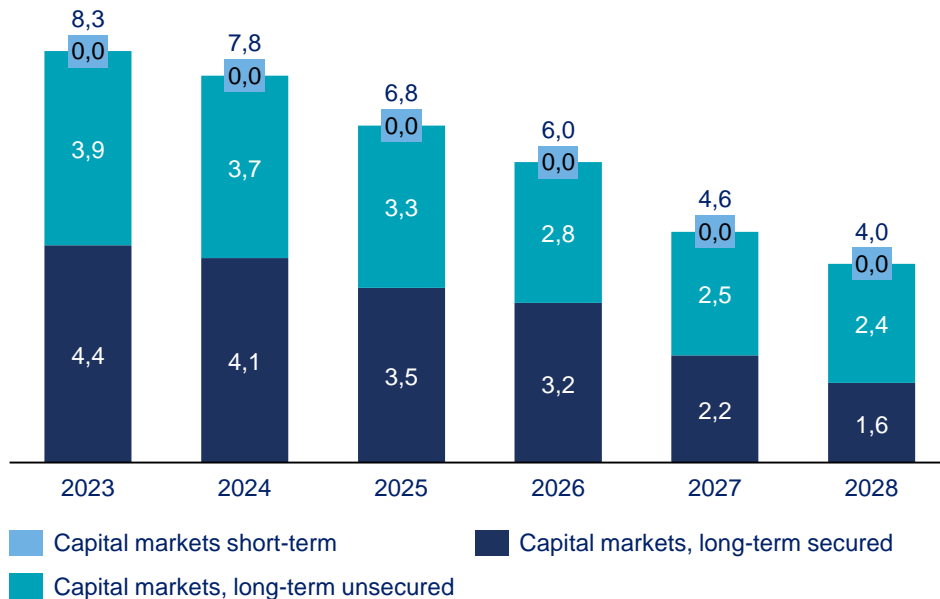
in mn Euro



2019	2020	2021	2022	2023	
6,326	6,710	8,179	4,49	4,327	<b>Covered bonds</b>
7,151	8,604	9,159	9,243	8,661	Cover assets (incl. stipulated liquid asset cover)
825	1,894	980	4,294	4,334	<b>Over-collateralisation</b>

# Planned outstanding capital markets funding.

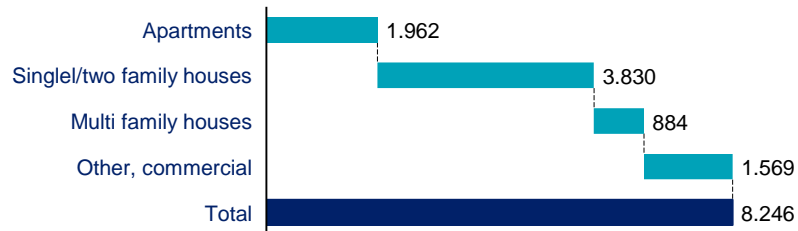
in bn Euro



- Significant decline in capital market refinancing
- Lower long-term issues, especially due to redemption of own covered bonds, which previously served as TLTRO collateral
- Share of capital market funding in total assets at about 16%

# Highly granular cover pool.

## Cover pool by type

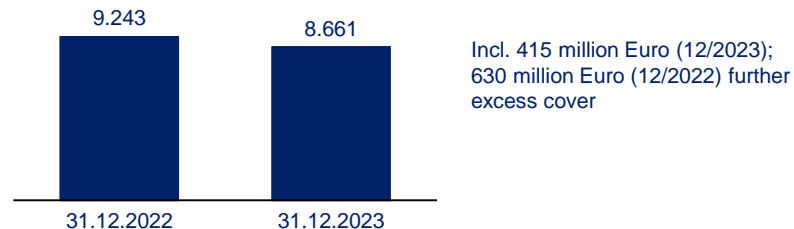


in mn Euro

## Cover pool by size



## Cover pool, in mn Euro



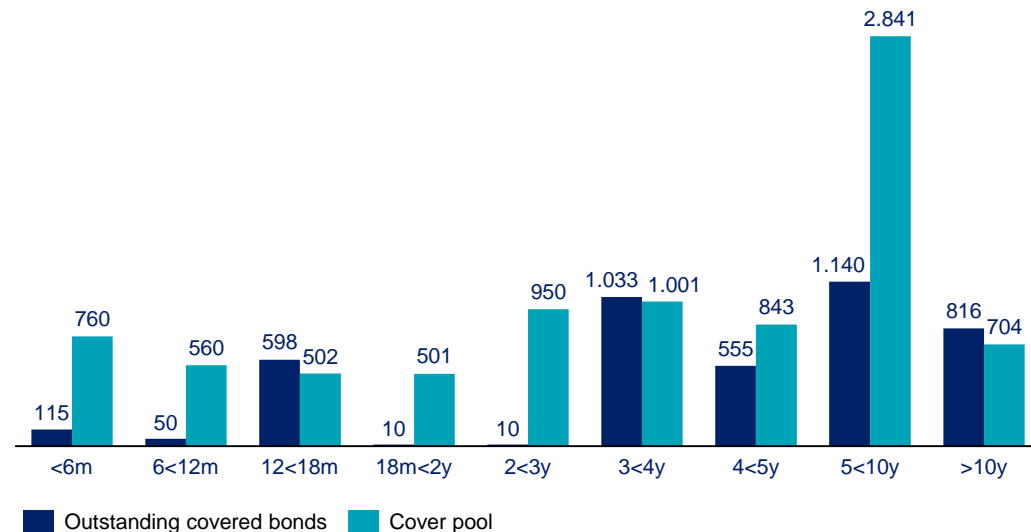
- Focus on high quality, residential mortgages
- Very granular cover pool, only domestic exposure
- Non-performing loans (debt in arrears, cancelled, impaired) and customers, which do not meet the required rating, are not included in the cover pool according to internal rules and are automatically excluded from the cover pool in agreement with the trustee
- Internal apoBank rules regarding the matching cover are stricter than the requirements by law
- Voluntary public commitment for an extended collateralisation for mortgage Pfandbriefe

# High quality cover pool.

§28 PfandBG	31.12.2022	31.12.2023
Seasoning	5.9 years	6.2 years
Average weighted loan-to-value	54.6%	54.5%

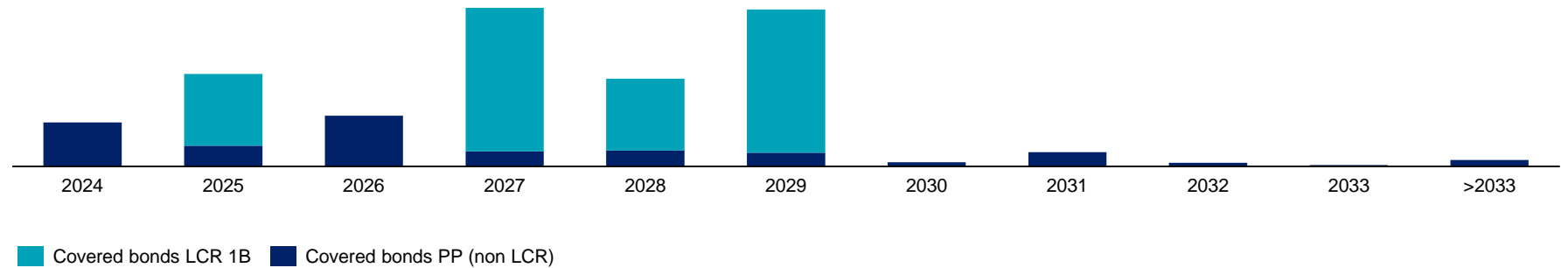
S&P Analyse (AAA-Rating)	31.12.2022	31.12.2023
Available over-collateralisation (ACE)	86.76%	102.34%
Over-collateralisation consistent with current AAA rating	5.57%	7.05%
Unused notches	4	4

## Maturity structure and fixed-interest period, in mn Euro, 31.12.2023 (§28 PfandBG)



# Benchmark issues (Pfandbriefe).

Maturity profile, in mn Euro (31.12.2023)





# Contact.

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## Barbara Zierfuß

Financial communication



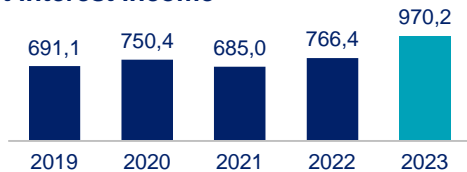
+49 211 5998 4687

[barbara.zierfuss@apobank.de](mailto:barbara.zierfuss@apobank.de)

# Development of P&L.

in mn Euro

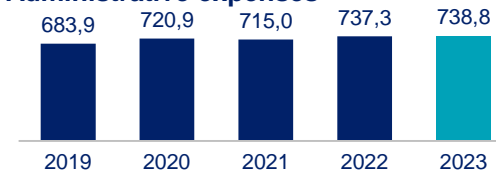
## Net interest income



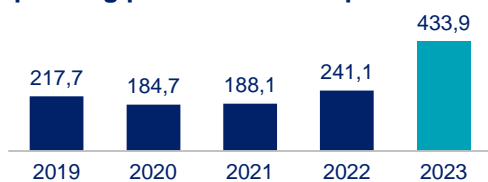
## Net commission income



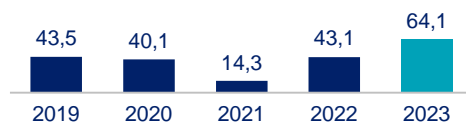
## Administrative expenses



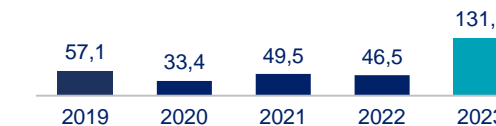
## Operating profit before risk provisions



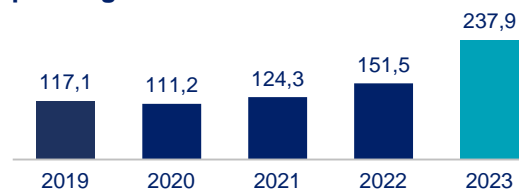
## Risk provisioning from the operating business



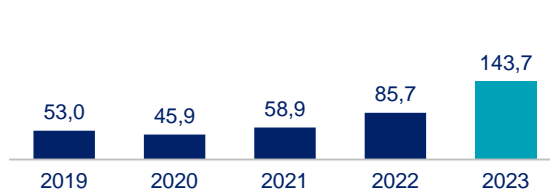
## Risk provisioning with reserve character



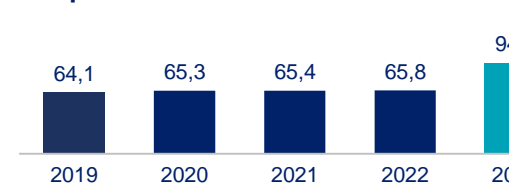
## Operating results



## Taxes

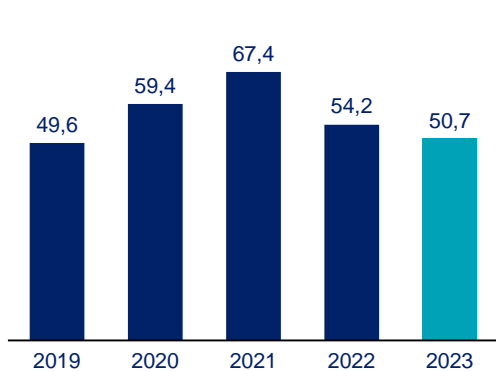


## Net profit after tax

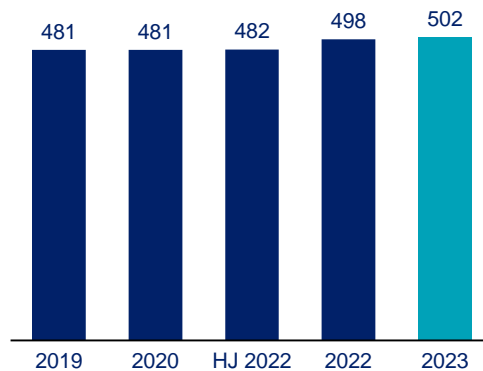


# Key data.

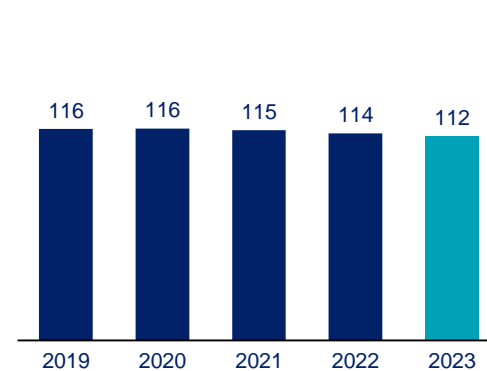
## Total assets, in bn Euro



## Customers (in thsd)



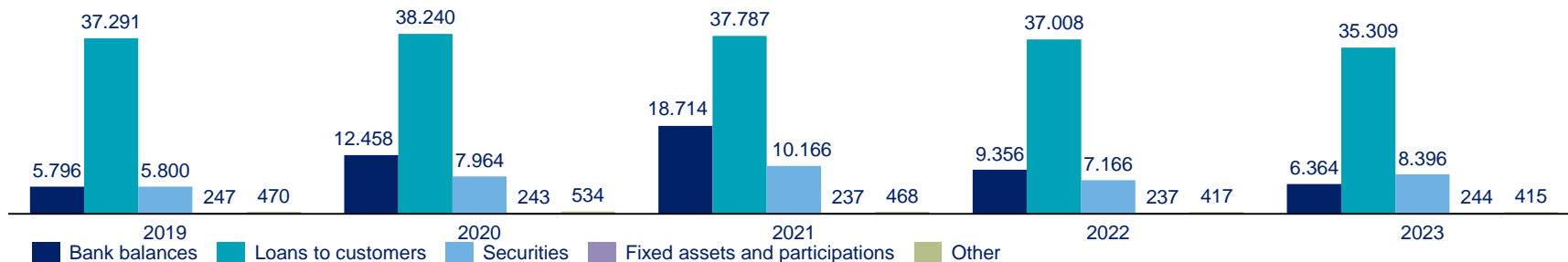
## Members (in thsd)



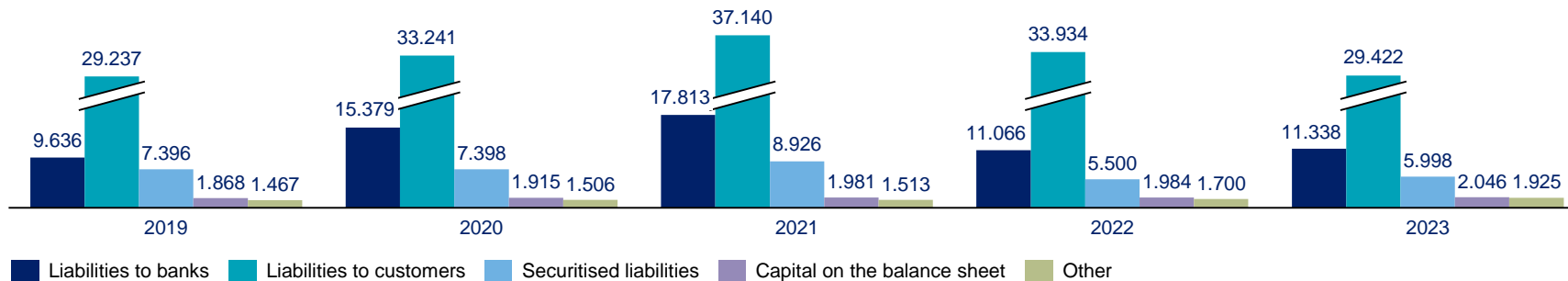
12/2021 not available

# Balance sheet structure.

## Assets, in mn Euro



## Liabilities, in mn Euro



# Sustainability: Our target picture 2024.

Sustainability is also health protection!

## Cornerstones of our strategy

- Frameworks, such as the United Nations Development Goals (SDGs) or the Paris Climate Agreement, guide us
- We accompany our customers on their path to greater sustainability
- Offsetting CO<sub>2</sub> emissions in business operations since 2022 via compensation projects; our aim is to make our contribution to climate neutrality across all business activities by 2045 at the latest (net zero emissions)
- Sustainability is an integral part of the business and risk strategy
- Involvement of our stakeholders
- Transparent communication on implementation progress

## Our strategy

What we stand for. What we want to achieve.

**Communication**  
How do we communicate about the bank's sustainability internally and externally?  
What relationships do we foster?

**Social commitment**  
How do we engage with society?



**Risk Management & Steering**  
How do we manage sustainability opportunities and risks?

**Customer business**  
What do we offer our clients? What guidelines do we give ourselves?

- Financing
- Investment business

### Own resources

What do we do?

- Employees
- Own investments
- Business operations

# Our fields of action.



## Sustainability strategy

Update of the sustainability strategy as part of the annual strategy process and further development in 2024 | Adaptation of the human rights guideline and code of conduct for sales partner business in accordance with the Supply Chain Duty of Care Act | publication of UN Global Compact report



## Risk management and governance

Conduct ESG risk driver analysis to identify the main environmental and climate risk drivers as well as drivers for social and governance aspects | Conduct climate stress test | Measure our progress and successively expand our sustainability KPIs | Collect initial KPIs on the EU taxonomy



## Financing in the healthcare market

Loans to strengthen the German healthcare system | Exclusion of loans to companies that cause massive damage to the environment or disregard human rights | Training of selected advisors to become certified sustainability experts | Successive roll-out of ESG scoring in the lending business to assess climate and environmental risks and the contribution to the SDGs, among other things

# Our fields of action (cont.)



## Investments in the customer business

Minimum standard: no direct investments in agricultural commodities and exclusion of controversial weapons and companies that violate the principles of the UN Global Compact – for all new products and services used at apoBank and by 2025 also for all existing products and services | Advisor training and successive expansion of sustainably oriented investment products and asset management services, e.g. sustainable orientation of apoVV SMART and apoVV Klassik towards sustainability in accordance with Article 8 of the Disclosure Regulation | Additional sustainability filter for fund products and services labeled as explicitly sustainable | Signing UN PRI



## Own investment incl. New investments

Preference for ESG bonds over conventional bonds with a comparable risk/return profile | Same minimum standards as in investment in customer business (fully implemented) and regular consideration of ESG risks in portfolio management of own investments | Expansion of the proportion of ESG bonds in own investments



# Our fields of action (cont.)



## Employees

Diversity | Further training  
| Health protection and  
the compatibility of work,  
family and private life |  
Increasing the proportion  
of women in management  
positions



## Business operations

Measures to further reduce our carbon  
footprint, offsetting CO<sub>2</sub> emissions in  
business operations since the 2022  
reporting year through compensation  
projects | Code of Conduct for suppliers with  
a contract volume of 5,000 Euro or more



## Social commitment

At the headquarters  
location in Düsseldorf | at  
branch locations  
nationwide and via the  
apoBank Foundation  
worldwide

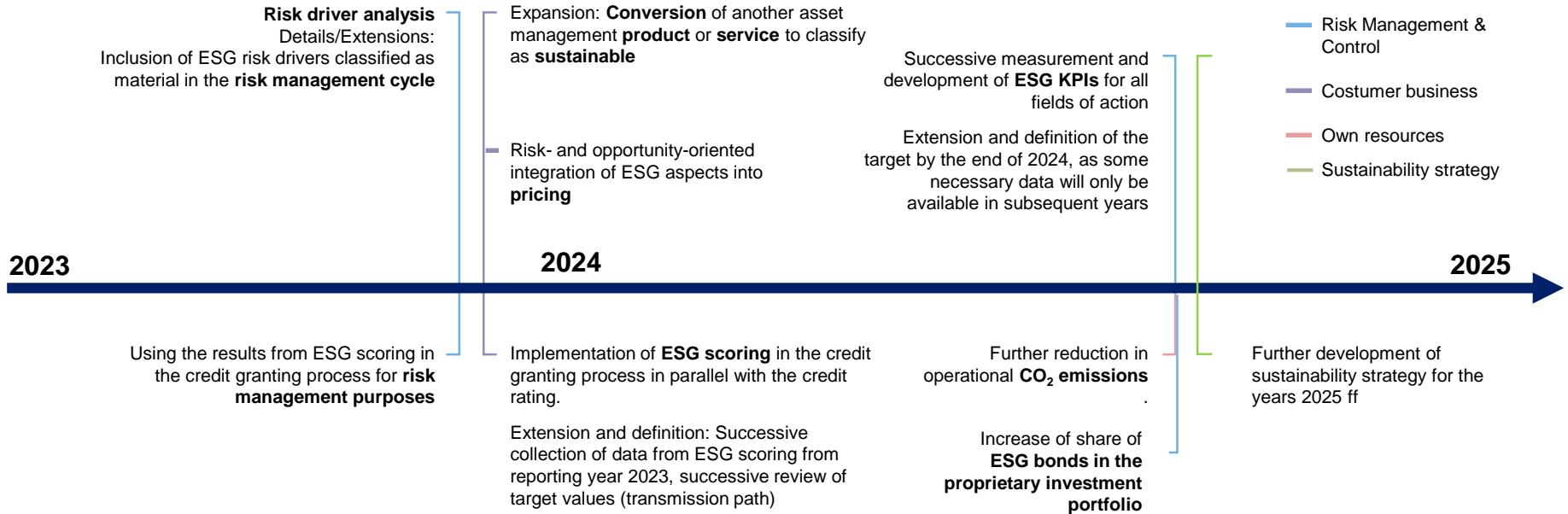


## Communication

Extensive information at  
[www.apobank.de/nachhaltigkeit](http://www.apobank.de/nachhaltigkeit) | Rating by Fair  
Finance Guide Germany



# Most important measures of the sustainability strategy.



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