

apoBank – The Leading Bank in the German Healthcare Market.

September 2020

Weil uns mehr verbindet.



Agenda.

1

Overview

2

The changing healthcare market.

3

Business model and strategy.

4

Business performance.

5

Risk management, credit quality, funding.

apoBank – At a glance.



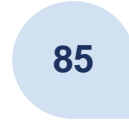
Largest cooperative bank.

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 their organisations as well as corporations active in the healthcare sector.



Close to our customers.

Our 2,408 employees at 85 locations cater to the needs of our customers.



A captivating idea.

481,070 customers, of which are 116,224 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

Rating of apoBank:

AA-
S&P

Tier 1 ratio:

14.2 %

Total assets:

56.1
bn Euro

Net profit after tax:

32.7
mn Euro

June 2019

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Background.



Technical progress: Usage of medical-technical innovations.



Demographic development: Significant ageing of society increases weight of morbidity.

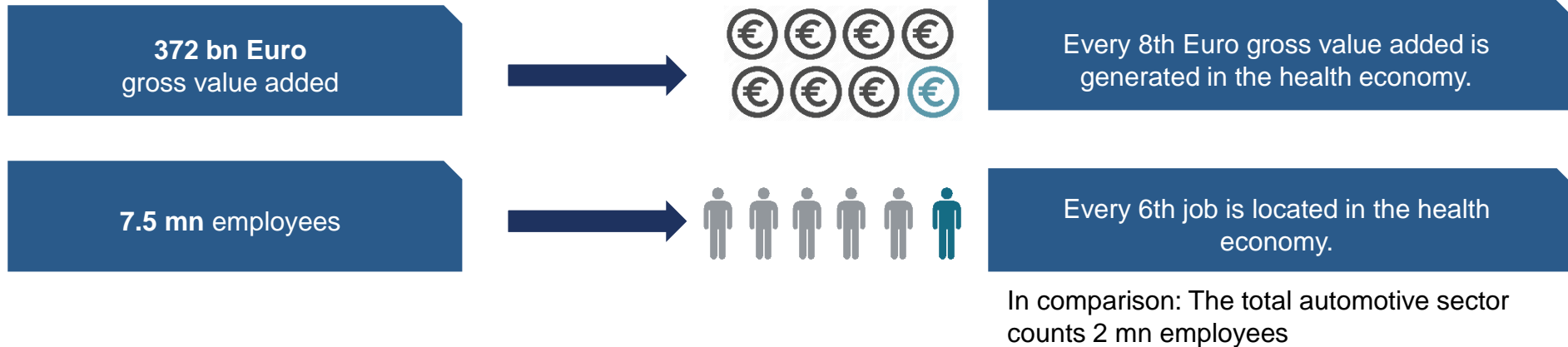


Increasing health care expenses, growing health awareness.

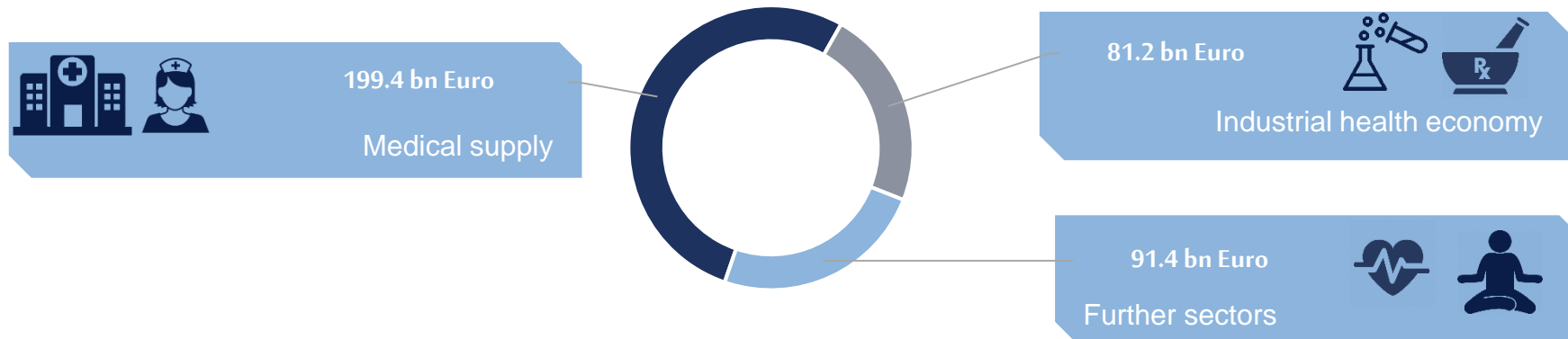


Future supply needs and thus growing expenses enlarge health care market sustainably.

The German health economy – an overview (2019).

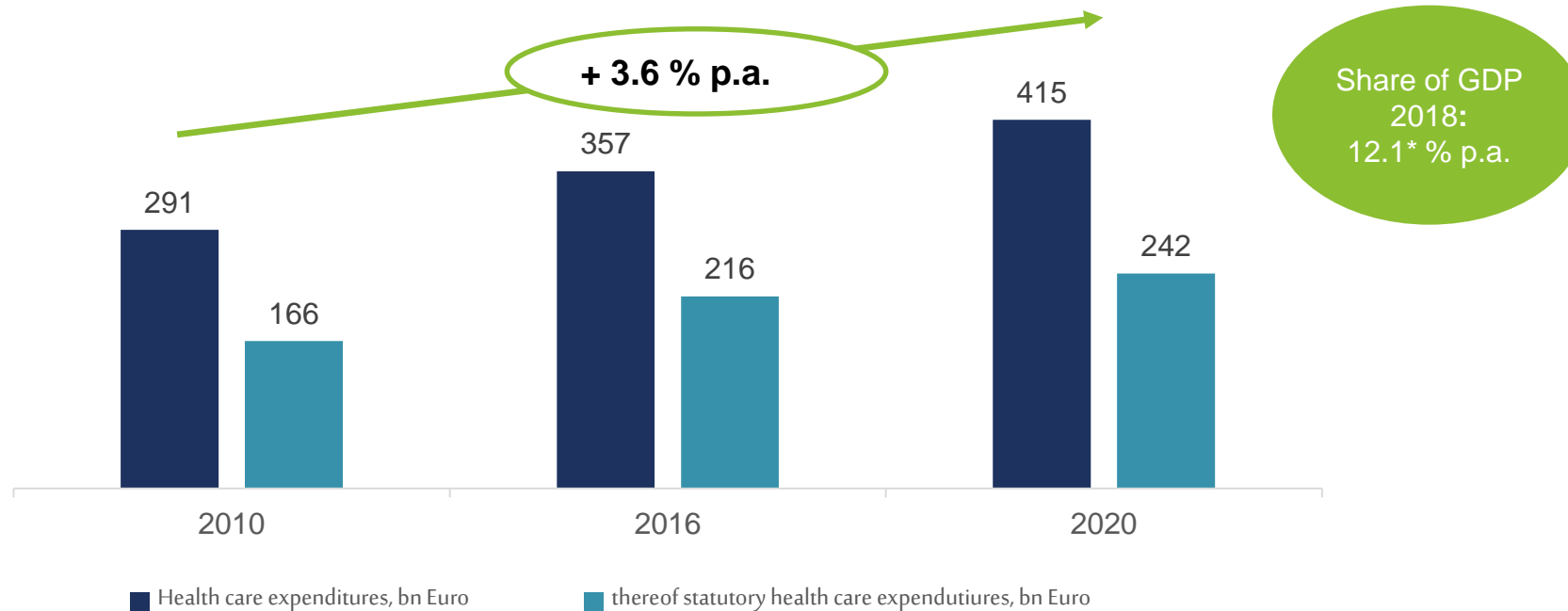


Sectors of value creation



Source: Gesundheitswirtschaft, Fakten & Zahlen, Ausgabe 2019, Bundesministerium für Wirtschaft und Energie (BMWi)

Health care market as a growth engine.



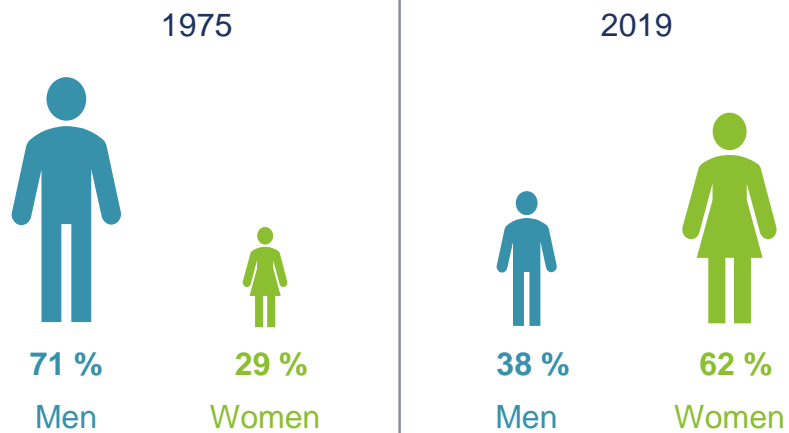
Main growth engine is the so called secondary health care market.

*Forecast BMWi, Gesundheitswirtschaftliche Gesamtrechnung 2018

Source: Statistisches Bundesamt, Gesundheitsausgabenrechnung: 2015, 2017 and 2020 estimates and forecasts, respectively.

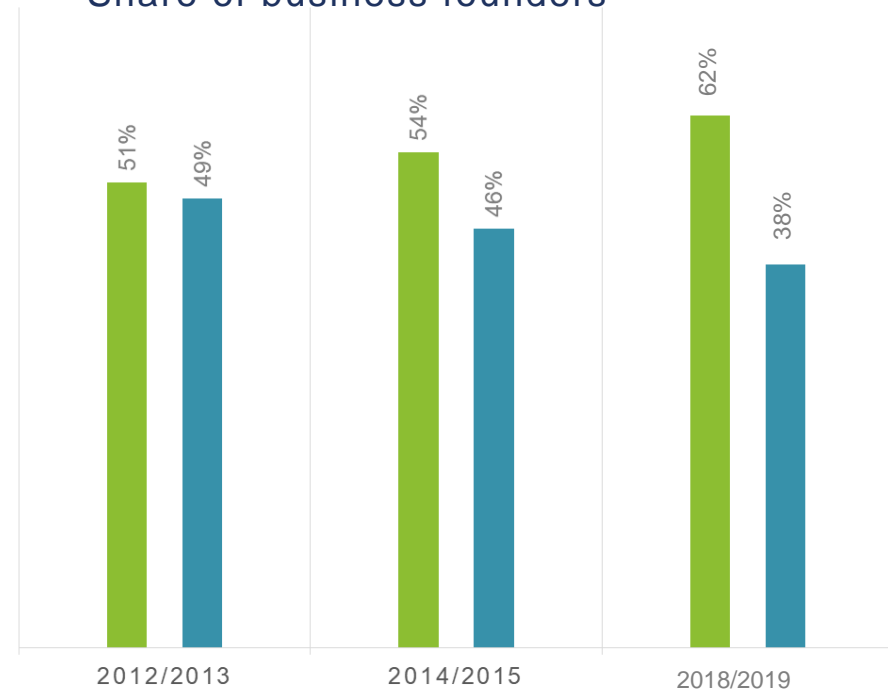
Health care market turns more female.

Share of medical students



Source: Statistisches Bundesamt

Share of business founders

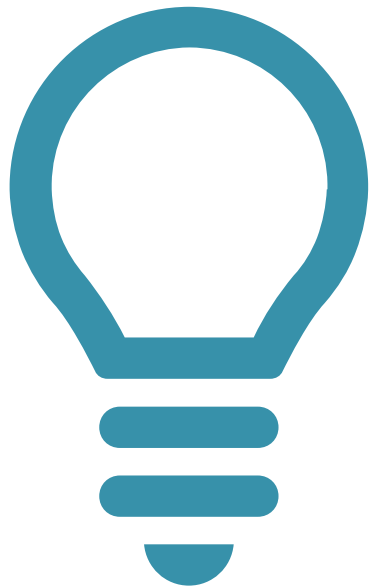


Source: apoBank / Zi

Feminisation leading to new working models.

Appropriate childcare opportunities and flexible working time models are most important issues to improve working conditions.

What needs to be changed in order to reconcile family and work for health care professionals?



92 % Appropriate childcare opportunities



90 % Flexible working time & part-time models



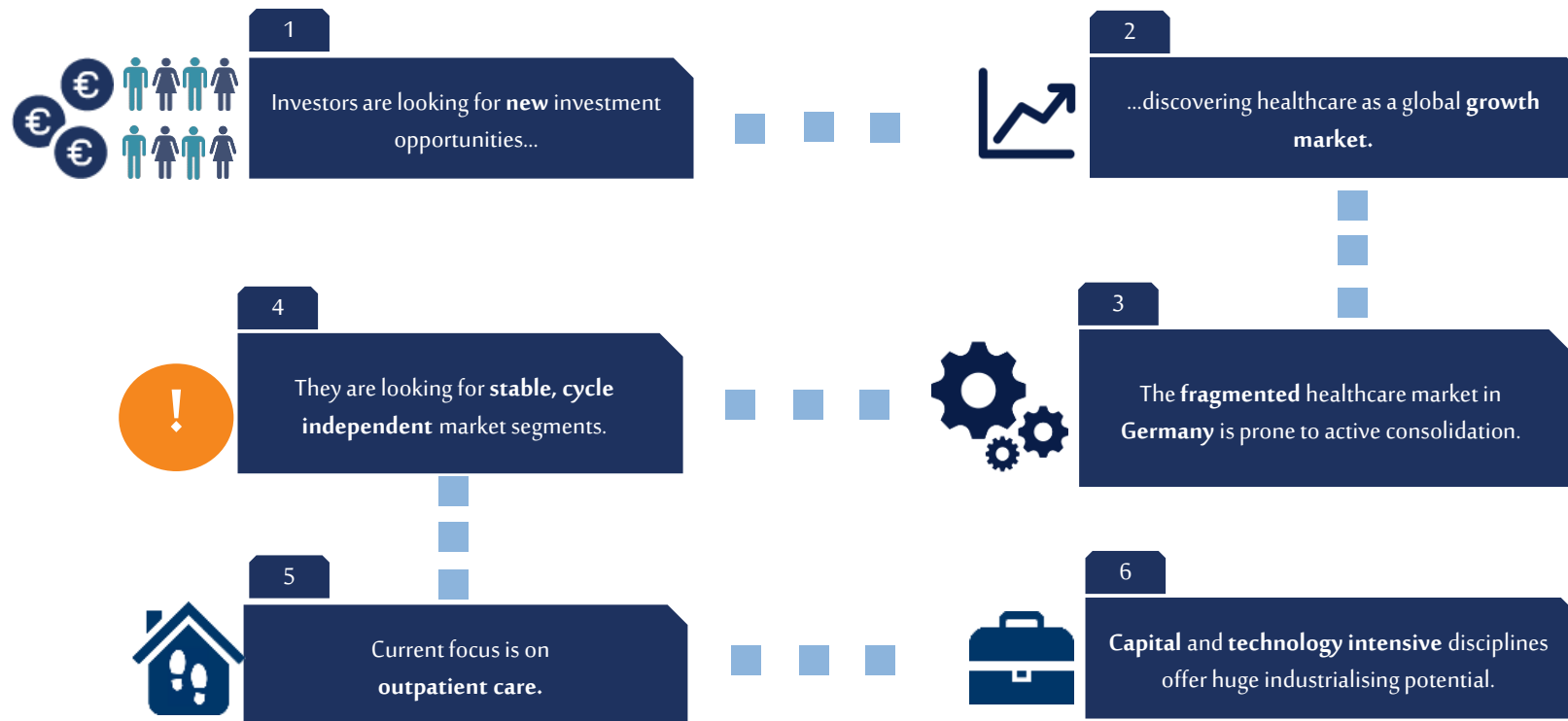
76 % Alleviation through delegation and digitisation



70 % Job sharing in leading positions

Source: Kind und Kittel. Eine Studie zur Vereinbarkeit von Familie und Beruf in den Heilberufen (2019), apoBank

Investors discover health care market as investment target.



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Leading bank in German healthcare market.



Client base.



apoBank: Deeply rooted in the health care market.

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



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

- Holistic customer service covering the whole range from lending business to start-up financings
- Value added offers beyond banking products

apoBank's strategic focus.

Private clients

- Expansion of private wealth management
- Differentiated customer services via new sales model
- Upgrading digital customer experiences

Corporate clients

- Larger product range, i.e. arranger for financings
- Differentiated and individual product offerings: standard, when sufficient; tailor-made, when advisable

Professional associations

- Close networking to jointly shape the health care market
- Management of payment transactions, investment consulting, interest and currency management, structured financings, telematics infrastructure

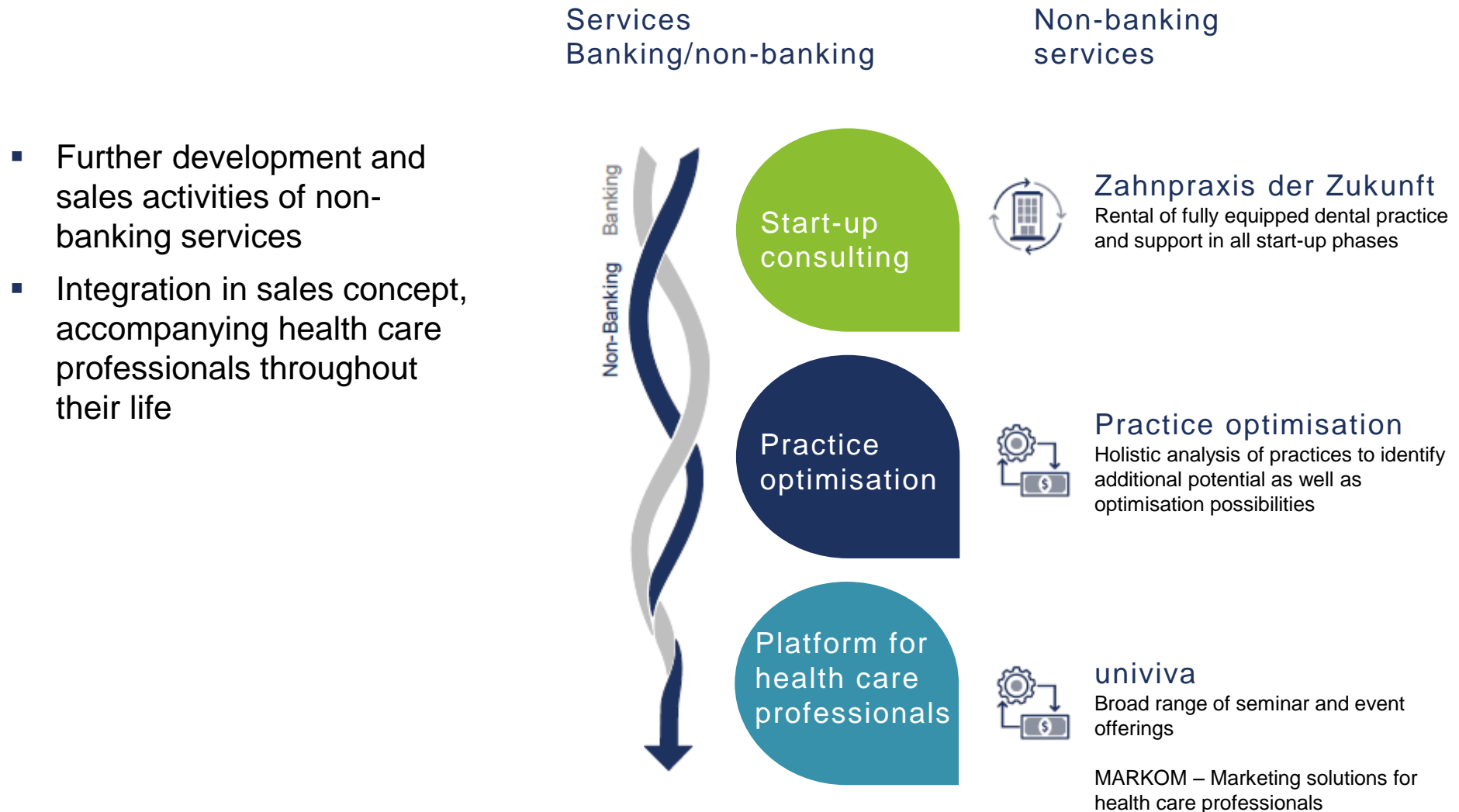
Institutional investors

- Tapping new customer groups, i.e. charity funds, churches
- More cooperation to enlarge product offerings
- Custody services, investment consulting, risk management

Efficiency improvements to support growth strategy

- New IT-platform, end-to-end digitisation, implementation of a data warehouse
- Optimisation of lending and securities processes

Expansion of an integrated service spectrum.



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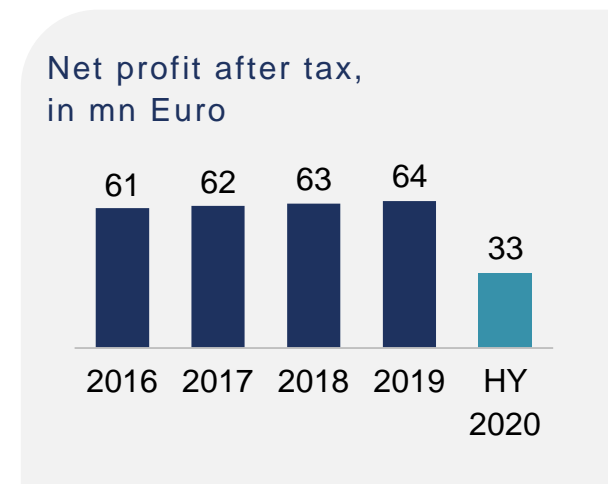
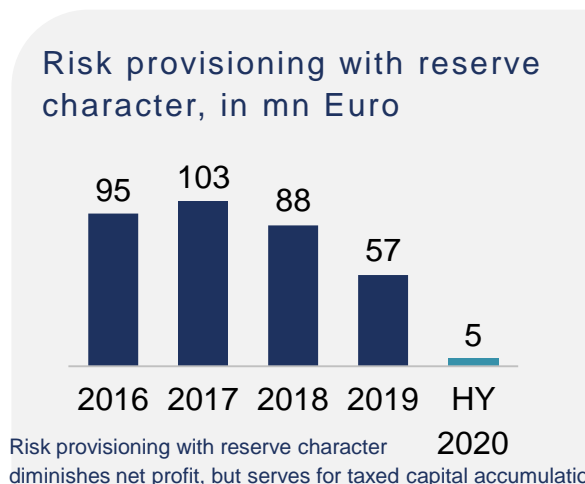
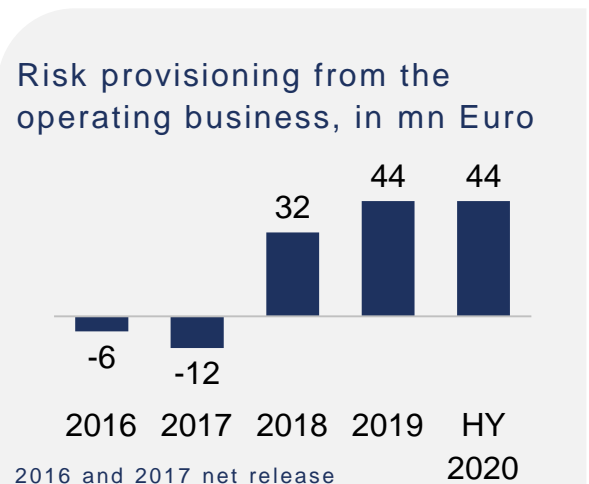
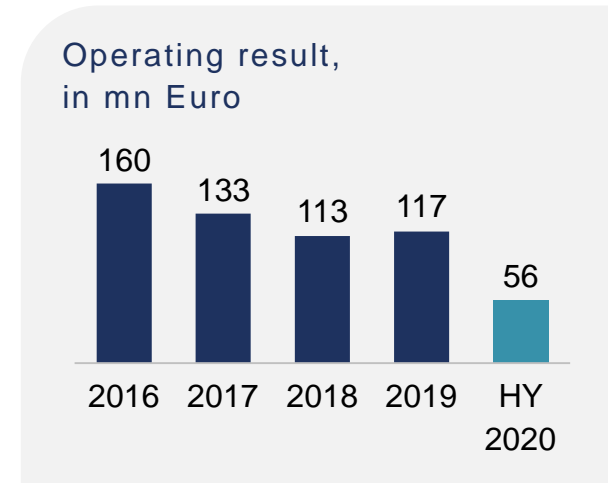
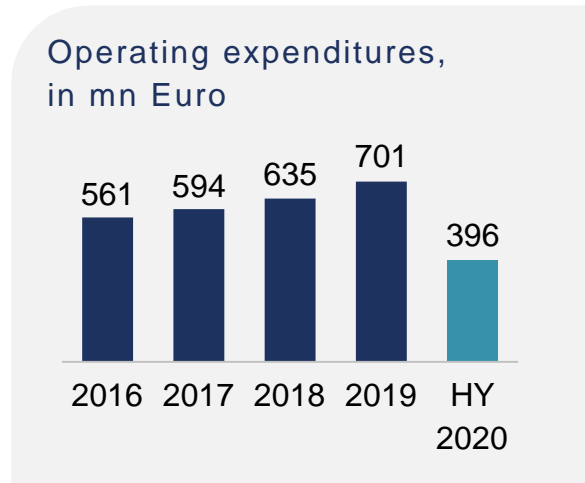
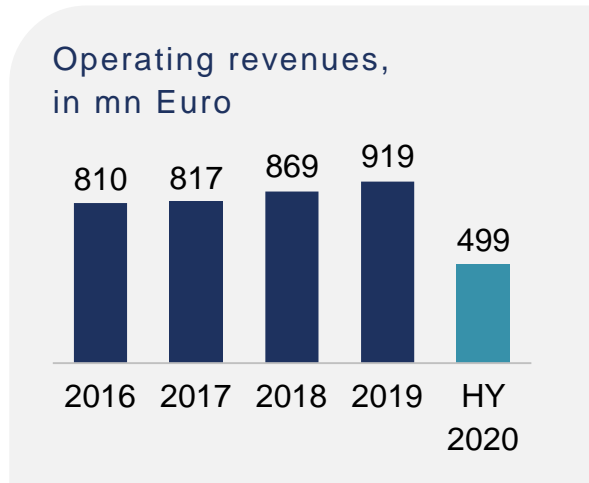
Business performance.

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Risk management, credit quality, funding.

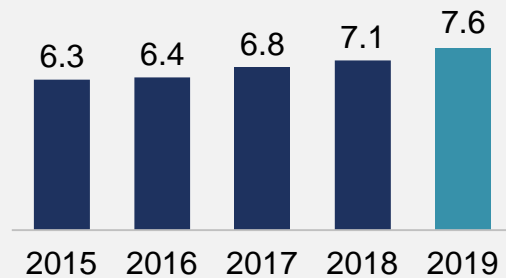


Stable revenue basis.

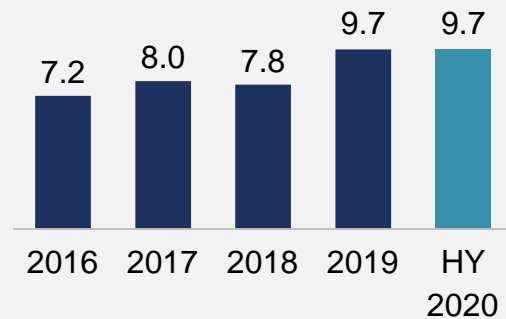


Sustainable growth strategy in the customer business.

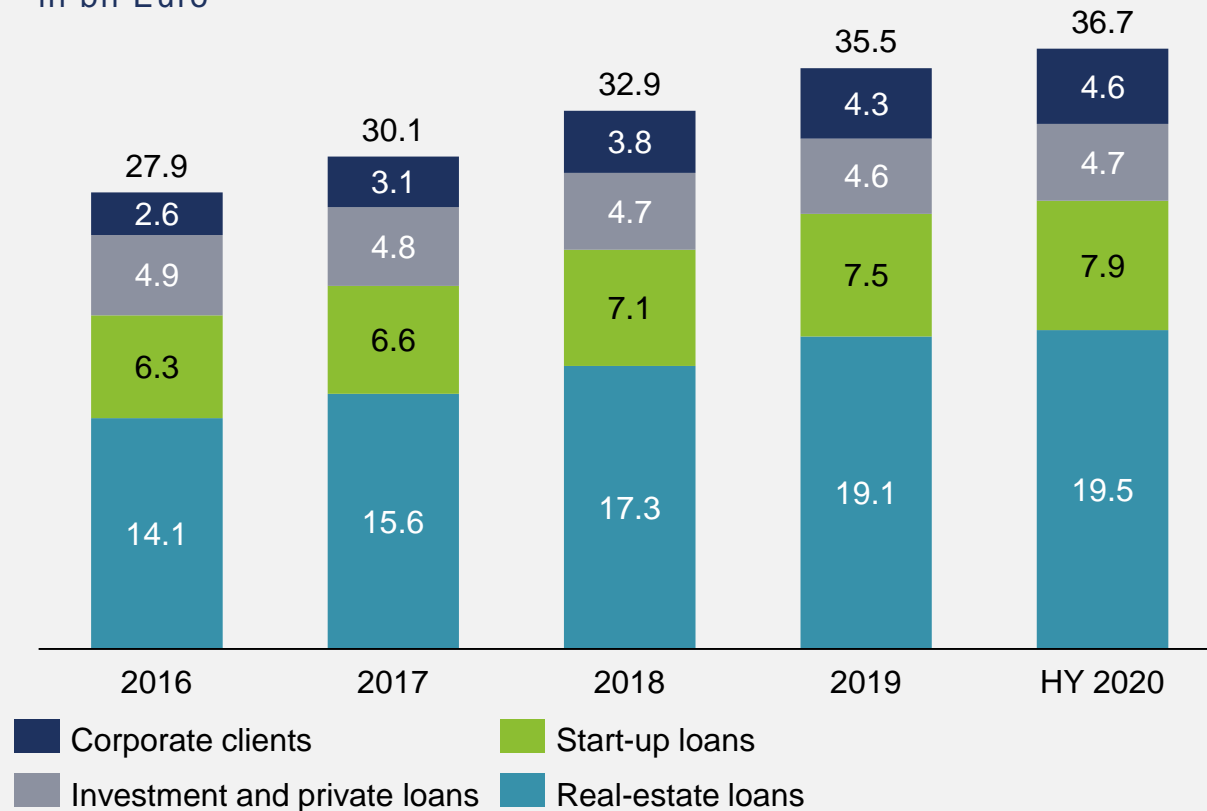
New lending business, in bn Euro



Volume securities accounts, private clients, in bn Euro



Lending volumes, in bn Euro



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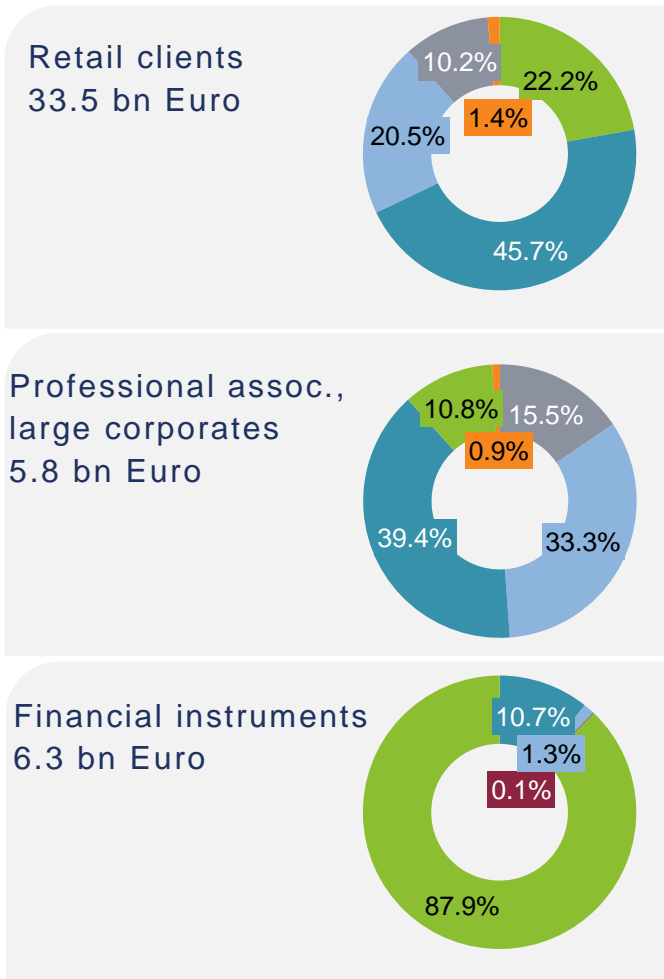
Business performance.

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Risk management, credit quality, funding.



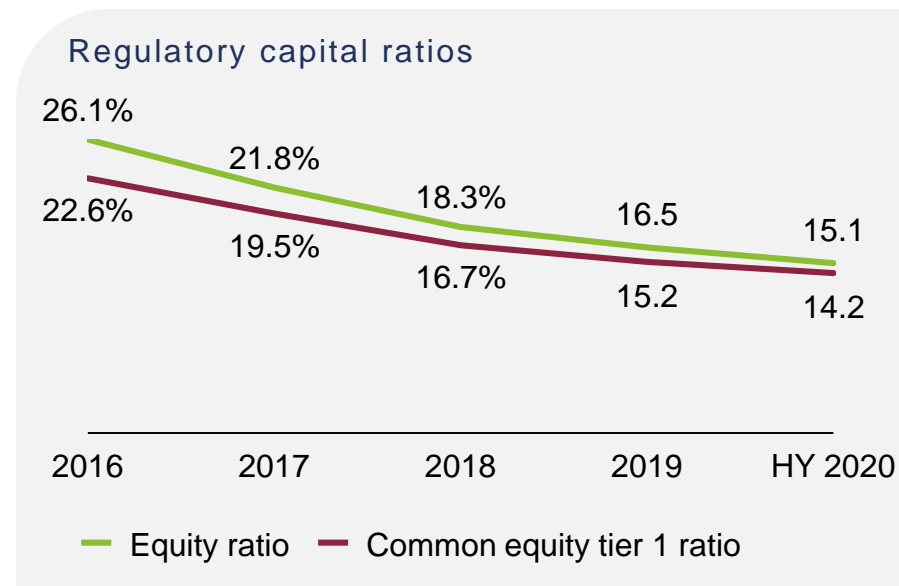
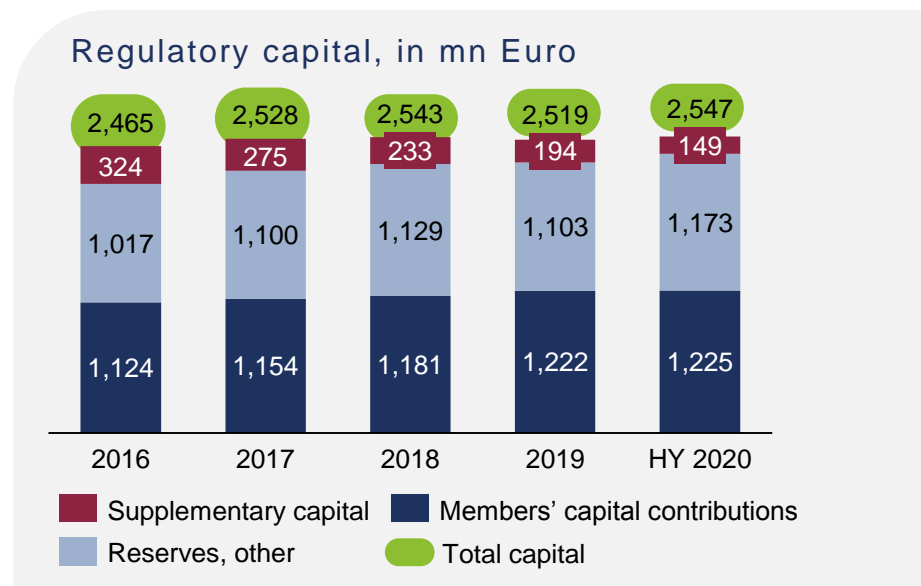
Very good portfolio quality.



- Steady portfolio growth, focus on retail clients as well as professional associations and large corporates
- Volume of financial instruments stable on low level
- 88% of retail exposure and 84% of exposure to professional associations and large corporates are investment-grade rated
- At 1.3% NPL-Ratio is at low level (2019: 1.2%)
- Forbearance Ratio: 1.1%
- Coverage Ratio: 43.0%

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.



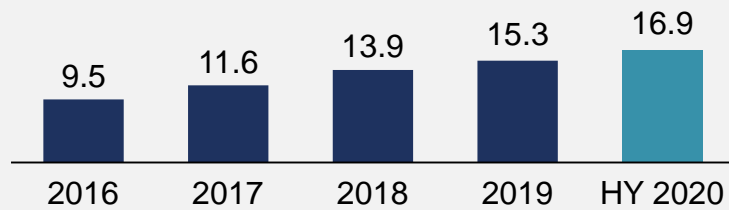
	2019		2020	
	CET1	Equity ratio	CET1	Equity ratio
Overall capital requirement	8.26%	11.78%	7.7%	11.75%
Anticycl. buffer	0.03%		0%	
Capital conservation buffer	2.5%		2.5%	
Total SREP capital requirem.	5.75%	9.25%	5.2%	9.25%
Pillar 2 requirem,	1.25%		0.7%	1.25%
Pillar 1 requirem.	4.5%	8.0%	4.5%	8.0%

- Capital ratios will be dampened in future due to further business expansion as well as Basle IV related increase in RWA
- Continued capital increase via further allocation to reserves

	31.12.2019	30.6.2020
Leverage Ratio	4.4 %	4.1 %
Liquidity Coverage Ratio	140 %	145 %
Net Stable Funding Ratio	113 %	114 %

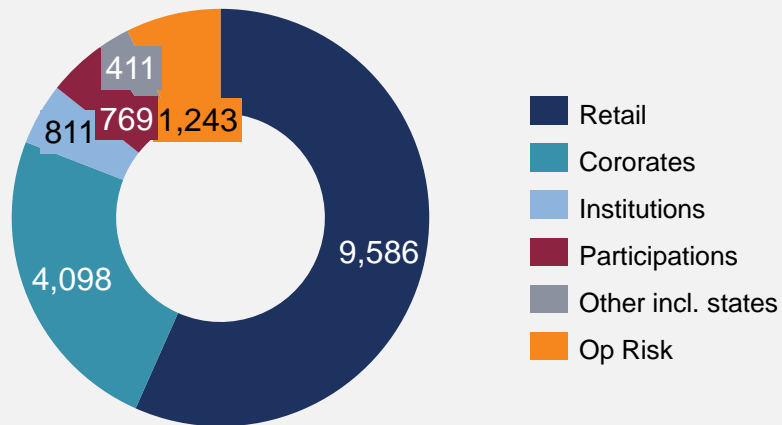
Credit risks predominant.

Risk weighted assets, in bn Euro



- Continued business growth, in particular in retail and in corporate sector
- Market risks in banking book only

Distribution of RWA, in bn Euro



Diversified funding.

TARGETS

- Congruent funding of lending business
- Expansion of product range provides funding flexibility
- Growing investor base
- Perception in the capital markets as reliable and regular issuer
- Increasing share of covered bonds

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

CUSTOMERS

- > 480,000 retail clients, associations and large corporates
- Stable base of less volatile and steadily growing deposits from customers

INVESTORS

- > 300 institutional client
- > 200 investors from the Geno-Finanzgruppe

PARTNER BANKS

- > 50 Partner banks
- Funding of promotional loans via KfW-Group and regional promotional banks

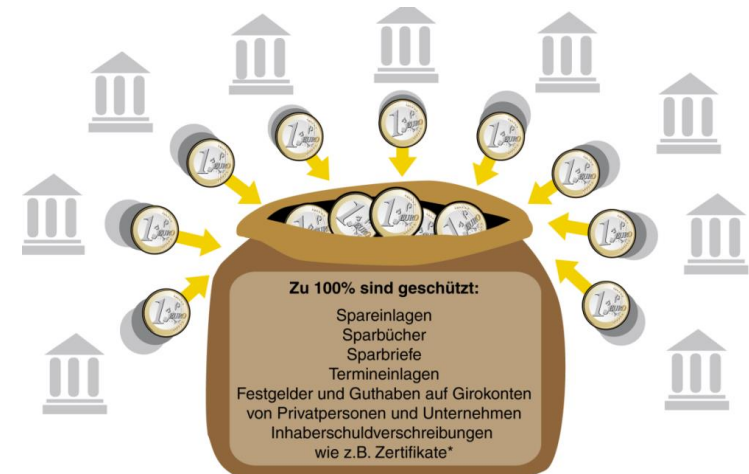
Part of a strong cooperative group.

- 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.

Further information:

www.bvr.de/SE

www.bvr-institutssicherung.de



Schwäbisch Hall 
Auf diese Stelle können Sie bauen

R+V

 Union Investment

e@sy Credit®

 DZ BANK
Die Initiativbank

 DZ PRIVATBANK

 VR Leasing Gruppe

 MünchenerHyp

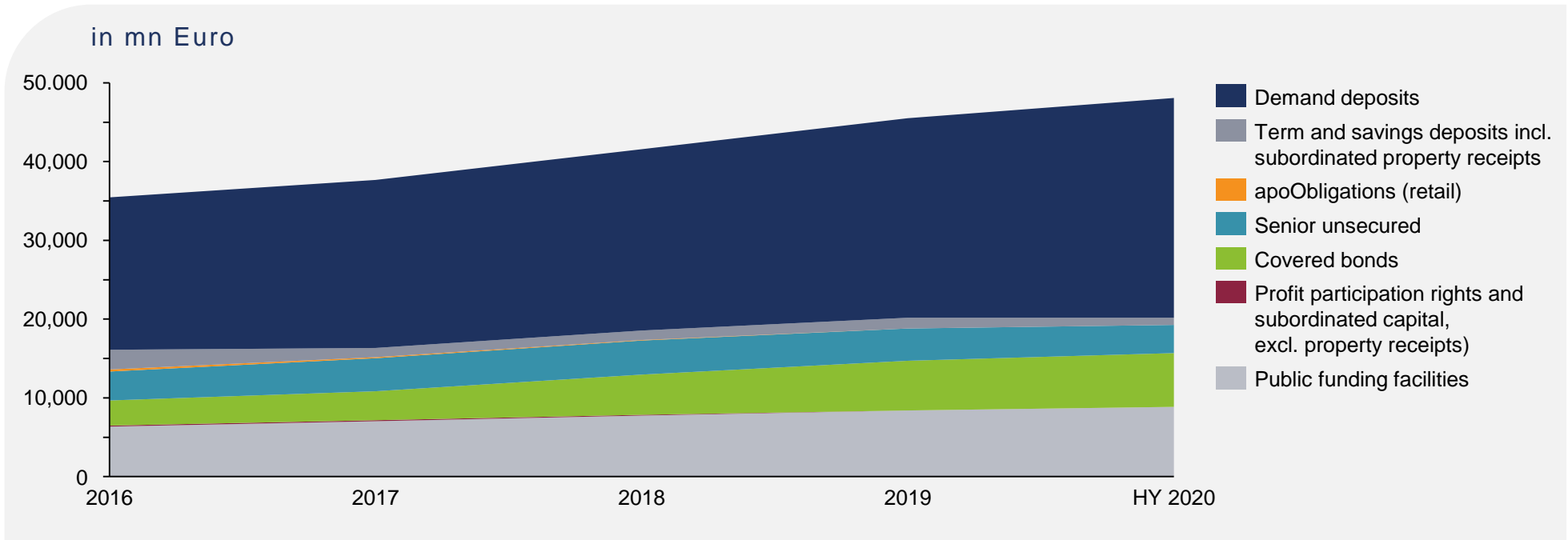
 DZ HYP

Excellent ratings.

S&P	
Counterparty credit rating	AA-
Short-term debt	A-1+
Covered bonds rating	AAA
Senior unsecured (preferred)	AA-
Senior Subordinated (non preferred)	A+
Outlook	negative

Fitch Ratings (Group-rating)	
Issuer default rating long-term	AA-
Issuer default rating short-term	F1+
Outlook	negative

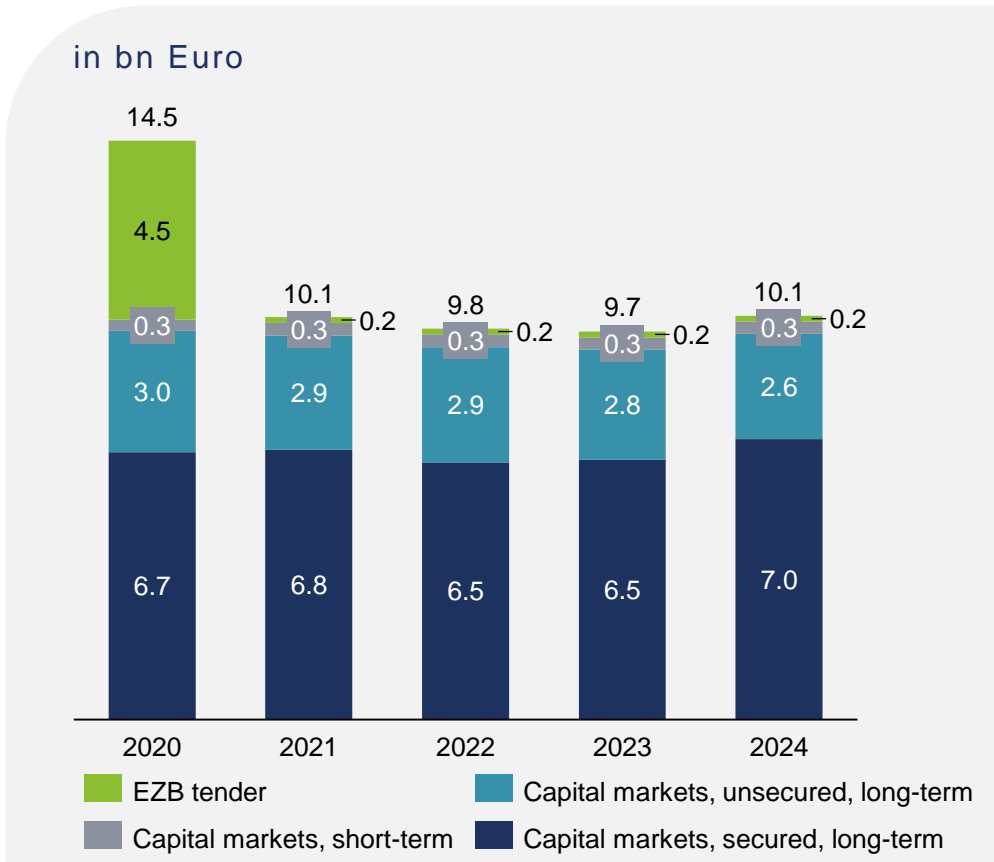
Stable funding sources.



2016	2017	2018	2019	HY 2020	
3,190	3,674	5,125	6,326	6,816	Covered bonds
4,522	5,315	6,218	7,151	7,821	Cover assets*
1,214	1,641	1,093	825	1,005	Excess cover

*incl. stipulated liquid excess cover

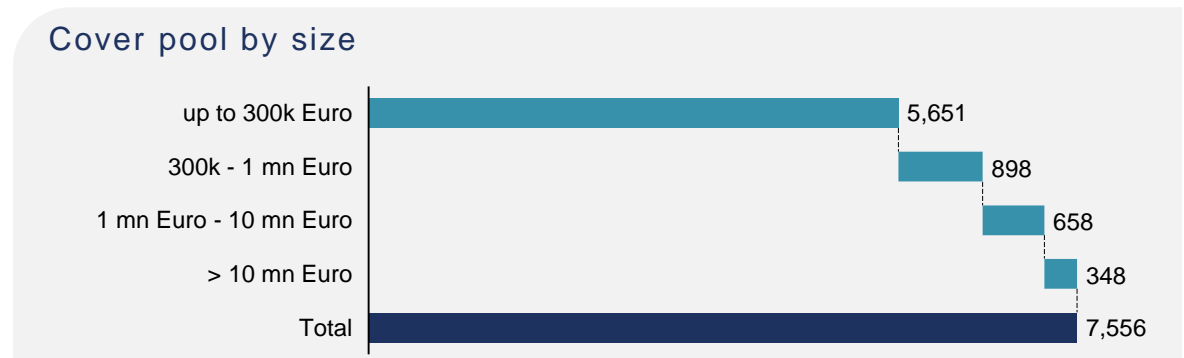
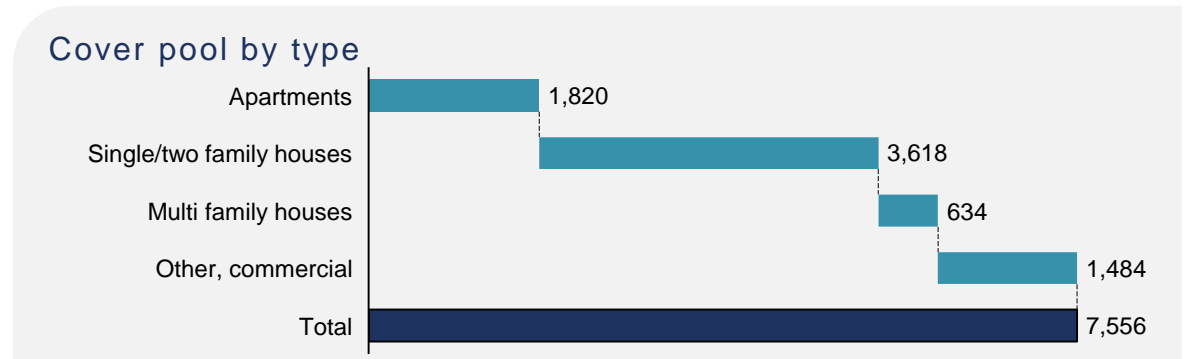
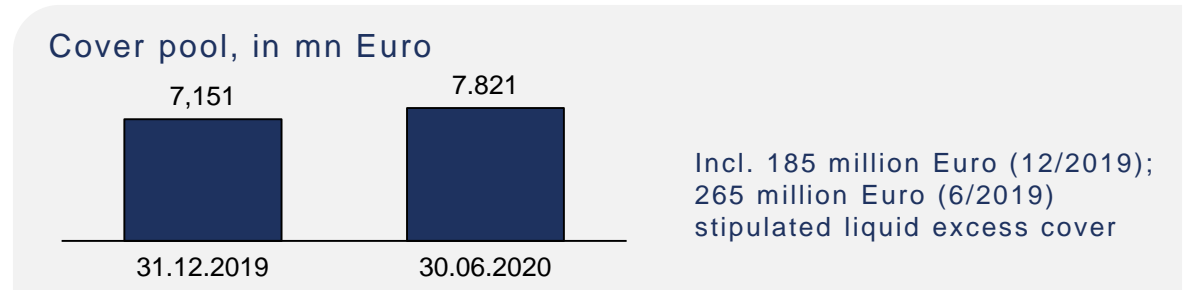
Increased capital markets funding.



- Overall, constant share in capital markets funding of 18-19%
- In 2020 temporarily increase in capital markets funding to 26% due to participation in ECB TLTRO 3

Highly granular cover pool.

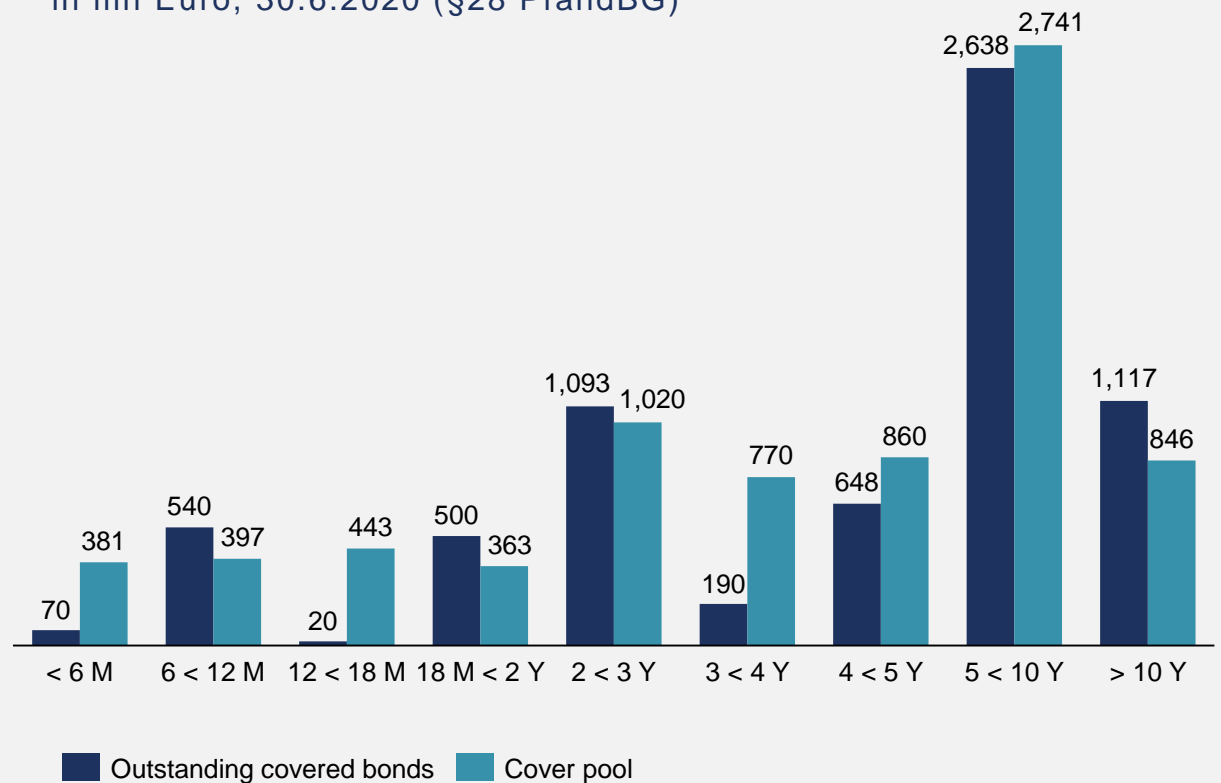
- Focus on high quality, residential mortgages
- Very granular cover pool, only domestic exposure
- Non-performing loans (debt in arrears, cancelled, impaired) and customers, which do not meet the required rating, are not included in the cover pool according to internal rules and are automatically excluded 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.

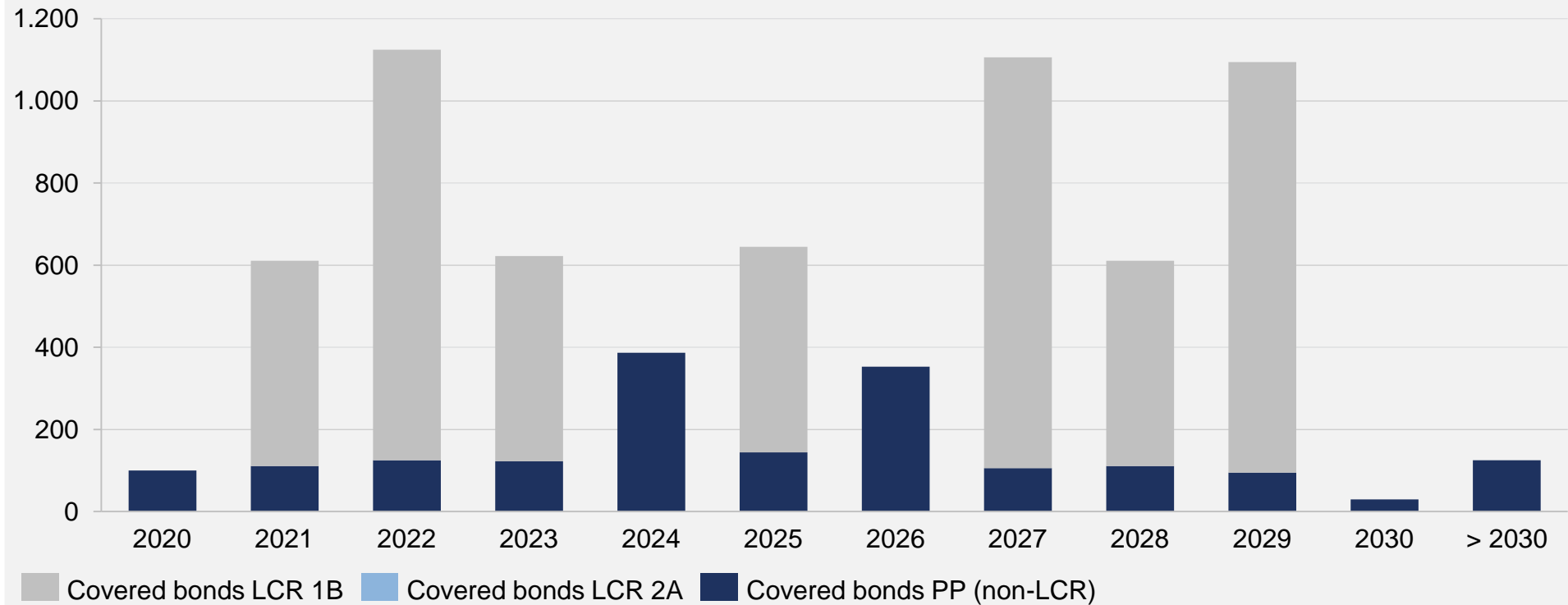
§ 28 PfandBG	31.12.2019	30.6.2020
Seasoning	4.7 years	5.3 years
Average weighted loan-to-value	55.4%	55.4%
S&P analysis (AAA rating)	30.9.2019	31.3.2020
Available over-collateralisation	15.24%	9.4%
Overcoll. consistent with current (AAA) rating	4.96%	6.7%
Unused notches	5	5

Maturity structure and fixed-interest period, in mn Euro, 30.6.2020 (§28 PfandBG)



Covered bonds (Pfandbriefe).

Maturity profile, in mn Euro (30.6.2020)



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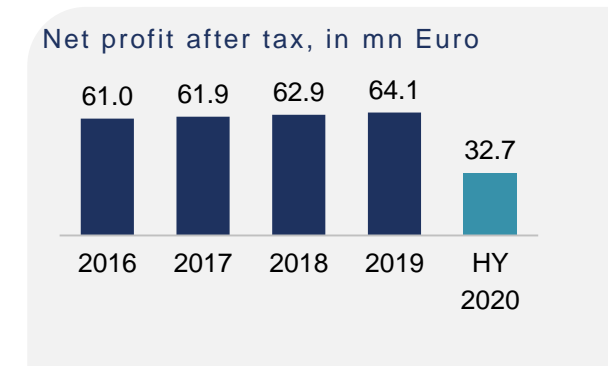
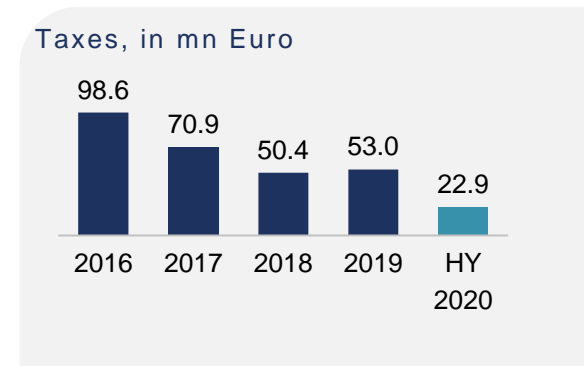
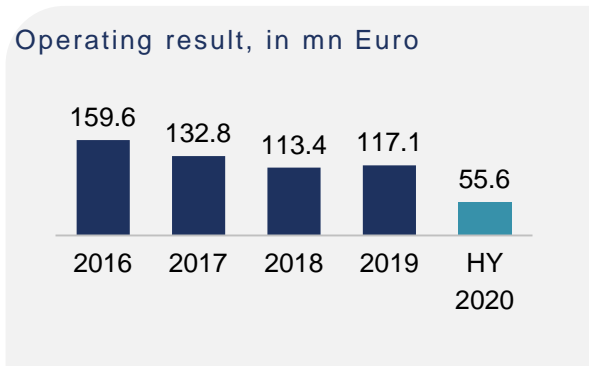
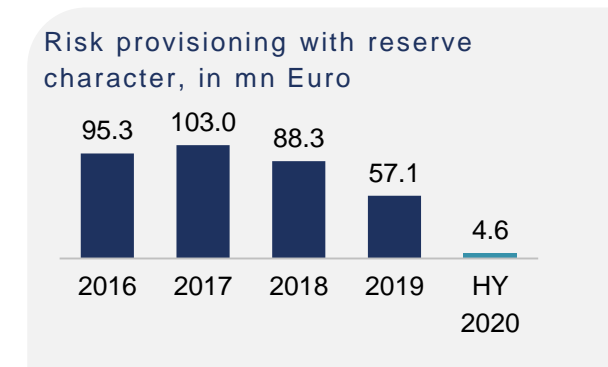
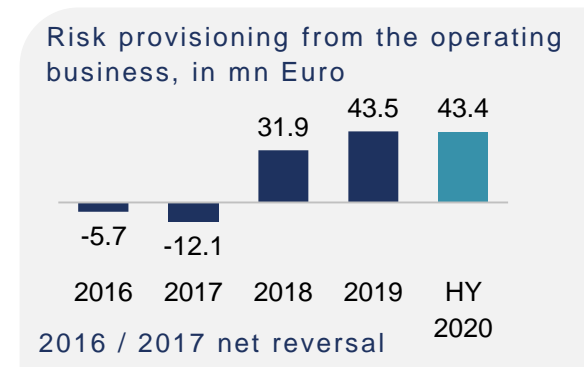
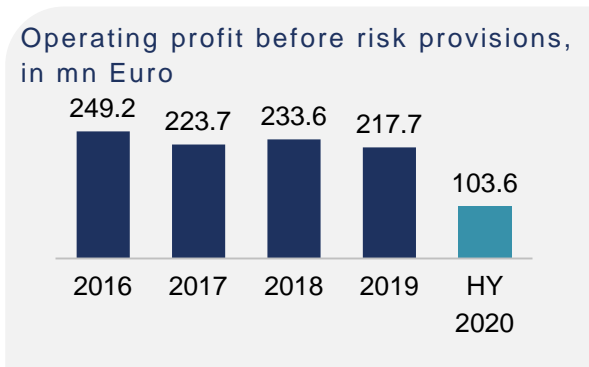
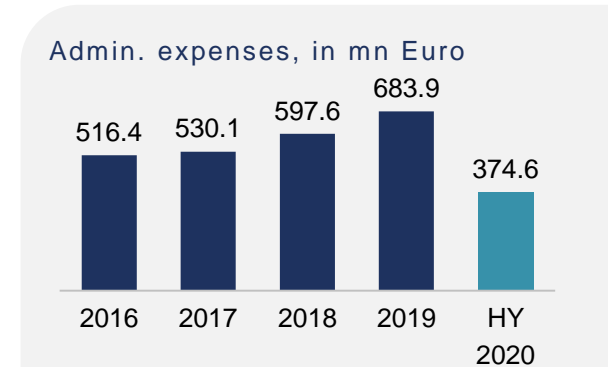
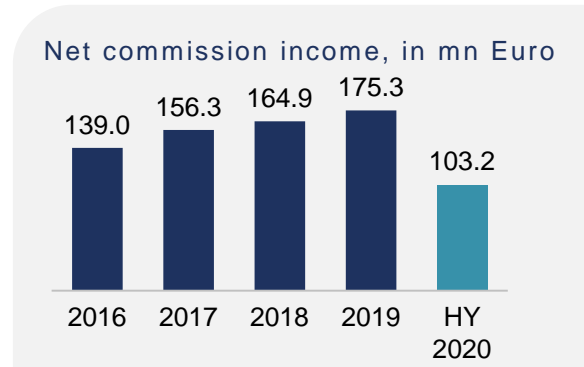
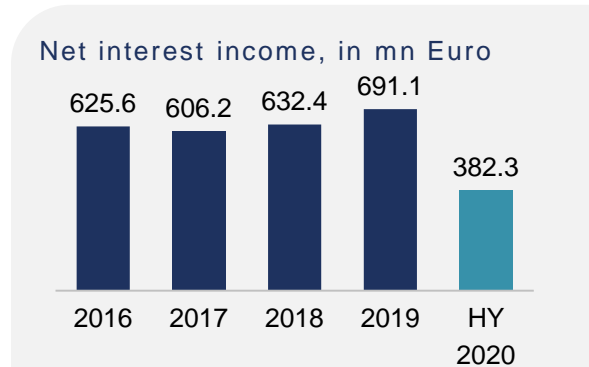
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Annex.

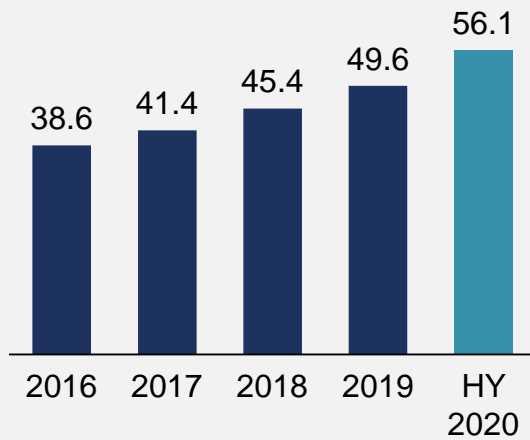


Development of P&L.

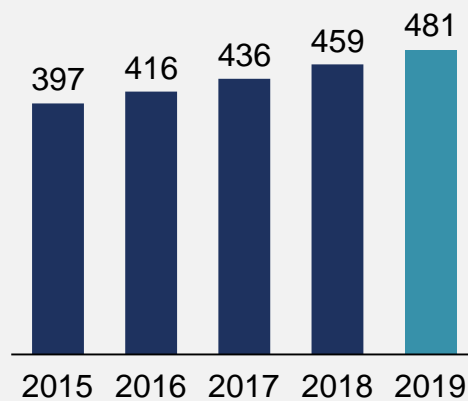


Continuously growing customer business.

Total assets, in bn Euro

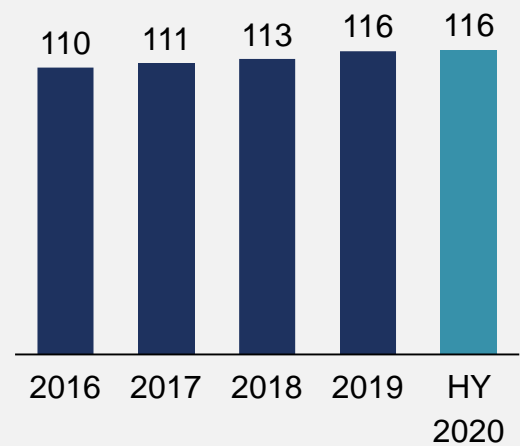


Customers (in thsd)

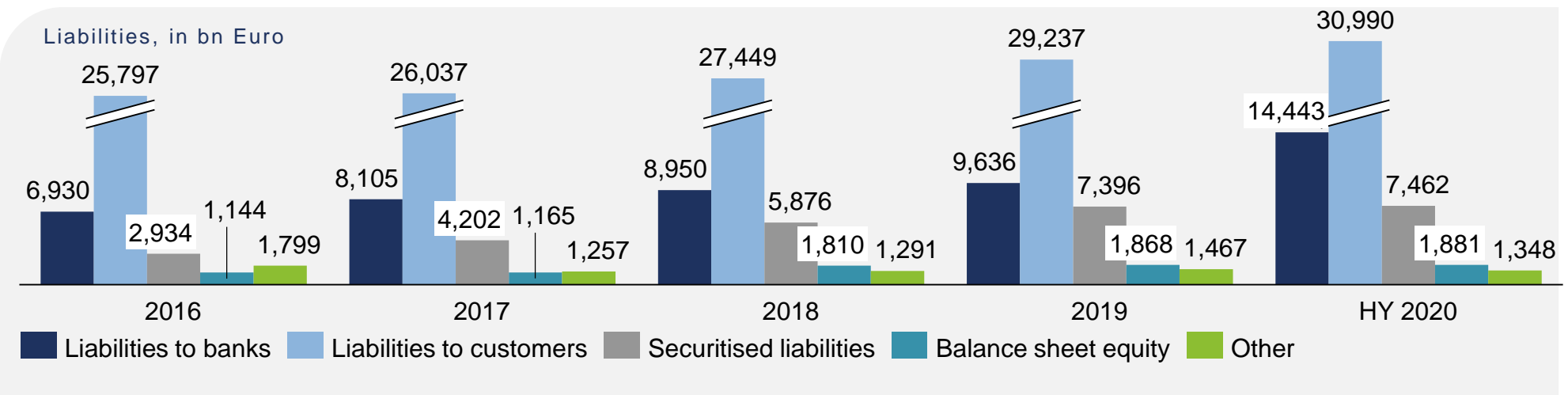
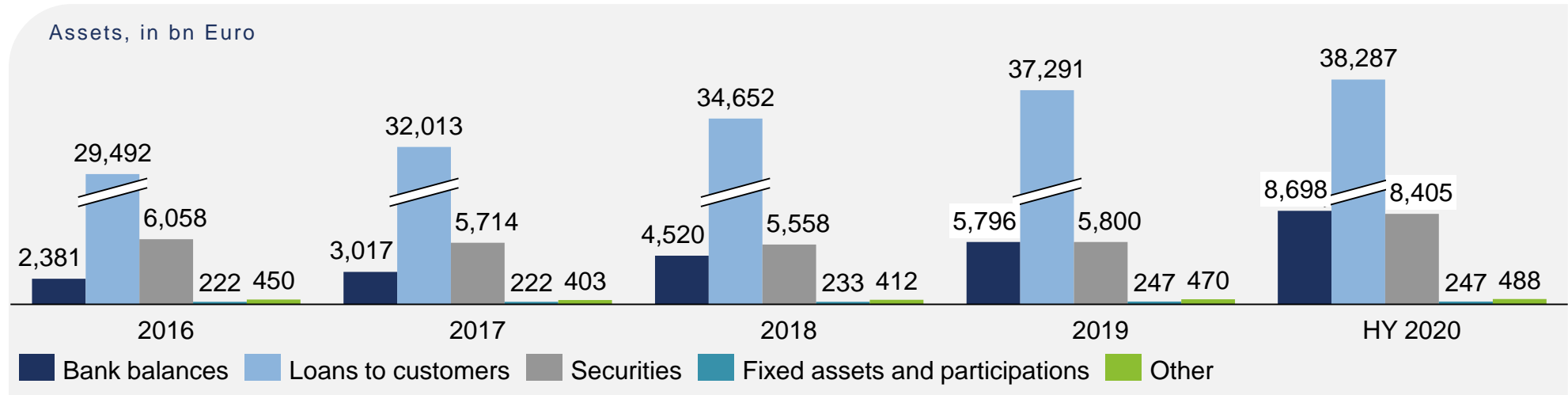


Number of customers not available as of 30.6.2020.

Members (in thsd)



Customer loans and deposits dominate balance sheet.



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