

apoBank – Investor-Update

September 2023.



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.



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 2,318 employees at 79 locations cater to the needs of our customers.



A captivating idea.

112.185 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:

A+
S&P

Tier 1 ratio:

17.1 %

Total assets:

51.7
bn Euro

Net profit after tax:

33.0
mn Euro

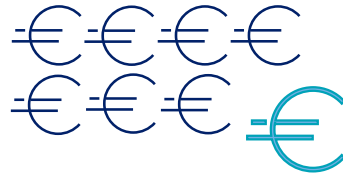
As of: September 2023

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The German health economy – an overview.

391.8 bn Euro
gross value added



Every **8th** Euro gross value added is generated in the health economy.

7.7 mn
employees



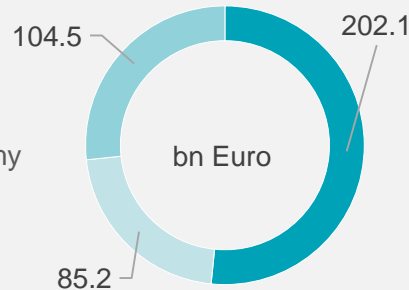
Every **6th** job is located in the health economy.

In comparison: The total automotive sector counts 2 mn employees.

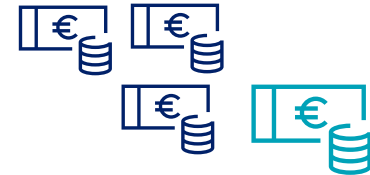
■ Medical supply

■ Industrial health care economy

■ Other subsectors



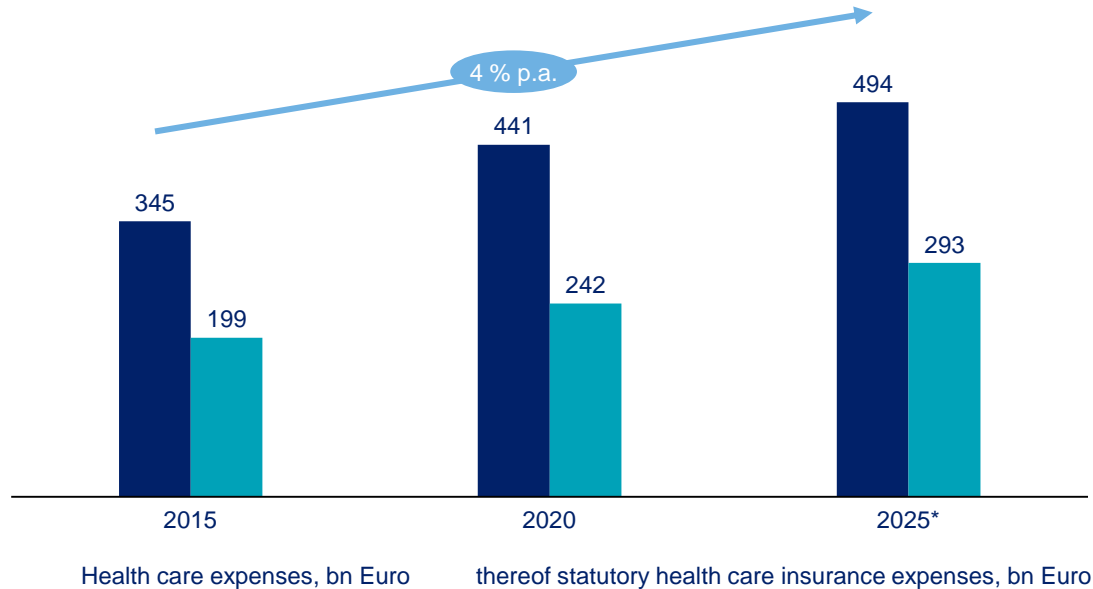
545 bn Euro
total
consumption



More than very **4th. Euro** stems from individually financed health care services

Source: Bundesministerium für Wirtschaft und Klimaschutz (BMWi), 2021.

Health care market as a growth engine.



Share of GDP 2020: **13.1** % p.a.

- Health care expenditure rising steadily
- 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

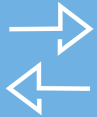
A changing health care market.



digitisation



cooperation



new servicing concepts



feminisation



employed work



sustainability



internationalisation



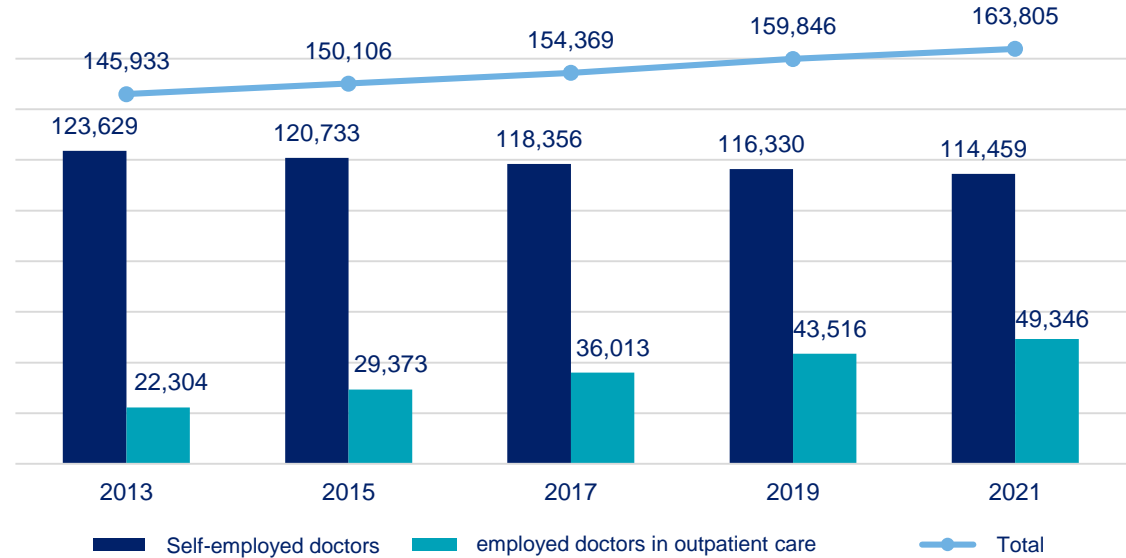
capitalisation

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).



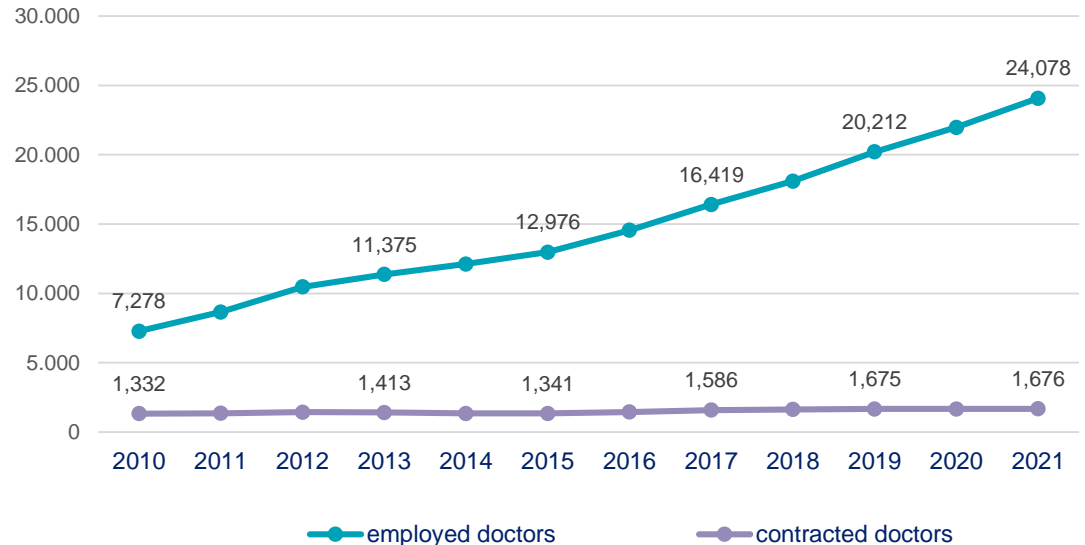
Advantage MCC: Growth

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

Special focus: dental MCCs

- No admission restrictions for dentists!
1,062 purely dental MCCs in 2020 with 655 contract dentists and 3,609 salaried dentists

Development of in MCCs working doctors



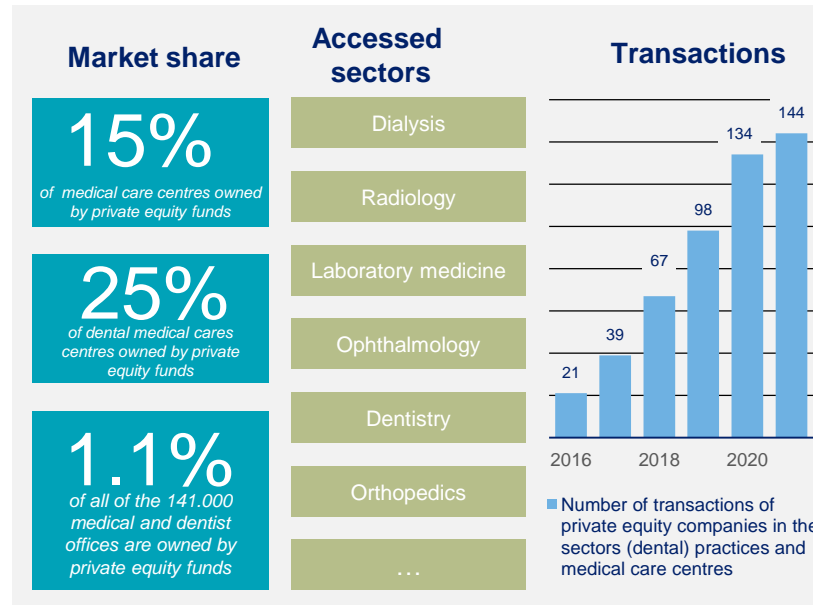
Source: MVZ-Statistik 2021, Kassenärztliche Bundesvereinigung (KBV).

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



New legalisation planned

Lauterbach announces ban

- Q1 / 2023: Federal Ministry of Health plans draft law
- Idea: Purchases by financial investors are to be prevented in the future by prohibiting private equity investors from entering medical practices.
- Details, e.g. whether there will be grandfathering, not yet available

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

Effects of the war and inflation.

Impact of the Ukraine war and inflation

- **On the expenditure side:**
- Rising energy costs, esp. for "high energy subjects" such as radiologists, radiation therapists, dialysis facilities.
- In addition, rising costs for personnel, materials, etc.
- **On the revenue side:**
- Possibly less private income due to (recession-related) declining purchasing power in private households, especially for specialties with a high private share / self-pay services



Government support measures for (health care) companies already initiated, financial compensation required to maintain outpatient infrastructure

Measures initiated by apoBank

- Scenario calculations in the **retail client business**
- on the revenue and cost side
- subdivided according to specialisation and depending on the individual risk structure (= revenue/cost structure)
- Monitoring of portfolios in the **corporates business**
- on portfolio level
- on individual customer level
- Continuous monitoring of the market and initiation of measures if necessary



No serious effects on apoBank's risk position expected so far

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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.



FOCUSSED BUSINESS MODEL

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

IMPROVING SERVICES, PROCESSES & IT

- Efficient processes
- Optimisation of digital applications

INCREASING CUSTOMER SATISFACTION

- Perceived as a strong partner

CREATING FUTURE VIABILITY THROUGH FINANCIAL PERFORMANCE

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

PROMOTION OF EMPLOYEES

- Increase in employees satisfaction
- Safeguarding a modern work environment



**Modern Standesbank
for the health care
professionals**



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Business performance in HY1 2023 at a glance.



Focussing the business model well on track



More lendings for doctors' offices and pharmacies



Wealth management increased



Above average result at EBA stress test

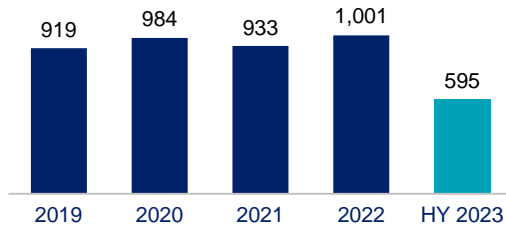


Adequate dividend for financial year 2023 possible

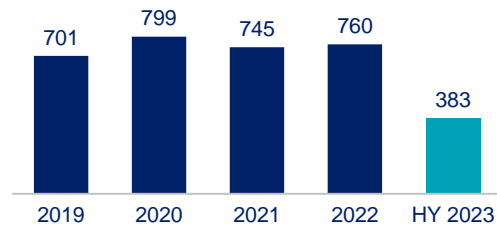
Solid revenue basis.

in mn Euro

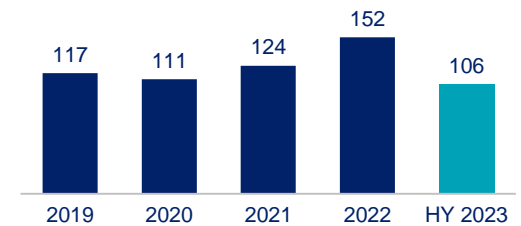
Operating revenues



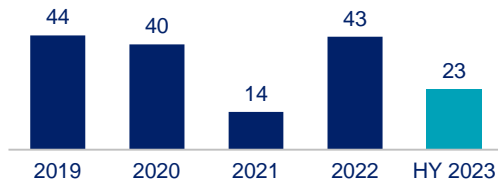
Operating expenditures



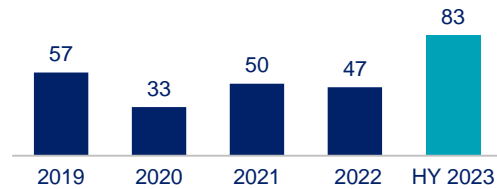
Operating result



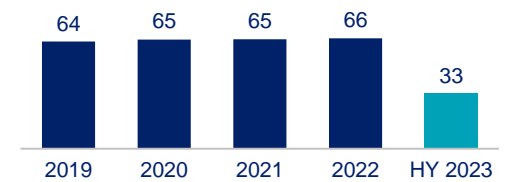
Risk provisioning from the operating business



Risk provisioning with reserve character



Net profit after tax

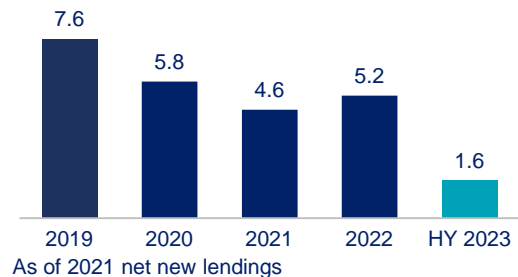


Capital accumulation

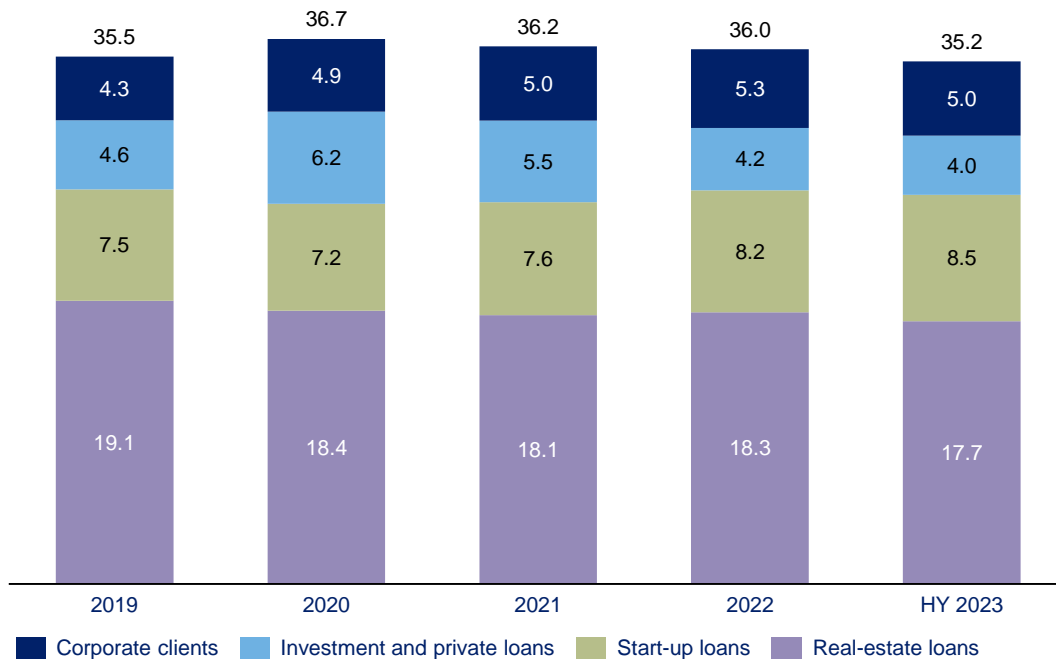
Selective growth strategy in customer business.

in bn Euro

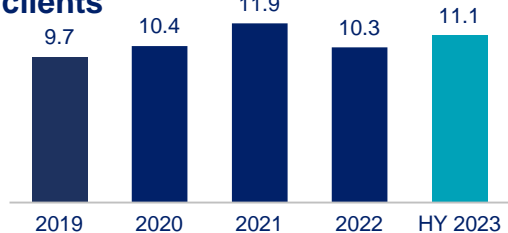
New lending business







Lending volumes



Volume securities accounts, private clients



Financial outlook for fiscal year 2023.

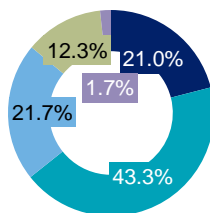
-  → Higher operating result
-  → Growth in start-up financings and wealth management
-  → Strategic partner for providers in inpatient and outpatient care as well as companies in the health care market
-  → Stable net profit after tax and appropriate dividend payout potential

Agenda.

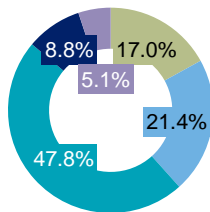
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Very good portfolio quality.

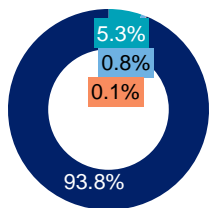
Retail clients 31.4 bn Euro



Professional assoc., large corporates 5.5 bn Euro



Financial instruments 8.3 bn Euro



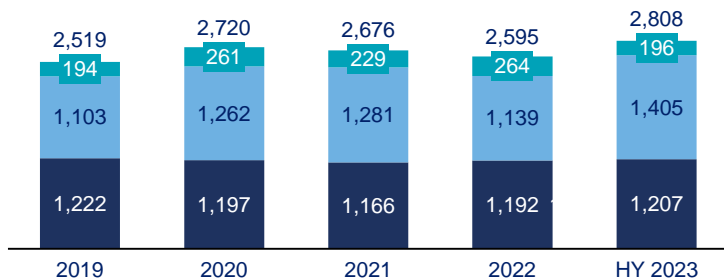
- Steady portfolio growth, focus on retail clients as well as professional associations and large corporates
- Volume of financial instruments on low level
- 85% of retail exposure and 78% of exposure to professional associations and large corporates are investment-grade rated
- At 2.1% NPL-Ratio is at solid level (2022: 2.4%)
- Forbearance Ratio: 0.9%
- Coverage Ratio: 29.0%



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.

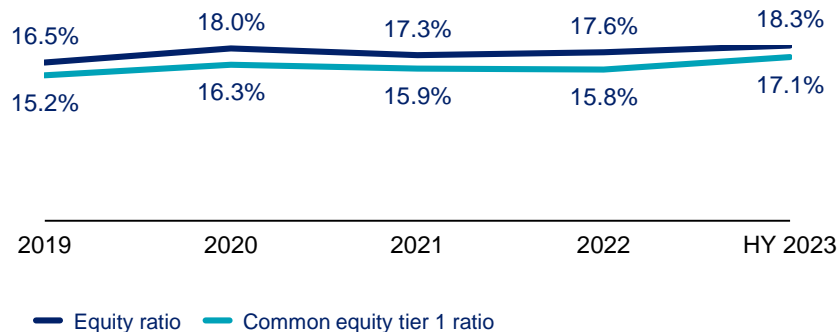
Regulatory capital, in mn Euro



■ Supplementary capital
■ Members' capital contribution
■ Reserves, other

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

Regulatory capital ratios



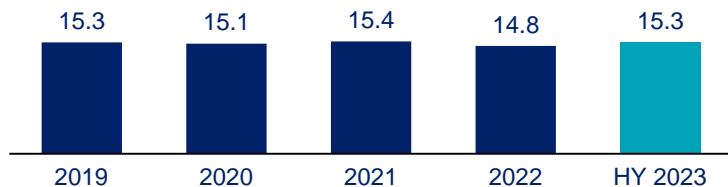
	30.6.2023	31.12.2022
Leverage ratio	5.0%	4.3%
Liquidity coverage ratio	221%	206%
Net stable funding ratio	127%	127%

Regulatory capital requirements.

	2022 and 2023	
	CET 1	Equity ratio
Overall capital requirement	9.41%	14.0%
Systemic risk buffer	0.25%	
Anticyclical buffer	0.75%	
Capital conservation buffer	2.5%	
Total SREP capital requirement	5.91%	10.5%
Pillar 2 requirement	1.41%	2.5%
Pillar 1 requirement	4.5%	8.0%

Credit risks predominant.

Risk weighted assets, in bn Euro



- Retail and corporates exposure stand for 79% of RWA
- 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
- 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

Customers

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

Investors

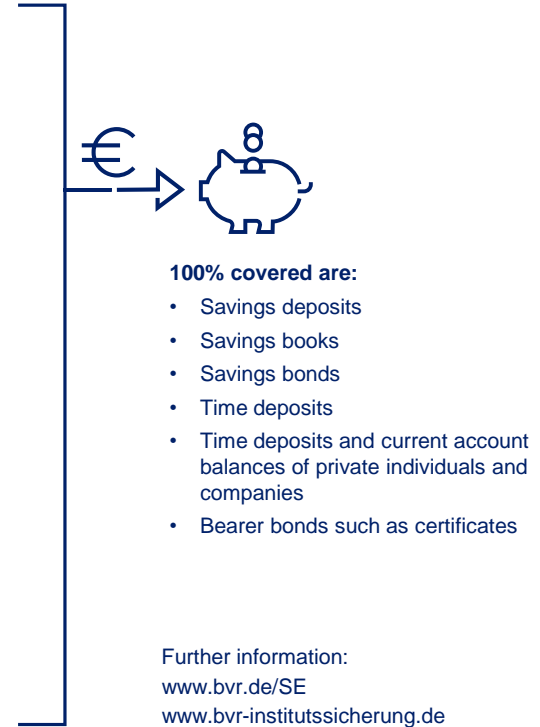
- Institutional client
- Investors from the Geno-Finanzgruppe

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.

Standard & Poor's

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

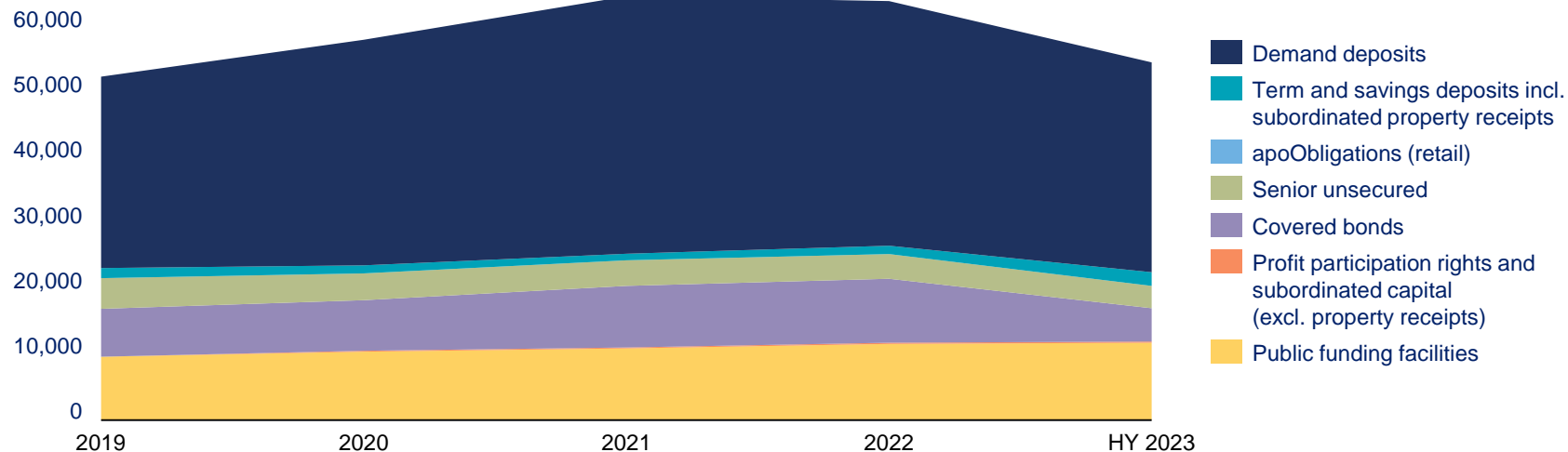
Fitch Ratings (group rating)¹⁾

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

¹⁾ Group rating for cooperative FinanzGruppe

Stable funding sources.

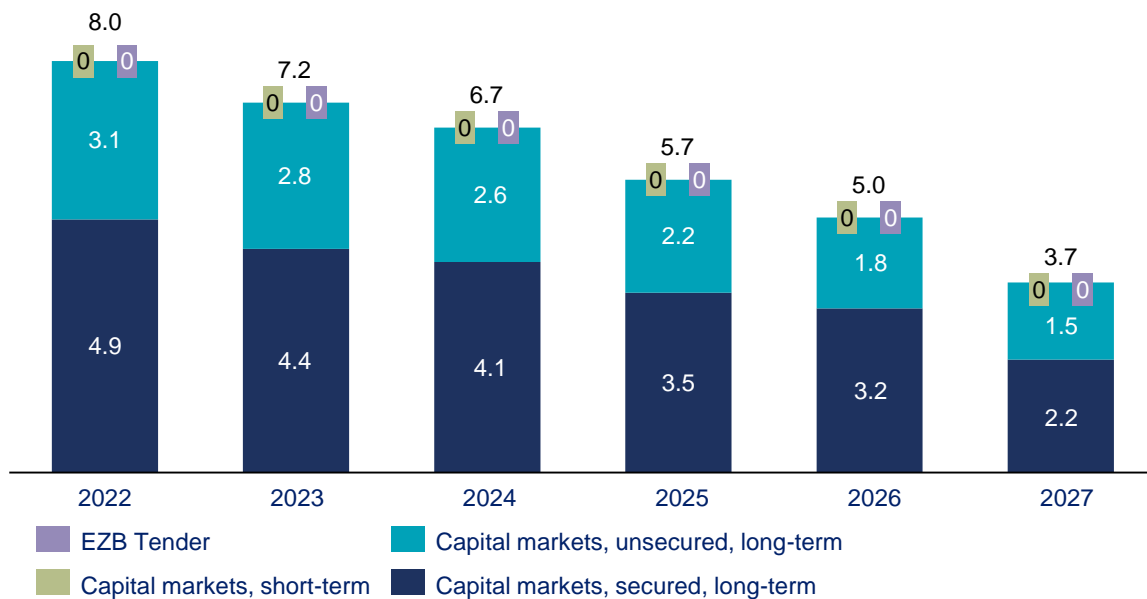
in mn Euro



2019	2020	2021	2022	HY 2023	
6,326	6,710	8,179	4,949	4,401	Covered bonds
7,151	8,604	9,159	9,243	8,727	Cover assets (incl. stipulated liquid asset cover)
825	1,894	980	4,294	4,326	Over-collateralisation

Planned outstanding capital markets funding.

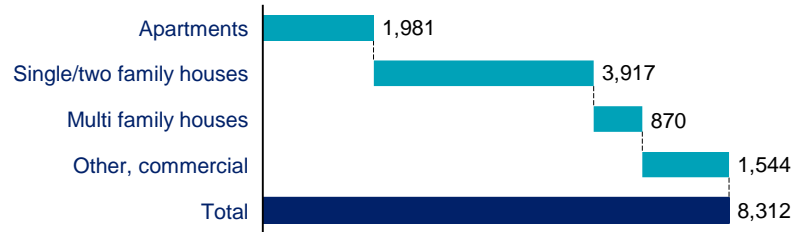
in bn Euro



- Significant decline in capital market refinancing after TLTRO repayment in 2022
- 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 falls from 14% to 7%.

Highly granular cover pool.

Cover pool by type

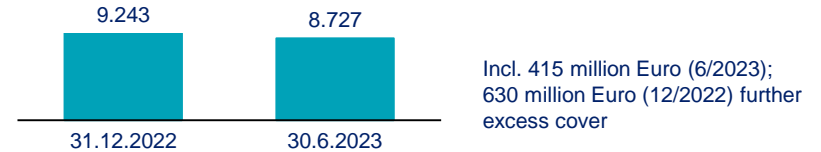


in mn Euro

Cover pool by size



Cover pool, in mn Euro



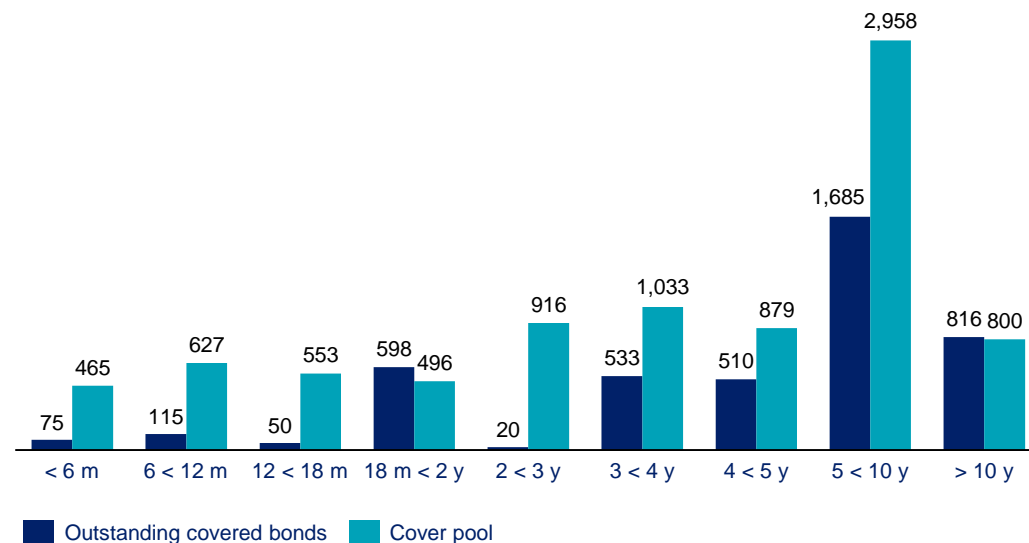
- Focus on high quality, residential mortgages
- Very granular cover pool, only domestic exposure
- Non-performing loans (debt in arrears, cancelled, impaired) and customers, which do not meet the required rating, are not included in the cover pool according to internal rules and are automatically excluded 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	30.6.2023
Seasoning	5.9 years	6.0 years
Average weighted loan-to-value	54.6%	54.5%

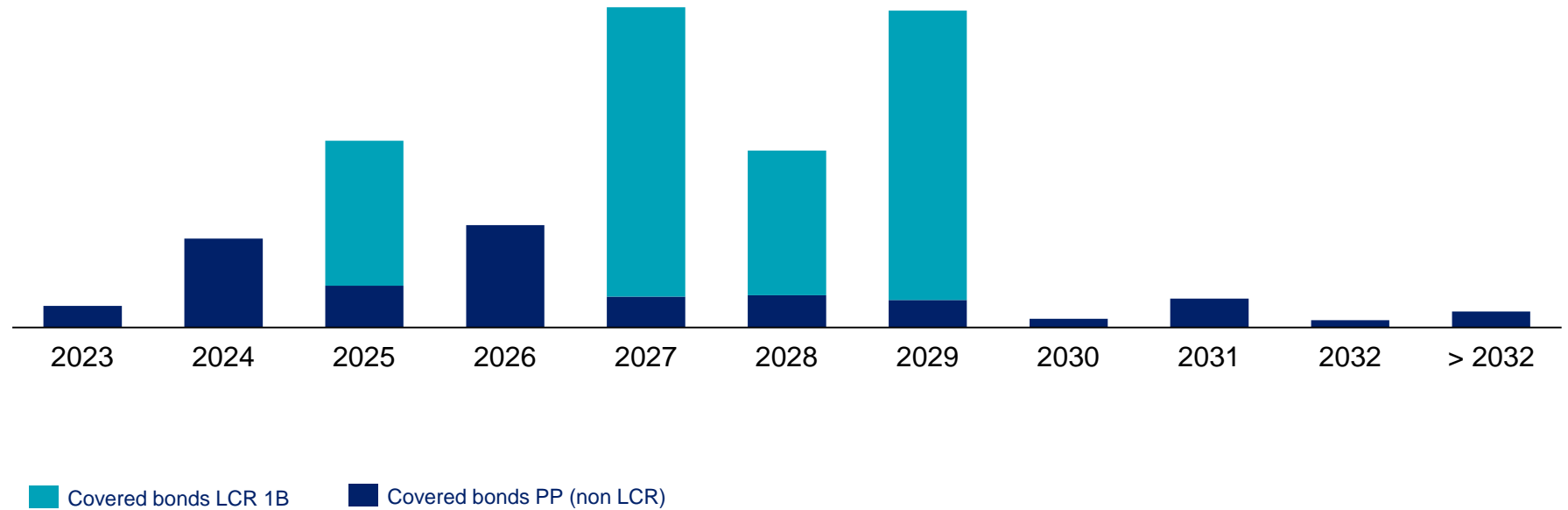
S&P analysis (AAA rating)	31.12.2022	30.6.2023
Available over-collateralisation	86.76%	99.1%
Over-collateralisation consistent with current AAA rating	5.57%	7.34%
Unused notches	4	4

Maturity structure and fixed-interest period, in mn Euro, 30.6.2023 (§28 PfandBG)



Benchmark issues (Pfandbriefe).

Maturity profile, in mn Euro (30.6.2023)



Contact.

Alexander van Echelpoel

Head of Treasury



+49 211 5998 9750



alexander.vanechelpoel@apobank.de

Rainer Vogel

Liquidity Management and Funding



+49 211 5998 8914



rainer.vogel@apobank.de

Barbara Zierfuß

Financial communication



+49 211 5998 4687

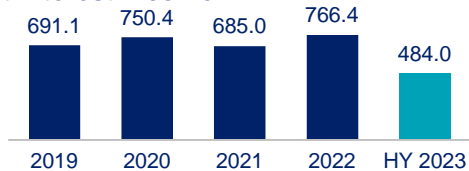


barbara.zierfuss@apobank.de

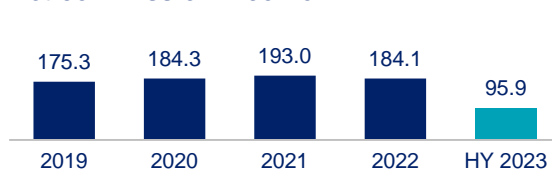
Development of P&L.

in mn Euro

Net interest income



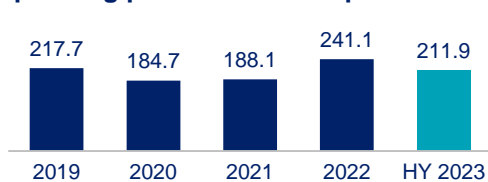
Net commission income



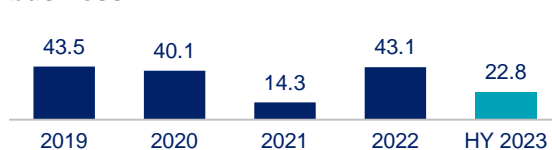
Administrative expenses



Operating profit before risk provisions



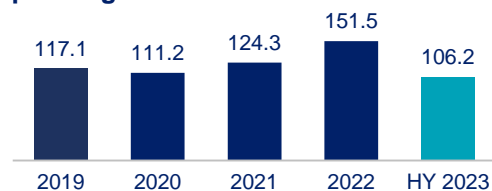
Risk provisioning from the operating business



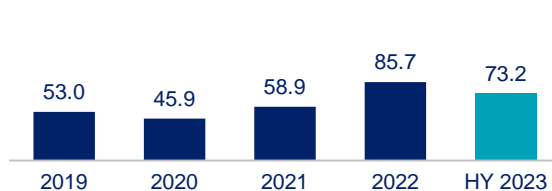
Risk provisioning with reserve character



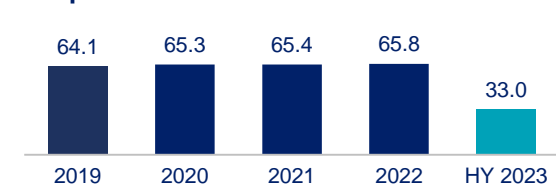
Operating result



Taxes

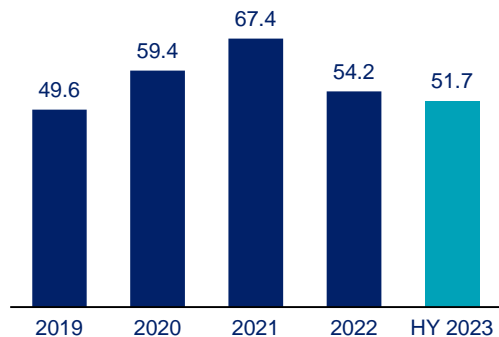


Net profit after tax

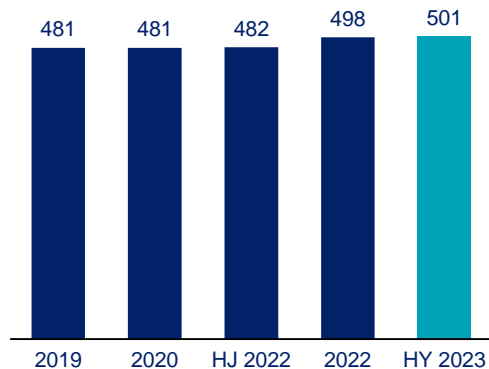


Continuously growing customer business.

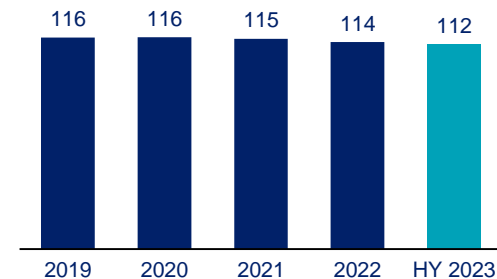
Total assets, in bn Euro



Customers (in thsd)



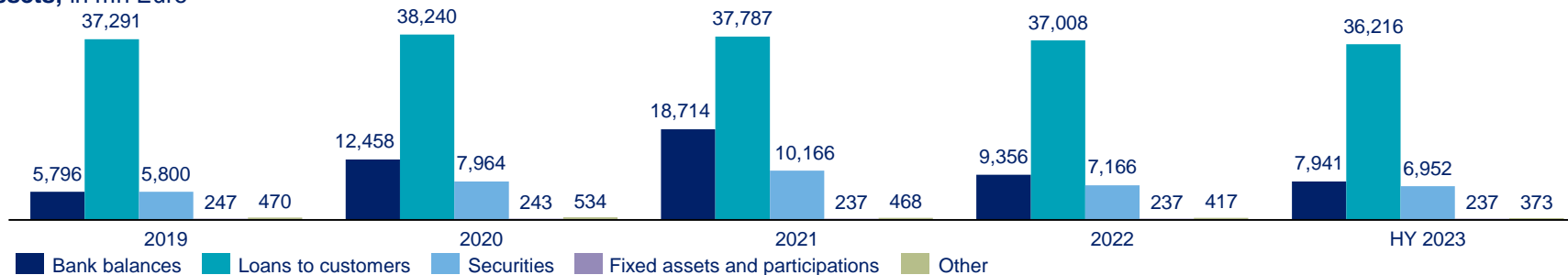
Members (in thsd)



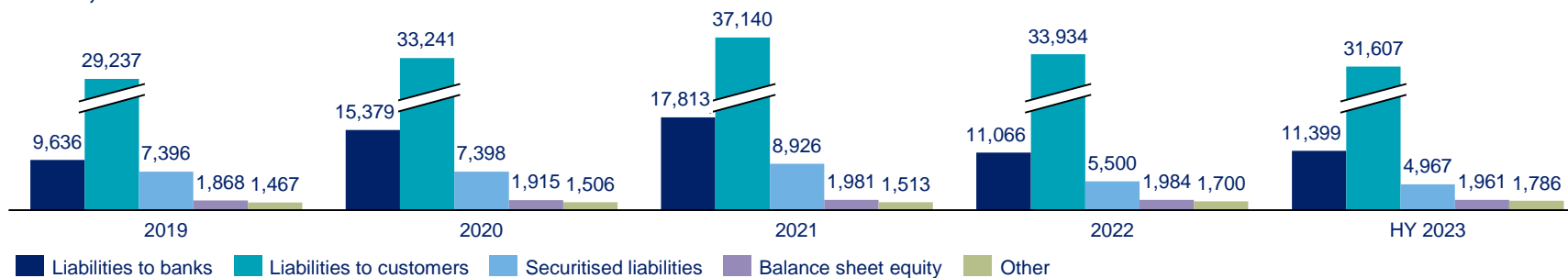
12/2021 not available

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
- Offset CO₂ emissions in business operations since 2022 via offset projects and across all business activities by 2045 (net zero emissions)
- 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?

Own resources

- What do we do?
- Employees
 - Own investments
 - Business operations

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



Our fields of action.



Sustainability strategy: Update of the sustainability strategy as part of the 2022 strategy process, publication of a human rights guideline and adaptation of the codes of conduct, publication of a tax strategy, signing of the UN Global Compact



Risk management and governance: Conduct ESG risk driver analysis to identify key environmental and climate risk drivers as well as drivers related to social and governance aspects, climate stress test 2022, measure our progress and successively expand our sustainability metrics, collect first metrics on EU taxonomy



Financing in the healthcare market: Loans to strengthen the German health care system, exclusion of loans to companies that massively harm the environment or disregard human rights (2022: expansion of exclusion list); training of selected advisors to become certified sustainability experts; development and introduction of ESG scoring for new lending business to assess, among other things, climate and environmental risks and the contribution to the SDGs (2022: focus on corporate customers and construction financing for private customers)

Our fields of action (cont.).



Investment in the customer business: Minimum standard: refrain from direct investments in agricultural commodities and exclusion of controversial weapons as well as companies that violate the principles of the UN Global Compact – for all new products and services used at apoBank and also for all existing products and services by 2025; advisor training and successive expansion of sustainably oriented investment products and asset management services, e.g., sustainable orientation of apoVV SMART since August 2022. e.g. sustainable orientation of apoVV SMART since 2 August 2022, additional sustainability filter for fund products and services marked as explicitly sustainable; signing of UN PRI



Own investment incl. new investments: Preference for ESG bonds over conventional bonds with comparable risk/return profile, minimum standards as in investment in customer business (fully implemented) and regular consideration of ESG risks in portfolio management of proprietary investments, expansion of share of ESG bonds in proprietary investments by end of 2025 (10%), project to analyse potential of sustainable issuing instruments (especially social bonds).

Our fields of action (cont.).



Employees: Diversity, further training, health protection and the reconciliation of work, family and private life, increasing the proportion of women in management positions.



Business operations: Measures to reduce our carbon footprint (2022: increase compared with 2021, reduction compared with baseline year 2020: - 13%), offsetting of CO₂ emissions in business operations for reporting year 2022 through compensation projects; for third-party suppliers and an order volume of more than 250,000 Euros, verification of compliance with/consideration of aspects relating to employee and environmental issues as well as human rights, 2022: publication of a Code of Conduct

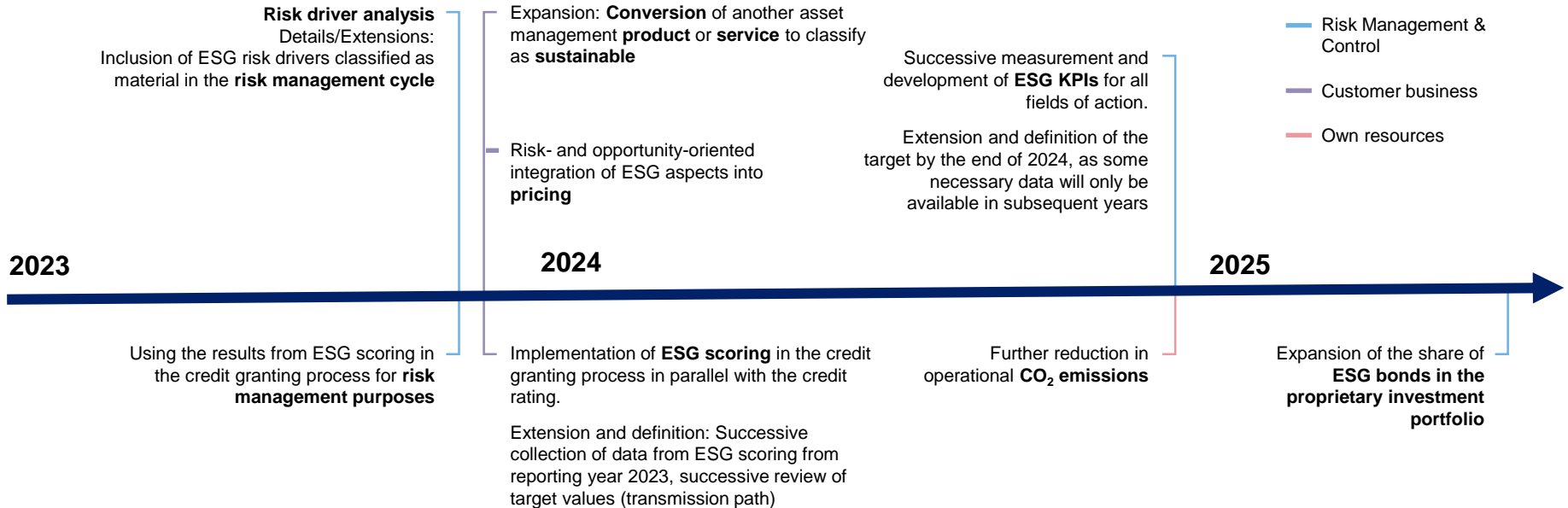


Social commitment: At the headquarters location in Düsseldorf, at branch locations nationwide and via the apoBank Foundation worldwide.



Communication: Extensive information at www.apobank.de/nachhaltigkeit. Rating by ISS-ESG: Prime (specialised financial services provider); Rating by Fair Finance Guide Germany.

Most important measures of the sustainability strategy.



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