

apoBank – The Health Care Bank.

September 2021.



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 2,300 employees at 82 locations cater to the needs of our customers.



A captivating idea.

482,000 customers, of which are 115,646 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:

16.3 %

Total assets:

65.8
bn Euro

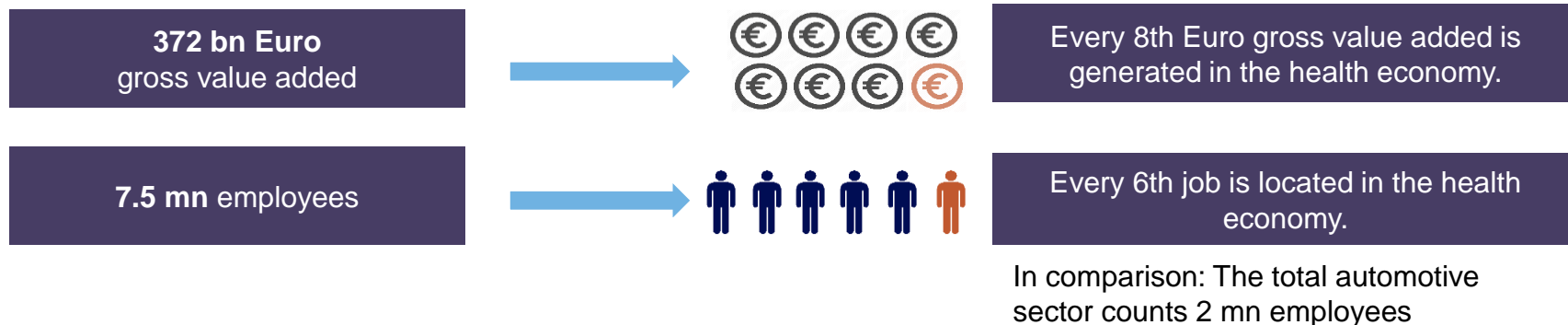
Net profit after tax:

37.0
mn Euro

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The German health economy – an overview (2019).

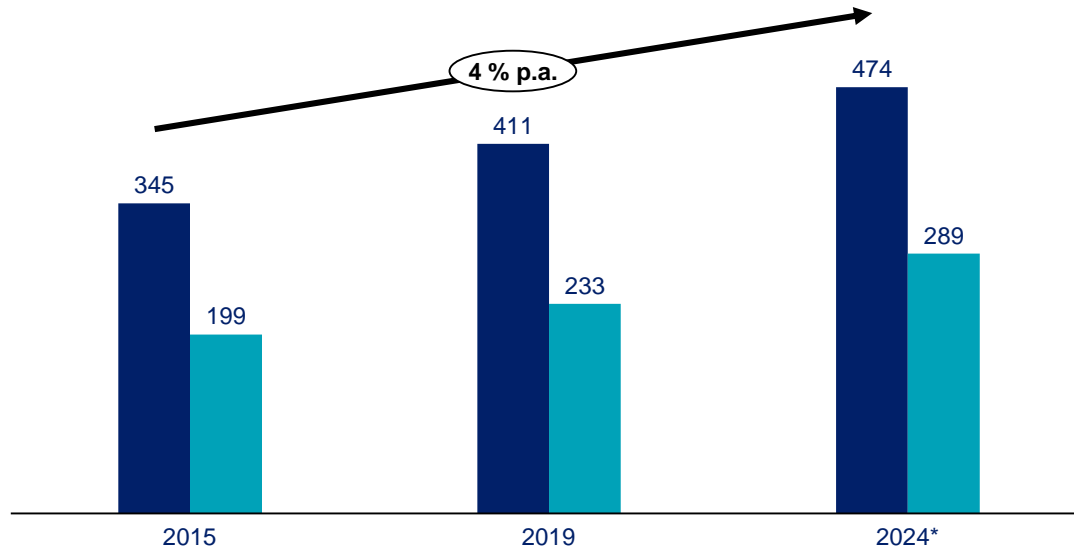


Sectors of value creation



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

Health care market as a growth engine.



■ Health care expenses, bn Euro
■ thereof statutory health care insurance expenses, bn Euro

Share of GDP 2019: 11.9 % p.a.

Expenses per head 2019: 4,944 Euro

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

The time lag until the next 100 billion mark in health spending is reached has thus been halved since 1998 from 14 to 7 years. .

Source: Statistisches Bundesamt, Gesundheitsausgabenrechnung: 2015, 2019; 2024* estimates and forecasts, respectively

Health care sector – Background.



Technical progress: Usage of medical-technical innovations.



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



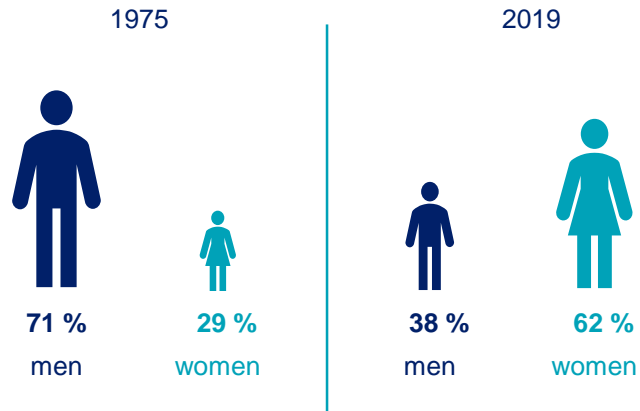
Increasing health care expenses, growing health awareness.



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

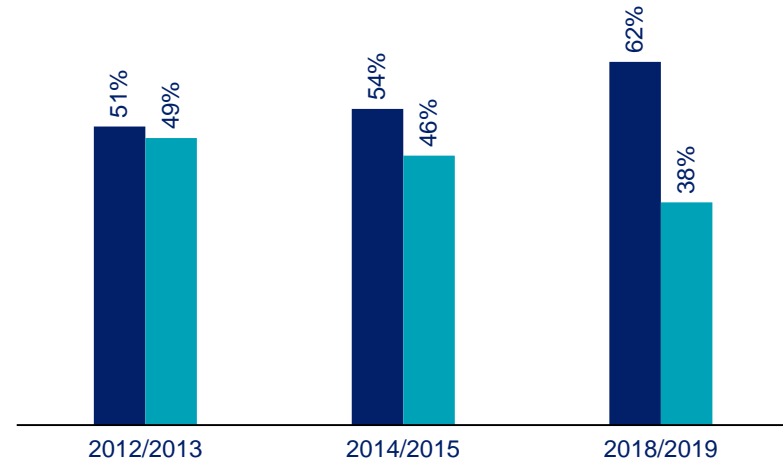
Health care market turns more female.

Share of medical students



Source: Statistisches Bundesamt

Share of business founders



Source: apoBank / Zi

Feminisation leading to new working models.

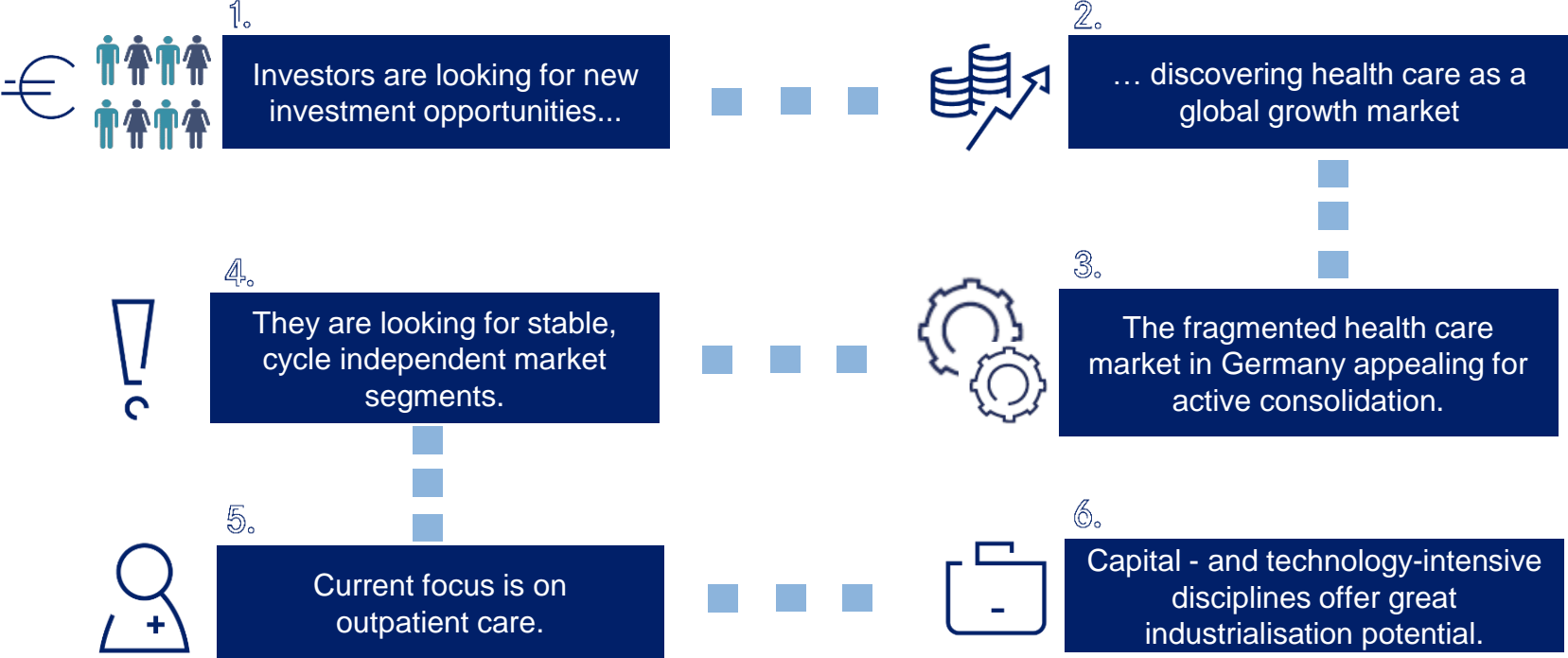
Appropriate childcare opportunities and flexible working time models are most important issues to improve working conditions.

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

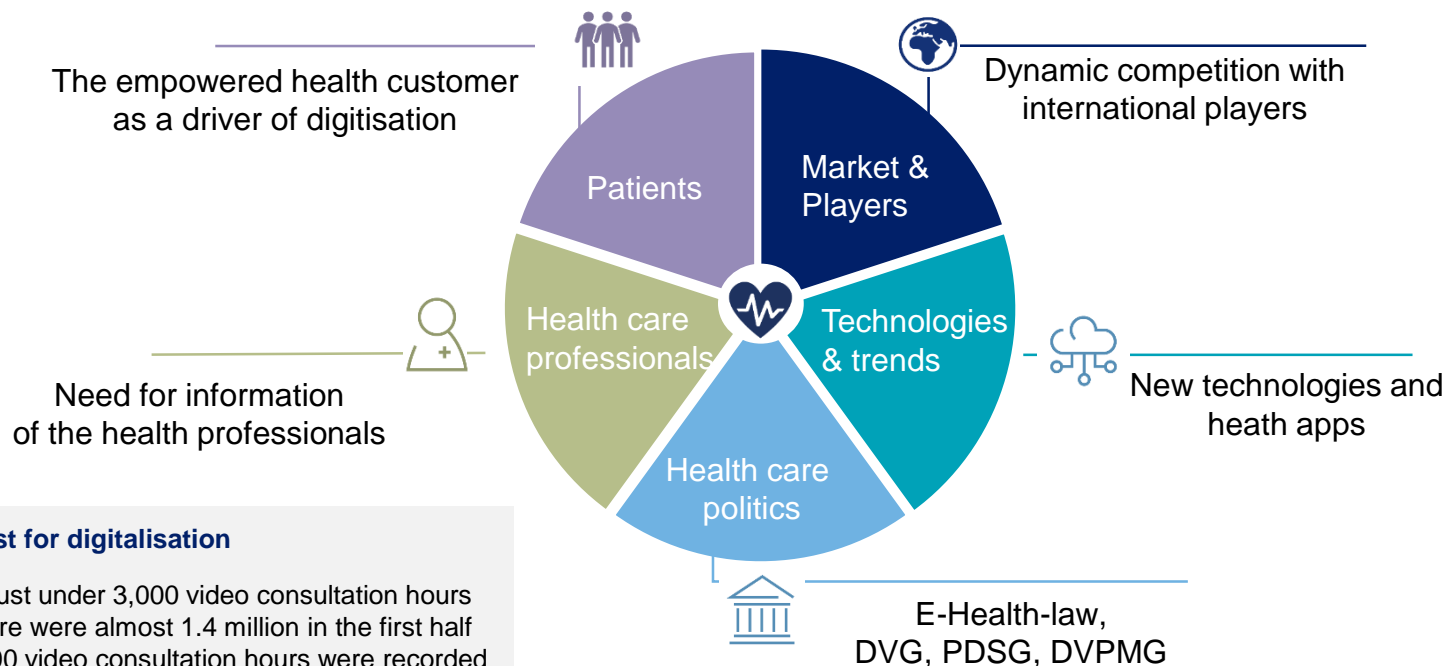


Source: Kind und Kittel. Eine Studie zur Vereinbarkeit von Familie und Beruf in den Heilberufen (2019), apoBank

Investors discover health care market as investment target.



The future of the health care market is digital.



Pandemic as a catalyst for digitalisation

While there were only just under 3,000 video consultation hours nationwide in 2019, there were almost 1.4 million in the first half of 2020. Around 203,000 video consultation hours were recorded in the first quarter, and almost 1.2 million in the second quarter.

Source: KBV-Analysis

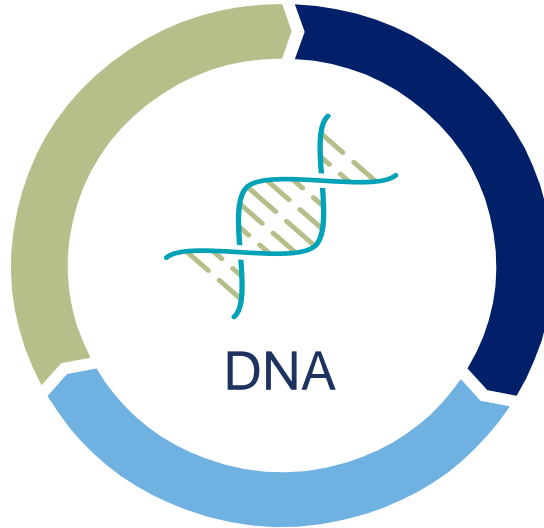
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apoBank: Deeply rooted in the health care market.

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

- Value added offers beyond banking products

apoBank's strategy.



Optimisation and digitisation of the banking business

apoBank – The Health Care Bank

- Cutting costs and capital consumption
- Create new solutions for the customer

1.

Personal
customer
relationships

2.

Unique solutions

3.

Sustainable
increase in value



New offerings for
health care
professional

Consistent expansion of new offerings.



univiva – digital platform for products and services



ZPdZ – innovative practise model: Self employed without purchasing a practise



apoHealth – competence centre for digitisation in the health care market



Partner of Health Innovation Port –
digital innovations for diagnoses and therapies



optiPrax – Data-driven analysis for practice optimisation

Strategy programme Oskar launched.

Transformation of apoBank into a modern and future-oriented bank for health care professionals



Customer-centred

Focus on the needs of health care professionals

Simple

Leans processes, controls and organisation

Digital

Data-driven customer advise and expansion of digital channels / apoDirect

Strengthening the bank in the long-term and safeguarding its competitiveness



Strong

Appropriate dividend in the long-term

Stable

Accumulation of reserves

Competitive

Strong capitalisation (equity ratio: 15.5%) and efficiency (70% cost income ratio)

The health care bank.



360 degree focus on the health care professional as a customer and his needs



Partner of professional organisations, institutional investors and corporate clients



Customer-centric care model with personal customer advisor



Holistic support, in particular also for questions relating to assets



Customer determined access to apoBank – personal, digital, hybrid



Modern and simple controlling as well as processes to increase efficiency

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Business performance at a glance.



Robust development in loans for start-ups and corporate customers



Positive development of asset advisory and management services



Still no Corona pandemic-related credit risk reserves required



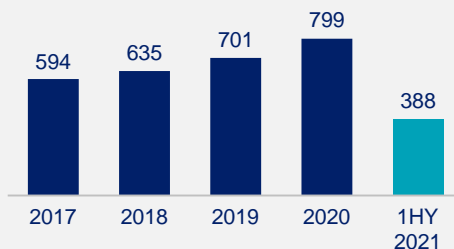
Increasing net profit for the year, which allow an appropriate dividend payout

Stable revenue basis.

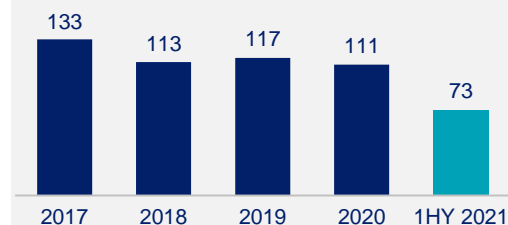
Operating revenues,
in mn Euro



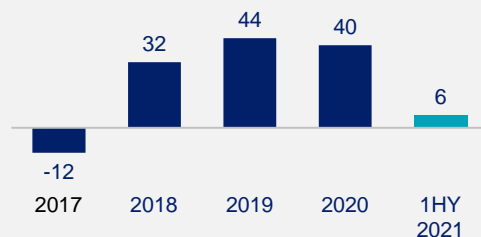
Operating expenditures,
in mn Euro



Operating result,
in mn Euro

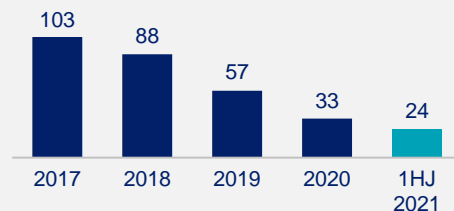


Risk provisioning from the operating
business, in mn Euro



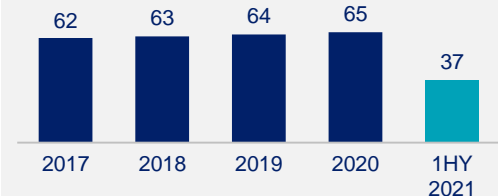
2017 net release

Risk provisioning with reserve
character, in mn Euro



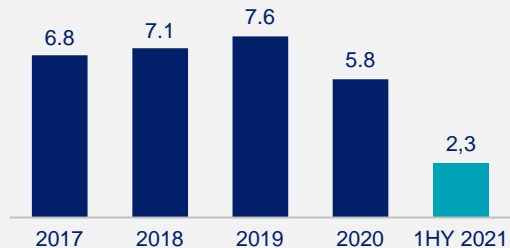
Risk prov. with reserve character diminishes net profit, but serves for taxed capital accumulation

Net profit after tax,
in mn Euro

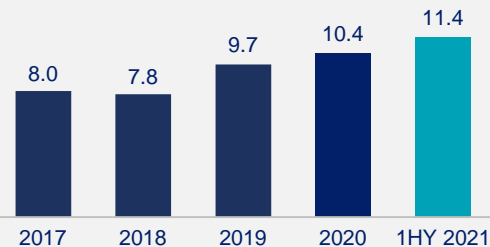


Selective growth strategy in the customer business.

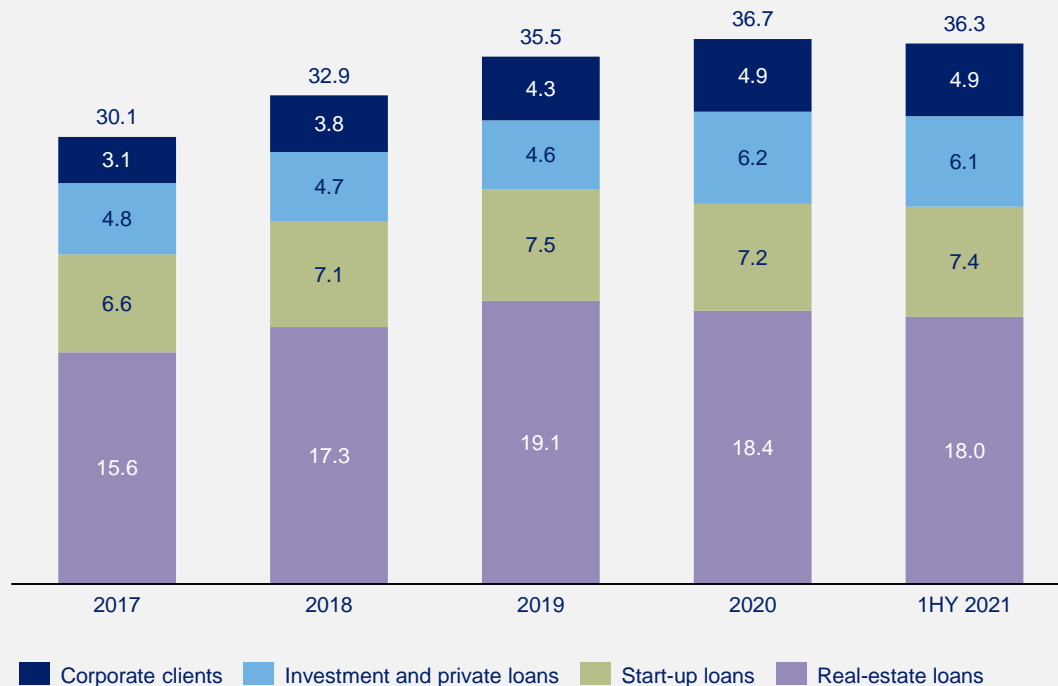
New lending business, in bn Euro



Volume securities accounts, private clients, in bn Euro



Lending volumes, in bn Euro



Financial outlook for the current fiscal year.



Increase in operative income



New lending business with optimized equity utilisation



Further investments in structures and processes



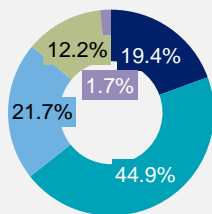
Increasing net profit for the year

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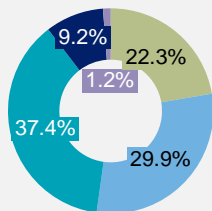
Very good portfolio quality.

Retail clients
32.8 bn Euro

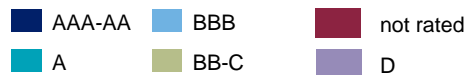
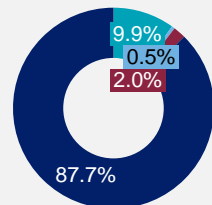


- Steady portfolio growth, focus on retail clients as well as professional associations and large corporates
- Volume of financial instruments on low level
- 86% of retail exposure and 78% of exposure to professional associations and large corporates are investment-grade rated
- At 1.4% NPL-Ratio is at low level (2020: 1.4%)
- Forbearance Ratio: 1.0%
- Coverage Ratio: 36.9%

Professional assoc.,
large corporates
6.1 bn Euro



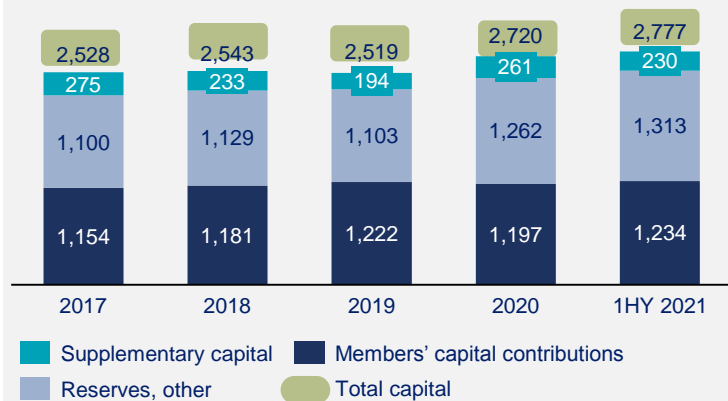
Financial instruments
9.0 bn Euro



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)

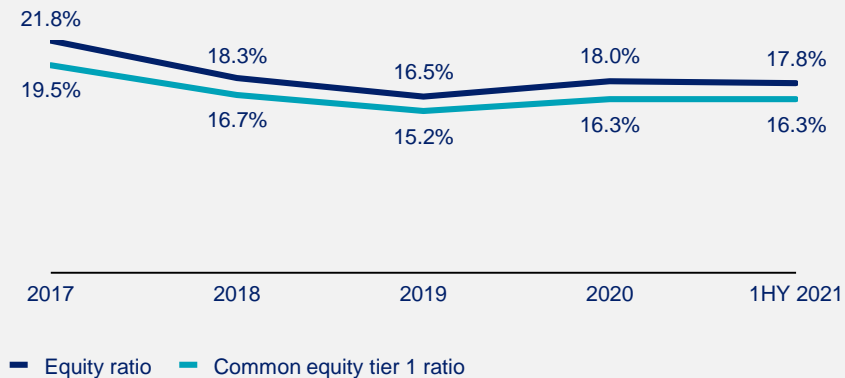
Satisfying regulatory capital position.

Regulatory capital, in mn Euro



- Capital ratios may 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

Regulatory capital ratios



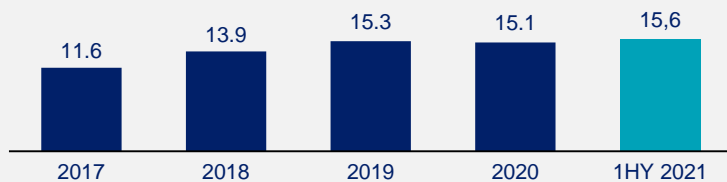
	31.12.2020	30.6.2021
Leverage ratio	4.7 %	5.1 %
Liquidity coverage ratio	186 %	218 %
Net stable funding ratio	118 %	129 %

Regulatory capital requirements.

	2020		2021	
	CET 1	Equity ratio	CET1	Equity ratio
Overall capital requirement	7.7%	11.75%	7.7%	11.75%
Anticyclical buffer		0%		0%
Capital conservation buffer		2.5%		2.5%
Total SREP capital requirement	5.2%	9.25%	5.2%	9.25%
Pillar 2 requirement	0.7%	1.25%	0.7%	1.25%
Pillar 1 requirement	4.5%	8.0%	4.5%	8.0%

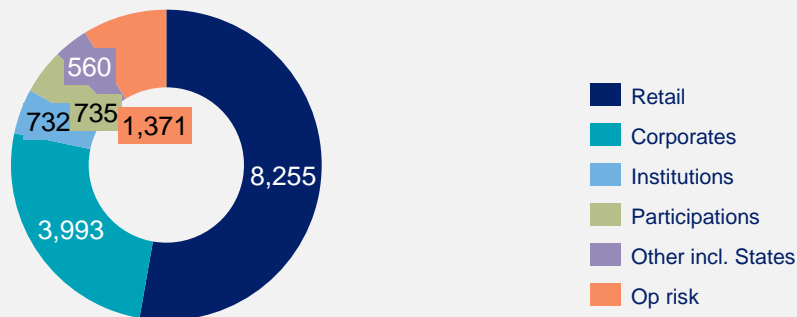
Credit risks predominant.

Risk weighted assets, in bn Euro



- Selective business growth, rising exposure in retail and 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

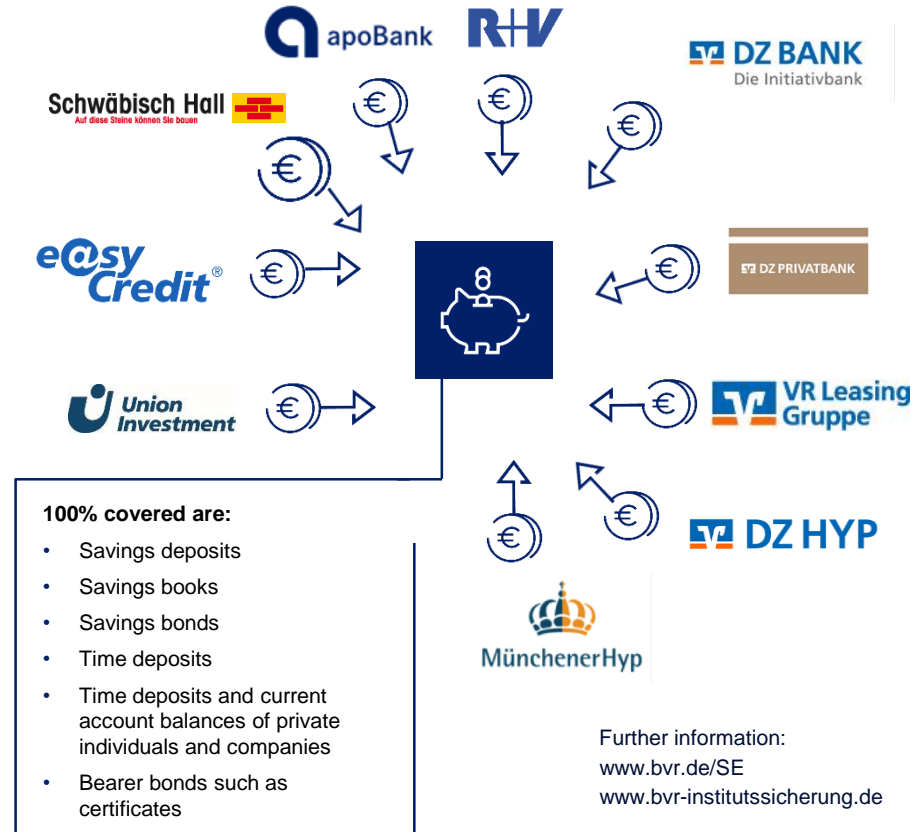
- > 300 institutional client
- > 200 investors from the Geno-Finanzgruppe

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



Excellent ratings.

S&P

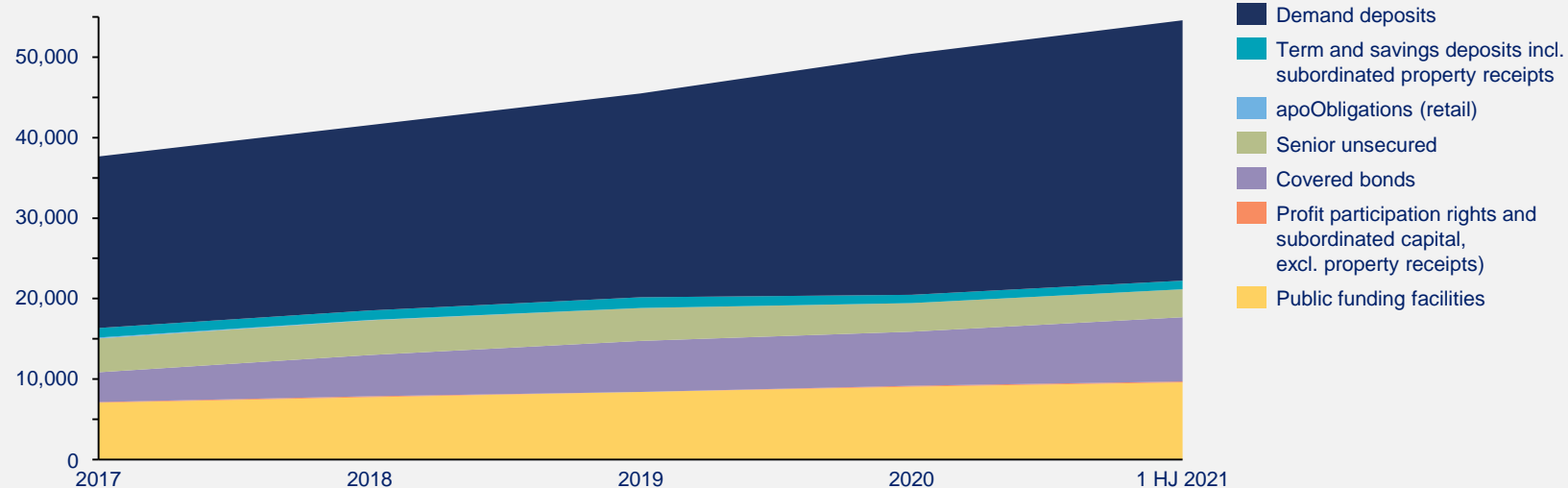
Issuer credit rating	A+
Short-term debt	A-1
Covered bonds (Pfandbriefe)	AAA
Senior unsecured (preferred)	A+
Senior subordinated (non preferred)	A
Outlook	stable

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.

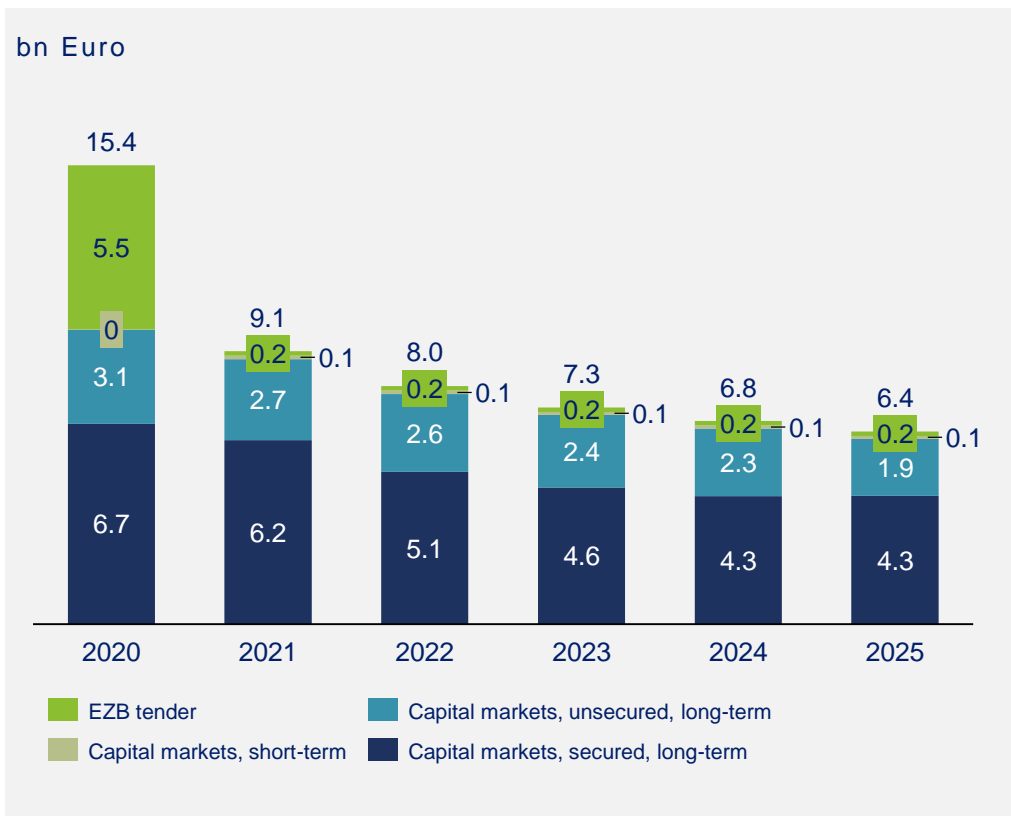


in mn Euro

2017	2018	2019	2020	1HY 2021	
3,674	5,125	6,326	6,710	7,995	Covered bonds
5,315	6,218	7,151	8,604	8,810	Cover assets*
1,641	1,093	825	1,894	815	Excess cover

*incl. stipulated liquid excess cover

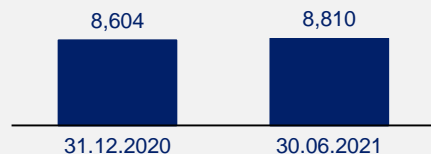
Capital markets funding.



- Overall, constant share in capital markets funding of 14-19%
- In 2020 temporarily increase in capital markets funding to 26% due to participation in ECB TLTRO 3

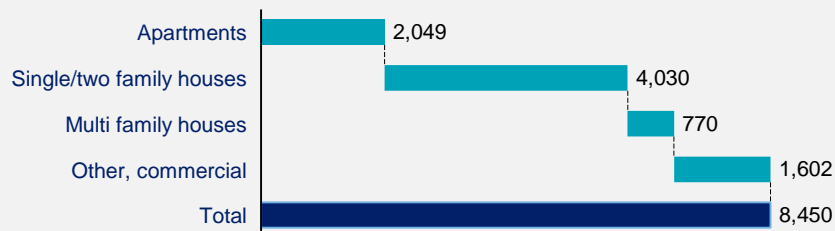
Highly granular cover pool.

Cover pool, in mn Euro



Incl. 360 million Euro (6/2021);
510 million Euro (12/2020) stipulated
liquid excess cover

Cover pool by type



Cover pool by size

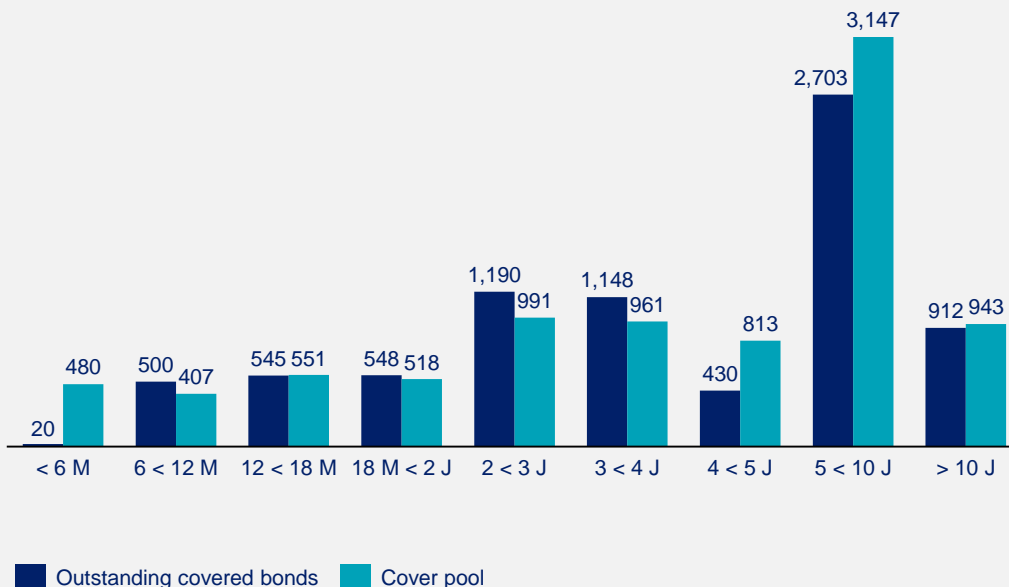


- Focus on high quality, residential mortgages
- Very granular cover pool, only domestic exposure
- Non-performing loans (debt in arrears, cancelled, impaired) and customers, which do not meet the required rating, are not included in the cover pool according to internal rules and are automatically excluded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

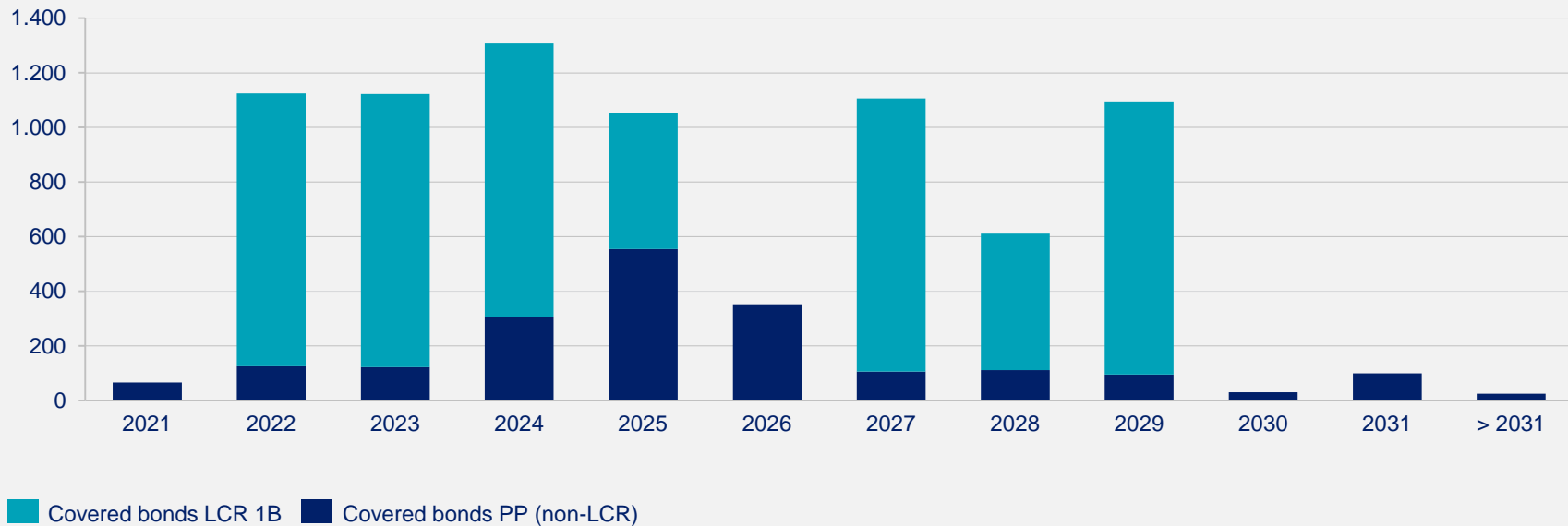
§ 28 PfandBG	31.12.2020	30.6.2021
Seasoning	5.4 years	5.4
Average weighted loan-to-value	55.1%	55.0
S&P analysis (AAA rating)	30.9.2020	31.3.2020
Available over-collateralisation	23.32%	10.83%
Overcoll. consistent with current (AAA) rating	5.99%	5.25%
Unused notches	5	4

Maturity structure and fixed-interest period, in mn Euro, 30.6.2021 (§28 PfandBG)



Benchmark issues (Pfandbriefe).


Maturity profile, in mn Euro (30.6.2021)



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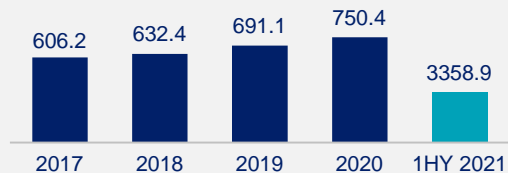
Financial communication

 +49 211 5998 4687

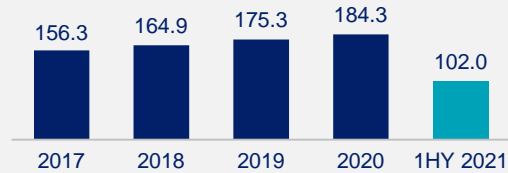
 barbara.zierfuss@apobank.de

Development of P&L.

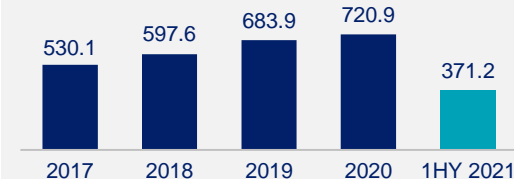
Net interest income, in mn Euro



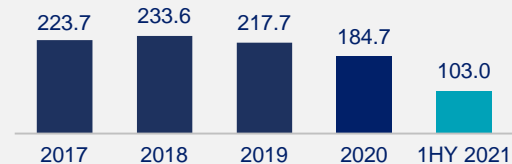
Net commission income, in mn Euro



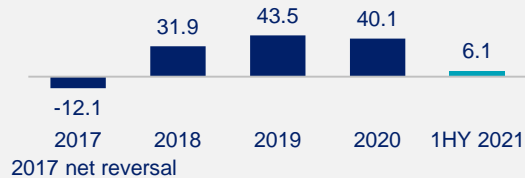
Admin. expenses, in mn Euro



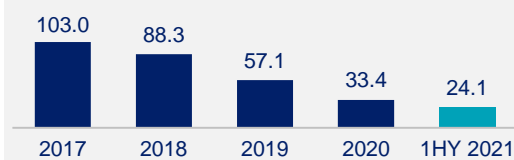
Operating profit before risk provisions, in mn Euro



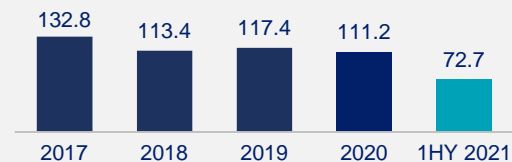
Risk provisioning from the operating business, in mn Euro



Risk provisioning with reserve character, in mn Euro



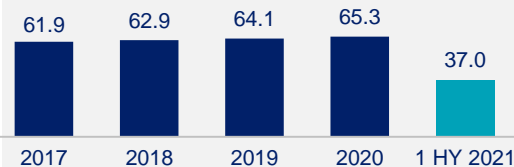
Operating result, in mn Euro



Taxes, in mn Euro

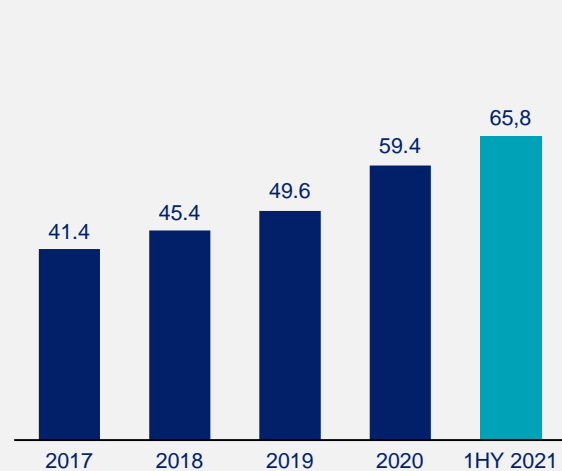


Net profit after tax, in mn Euro

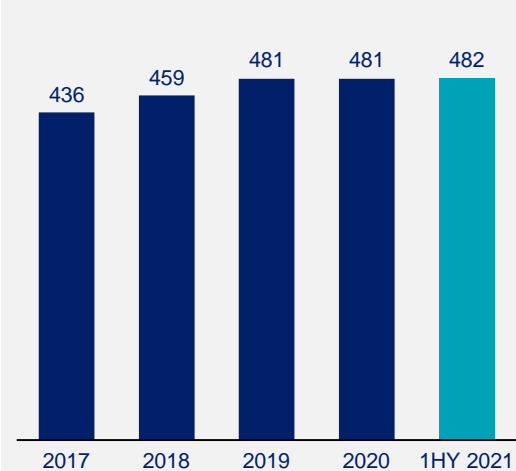


Continuously growing customer business.

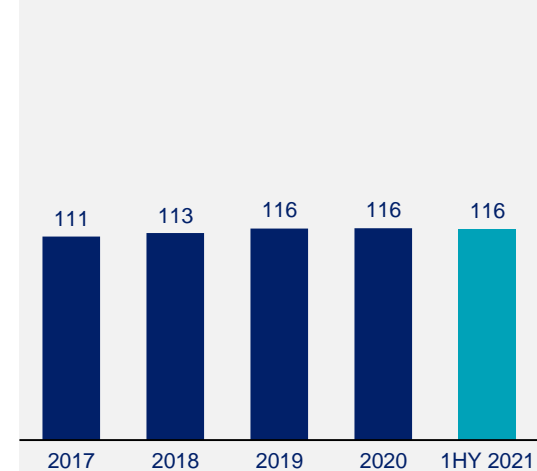
Total assets, in bn Euro



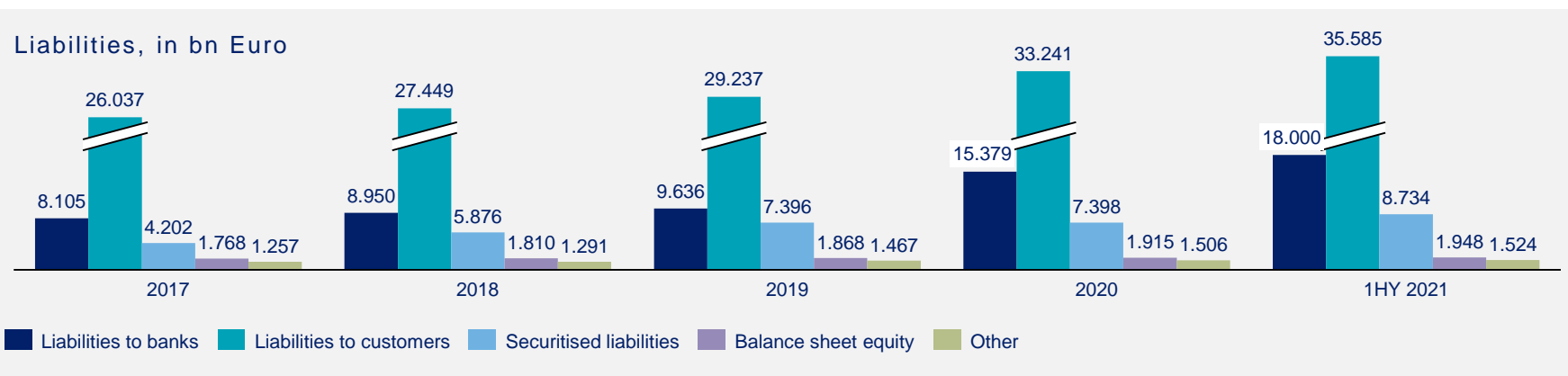
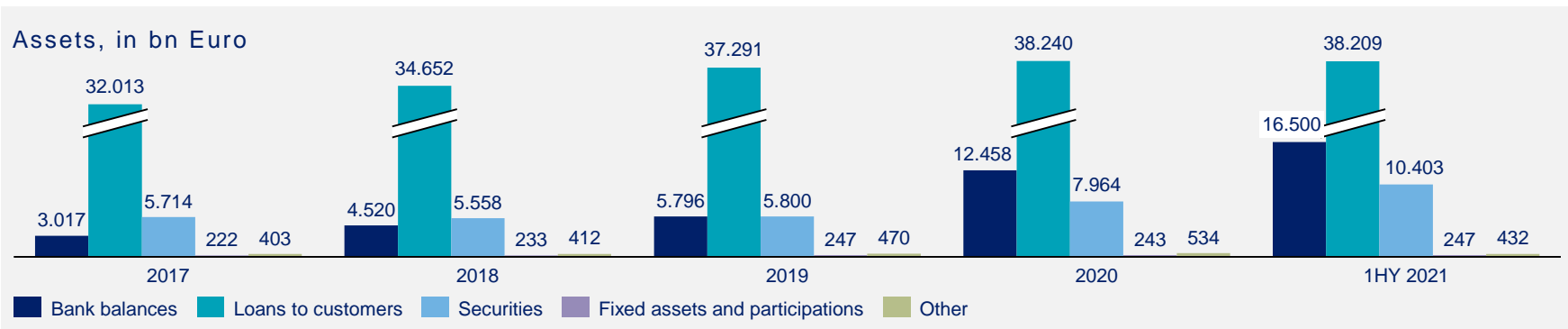
Customers (in thsd)



Members (in thsd)



Balance sheet structure.



Our understanding of sustainability.

apoBank is committed to cooperative values. We enable health by supporting our customers in providing health care to the population in Germany. In doing so, we assume responsibility for sustainable development in the areas of economy, environment, social affairs, and corporate governance by

- advising our customers comprehensively, competently
- and in line with their needs;
- offering products and services that provide added value for our customers and society;
- being an attractive and fair employer for our employees;
- continuously optimizing the environmental and climate-related impacts of our business operations;
- engage with society; and
- involve our business partners in our sustainability-related measures.

Our ratings



Unsolicited rating:
46 percent

Sustainability at apoBank: Where we act.



Financing in the healthcare market:

Exclusion lists in customer lending business for companies or projects whose sustainability risks have a negative impact on people's health



Securities business:

Consideration of sustainability for customer business and in own investments



Social commitment in Düsseldorf, nationwide and worldwide through our foundation



Commitment to our employees:

Diversity, continuing education, health protection, and work-life balance



Resource consumption - reducing our carbon footprint:

Investing in energy-saving technology for our IT systems, lighting, heating and cooling, 100% certified electricity from renewable sources

Further information available on: www.apobank.de/nachhaltigkeit

Our sustainability targets.

What we want to achieve in 2021

- Development of an explicit sustainability strategy and transfer to the organisational structure.
- Stronger integration of sustainability into the range of products and services: complete conversion of apoVV SMART asset management.
- Coordination of all regulatory developments and measures resulting from regulatory requirements on the topic of sustainable finance

What we want to achieve in the medium-term

- A sustainable reduction in operational CO2 consumption of 10 percentage points (compared to the base year 2017) by 2022 (We have already significantly exceeded this target in 2020 due to the pandemic measures).
- A female quota at the first management level of 20% and at the second management level of 25% by June 30, 2022
- An employee identification score, known as the Organisational Commitment Index (OCI), of at least 70 every year by 2024
- All securities products used in consulting are fully subject to apoBank's minimum sustainability standard "Exclusion of direct investments in agricultural commodities and controversial weapons" until 2025. In 2021, this minimum standard for new business has been expanded to include the exclusion of companies that violate the UN Global Compact

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