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Deutsche Apotheker- und Aerztebank eG

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Table Of Contents

Table Of Contents (cont.)

Deutsche Apotheker- und Aerztebank eG

Rating Score Snapshot

Issuer Credit Rating
A+/Stable/A-1

SACP: bbb- → **Support: +5** → **Additional factors: 0**

Anchor	bbb+	
Business position	Moderate	-1
Capital and earnings	Adequate	0
Risk position	Moderate	-1
Funding	Adequate	0
Liquidity	Adequate	
CRA adjustment		0

ALAC support	0
GRE support	0
Group support	+5
Sovereign support	0

Issuer credit rating
A+/Stable/A-1

ALAC--Additional loss-absorbing capacity. CRA--Comparable ratings analysis. GRE--Government-related entity. ICR--Issuer credit rating. SACP--Stand-alone credit profile.

Credit Highlights

Overview

Key strengths	Key risks
Member of the German Cooperative Banking Sector, mutual support from other core cooperative group members, and a comprehensive protection scheme.	Potential negative impact on the bank's business franchise due to prolonged customer dissatisfaction.
Strong and stable market share in its niche segment of providing financial services to medical sector professionals in Germany.	Relatively low risk-adjusted profitability, primarily due to weak cost efficiency.
Sound risk management and generally robust asset quality.	Highly concentrated business, dependent on developments in the broader health care industry.

Our ratings on Deutsche Apotheker- und Aerztebank eG (Apobank) move in tandem with those on other core group members of Germany's Cooperative Banking Sector ("Genossenschaftliche FinanzGruppe"). This reflects Apobank's integration into the sector and S&P Global Ratings' firm expectation that Apobank would receive extraordinary group support from the German Cooperative Banking Sector under any foreseeable circumstances.

Rebuilding its weakening business franchise after continued customer dissatisfaction remains key for Apobank. Operational stability has been a concern for Apobank, the largest cooperative bank in the sector, ever since the migration of its core banking information technology (IT) system in 2020, which resulted in considerable pressure from customers to quickly restore service quality. We anticipate that the bank will continue its efforts to remedy reputational damage and improve customer satisfaction. At the same time, the bank's complete managerial overhaul has added execution risks to the successful implementation of new strategic priorities. Although we consider this new focus promising, the scope of the managerial overhaul might impede execution. Furthermore, Apobank's business model and revenue streams remain relatively narrow and concentrated, even under a sharpened strategic focus, and are, therefore, a limiting factor to its stand-alone creditworthiness.

We think the generally strong economic positions of Apobank's clients should protect the bank's asset quality against more adverse economic developments. We consider that Apobank has higher regional and sector concentration risks than more diversified banks. Yet, we expect it should manage these well, considering its generally contained risk appetite and historically low credit losses.

We consider Apobank's capitalization to be a neutral factor to its stand-alone creditworthiness. We forecast that our S&P Global Ratings' risk-adjusted capital (RAC) ratio before diversification will remain at about 9.5%-10.0% over the next two years. Furthermore, we expect core earnings will remain relatively stable around 40 basis points (bps) of S&P Global Ratings' risk-weighted assets (RWAs) and the dividend payout ratio will also broadly be in line with historical values at 75%-90%.

Outlook

Our stable outlook on Apobank mirrors the stable outlook on the Cooperative Banking Sector in Germany. It reflects our expectation that Apobank will remain a core member of the group and will likely receive support under any foreseeable circumstances.

Downside scenario

We would lower our ratings on Apobank if we revise down the group credit profile (GCP) on the Cooperative Banking Sector in Germany.

Upside scenario

To upgrade Apobank, we would need to revise up the GCP on the Cooperative Banking Sector in Germany, which we currently consider a remote scenario.

Key Metrics

Deutsche Apotheker- und Aerztebank eG--Key ratios and forecasts

	--Fiscal year ended Dec. 31--				
(%)	**2021a**	**2022a**	**2023f**	**2024f**	**2025f**
Growth in operating revenue	-7.1	9.1	6.5-7.5	0.5-1.5	0.5-1.5
Growth in customer loans	-1.4	-2	0.0-1.0	1.0-2.0	1.5-2.5
Growth in total assets	13.3	-19.6	0.5-1.5	1.0-2.0	1.5-2.5
Net interest income/average earning assets (NIM)	1.4	1.4	1.4-1.6	1.4-1.6	1.4-1.6
Cost to income ratio	82.3	77.3	73.0-78.0	73.0-78.0	73.0-78.0

Deutsche Apotheker- und Aerztebank eG--Key ratios and forecasts (cont.)					
	--Fiscal year ended Dec. 31--				
(%)	**2021a**	**2022a**	**2023f**	**2024f**	**2025f**
Return on average common equity	2.3	2.3	1.5-2.0	1.5-2.0	1.5-2.0
New loan loss provisions/average customer loans (bps)	-7	4	5-10	5-10	5-10
Gross nonperforming assets/customer loans	1.8	3.1	2.0-4.0	2.0-4.0	2.0-4.0
Risk-adjusted capital ratio	9.0	9.9	9.5-10.0	9.5-10.0	9.5-10.0

All figures are S&P Global Ratings-adjusted. a--Actual. f--Forecast. NIM--Net interest margin.

Anchor: 'bbb+' Reflecting Apobank's Main Operations In Germany's Diverse And Resilient Economy

Under our Banking Industry Country Risk Assessment (BICRA), the anchor for banks operating primarily in Germany is 'bbb+', reflecting our economic risk assessment of '2' and our industry risk assessment of '4' (on a scale of 1-10, with '10' signifying the highest risk). We view the trends for economic risk and the industry risk as stable.

Our economic risk assessment considers that the German economy has a demonstrated ability to absorb large economic and financial shocks, based on its wealth and the government's ample flexibility for countercyclical measures, including substantial fiscal stimulus and additional wide-ranging support. Accordingly, our base-case scenario considers that economic risks for German banks are fairly limited by global standards, as German households, corporates, and public finances should be largely cushioned against the fallout related to geopolitical stresses. The stable economic risk trend signals our expectation that economic resilience, improved balance sheets, and higher capital buffers provide German banks with meaningful buffers against further economic deterioration.

While our industry risk assessment of Germany considers that the recent inflation-induced jump in interest rates has helped boost banks' net interest margins (NIMs) for now, we expect high competition will continue to weigh on the sector's longer-term profitability. We believe German banks operate in a highly competitive and structurally overbanked market. While pressure on NIMs has abated for now, we believe German banks still lag peers in terms of revenue diversification, cost efficiency, and digitalization.

Business Position: Under Increased Pressure But Market Leader In An Attractive Niche

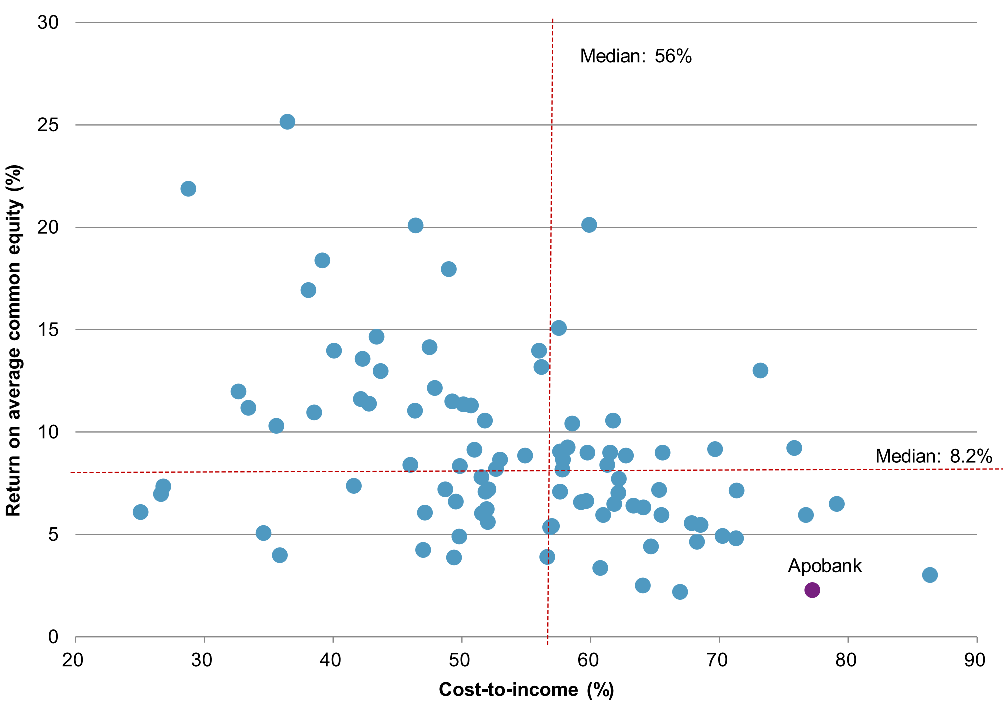
Considering strategic execution and managerial risks, we see Apobank's business position as a relative weakness for its standalone creditworthiness. Apobank remains the market leader in its niche segment of providing financial services to medical professionals. However, ever since its operations were seriously disrupted during the migration of its core banking IT systems in 2020, it has experienced increased customer pressure to restore the quality of its service offerings to previous levels. While operational stability has improved again in the meantime, restoration of lost customer satisfaction is a lengthy process with little room for error.

As a consequence, Apobank's management board experienced a complete overhaul. Under its new management, the bank significantly adjusted its strategy. It aims to focus its activities on its competitive strengths in servicing retail and small and midsize enterprise (SME) clients within the health care professions and on reducing or potentially exiting other business segments. Improvements in customer experience are another key strategic objective. To date, customers consider the bank's digital offerings in need of improvement, compared with peers'. Having said that, we think the bank's new management has taken appropriate steps to stabilize its franchise. However, the managerial overhaul might impede the execution of the new targets.

Profitability and cost efficiency metrics will remain below peers'. Apobank's return on average common equity stood at 2.26% in 2022 and its cost-to-income ratio was 77%, which is weak compared with both domestic and European peers (see chart 1). In the past, Apobank's monetization of its affluent clientele, particularly in terms of fee income generation, has been below potential. We expect the bank will continue to derive about three quarters of its revenues from net interest income. While the bank's dependency on high net interest income appears less of an issue following last year's rate hikes, limited diversification of revenue sources remains a constraining factor for the bank's business stability. Furthermore, we expect Apobank's cost base will remain elevated.

Chart 1

Apobank's profitability and efficiency metrics are below European peers
European top 100 banks and Apobank



Latest available year-end (2021 or 2022). Note axis cutoff excludes outliers included in median calculation.
Source: S&P Global Ratings.

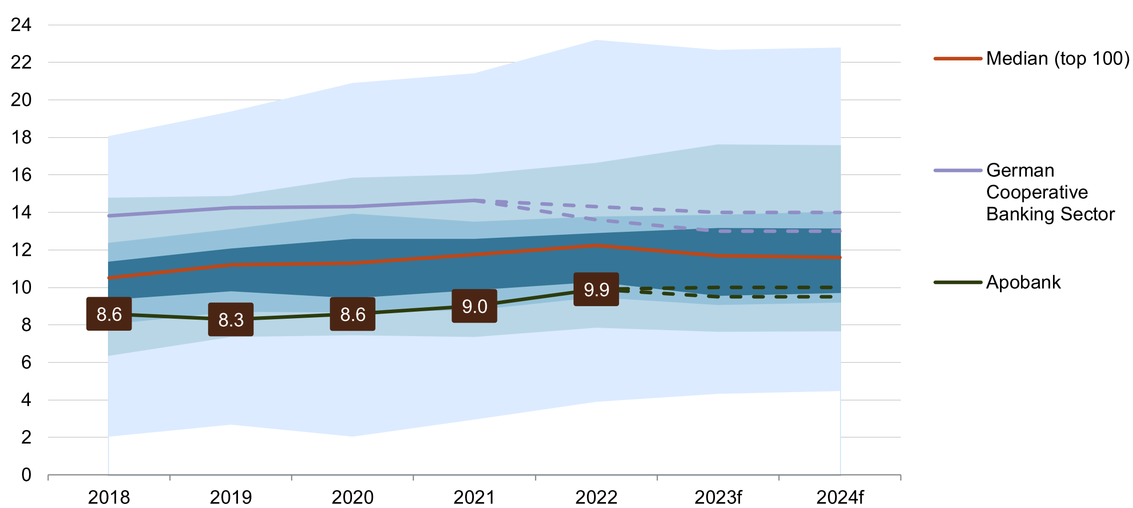
Apobank's business model and revenue streams are relatively narrow and subject to higher concentration risks. This is, in our view, somewhat balanced by the resilience of the German healthcare sector, demonstrated over multiple economic cycles, and the-–despite all operational turbulences-–well established franchise and strong market knowledge of Apobank.

Capital And Earnings: Neutral Factor On A Stand-Alone Basis, But New Rules Put Pressure On Future Regulatory Capital Ratios

We anticipate that Apobank's capitalization will remain a neutral factor on a stand-alone basis. This is demonstrated by our forecast that the bank's consolidated RAC ratio will be about 9.50%-10.00% over the next 18-24 months, after 9.95% as per year-end 2022. This is below the average capitalization of the consolidated German Cooperative Banking Sector and that of many other large European banks (see chart 2).

Chart 2

Apobank's capitalization is subpar to the German Cooperative Banking Sector and Europe's top 100 banks
S&P Global Ratings-adjusted RAC ratio before diversification (%)



Excludes top and bottom deciles. Colored bands indicate respective deciles--from dark to light--around the median bank (10th-20th percentile, 20th-30th percentile, etc.). Outliers (top and bottom decile) removed. Dashed lines indicate forecast ranges. f--Forecast. RAC--Risk-adjusted capital. Source: S&P Global Ratings.

Our forecast of a stable RAC ratio for Apobank is based on the following main assumptions:

- We expect more muted core business expansion due to the bank's strategic pivot toward retail and SME businesses and its reduction of previously pursued corporate banking activities over the next 12-24 months. We also expect continued strong competition for Apobank's affluent clientele.
- Despite relatively flat asset growth, we expect higher RWA growth, particularly in 2023, because of increased

economic risks to the German economy.

- In line with the European Central Bank's changing monetary policy, we expect upside for Apobank's NIM, which had been under pressure during the past ultra-low interest rate environment, toward and above 150 bps, from 145 bps in 2022 and 135 bps in 2021.
- Noninterest expenses, among others, are likely to increase due to ongoing strategic transformation costs and upward pressure on wages because of rising inflation expectations.
- Cost of risk will remain in line with historical values, at about 8 bps to 10 bps over the next one to two years.
- We expect the bank's dividend payout ratio will remain in line with historical averages of 75%-90%.

Future regulation might put pressure on Apobank's solid regulatory capital buffers. Its Tier 1 ratio stood at 15.8% as of year-end 2022. Apobank uses internal models to calculate its capital requirement and might be negatively affected by the agreed revisions to Basel III that still need to be translated into law. Therefore, the bank's future regulatory capital ratios might decline over the long term, but we do not currently think this will constrain the bank's development.

Apobank's capacity for earnings to cover our estimate of its normalized losses is relatively weaker than peers'. This capacity is measured by our earnings buffer metric, which we expect will remain below 5 bps of our estimate of Apobank's risk-weighted assets over the forecast horizon to the end of 2025. However, our positive view on Apobank's quality of earnings and financial flexibility offsets this weakness. This is due to the bank's high quality of capital, given that its total adjusted capital only comprises equity that is loss absorbing in all circumstances, and no hybrid instruments. We also include the bank's general risk reserves, as per section 340f of Germany's generally accepted accounting principles (GAAP), in total adjusted capital. Furthermore, we think Apobank has sufficient financial flexibility to strengthen its capital base if necessary, not least due to its membership in the Cooperative Banking Sector network.

Risk Position: Concentration In The Health Care Business With Solid Asset Quality

Apobank's focus on a single sector leads to higher concentration risks, compared with more diversified retail banks, in our view. Strategically, the bank's future risk profile will remain largely dependent on developments in the broader health care industry. In our view, this makes Apobank susceptible to regulatory changes that negatively affect the German health care sector. That said, we think the sector should experience long-term expansion due to Germany's aging population and the subsequent increasing importance of medical care.

For the same reason, we think Apobank's risk profile is less sensitive to the general economic cycle than that of larger commercial banks. The German health care market is relatively insulated from macroeconomic cycles and, particularly, financial market swings. This is underpinned by Germany's mandatory health insurance system. In our view, Apobank's good market knowledge and proximity to its customers also help mitigate concentration risks. The increase in its ratio of gross nonperforming assets to 3.1% in 2022, compared with 1.8% in 2021, was largely driven by a single corporate exposure and we continue to view Apobank's asset quality as generally solid.

Apobank's affluent clientele should cushion its asset quality against macroeconomic swings. We continue to expect that the loan portfolio will benefit from Apobank's focus on high-income borrowers, its long-standing experience within its niche segment, and a good proportion of residential mortgage collateral. Single-name concentrations in the bank's loan book are low, despite the expanding health care sector and sizable borrowers' demand for larger loans. Around 65% of Apobank's credit risk exposures are toward retail clients, including resident doctors and pharmacists with a generally high level of granularity, while 10% are toward corporate customers.

Funding And Liquidity: Apobank Benefits From Its Membership In The German Cooperative Banking Sector

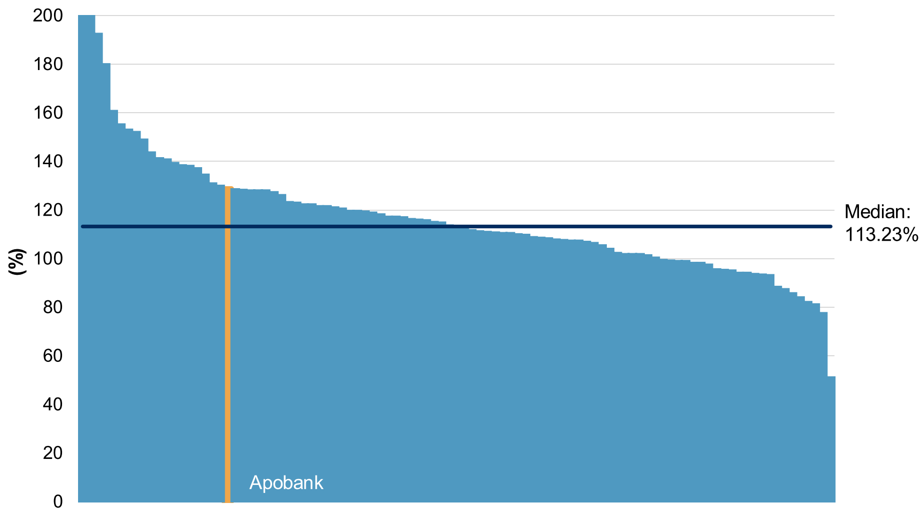
We continue to anticipate that Apobank's funding and liquidity will remain neutral for its standalone creditworthiness. The bank benefits from the Cooperative Banking Sector's comprehensive protection scheme and system of solidarity, underpinned by supportive measures for member banks. That said, Apobank acts relatively independently from the rest of the cooperative sector, not least because of its distinctive customer structure and brand name.

Apobank's funding benefits from the bank's retail branch network and close relationships with domestic institutional clients related to the health care sector. These provide a majority of customer deposits. Although this represents some concentration risk in funding, compared with pure retail deposit funding, we view positively the bank's funding profile and deposit stability, considering its historically close association with these customer groups. We also note the high volume of liquid assets that could offset sudden swings in deposits. Core deposits accounted for 65% of Apobank's funding base in 2022. At the same time, the bank's customer loan-to-deposit ratio increased to 113% at the end of 2022.

Apobank's stable funding ratio, a measure of our estimate of available stable funding over stable funding needs, was 129% at year-end 2022, versus 135% in 2021. This was slightly above the average of the bank's European peers (see chart 3). Apobank has access to diverse and stable funding sources, including the right to issue German covered bonds ("Pfandbriefe"). Asset-liability mismatches are immaterial in light of what we see as well-diversified funding sources that are appropriate for the bank's asset profile. With the complete repayment of targeted longer-term refinancing operations (TLTROs) at year-end 2022, which we had already counted as short-term funding considering its opportunistic nature, Apobank's ratio of broad liquid assets over short-term wholesale funding has improved substantially to 7.68x, compared with 2.68x in 2021. Going forward, we expect the ratio will return to somewhat lower levels around 3x-4x, which are more in line with historical levels.

Chart 3

Apobank's stable funding ratio is slightly stronger than that of most European top 100 banks



Note: y-axis cut off at 200, excludes outliers. Data is as of 2021 and 2022, depending on the latest availble financials. Source: S&P Global Ratings.

Support: Five Notches Of Uplift As A Core Group Member Of Germany's Cooperative Banking Sector

The 'A+' long-term issuer credit rating on Apobank is five notches higher than its 'bbb-' stand-alone credit profile (SACP) because we align the rating with that on the German Cooperative Banking Sector. This is based on our view of Apobank as a core strategic member of the Cooperative Banking Sector, according to our group rating methodology.

This five-notch uplift from Apobank's SACP incorporates our expectation that, under any foreseeable circumstances, Apobank would likely receive additional extraordinary support from the German Cooperative Banking Sector if needed. Our group classification is based on Apobank's membership in the Cooperative Banking Sector's protection scheme.

Although we regard Apobank's importance to the German banking system as moderate, we do not incorporate any notches of uplift for additional loss-absorbing capacity. We consider group support to be the strongest support element in our ratings on individual group members.

Environmental, Social, And Governance

ESG Credit Indicators

E-1	**E-2**	E-3	E-4	E-5	S-1	**S-2**	S-3	S-4	S-5	G-1	G-2	**G-3**	G-4	G-5

- N/A	- N/A	- Governance structure

N/A--Not applicable. ESG credit indicators provide additional disclosure and transparency at the entity level and reflect S&P Global Ratings' opinion of the influence that environmental, social, and governance factors have on our credit rating analysis. They are not a sustainability rating or an S&P Global Ratings ESG Evaluation. The extent of the influence of these factors is reflected on an alphanumerical 1-5 scale where 1 = positive, 2 = neutral, 3 = moderately negative, 4 = negative, and 5 = very negative. For more information, see our commentary "ESG Credit Indicators: Definition And Applications," published Oct. 13, 2021.

Governance factors are a moderately negative consideration in our analysis of Apobank, while environmental and social factors are neutral to our assessment of Apobank. We consider the composition and relative minority of independent supervisory board members with sufficient banking expertise as a relative weakness. Although the significant managerial overhaul over the past two years has sharpened the bank's strategic objectives, overall execution, particularly strengthening the franchise and profitability, may be at risk due to the scope of the managerial changes.

We view positively its entrenchment within the medical profession and continued application of cooperative principles that require all cooperative banks, including Apobank, to support their owners' economic, social, and cultural interests. We think this supports the stronger alignment of the owners' interests with those of management and customers and, thus, reduces incentives for myopic business behavior at the expense of any stakeholder.

Key Statistics

Table 1

Deutsche Apotheker- und Aerztebank eG--Key figures

	--Year-ended Dec. 31--				
(Mil. €)	**2022**	**2021**	**2020**	**2019**	**2018**
Adjusted assets	54,052.0	67,220.8	59,272.7	49,464.1	45,313.9
Customer loans (gross)	37,243.6	38,015.0	38,539.3	37,555.0	34,914.5
Adjusted common equity	2,897.7	2,634.0	2,579.4	2,485.4	2,388.2
Operating revenues	974.5	893.0	961.3	885.5	812.5
Noninterest expenses	752.9	734.9	739.9	697.5	614.7
Core earnings	119.5	125.0	139.6	134.5	117.3

Table 2

Deutsche Apotheker- und Aerztebank eG--Business position

	--Year-ended Dec. 31--				
(%)	**2022**	**2021**	**2020**	**2019**	**2018**
Total revenues from business line (currency in millions)	974.5	893.0	961.3	885.5	830.2
Commercial and retail banking/total revenues from business line	100.0	100.0	100.0	100.0	100.0
Return on average common equity	2.3	2.3	2.4	2.5	2.6

Table 3

Deutsche Apotheker- und Aerztebank eG--Capital and earnings

	--Year-ended Dec. 31--				
(%)	**2022**	**2021**	**2020**	**2019**	**2018**
Tier 1 capital ratio	15.8	15.9	16.3	15.2	16.7
S&P Global Ratings’ RAC ratio before diversification	9.9	9.0	8.6	8.3	8.6
S&P Global Ratings’ RAC ratio after diversification	8.9	8.0	7.5	7.4	7.6
Adjusted common equity/total adjusted capital	100.0	100.0	100.0	100.0	100.0
Net interest income/operating revenues	76.7	73.7	73.7	74.6	76.0
Fee income/operating revenues	18.9	21.6	19.2	19.8	20.3
Market-sensitive income/operating revenues	0.1	1.1	3.5	1.9	0.3
Cost-to-income ratio	77.3	82.3	77.0	78.8	75.7
Preprovision operating income/average assets	0.4	0.2	0.4	0.4	0.5
Core earnings/average managed assets	0.2	0.2	0.3	0.3	0.3

Table 4

Deutsche Apotheker- und Aerztebank eG--Risk-adjusted capital framework data

(€ 000s)	**Exposure***	**Basel III RWA**	**Average Basel III RW(%)**	**S&P Global Ratings' RWA**	**Average S&P Global Ratings' RW (%)**
Credit risk					
Government & central banks	10,393,159	2,208	--	118,695	1
Of which regional governments and local authorities	2,712,075	2,208	--	97,635	4
Institutions and CCPs	5,509,365	642,298	12	1,064,748	19
Corporate	6,404,543	3,765,643	59	3,859,291	60
Retail	40,903,226	7,921,171	19	18,871,820	46
Of which mortgage	14,239,365	1,630,489	11	2,873,504	20
Securitization§	--	--	--	--	-
Other assets†	203,691	203,787	100	183,322	90
Total credit risk	63,413,984	12,535,107	20	24,097,877	38
Credit valuation adjustment					
Total credit valuation adjustment	--	13,723	--	-	--
Market Risk					
Equity in the banking book	407,765	762,690	187	3,199,605	785
Trading book market risk	--	-	--	-	--
Total market risk	--	762,690	--	3,199,605	--

Table 4

Deutsche Apotheker- und Aerztebank eG--Risk-adjusted capital framework data (cont.)

Operational risk					
Total operational risk	--	1,436,965	--	1,830,676	--
(€ 000s)	**Exposure**	**Basel III RWA**	**Average Basel II RW (%)**	**S&P Global Ratings' RWA**	**% of S&P Global Ratings' RWA**
Diversification adjustments					
RWA before diversification	--	14,751,658	--	29,128,158	100
Total Diversification/ Concentration Adjustments	--	--	--	3,453,104	12
RWA after diversification	--	14,751,658	--	32,581,262	112
(€ 000s)		**Tier 1 capital**	**Tier 1 ratio (%)**	**Total adjusted capital**	**S&P Global Ratings' RAC ratio (%)**
Capital ratio					
Capital ratio before adjustments		2,331,000	15.8	2,897,670	9.9
Capital ratio after adjustments‡		2,331,000	15.8	2,897,670	8.9

*Exposure at default. §Securitization exposure includes the securitization tranches deducted from capital in the regulatory framework. †Exposure and S&P Global Ratings' risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions. ‡Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital. Sources: Company data as of Dec. 31, 2022, S&P Global Ratings.

Table 5

Deutsche Apotheker- und Aerztebank eG--Risk position

	--Year-ended Dec. 31--				
(%)	**2022**	**2021**	**2020**	**2019**	**2018**
Growth in customer loans	-2.0	-1.4	2.6	7.6	8.2
Total diversification adjustment/S&P Global Ratings' RWA before diversification	11.9	12.4	14.2	12.3	12.8
Total managed assets/adjusted common equity (x)	18.7	25.6	23.0	20.0	19.0
New loan loss provisions/average customer loans	0.0	-0.1	0.1	0.0	0.1
Net charge-offs/average customer loans	N.M.	N.M.	N.M.	N.M.	N.M.
Gross nonperforming assets/customer loans + other real estate owned	3.1	1.8	1.6	1.3	1.3
Loan loss reserves/gross nonperforming assets	20.3	33.1	47.8	55.9	58.4

RWA--Risk-weighted assets. N.M.--Not meaningful.

Table 6

Deutsche Apotheker- und Aerztebank eG--Funding and liquidity

	--Year-ended Dec. 31--				
(%)	**2022**	**2021**	**2020**	**2019**	**2018**
Core deposits/funding base	64.9	56.3	57.0	60.4	61.1
Customer loans (net)/customer deposits	112.5	104.8	119.4	133.3	133.9
Long-term funding ratio	96.6	86.0	97.4	95.0	95.0
Stable funding ratio	128.8	135.5	136.8	113.8	113.2
Short-term wholesale funding/funding base	3.6	14.6	2.7	5.3	5.3
Regulatory net stable funding ratio	126.8	133.3	117.9	N/A	N/A
Broad liquid assets/short-term wholesale funding (x)	7.7	2.7	11.7	3.7	3.5

Table 6

Deutsche Apotheker- und Aerztebank eG--Funding and liquidity (cont.)					
	--Year-ended Dec. 31--				
(%)	**2022**	**2021**	**2020**	**2019**	**2018**
Broad liquid assets/total assets	26.0	37.1	29.6	18.0	17.3
Broad liquid assets/customer deposits	42.9	69.4	55.0	32.0	30.3
Net broad liquid assets/short-term customer deposits	38.8	45.4	52.5	24.4	22.7
Regulatory liquidity coverage ratio (LCR) (x)	206.3	270.8	185.7	N/A	N/A
Short-term wholesale funding/total wholesale funding	10.3	33.4	6.3	13.4	13.5
Narrow liquid assets/3-month wholesale funding (x)	10.2	37.8	20.6	8.5	6.6

N/A--Not applicable.

Deutsche Apotheker- und Ärztebank eG--Rating component scores	
Issuer Credit Rating	**A+/Stable/A-1**
SACP	bbb-
Anchor	bbb+
Economic risk	2
Industry risk	4
Business position	Moderate
Capital and earnings	Adequate
Risk position	Moderate
Funding	Adequate
Liquidity	Adequate
Comparable ratings analysis	0
Support	0
ALAC support	0
GRE support	0
Group support	+5
Sovereign support	0
Additional factors	0

ALAC--Additional loss-absorbing capacity. GRE--Government-related entity. SACP--Stand-alone credit profile.

Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions , March 2, 2022
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions , Dec. 9, 2021
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology , Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings , Oct. 10, 2021
- General Criteria: Group Rating Methodology , July 1, 2019
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology , July 20, 2017

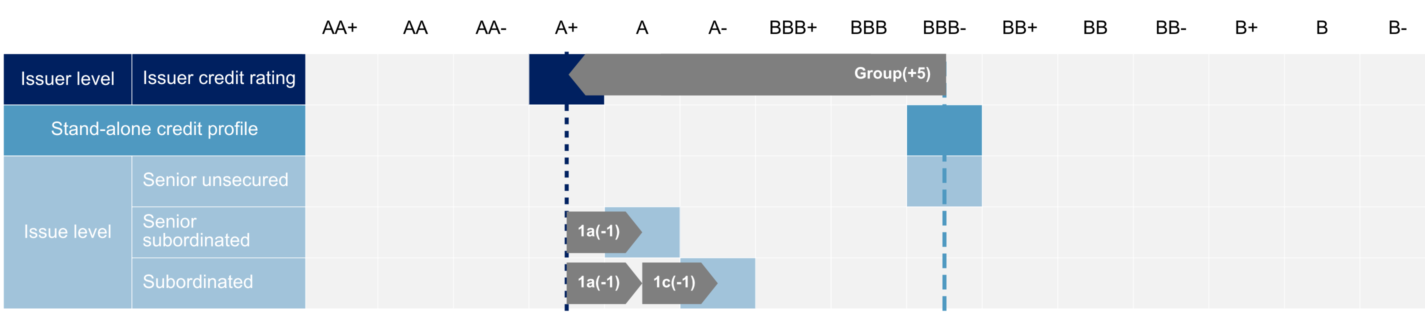
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings , April 7, 2017
- General Criteria: Principles Of Credit Ratings , Feb. 16, 2011

Related Research

- Banking Industry Country Risk Assessment: Germany, June 6, 2023
- Robust German Banking Industry Weathers Increased Geopolitical Economic Risk, Feb. 16, 2023
- Cooperative Banking Sector Germany Members Affirmed At 'A+/A-1' On Resilience To Worsening Macroeconomy; Outlook Stable, Dec. 14, 2022

Appendix

Deutsche Apotheker- und Aerztebank eG: Notching



Key to notching

- ----- Group stand-alone credit profile
- ------ Issuer credit rating
- Group — Group support
- 1a — Contractual subordination
- 1c — Mandatory contingent capital clause or equivalent

Note: The number-letter labels in the table above are in reference to the notching steps we apply to hybrid capital instruments, as detailed in table 2 of our "Hybrid Capital: Methodology And Assumptions" criteria, published on March 2, 2022.

Ratings Detail (As Of July 6, 2023)*	
Deutsche Apotheker- und Aerztebank eG	
Issuer Credit Rating	A+/Stable/A-1
Commercial Paper	
Local Currency	A-1
Senior Secured	AAA/Stable
Senior Subordinated	A
Senior Unsecured	A+
Short-Term Debt	A-1
Subordinated	A-

Ratings Detail (As Of July 6, 2023)*(cont.)	
Issuer Credit Ratings History	
24-Jun-2021	A+/Stable/A-1
17-Sep-2019	AA-/Negative/A-1+
05-Dec-2011	AA-/Stable/A-1+
Sovereign Rating	
Germany	AAA/Stable/A-1+

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.