



## Research Report (Anno)

### UmweltBank AG



**Return to profitability expected after transformation year 2024**  
**Realignment bears fruit**  
**Interest margin expected to bottom out**

**Target price: € 9.60**

**Rating: BUY**

**IMPORTANT NOTE:**

Please note the disclaimer/risk warning  
and the disclosure of potential conflicts of interest in accordance with Section 85 WpHG and Art. 20 MAR from page 23

Notice pursuant to MiFID II regulation for research "Minor Non-Monetary Contribution": This research meets the requirements for classification as "Minor Non-Monetary Contribution". For further information, please refer to the disclosure under "I. Research under MiFID II".

## UmweltBank AG\*1;4;5a;6a;7;11

**Rating: BUY**

**Target price: € 9.60**  
**(previously: € 9.60)**

Current price: € 6.44  
25.06.24 / XETRA / 05:36 pm  
Currency: EUR

**Key data:**

ISIN: DE0005570808  
WKN: 557080  
Stock exchange symbol:  
UBKG  
Number of shares<sup>3</sup>: 35.66  
Marketcap<sup>3</sup>: 229.65  
in million / in million EUR  
Free float: 85 %

Transparency level:  
Regulated unofficial market  
Market segment: m:access  
Accounting: HGB

Financial year: 31.12.

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### Company profile

Industry: financial services

Focus: ecological investments, financing  
environmentally friendly projects

Employees: 354 (31.12.2023)

Foundation: 1997

Company headquarters: Nuremberg

Board of Directors: Goran Bašić, Dietmar von Blücher,  
Heike Schmitz

UmweltBank AG stands for banking transactions with ecological and social responsibility. It offers investors transparent ecological investments and supports private individuals and commercial customers throughout Germany by financing environmentally friendly projects. By exclusively offering a green product range, UmweltBank AG consistently implements its ecological orientation. In addition to the traditional savings account, the company also offers green fund products and finances green projects. UmweltBank AG operates as a direct bank without the traditional branch business. Over 25,000 loan projects have been supported since the bank was founded in 1997. At the end of 2023, environmental loans (including open commitments) totalled EUR 3.7 billion. The vast majority of the loan volume consists of solar energy financing, residential property and wind power projects.



Income statement in € m	FY 2022	FY 2023	FY 2024e	FY 2025e	FY 2026e
Interest result	58.79	41.11	42.40	48.54	56.71
Financial result	24.83	7.17	8.50	12.50	13.75
Net commission and trading income	9.35	9.05	10.39	12.75	13.07
Earnings before taxes	39.21	1.09	-15.90	5.75	20.49
Earnings after taxes	30.55	0.76	-10.81	3.91	13.93

Key figures in EUR	FY 2022	FY 2023	FY 2024e	FY 2025e	FY 2026e
EPS	0.86	0.02	-0.30	0.11	0.39
Dividend per share	0.33	0.00	0.00	0.00	0.16

Key balance sheet figures in € million	FY 2022	FY 2023	FY 2024e	FY 2025e	FY 2026e
Total capital	528.90	532.20	521.39	525.30	533.66
Return on capital (before taxes)	5.9%	0.1%	-2.1%	0.7%	2.6%
Cost-income ratio	58.0%	98.1%	125.6%	92.3%	75.7%

Financial dates
13.08.2024: Annual General Meeting
19.08.2024: Half-year figures 2024

**Latest research from GBC:
Date: Publication / Target price in EUR / Rating
26/03/2024: RS / 9.60 / BUY
14.08.2023: RS / 13.80 / BUY
17.07.2023: RS / 14.40 / BUY
27.02.2023: RS / 14.65 / BUY
** The research studies listed above can be viewed at <a href="http://www.gbc-ag.de">www.gbc-ag.de</a> or requested from GBC AG, Halderstr. 27, D86150 Augsburg, Germany

\* Catalogue of possible conflicts of interest on page 24

## EXECUTIVE SUMMARY

- With the publication of their 2023 Annual Report, UmweltBank AG has confirmed the preliminary figures published in March. As previously announced, new lending business declined and was down from the previous year at € 459 million (previous year: € 623 million). One reason for this was the increase in the capital surcharge to 3.7% (31.12.22: 1.5%), which prevented a higher level of new lending.
- In addition to lower growth momentum in loans, further decline in the interest margin also led to an expected fall in net interest income to € 41.11 million (previous year: € 58.79 million). As the deposit business has a shorter duration, it reacts more strongly to interest rate increases, which led to higher interest expenses. In addition, interest expenses for funds borrowed from the ECB and KfW, which also represent an important refinancing block for UmweltBank AG, also increased. Parallel to the decline in net interest income, the financial result fell significantly to € 7.17 million (previous year: € 24.83 million). This represents a normalisation, after the previous year's figure was strongly positively influenced by the sale of an investment in a wind farm company amounting to around € 20 million.
- The sharp decline in income was accompanied by an equally sharp rise in costs in the 2023 financial year, which led to a significant decline in EBT to € 1.10 million (previous year: € 39.21 million). The main reason for the increase in costs was the change in the core banking system, which was associated with extraordinary expenses of € 10.14 million. In addition, UmweltBank AG recorded a significant increase in personnel costs.
- The current 2024 financial year is to be regarded as a year of transformation. This is due to the fact that further investments in technology and the organisational structure are planned. In addition, the focus will be on expanding private customer deposits, which will be accompanied by increased marketing expenditure. The company will also continue to push ahead with digitalisation in the current financial year and invest more in this area. The investments and subsequent costs in connection with the migration of the core banking system totalling € 4 million are expected to lead to earnings before taxes of € -15 million and € -20 million respectively.
- The higher costs are offset by a turnaround in the interest and financial result. UmweltBank AG has focussed on expanding its deposit business with private customers, which is already bearing fruit. In the first three months of 2024, around 8,000 new customers and customer deposits totalling around € 250 million were acquired. Their aim is to reach the 500,000 customer mark by 2028. Increasing customer deposits should enable an expansion of the lending business on the one hand and, in particular, generate interest income from the investment of customer funds (ECB; bonds) on the asset side.
- In future, their lending business will focus on corporate customers. New business of € 250 million is expected for the current financial year. New lending business is to be increased by releasing capital tied up in equity investments. In addition, the capital surcharge should return to normal levels once the regulatory requirements have been met, which will also enable an increase in new lending business. The gross volume of new business is expected to increase to over € 1.0 billion by 2028. Net interest income from the lending business should also improve in line with the expected increase in the interest margin. The expiry of low-interest loans and the expected stable interest rate trend should contribute to this.

- The financial result should increase in the coming financial years, not least due to the continuous reduction in the investment business. Two wind farm investments and one property investment were already sold at a profit in the first quarter of 2024. Further disposals are planned on an opportunistic basis. Net commission and trading income should also benefit from rising customer deposits and also increase slightly.
- Following a significant increase in total costs in the 2024 financial year, a rapid return to profitability is expected from the coming 2025 financial year. We expect EBT of € 5.75 million for the coming 2025 financial year (2024: € -15.90 million) and EBT of € 20.49 million for the 2026 financial year.
- We have valued UmweltBank AG using a residual income method and determined a fair value of €9.60 per share. Based on the current share price of € 6.44, we continue to assign a BUY rating.

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## ESG ANALYSIS

### ESG/Sustainability check

In addition to increasing regulatory aspects (keyword: EU taxonomy, disclosure regulation, etc.), the topic of sustainability has another, no less important dimension for CEOs: today, sustainability and transparency play a supporting role in the valuation of a company on the capital market and are decisive for the investment decisions of institutional investors - both for shares and bonds. Against this background, we subjected **UmweltBank AG** to a sustainability check based on our standardised and proprietary sustainability questionnaire in order to create a company-specific ESG profile and to screen concrete sustainability-oriented corporate activities.

**ESG profile:** Sustainability-oriented business and management activities of the company

#### E - Contribution to environmental and climate protection (sustainability management)

- ❖ UmweltBank exclusively finances projects and invests in companies (impact investing) that contribute to one or more of the 17 UN sustainability goals and at the same time do not violate its own exclusion criteria.
- ❖ Sustainable investment: according to Article 9 of the EU Disclosure Regulation, UmweltSpektrum funds belong to so-called dark green funds. These are only made up of financial products that demonstrably make a positive contribution to the UN's sustainability goals.
- ❖ Since 1997, the company has already financed over 25,000 environmental projects ranging from sustainable construction to renewable energy.
- ❖ The bank's operations saved approx. 1,340,000 tonnes of CO<sub>2</sub> in 2023 alone.
- ❖ Energy efficiency systems/concepts are used and IT equipment has been converted to green IT hardware equipment.
- ❖ UmweltBank supports environmental organisations.
- ❖ Sustainable furniture, pens, paper, etc. are used for office equipment.
- ❖ All products offered to customers meet sustainability criteria



#### S - Measures for a sustainable working environment and staff development

- ❖ Awarded the "**Fair Company 2023**" seal of quality in the area of junior staff development. This makes UmweltBank one of the companies that offers young acadhttps://www.umweltbank.de/aktuelles/auszeichnungenemics, in particular, a challenging and development-oriented working environment.
- ❖ Extensive range of free training and educational opportunities such as IT training, language courses and other needs-based support and further education measures for employees
- ❖ Child support such as daycare centre allowance or childcare allowance
- ❖ Flexitime / flexible working hours
- ❖ Part-time positions for employees
- ❖ Home office / remote work
- ❖ Health offers, such as back-training programmes or stress seminars
- ❖ Free public transport for employees
- ❖ High proportion of women in management positions (40%)
- ❖ No sales-related commissions, which means that customer service is offered without conflicts of interest



### G - Corporate Governance (Sustainable Corporate Governance)

- ❖ The company is a member of the "**Global Alliance for Banking on Values**". This is an international network of leading sustainability banks. The aim of the organisation is to make the banking system more transparent and sustainable.
- ❖ UmweltBank AG is fully committed to the ten principles of the UN Global Compact.
- ❖ The bank's business model is fully aligned with environmental protection and sustainability. Accordingly, the Executive Board manages the company not only through financial KPIs, but also through environmental-guarantee fulfilment.
- ❖ **Renewed distinction as a sustainable investment:** the company again received a "**Prime**" **B** rating in the ISS-ESG sustainability rating for the 2021 financial year. This makes UmweltBank one of the pioneers in the "Financials/Specialised Finance" sector.



**UmweltBank AG is a pioneer in the field of sustainability-oriented project financing (environmental and climate protection) and impact investing (sustainable investment). The elementary consideration of sustainability factors in project financing and in the investment process within the framework of sustainable investment ensures "green" and cycle-oriented capital flows, with impact within the framework of the UN's announced climate and environmental goals. The company is therefore fully focused on environmental protection and sustainability.**

### SDG Reference

#### Company-specific contribution to the 17 UN sustainable development goals (excerpt)

UmweltBank AG makes a significant contribution to Goals 5, 7, 11, 12 and 13. Thus, the company actively contributes to the fulfilment of **five of the 17** UN sustainability goals. It is thus clear that the consideration of sustainability aspects is an essential part of their business model and corporate strategy and that the topic of sustainability has an immanent significance in the orientation of the business activities (financial sector) of UmweltBank AG.



**IMPACT:** As a pioneer in the field of sustainable investing (green investing), UmweltBank AG makes a significant contribution to the following UN sustainable development goals.

**SDG5: Gender equality**

- 55% of employees are women
- 40% of managers are women

**SDG7: Affordable and clean energy**

- Renewable energies account for 57% of the projects financed
- 2023: 7% of Germany-wide expansion in the photovoltaic sector (> 500 kWp) financed

**SDG 11: Affordable cities and communities**

- Affordable, ecological construction accounts for 38% of financed projects
- 2023: affordable housing for over 500 people and childcare places for around 80 people financed

**SDG 12: Sustainable consumption and production**

- Self-disclosure on the sustainability performance of suppliers and service providers

**SDG 13: Climate action**

- Recording and improving environmental performance as part of EMAS
- 1,340,000 tonnes of CO<sub>2</sub> saved

**In summary, UmweltBank AG makes an active contribution to achieving the UN's sustainability goals. This ensures an investment in a sustainably-operating company and is thus well suited for a sustainability-oriented (ESG-compliant) portfolio. UmweltBank offers investors the opportunity to actively invest in the rapidly growing segment of sustainable investment and impact investing. In this context, the increased environmental awareness and intact sustainability management of UmweltBank AG represents an ideal ESG/impact investment.**

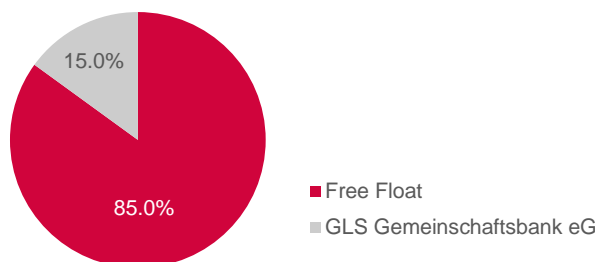


## COMPANY

### Shareholder structure

Shareholders as at 31 December 2023	
GLS Gemeinschaftsbank eG	15 %
Free float	85 %

Sources: UmweltBank AG; GBC AG



### Ecological core idea

According to its own information, UmweltBank AG is the only bank in Germany that has anchored the ecological aspect of its business activities in its articles of association. Its lending activities focus on solar energy, wind power and low-energy construction. UmweltBank AG invests exclusively in sustainable projects and all third-party products offered to customers must be ecologically or socially orientated. Accordingly, both ecological and economic aspects play an important role in the credit decision, whereby a self-developed environmental rating is used:

As the customer deposits are used entirely to finance and promote environmental projects, there is an environmental guarantee. This states that every euro of customer deposits will be used in line with the SDGs. To this end, the bank issues environmental guarantees and ensures that savings deposits and equity are used exclusively to finance environmental projects.

### Product range

#### *Private customers*

UmweltBank AG's product range in the private customer business previously also included the area of private construction financing. As part of their strategic realignment, the private mortgage lending business will no longer be actively expanded in future; the future focus will be on expanding their deposit business with private customers. New customer acquisition has been stepped up since the migration of the core banking system in October 2023 and the company has been successful in this area. The number of customers increased from around 132,000 at the end of 2023 to 140,000 at the end of the first quarter of 2024. Both digital marketing activities and improved conditions for savings products have contributed to this. The number of customers is expected to increase to around 500,000 by 2028, i.e. by around 75,000 per year.

The product range in the private customer business comprises the traditional deposit business, primarily overnight and fixed-term deposits. As described above, customer deposits are used exclusively for sustainable environmental projects.

In addition, the brokerage product area also covers the securities investment business. Following the migration of the core banking system, customers can now handle the entire application process digitally, which opens up additional potential for new customers. The UmweltBank custody account is completely ecological and free of charge. It only contains securities that fulfil the bank's sustainability criteria. For example, the UmweltBank ETF, an accumulating equity ETF, is a new addition to the custody account offering.

UmweltBank's securities also include the funds of the UmweltSpektrum family. The UmweltSpektrum Mensch focuses on the topics of "health and well-being", "no poverty" and

"no hunger". UmweltSpektrum Natur aims to make an active contribution to environmental protection. The UmweltSpektrum Mix, the first fund in the UmweltSpektrum family, only holds assets that make a positive contribution to the UN's 17 sustainability goals. The fund assets of the three funds currently total around € 132 million.

### ***Corporate clients***

In future, the lending business will be offered exclusively to corporate customers. The focus will be on financing sustainable projects in the field of renewable energies (photovoltaics, wind power, energy storage systems) and in the field of sustainable real estate (social real estate, commercial real estate, residential real estate). The financing of energy storage systems has not previously been a focus and is therefore a new business area.

UmweltBank AG's team of advisors has particularly strong expertise in the credit segments. It should be emphasised that UmweltBank AG's loans are generally extensively collateralised. In addition to mortgage collateralisation for real estate financing, assignments of future income from projects, for example, are used as collateral. The syndicated loan business and thus the financing of large-scale projects is also currently being expanded.

## MARKET AND MARKET ENVIRONMENT

The business development of UmweltBank AG depends primarily on the general interest rate environment, which significantly influences both the willingness to lend and the demand for loans. Based on its exclusive lending activities in the areas of wind energy, solar energy and eco-social construction, UmweltBank AG is also exposed to other specific market influences.

### General interest rate environment

In response to the rise in the inflation rate with the start of the war in Ukraine, the European Central Bank has raised its key interest rate. Since July 2022, the ECB has significantly raised the key interest rate from 0.00% to up to 4.50% in ten stages. However, as the inflation rate (May 2024: 2.4%) has recently approached the target value of 2.0% again, the ECB has lowered the key interest rate slightly to 4.25% in a first step. Compared to the period before the start of the war in Ukraine, the interest rate level is still high.

In principle, the departure from the low interest rate policy means more expensive refinancing for UmweltBank AG, but this should be passed on to customers in new business and follow-up financing. In an environment of rising interest rates, an increase in the historically low interest margin can therefore be expected. In the low interest rate environment, for example, the interest margin of German savings banks has fallen to 1.31% in 2021. In 2007, before the outbreak of the financial crisis, it was still 2.06% (source: Deutsche Bundesbank).

However, the development of the borrowing sectors is likely to be highly relevant for UmweltBank AG's new business.

### Development of the most important borrower sectors

In line with the structure of the lending business, the sectors primarily addressed by UmweltBank AG are the ecologically-oriented areas of solar energy, wind power and the financing of ecological owner-occupied homes, building cooperatives and rental and commercial properties.

#### Ecological and social housing

As at the balance sheet date of 31 December 2023, around 38% of UmweltBank AG's total outstanding loan volume was attributable to loans in the area of sustainable real estate. Here, the company finances ecological and affordable housing and is one of the leading financiers of building cooperatives, i.e. non-profit housing projects.

The volume of new business in private construction financing in Germany declined significantly last year. According to Bundesbank statistics, the volume of new business in residential construction loans fell significantly by 37.2% to € 72.19 billion (previous year: € 114.97 billion). This was the first time since 2014 that the figure fell below the € 100 billion mark. This is also reflected in UmweltBank AG's figures. The bank also suffered a decline in demand in the area of property financing, which was also reflected in a lower volume of new business.

One key aspect of this development is the noticeable increase in financing costs. For residential construction loans with an initial fixed interest rate of more than 10 years, an average of 3.64% was charged in 2023 (2022: 2.55%). The significant increase in the cost of loans is particularly evident when compared to the figures for 2019 to 2021, when the

effective interest rate averaged only between 1.17% and 1.51%. However, a positive signal can be derived from the interest rate trend during the year. In December 2023 in particular, the downward trend of the previous months continued and the effective interest rate reached its lowest level of the last 12 months at 3.47%.

In addition to higher financing costs, the rise in construction prices in recent years has also had an impact on new residential construction, this in combination with bottlenecks in labour and materials. According to the Federal Statistical Office, the construction price index for construction work on buildings stood at 160.3 at the end of 2023, up 12.5 points on the previous year. Even though the pace of cost increases has slowed recently, the increase in construction prices in the fourth quarter of 2023 was still well above the average of recent years at 4.3

Together with general inflation and the uncertain economic situation, this is leading to a significant deterioration in the business climate in residential construction. At -56.8 in December 2023, the business climate in residential construction surveyed by the ifo Institute reached its worst value since the survey began in 1991. The outlook for the current year is therefore assessed as negative. In December 2023, a relevant proportion (22.1%) of companies had to contend with order cancellations, which added to the already poor order situation.

### **Photovoltaics**

The photovoltaic industry continued its growth trajectory in 2023. According to the industry association BSW (German Solar Industry Association), newly installed capacity almost doubled year-on-year to around 14 GWp (2022: 7.5 GWp). The previous record year was 2012 with 8.2 GWp, meaning that a new installation record was set in 2023. The German government's expansion target for 2023 was 9.0 GWp and was therefore significantly exceeded.

Solar Package I is intended to reduce bureaucracy in the construction and operation of photovoltaic systems and further accelerate their expansion. This is with a view to the year 2032, when at least 80% of electricity consumption is to come from renewable energies according to the EEG. Germany has also set itself the goal of becoming greenhouse gas neutral by 2045. In the first half of 2023, the share of renewable energies was still 52%. In order to achieve this goal, the German government has formulated expansion targets. The aim is to achieve 13 GWp in 2024, 18 GWp in 2025 and a tripling of the expansion capacity to 22 GWp per year from 2026.

PV systems with an installed capacity of 215 GW are to be connected to the grid by 2030. In order to achieve this expansion path, in addition to accelerating approval procedures and expanding the possible installation areas, higher tender volumes, higher remuneration rates for solar installations and an expansion of the eligibility of installations for subsidies have been decided. Against this backdrop, UmweltBank AG expects demand for solar project financing to remain high in the future.

### **Wind energy**

The third pillar of UmweltBank AG's lending business is the financing of wind energy projects. Similar to the photovoltaic sector, the wind energy industry is particularly dependent on government framework conditions, which on the one hand provide for the promotion of expansion, but on the other hand also significantly influence the pace of expansion at the regulatory level. For example, the EEG 2023 stipulates that the installed capacity of on-shore wind energy should increase to up to 115 GW by the end of 2030. According to the German Wind Energy Association (BWE), installed capacity totalled around 61.0 GW at the end of 2023. Installed capacity is expected to increase to 115 GW by the end of 2030.

This corresponds to an average annual increase of 7.7 GW, which is equivalent to the installation of around 1,600 wind turbines per year.

In 2023, the expansion was only 3.6 GW and therefore still significantly below the planned expansion for the coming years. Although an increase in newly installed capacity was achieved in 2023 compared to the previous year (2022: 2.4 GW), the gap to the target value is still clearly visible. In order to remain on the expansion path, the German government has decided on a series of measures. These include the promotion of wind expansion in less windy locations (e.g. southern Germany) and the further development of financial regulations for the participation of local authorities. In addition, wind projects from community energy companies will no longer have to participate in tenders but will automatically receive remuneration. The "Onshore Wind Energy Act" is also intended to speed up planning and approval procedures and set area targets for the expansion of wind energy for the federal states. By 2032, the federal states are to have designated 2% of their land area for wind energy. At present, only 0.8 % of the area nationwide has been designated for the construction of wind turbines.

## BUSINESS DEVELOPMENT 2023

in € m	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Interest result	51.00	52.10	63.24	58.79	41.11
Net commission and trading income	5.08	5.15	9.42	9.35	9.05
Financial result	6.12	3.38	2.97	24.83	7.17
Administrative expenses	21.64	27.07	33.67	41.45	57.13
EBT <sup>2</sup>	37.61	37.85	38.09	39.21	1.09
EAT <sup>2</sup>	25.92	26.50	25.37	30.55	0.76

Sources: UmweltBank AG; GBC AG;<sup>1</sup> from shares, equity investments and shares in affiliated companies; other income;<sup>2</sup> before allocation to the fund for general banking risks

### Income development 2023

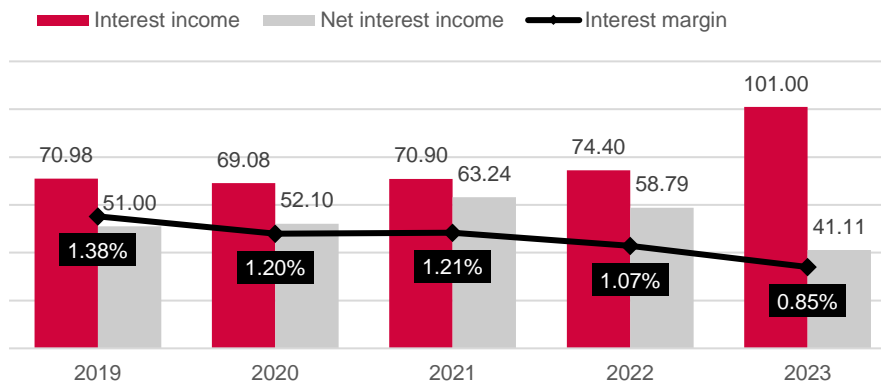
UmweltBank AG had already presented preliminary figures for the past financial year 2023 on 18 March 2024, which have now been confirmed in this annual report. As already known, the past financial year was characterised by a decline in new lending business (gross), which at around € 459 million (previous year: € 623 million) was significantly below the previous year's figure. This was mainly due to the capital surcharge raised by BaFin to 3.7% (31/12/22: 1.5%), which prevented a higher level of new lending.

The breakdown by main customer sectors shows the relative strength of the renewable energies sector (photovoltaics and wind power), where the volume of new loans increased to € 359 million (previous year: € 254 million). UmweltBank AG recorded high demand in this area, although this could only be met to a limited extent due to equity restrictions. The volume of new loans increased in the financing of both photovoltaic and wind energy projects. In contrast, demand for property financing, in particular for private construction financing, remained subdued in the 2009 financial year, which led to a significant overall decline in the volume of property financing to € 105 million (previous year: € 349 million).

The improved conditions for new loans due to the increased interest rate environment led to a sharp rise in interest income to € 101.00 million (previous year: € 74.40 million). This also includes higher income from the fixed-interest securities held, which also benefited from the higher interest rate environment. For the first time in the company's history, Umwelt-Bank AG's interest income exceeded the € 100 million mark.

However, this visible increase is offset by an even more significant rise in interest expenses to € 59.89 million (previous year: € 15.61 million), as a result of which the interest result of € 41.11 million (previous year: € 58.79 million) is, as expected, below the previous year's figure. The increase in interest expenses is primarily due to the higher interest rate environment, which led to a significant increase in interest on deposits. These reacted much more strongly to market-related interest rate adjustments due to their shorter duration compared to the lending business. In addition, interest expenses for liabilities to banks, which represent another important refinancing block alongside customer deposits, rose sharply. The main reason for this was the change in conditions for the low-interest refinancing funds provided by the ECB, which increased interest expenses for liabilities to banks to € 39.35 million (previous year: € 6.66 million).

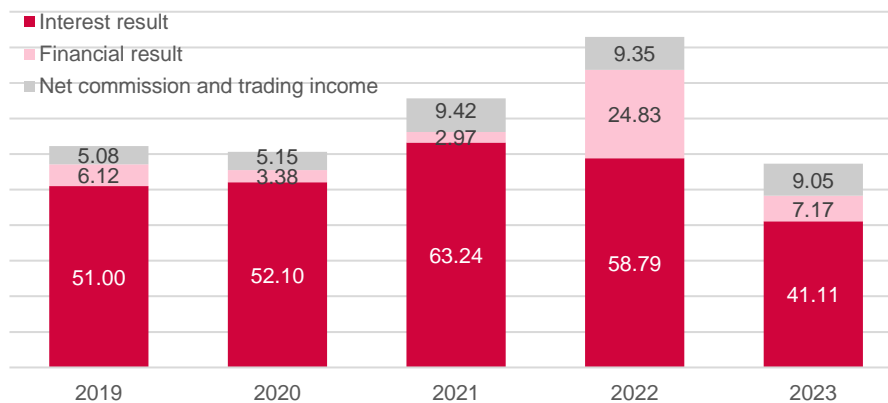
### Interest income, net interest income (in € million) and interest margin (in %)



Sources: UmweltBank AG; GBC AG

Parallel to the decline in net interest income, the financial result also fell significantly to € 7.17 million (previous year: € 24.83 million). This represents a normalisation after the previous year's figure had been positively influenced by the sale of an investment in a wind farm company amounting to around € 20 million. Adjusted for this effect, UmweltBank AG would have even slightly increased its financial result due to successful sales of investments and higher distributions. At € 9.05 million (previous year: € 9.35 million), the third income component, net commission and trading income, was roughly on a par with the previous year.

### Interest result, financial result, net commission income and net trading income (in € million)



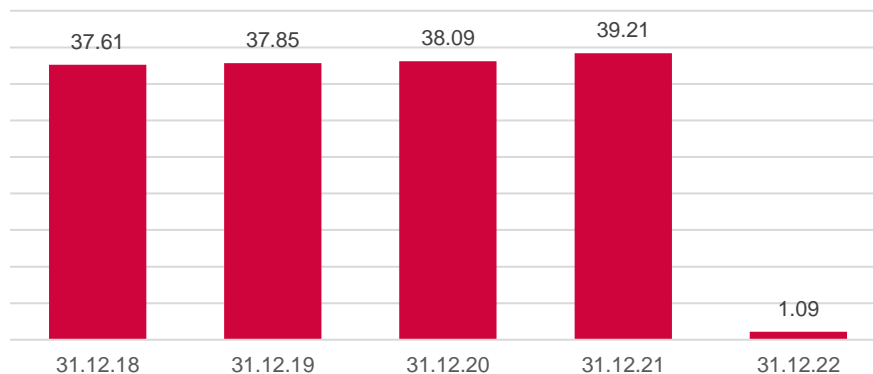
Sources: UmweltBank AG; GBC AG

Overall, the three main pillars of UmweltBank AG's income thus declined to € 57.33 million (previous year: € 92.97 million). This is due to both the loss of income from disposals in the financial result and the decline in interest result.

## Earnings development 2023

The sharp decline in sales was accompanied by a significant increase in costs in the past 2023 financial year, which led to a sharp decline in EBT to € 1.10 million (previous year: € 39.21 million). This is in line with the company's guidance, which was adjusted in August 2023 and had forecast earnings before taxes of around € 1 million.

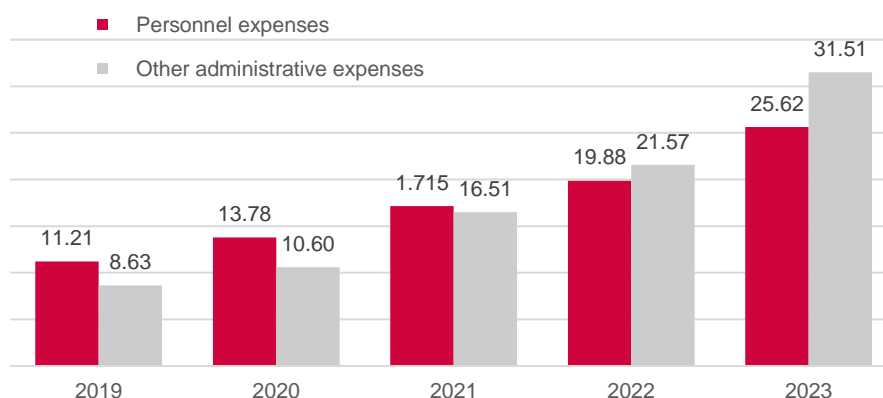
### EBT (in € million)



Sources: UmweltBank AG; GBC AG

The main reason for the increase in costs was the rise in administrative expenses to € 31.51 million (previous year: € 21.58 million). In the past financial year 2023, the core banking system was changed as planned, which was associated with extraordinary expenses of € 10.14 million. In terms of costs, this is in line with the budget. In addition to the extraordinary financial expenses, the migration also tied up human resources. In this context, personnel expenses also increased significantly to € 25.62 million (previous year: € 19.88 million). The increase in the number of employees to 354 (31/12/22: 299) contributed to this, as did new remuneration systems and the payment of the inflation adjustment bonus.

### Personnel costs and administrative expenses (in € million)



Sources: UmweltBank AG; GBC AG



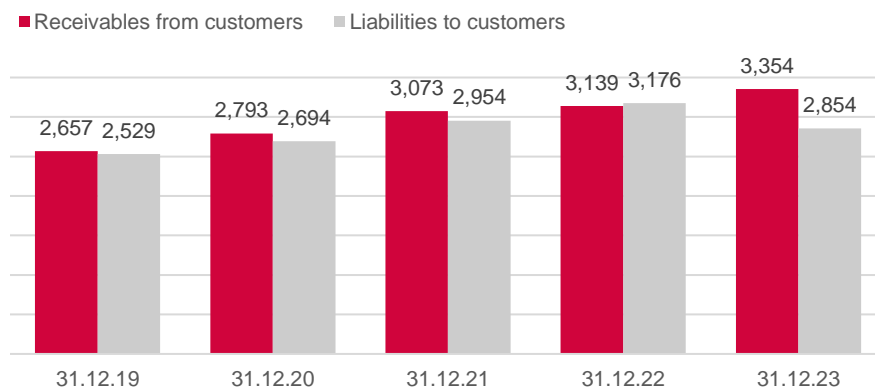
## Balance sheet and financial situation as at 31 December 2023

in € m	31.12.19	31.12.20	31.12.21	31.12.22	31.12.23
Balance sheet total	4,095.05	4,944.37	5,927.80	5,980.61	5,692.70
Balance sheet equity	150.56	162.89	245.12	256.50	249.15
Regulatory capital	378.0	408.4	503.5	528.9	532.1
thereof hard core capital	260.4	275.2	366.6	385.4	393.4
thereof additional core capital	30.9	28.8	27.1	25.4	26.0
thereof supplementary capital	86.7	104.4	109.8	118.1	112.8
Total capital ratio	14.5%	14.6%	14.0%	16.5%	15.9%
Core capital ratio	11.2%	10.9%	10.4%	12.8%	12.5%
Common equity tier 1 ratio	10.0%	9.8%	9.5%	12.0%	11.8%
Customer deposits	2,529.34	2,694.11	2,954.09	3,176.40	2,854.32
Liabilities to credit institutions	1,155.99	1,803.32	2,440.73	2,247.70	2,278.96
Credit volume	2,566.62	2,792.66	3,072.52	3,139.03	3,353.56
Securities held	1,373.31	1,907.80	1,918.39	2,365.31	2,032.86
Cash and cash equivalents	40.52	98.66	814.23	332.81	116.29

Sources: UmweltBank AG; GBC AG

Even though new business in 2023 was lower than in previous years, UmweltBank AG once again recorded an increase in on-balance sheet lending volume to € 3.35 billion (31 December 2022: € 3.14 billion). In addition to equity financing, loans are financed by customer deposits and liabilities to banks. While customer deposits fell to € 2.85 billion (31.12.2002: € 3.18 billion) as at the balance sheet date, liabilities to banks rose slightly to € 2.28 billion (31.12.2002: € 2.25 billion). These are mainly liabilities to KfW Förderbank. Of the customer deposits, 62.1 % are deposits payable on demand and 22.5% are savings deposits. This clearly shows that these are predominantly deposits with a short duration that react flexibly to market-related interest rate adjustments.

### Loan volume and customer deposits (in € million)



Sources: UmweltBank AG; GBC AG

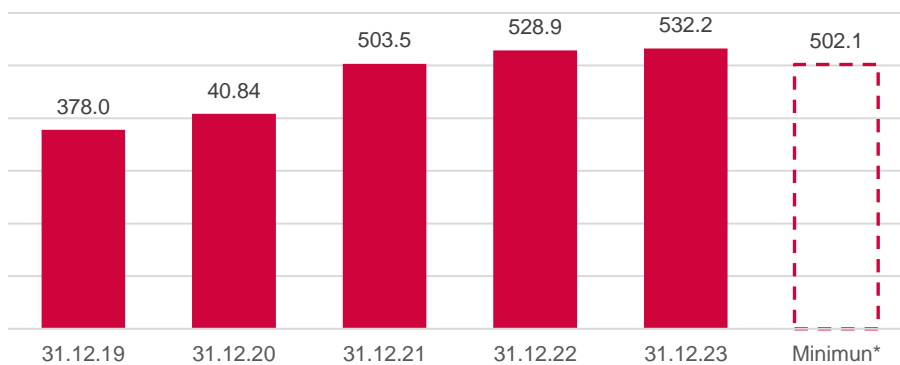
Securities held in the amount of € 2.03 billion (31.12.22: € 2.37 billion) are a significant asset item. These are mainly marketable fixed-interest securities and shares in the UmweltSpektrum funds. Investments and shares in affiliated companies are also included to a lesser extent. The decline in the value of the securities held is mainly due to final maturities and thus repayments in the past financial year.

An important aspect for the business development of UmweltBank AG is its capitalisation and the regulatory minimum requirements. As part of the most recent review and evaluation process, BaFin imposed a total capital surcharge of 3.7% on UmweltBank AG as at 31 December 2023, compared to 1.5% as at 31 December 2022. In accordance with regulatory requirements, UmweltBank AG must have a total capital ratio of 15.0% (31/12/22:

12.0 %) with a common equity Tier 1 capital ratio of at least 12.1% (31/12/22: 9.6%). The need to hold more equity has a direct impact on the granting of new loans. As a rule of thumb, the bank states that € 10 million of free equity enables a new loan volume of € 100 million. The capital surcharges will be reduced again to a lower level as the regulatory deficits identified continue to be addressed.

As in previous financial years, UmweltBank AG exceeded the minimum requirements. With total capital of € 532.1 million (31.12.22: € 528.9 million), the total capital ratio is 15.9% and therefore 0.9 percentage points above the minimum requirement. The slight increase in total capital is due to the slightly positive earnings performance.

**Development of total capital (in € million)**



Sources: UmweltBank AG; GBC AG; \*Minimum regulatory value calculated by GBC AG

After the balance sheet date, the capital requirement was increased by a further 0.5% and now amounts to 15.5%. As at 31 March 2024, UmweltBank AG has a total capital ratio of 16.4%, which is once again well above the regulatory minimum.

## FORECAST AND VALUATION

in € million	FY 2023	FY 2024e	FY 2025e	FY 2026e
Interest result	41.11	42.40	48.54	56.71
Net commission and trading income	9.05	10.39	12.75	13.07
Financial result	7.17	8.50	12.50	13.75
EBT <sup>72</sup>	1.09	-15.90	5.75	20.49
EAT <sup>72</sup>	0.76	-10.81	3.91	13.93
Customer deposits	2,854.32	3,500.00	3,710.00	3,932.60
Credit volume	3,353.56	3,487.70	3,627.21	3,772.30
Total capital	529.66	518.85	522.76	531.12

Source: GBC AG; \*without additions to the fund for general banking risks

### Forecast basis

As a basis for the future business development of UmweltBank AG, we take the strategic realignment presented by the company for the first time at the press conference on 18 March 2024. In addition, we take into account the company's renewed guidance in the 2023 annual report, according to which earnings before taxes of between € -15 million and € -20 million are expected for the current 2024 financial year. Although a slight increase in net interest income and an improved financial result are expected, a negative result is anticipated due to the expected further significant increase in administrative expenses. In the first quarter of 2024, UmweltBank AG is already reporting a clearly negative EBT of € -10.7 million. This is due to the sale of treasury holdings and the associated realisation losses.

In principle, the current financial year 2024 should again be seen as a year of transformation, in which further investments will be made in technology, organisational structure and private customer acquisition. This will result in a further increase in personnel expenses and administrative expenses. Although extraordinary expenses in connection with the migration of the banking system, which has already been completed, are expected to decline, follow-up effects and overall higher ongoing system costs are still to be expected. In addition, the company will continue to press ahead with digitalisation in the current financial year and make more investments in this context. As a result of these measures, efficiency is to be increased and the potential of the new core banking system fully utilised. The UmweltBank app was successfully launched in March 2024 and the website was re-launched in June 2024.

This lays the foundation for the implementation of an important strategic component, the expansion of the deposit business with private customers. The acquisition of new customers was accelerated shortly after the migration of the core banking system and the company can report initial successes in this area. Despite the challenging market environment and the migration-related customer rationalisation, the number of customers on the deposit side remained stable at 132,000 at the end of the 2023 financial year. As at 31 March 2024, the company had already recorded an increase to 140,000 customers and customer deposits rose significantly to € 3.1 billion (31 December 2023: € 2.9 billion). UmweltBank AG is expecting 27,000 new customers in the current financial year and aims to reach the 500,000 customer mark by the 2028 financial year. Increasing customer deposits should enable growth in the lending business on the one hand, while interest income can be generated on the assets side through the investment of customer funds (ECB; bonds) on the other. With an interest margin of 0.5% alone, the increase in customer deposits would make a significant contribution to net interest income.

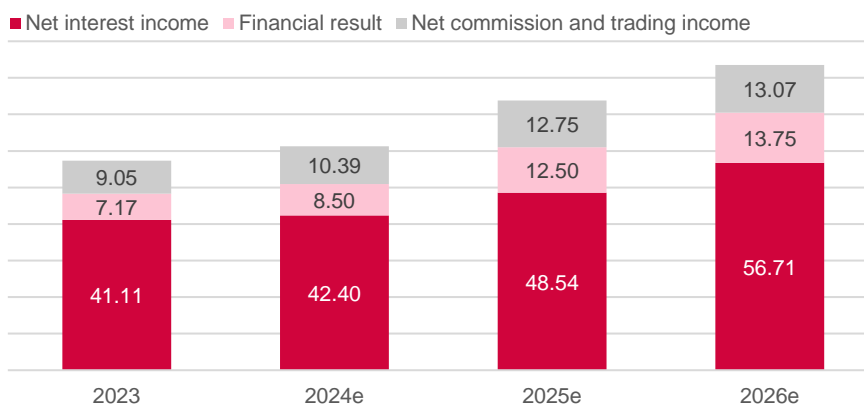
In future, the lending business is to be geared towards corporate clients. The focus will continue to be on the areas of renewable energies and sustainable property. Although there is high demand in this area according to the company, equity capitalisation is and was a limiting factor in the past financial year. According to the company, new business totalling around € 250 million can be financed with the current equity base. This takes into account the increased capital requirement of 15.5% compared to 31 December 2023.

Once the regulatory gaps have been closed, the expected capital surcharge is expected to fall again. In addition, the company plans to completely wind down its investment business within the next three financial years. Possible capital gains would further strengthen equity and could be used for new business. UmweltBank's management anticipates an increase in the financial result due to the expected sales of equity investments. In the first quarter of 2024, two investments in wind farms and one property investment were already sold with an overall positive contribution to earnings.

### Revenue and earnings forecast

In line with corporate planning, we expect a slight increase in net interest income to € 42.40 million for the current 2024 financial year (previous year: € 41.11 million). The basis for this is a further expansion of the lending business, which should take place at improved conditions. UmweltBank AG's interest margin should have bottomed out in the current financial year and we expect the first positive effects here. Net interest income should be supported by investment gains on customer deposits. For the coming financial years, we expect an increase in credit volume, driven not least by the release of equity (reduction of the capital subsidy, sale of equity investments). However, the prolongation of loans at improved conditions should also lead to an increase in the interest margin, so that we expect a significant increase in net interest income as a result.

#### Net interest income, financial result, net commission income and net trading income (in € million)



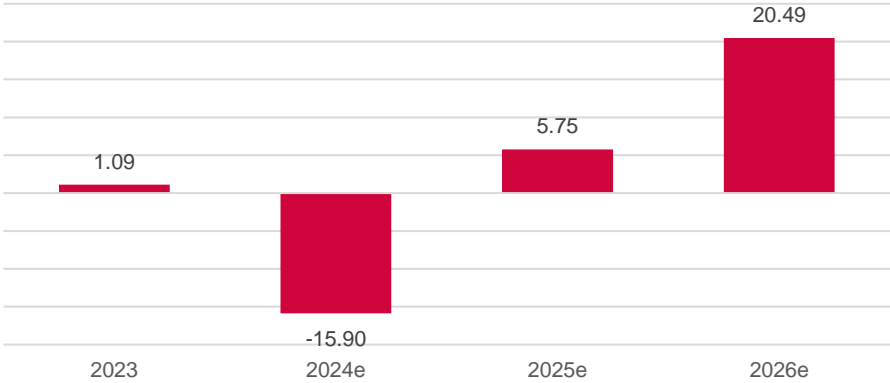
Source: GBC AG

The financial result should increase in the coming financial years, not least due to the ongoing reduction in the investment business. Net commission and trading income should also benefit from the increase in customer deposits and also increase slightly.

The forecast increase in total income is offset by an expected significant increase in costs. In the current financial year 2024, this will result from subsequent effects from the migration of the core banking system, which the company expects to amount to around EUR 4 million. In addition, UmweltBank AG will make further investments in efficient and digital processes and will be characterised by higher marketing expenses to acquire private customers. Overall, this will lead to a significant increase in costs in the current financial year

2024 and thus ultimately, in our estimation, to a negative EBT of € -15.90 million. Following the completion of the current efficiency programme, the cost picture should only develop at a disproportionately low rate in the coming financial years. The cost-income ratio (CIR) should fall to a low level of 60% by 2028. Our CIR estimate for the last estimation period in 2026 is 75.7% and thus tends to be in line with the company's guidance. After the end of the current transformation year, the sustainable return to profitability should be realised quickly from 2025 onwards.

**Forecast EBT before reserves (in € million)**



Source: GBC AG

## Valuation

We used a residual income model for the valuation of UmweltBank AG, whereby the difference between the return on equity and the cost of equity is used to determine the return on surplus for the estimated periods. We have formulated specific expectations regarding the annual surpluses and the resulting changes in equity for the estimation periods of the three financial years from 2024 to 2026e. The expected return on equity can be derived from this. The residual income for the financial year can be derived from the surplus return generated in a period. The expected residual income is then discounted to the valuation date using the cost of equity. To determine the terminal value, we apply a premium to the current carrying amount.

$$\text{Fair Company Value} = EK_0 + \sum_{t=1}^T \frac{(ROE_t - r)EK_{t-1}}{(1+r)^t} + \frac{P_T - EK_T}{(1+r)^T}$$

EK = equity	ROE = return on equity
P = premium on book value	r = cost of equity capital
T = estimation period	T= last estimation period

### **Determination of the cost of capital**

The relevant discount rate for use in the residual income model is the cost of equity. To determine the cost of equity, the market risk premium, the company-specific beta and the risk-free interest rate must be calculated.

The risk-free interest rate is derived from current yield curves for risk-free bonds in accordance with the recommendations of the IDW's Technical Committee for Business Valuations and Business Administration (FAUB). This is based on the zero bond interest rates published by the Deutsche Bundesbank using the Svensson method. To smooth out short-term market fluctuations, the average yields of the previous three months are used and the result is rounded to 0.25 basis points. **The risk-free interest rate currently used is 2.50 % (previously: 2.50 %).**

We use the historical market risk premium of 5.50% as a reasonable expectation of a market risk premium. This is supported by historical analyses of equity market returns. The market premium reflects the percentage by which the equity market is expected to yield better than low-risk government bonds.

We calculated the beta on the basis of the historical share price data of UmweltBank AG (monthly share price performance over the past four years). We used the STOXX® Europe 600 Banks share price index as a benchmark and averaged it over a period of five years in the regression analysis. On this basis, we calculated a beta of 0.52 (previously: 0.52), which we also adjusted and smoothed in accordance with *Blume's* work. Using the assumptions made, we calculated a cost of equity of 5.35% (previously: 5.35%) (beta multiplied by risk premium plus risk-free interest rate).

in € m	31.12.2022	31.12.2023	31.12.2024e	31.12.2025e	31.12.2026e	Final value
Equity	402.65	395.33	384.52	388.43	396.79	
Net profit for the year	30.55	0.76	-10.81	3.91	13.93	
ROE (after taxes)		0.19%	-2.77%	1.01%	3.55%	10.86%
Cost of equity		5.35%	5.35%	5.35%	5.35%	5.35%
Excess return		-5.16%	-8.12%	-4.34%	-1.80%	5.51%
Book value factor		0.04	-0.52	0.19	0.66	2.03
Residual income		-20.77	-32.11	-16.68	-6.99	404.33

According to our valuation model, UmweltBank AG should be able to achieve a sustainable return on equity (after tax) of 10.86% in relation to the equity shown in the balance sheet. Assuming a cost of equity of 5.35%, a sustainable excess return of 5.51% or a book value factor of 2.03 should be generated in the terminal value. To determine the terminal value, we have therefore recognised a premium over the carrying amount of 2.03.

Present value of residual income 2024 to 2026	-€ 22.13 million
Present value of residual income Final value in € million	€ 364.31 million
<b>Total present value in € million</b>	<b>€ 342.18 million</b>
Outstanding shares in € million	€ 35.66 million
<b>Fair enterprise value per share in €</b>	<b>9.60 €</b>

The sum of the discounted residual earnings results in a value of € 342.18 million (previously: € 342.47 million). With 35.66 million shares outstanding, this results in a fair value per share of € 9.60 (previously: € 9.60). Based on the current share price of € 6.44 we continue to assign a BUY rating.

## APPENDIX

### I.

#### **Research under MiFID II**

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### II.

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BUY	The expected return, based on the determined price target, including dividend payment within the corresponding time horizon is $\geq + 10\%$ .
HOLD	The expected return, based on the determined price target, including dividend payment within the corresponding time horizon is $> - 10\%$ and $< + 10\%$ .
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Other person involved in this study:

**Jörg Grunwald, Executive Board**

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