Annual Financial Report

2023

apoBank

The Health Care Bank

Content

Overview of Business Development

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Bank data	31 Dec 2023	31 Dec 2022	Change[1] %
Members	112,431	113,543	– 1.0
Customers	501,823	498,474	0.7
Employees	2,299	2,269	1.3
Locations	77	80	– 3.8

Balance sheet	€m	€m	%
Balance sheet total	50,727	54,184	– 6.4
Customer loans	35,309	37,008	– 4.6
Customer deposits	29,422	33,934	– 13.3

Income statement	€m	€m	%
Net interest income[2]	970.2	766.4	26.6
Net commission income	178.3	184.1	– 3.2
General administrative expenses	– 738.8	– 737.3	0.2
Operating profit before risk provisioning	433.9	241.1	80.0
Risk provisioning from the operating business[3]	– 64.1	– 43.1	48.7
Risk provisioning with reserve character[4]	– 131.9	– 46.5	> 100
Operating result	237.9	151.5	57.1
Taxes	– 143.7	– 85.7	67.6
Net profit after tax	94.2	65.8	43.3

Key figures	%	%	ppts
Equity ratio (according to CRR)	18.0	17.6	0.4
Common equity tier 1 capital ratio (according to CRR)	16.7	15.8	0.9
Cost income ratio[5]	63.7	75.9	– 12.2
Liquidity coverage ratio	212.2	206.3	5.9

Ratings	Standard & Poor's	Fitch Ratings (group rating)
Long-term rating	A+[6]	AA–
Short-term rating	A–1	F 1+
Outlook	stable	stable
Covered bond rating	AAA	–

1) Deviations possible due to rounding differences.
2) Including current income from shares, fixed-interest securities, investments and shares in affiliated companies as well as income from profit transfer agreements.
3) This includes individual risk provisioning measures for the customer lending business as well as for financial instruments and participations.
4) This includes risk provisioning measures which do not concern individual risks, as well as allocations to the fund for general banking risks and to provisioning reserves.
5) Ratio of operating expenses and operating income. Operating expenses include general administrative expenses as well as other operating expenses. Operating income includes net interest income, net commission income and other operating income.
6) Issuer credit rating as at November 2023.

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To our Members and Clients

Dusseldorf, 5 March 2024

Dear Members, Customers and Business Partners,

In view of the crises in so many regions of the world and the overarching challenges such as climate change, it is sometimes difficult to focus on our immediate surroundings. But difficult times make it all the more important to join forces with like-minded people and tackle challenges together. As a co-operative, apoBank is a community you can count on.

We are there for our members

The economic situation in Germany remains tense. For apoBank, the impact of high inflation, in particular price increases for energy and raw materials as well as supply chain disruptions, has been moderate. However, we are aware that these trends are placing a heavy burden on some of our customers and are de facto leading to lower income. That members of the health care professions are campaigning for better conditions is both understandable and necessary, because how else can patient care be guaranteed in the future? This is all the more true as a generational change is currently taking place. Health care provision – especially in rural areas – needs to be organised in an economically sustainable way so that the health care professions remain attractive for the next generation.

Our mission in this very special situation is clear. Now more than ever, we are by your side in your practice, pharmacy or clinic, supporting you and keeping an eye on your needs.

And to make sure it stays that way, we plan to further strengthen our community. We will, for example, make membership even more appealing, especially for younger health care professionals, for instance by granting members special conditions for selected products and offering exclusive professional events. The response to the first event of this kind last November showed us that we are on the right track.

Our members participate in our business success

Our deposit business, and as a result our profit, have benefited very considerably from the historic turnaround in interest rates: Our operating result, i.e. operating profit before risk provisioning, almost doubled compared to the previous year to €434 million. However, we will not rest on our laurels. Another important goal is to keep our costs under control in the long term. The good operating result means that we can pay the members of our cooperative an attractive dividend this year once again.

We deliver what we promise

Health care professionals will always find someone to finance their practice or pharmacy start-up. But only apoBank has the specialist expertise, provides individual support and knows the potential pitfalls along the way. Our expertise speaks for itself: Every three-and-a-half hours, we fulfil someone's dream of owning their own practice or pharmacy. As Chair of the Board of Directors of apoBank, I promise you that we will continue to apply this expertise in your interests going forward and support you in all your financing and investment needs – more comprehensively than any other provider could.

I have been Chair of the Board of Directors of apoBank since 1 March 2022. My first task back then was to give strong focus and structure to the Bank again. Based on a thorough analysis, we developed a fitness programme for apoBank on its path to becoming a modern and top-performing professional bank. In our Agenda 2025, we defined measures to strengthen sales, optimise products and processes and make apoBank more profitable for the long term – in order to become faster, leaner and stronger.

The implementation of Agenda 2025 is proceeding as planned and the measures are proving effective. The fact that our team of Directors has been complete since summer 2023 contributes to this, with two experienced apoBankers from the Sales and Finance departments now also on board. In addition, the Agenda 2025 measures include our new dual support model, in which financing and asset specialists work together even more effectively with the central contact person for our customers. The fact that we are on the right track here, too, is demonstrated by the further expansion of our asset management, for example.

Stable and user-friendly online banking is also very important, both to you and to us. Among other things, we have changed the user interface to make it more intuitive. The system has also become faster overall. We will continue to work on tangible developments and improvements in the current financial year.

Customer satisfaction is a clear priority for us. Therefore it is essential that apoBank is consistently accessible with no ifs or buts. We have introduced initial measures that have already improved our accessibility. Surveys of customers who used our apoDirect customer centre last year have been positive in this regard. But we also know that we still have some way to go.

Further process optimisation is also likely to have a positive impact on customer satisfaction. For example, opening an account is now possible on all channels – online, via apoDirect and via our branches – within 72 hours. We are currently focusing strongly on lending, which is one of our core processes. The aim is to improve cooperation between the branches and the units at head office so that we can provide our customers with binding loan commitments even more quickly in future. This will be directly and positively noticeable to you, our customers.

The Agenda 2025 measures also include our efforts to support the transformation of the economy towards greater sustainability. We too will make our contribution to a sustainable financial system that underpins the management of climate and environmental risks and helps to reduce social and governance risks.

We are also working on satisfaction within the Bank

With Agenda 2025, we aim to improve not only the satisfaction of our customers, but also that of our employees. After all, how we work as a team, our corporate culture, is the foundation for a successful apoBank and good customer relationships. It ensures that people feel comfortable in their working environment and are happy to get involved. It determines how we deal with each other, how we make decisions and the values according to which we work together at apoBank, so that our work is not only productive but also enjoyable.

We are convinced that we have the right team, the right mindset and the right attitude. This also means that we, the Board of Directors, see ourselves as a team, that we are approachable and that we listen to the concerns of our employees. However, as with customer satisfaction, when it comes to employee satisfaction, everyone involved at apoBank needs to be patient. Corporate culture cannot be changed overnight. Nevertheless, the recent significant increase in satisfaction levels encourages us that we have already made good progress here.

I would like to take this opportunity to express my sincere thanks to the Bank's employees for their outstanding performance over the past year, their expertise, their commitment and their dedication. They are the guarantors of the special and often long-standing relationship many customers have with apoBank.

We look to the future with confidence

In some areas, we are not quite where we want to be yet. But our Agenda 2025 fitness programme is up and running, and I am confident that it will very quickly bring us closer to our goal of creating a strong, fast and at the same time lean apoBank that is equally attractive to its members, customers and employees.

We look forward to working with you in the new financial year. Thank you for your patience and trust over the past months.

Yours sincerely

Matthias Schellenberg
Chair of the Board of Directors, Deutsche Apotheker- und Ärztebank

Report of the Supervisory Board

The Supervisory Board of apoBank fulfilled its duties in accordance with the law, regulatory requirements, the Articles of Association and the internal rules of procedure in the year under review. Due to the industry and specialist expertise of its members, as well as their experience, the Supervisory Board as a whole has sufficient competence to fulfil its purpose. This also includes the areas of accounting and auditing of annual financial statements. The Supervisory Board reviewed these requirements as part of a self-assessment in accordance with Section 25d para. 11 nos. 3 and 4 of the KWG (German Banking Act). The statutory requirements in accordance with Section 36 para. 4 of the Cooperative Societies Act (Genossenschaftsgesetz, GenG) are also fulfilled.

During the past financial year, the Supervisory Board exercised its supervisory function and adopted all resolutions within its jurisdiction. This included the audit in accordance with Section 53 of the Cooperative Societies Act. It also examined the separate non-financial report in accordance with Section 289b of the German Commercial Code (HGB) and authorised the Genossenschaftsverband – Verband der Regionen e. V. (Genoverband) to audit this report.

At regular meetings, the Board of Directors informed the Supervisory Board and the committees of the Supervisory Board about apoBank's business performance, the risk situation as well as the net assets, financial position and results, the status of the "Agenda 2025" strategic programme and IT status, as well as about special events. Opportunities to optimise IT operations were also discussed, and further details were provided on the development of deposits and controlling interest risks in the current market environment. A new remuneration regulation was worked out for the Supervisory Board and submitted to the Annual General Meeting for approval. The Supervisory Board also dealt with the report it commissioned from an external legal office, the result of which showed the Board of Directors had acted in accordance with its duties in the in-house reassessment and prosecution in the context of the Bank's involvement in cum-ex transactions.

With regard to the retroactive capital gains tax arising from cum-ex transactions, proceedings with some of the recourse debtors were brought to an end by mutual agreement.

In addition to the five regular meetings, the Supervisory Board held two extraordinary meetings. The first extraordinary meeting at the end of January 2023 dealt with the collective qualification and succession planning of the Supervisory Board as well as the composition and succession planning of the Board of Directors. It also dealt with the new appointments to the Board Department of Finance and Sales. The object of the extraordinary meeting in mid-April 2023 was the appointment of members of apoBank's Board of Directors. In addition, the Supervisory Board discussed the Bank's sales performance in depth with the Board of Directors in a strategic session.

The Supervisory Board discussed further details at 19 ordinary meetings of the Loan and Risk Committee, the Nomination and Presiding Committee, the Personnel Committee, the Audit Committee and the Remuneration Control Committee. In a further seven extraordinary meetings, the Nomination and Presiding Committee dealt with both the collective qualification and the succession planning of the Supervisory Board and the composition and the succession planning of the Board of Directors, and also the new appointments to the Board Department of Finance and Sales. The Supervisory Board received comprehensive reports from the meetings of its respective committees. Outside of these meetings, too, the Chair of the Supervisory Board continued to regularly exchange information and ideas with the Supervisory Board as well as the Board of Directors.

In the year under review, the Nomination and Presiding Committee dealt with potential conflicts of interest on the part of members of the Supervisory Board and Board of Directors that could influence their objectivity. At its meetings, the committee assessed these in detail. It concluded that there was only one case of a conflict of interest, which was dealt with by taking appropriate measures.

These 2023 annual financial statements, including the management report, were audited by the Genoverband. The Genoverband confirmed the objectivity of the employees involved in the audit to the Audit Committee and the Supervisory Board. The results of this audit will be reported on in the Annual General Meeting on 26 April 2024. According to the unqualified audit certificate issued by the Genoverband, the annual financial statements and the management report are in keeping with the law and the Articles of Association. The Supervisory Board received and critically examined the report on the statutory audit. At its joint session with the Board of Directors and the auditors, the Supervisory Board acknowledged the results of the audit and scrutinised the audit findings. The Supervisory Board concluded that the annual financial statements were prepared and audited correctly and thus contributed towards correct accounting. The Supervisory Board was supported by the Audit Committee in monitoring the audit proceedings. The Supervisory Board examined and verified the annual financial statements, the management report and the Board of Directors' proposal on the allocation of net profit. The audit did not give rise to objections. The proposal on the allocation of net profit – including profit carried forward – is in accordance with the Articles of Association. The Supervisory Board recommends that the Annual General Meeting approve the financial statements as at 31 December 2023, which were presented by the Board of Directors, and that it pass a resolution on the proposed appropriation of net profit.

The following changes to the composition of the Supervisory Board took place in fiscal 2023: Employee representatives Steffen Kalkbrenner and Bettina Krings departed from the Supervisory Board. They were succeeded by Lukas Kaster and Daniel Valo, who were elected to the Supervisory Board by the employees in March 2023. Dr. med. dent. Peter Engel resigned his seat on the Supervisory Board at the end of the Annual General Meeting on 28 April 2023. Dr. med. dent. Reinhard Urbach was elected as his successor on the Supervisory Board by the Annual General Meeting. In addition, Dr. med. Torsten Hemker, Dr. med. dent. Karl-Georg Pochhammer and Friedemann Schmidt, pharmacist, were re-elected. Following this, the Supervisory Board unanimously re-elected Dr. med. dent. Karl-Georg Pochhammer to the office of Chair of the Supervisory Board at its constitutive meeting.

Daniel Valo stepped down from the Supervisory Board with effect from 31 December 2023. He was succeeded by Carsten Padrock after a decision of the court on 7 March 2024. On the shareholder side, the term of office of Walter Kollbach will conclude at the end of this year's Annual General Meeting. He will not be available for re-election. Therefore, in line with the recommendations of the Nomination and Presiding Committee, the Supervisory Board proposes that Ulrich Pukropski be elected to the Supervisory Board as a shareholder representative, in accordance with Section 24 para. 7 (1)-(4) of the Articles of Association of the Deutsche Apotheker- und Ärztebank eG.

Sylvia Wilhelm and Thomas Runge joined the Board of Directors of apoBank as ordinary members on 1 January 2023, Heiko Drews on 1 May 2023, and Dr. Christian Wiermann on 1 October 2023. Holger Wessling had already resigned from his office on the Board of Directors as of 31 March 2023, Alexander Müller as of 30 June 2023.

The Supervisory Board would like to thank the members of the Board of Directors and the entire workforce of apoBank for their good work, their trusting cooperation and their considerable personal commitment in 2023.

Dusseldorf, 7 March 2024

On behalf of the Supervisory Board
Dr. med. dent. Karl-Georg Pochhammer

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About apoBank

Board Departments

Organisational chart of Deutsche Apotheker- und Ärztebank eG

Board Department 1

Matthias Schellenberg
Chair

- **Legal, Boards & Committees, Data Protection** – Sebastian Graf
- **Corporate Development** – Dr. Carsten Gubelt
- **Communications & Brand** – Ina Quilling
- **Human Resources** – Dr. Joachim Goldbeck
- **Internal Auditing** – Wolfgang Freudenmann
- **Health Market & Shareholdings** – Daniel Zehnich
- **Professional Associations** – Peter Schlögell
- **Treasury** – Alexander van Echelpoel
- **Institut. Customers & Asset Management** – Reinhard Pfingsten
  - apoAsset
  - aik Immobilien-Investment-gesellschaft

Board Department 2
Sales

Heiko Drews
Member of the Board of Directors

- **Branch Sales North & East** – Martin Evers
- **Branch Sales West** – Stephanie Köhne
- **Branch Sales South** – Wolfgang Graml
- **Corporate Clients** – Sandro von Korff
- **Customer & Sales Management** – Linda Mende
- **Partner Sales** – Carsten Padrok
  - apoFinanz

Board Department | Board of Directors | Divisional Director | Division/Sales

Board Department 3
Products, Processes & IT

Thomas Runge
Member of the Board of Directors

- **IT & Operations**
  Johannes Kermer
  Divisional Director
  - **Information & Technology**
    Lutz Schirmacher
  - **Products & Processes**
    Andreas Müller
  - apoData
- **IT Operations**
  Andreas Teischl
- apoDirect

Board Department 4
Risk

Sylvia Wilhelm
Member of the Board of Directors

- **Compliance**
  Dr. Venelina Pavlova-Behrens
- **Loan Management**
  Ines Hochstetter,
  Dominic Toplak
- **Risik Controlling Financial Risk**
  Björn Pawlik
- **Risik Controlling Non-Financial Risk**
  Dr. Linda Urban

Board Department 5
Finance, Controlling & Bank Operations

Dr. Christian Wiermann
Member of the Board of Directors

- **Finance**
  Steffen Kalkbrenner
- **Overall Bank Controlling**
  Michael Kaiser
- **Group Service**
  Ricarda Kötting-Meurer

Unit reporting directly to the Board of Directors
Subsidiary

As at 1 April 2024

Board of Directors

Thomas Runge Sylvia Wilhelm Matthias Schellenberg Dr. Christian Wiermann Heiko Drews

Matthias Schellenberg, Chair

Heiko Drews, Member of the Board of Directors

Thomas Runge, Member of the Board of Directors

Dr. Christian Wiermann, Member of the Board of Directors

Sylvia Wilhelm, Member of the Board of Directors

Supervisory Board

Dr. med. dent. Karl-Georg Pochhammer
Chair
Berlin

Sven Franke[1]
Deputy Chair
Hanover

Fritz Becker, pharmacist
Remchingen

Marcus Bodden[1]
Essen

Martina Burkard[1]
Würzburg

Mechthild Coordt[1]
Berlin

Stephanie Drachsler[1]
Munich

Dr. med. dent. Peter Engel (until 28 April 2023)
Bergisch-Gladbach

Dr. med. Andreas Gassen
Berlin

Günter Haardt[1]
Leubsdorf

Dr. med. Torsten Hemker
Hamburg

Gerhard Hofmann
Berlin

Steffen Kalkbrenner[1] (until 28 April 2023)
Dusseldorf

Lukas Kaster[1] (since 28 April 2023)
Dusseldorf

WP/StB Walter Kollbach
Bonn

Bettina Krings[1] (until 28 April 2023)
Dusseldorf

Christian Scherer[1]
Deidesheim

Friedemann Schmidt, pharmacist
Leipzig

Dietke Schneider[1]
Hanover

Dr. Thomas Siekmann
Neuss

Dr. med. dent. Reinhard Urbach (since 28 April 2023)
Wolfsburg

Daniel Valo[1] (from 28 April 2023 to 31 December 2023)
Inning am Ammersee

Susanne Wegner
Obertshausen

1) Employee representative.

Advisory Board

Jason Adelhoefer

John Afful

Dr. med. Matthias Albrecht

Stephan Allroggen, dentist

Ass. Jur. Nico Appelt

Dipl.-Kfm. Peter Asché

Dr./RO Eric Banthien

Mark Barjenbruch

Dr. med. Andreas Bartels

Dipl.-Kfm. Stefan Baus

Armin Beck

Dr. med. Markus Beier

Thomas Benkert, pharmacist

Prof. Dr. Dr. med. dent. Christoph Benz

Dr. med. Frank Bergmann

Marc Beushausen

Sanitätsrätin Dr. Kerstin Bienroth

Ulrich Böger

Mark Böhm

Dr. med. dent. Cornel Böhringer

Dr. rer. nat. Roswitha Borchert-Bremer

Hanna Bunn

Dr. med. dent. Kay Christensen

Frank Dastych

Prof. Dr. med. Harry Derouet

Dr. med. dent. Michael Diercks

Christine Draws

Antje Dunkel

Dipl.-Kfm. Armin Ehl

Dr. Christine Ehrhardt

Prof. Dr. med. Axel Ekkernkamp

Dr. med. Brigitte Ende

Dr. rer. nat. Ralph Ennenbach

MBA Dr. med. dent. Romy Ermler

Dr. med. dent. Wolfgang Eßer

Michael Evelt

Assessor jur. Christian Finster

Dr. med. dent. Thorsten Flägel

Prof. Dr. med. Ingo Flenker

Dr. Jan-Niklas Francke, pharmacist

Bernd Franken

Ursula Funke, pharmacist

Christiaan Johannes Gabrielse, veterinarian

Irene Gahn

Dr. Gerald Gaß

Karsten Geist, dentist

Meike Gorski-Goebel

Rolf Granseyer

Dr. med. vet. Karl-Ernst Grau

Dr. phil. Jörn Graue, pharmacist

Dr. med. Christiane Groß

Dr. med. Holger Grüning

Dr. med. dent. Jürgen Hadenfeldt

Bernd J. Hammer, lawyer

Dipl.-Stom. Dieter Hanisch

Dr. Markus Hardt

Peter Hartmann, lawyer

Dr. med. Klaus Heckemann

Dr. med. Dirk Heinrich

Dr. med. Peter Heinz

Dr. Peter Heinz

Mathias Helmbold

Martin Hendges, dentist

Rudolf Henke

Dr. Christiane Hennig

Dr. Andreas Hessberger

Andreas Hilder

Dr. rer. nat. Reinhard Hoferichter, pharmacist

Dr. med. Stephan Hofmeister

Dr. med. dent. Mathias Höschel

Dr. rer. nat. Hans-Peter Hubmann, pharmacist

Dr. med. Klaus-Ludwig Jahn

Stephan Janko

Jona John

Dr. med. Susanne Johna

Peter Kurt Josenhans

Dr. Knut Karst

Johanna Kintrup

Peter Klotzki, lawyer

Franz Knieps

Dr. Jens Kober

Dr. med. Carsten Dieter König

Dr. med. Sylvia Krug

Andreas Kruschwitz, dentist

Dipl.-Med. Andrea Kruse

Dr. Michael P. Kuck

Fabian Landsberg

Dr. rer. pol. Herbert Lang

Dr. med. dent. Conny Langenhan

Dr. med. dent. Lea Laubenthal

Florian Lemor, lawyer

Dr. med. dent. Gunnar Letzner

Dr. Jana Lo Scalzo

Dipl.-Kfm. Thomas Löhning

Assessor jur. Nicole Löhr

Dr. med. dent. Heike Lucht-Geuther

Dipl.-Betriebswirt Dieter Ludwig

Dr. med. Ellen Lundershausen

Dr. med. dent. Ute Maier

Claudia Mairle, veterinarian

Dr. med. dent. Niklas Mangold

Lothar Marquardt, dentist

Dipl.-Betriebsw. Gerald Matthies

Dr. med. dent. Kathleen Menzel

Dipl.-Oec. Tobias Meyer

Dr. med. Christof Mittmann

Dr. phil. Marc-Pierre Möll

Dr. Hans-Georg Möller, pharmacist

Lutz Müller

Thomas Müller

Dr. med. Markus Müschenich, Master of Public Health

Dr. med. Katharina Nebel

Dipl.-Vw. Marco Neisen

Dr. med. dent. Hans-Jürgen Nonnweiler

Gabriele Overwiening, pharmacist

Dr. med. dent. Jens Palluch

Dr. med. dent. Helmut Pfeffer

Dr. med. Christian Pfeiffer

Thomas Preis, pharmacist

Axel Rambow

Dr. med. Klaus Reinhardt

Martin Reiss, lawyer

Dr. med. dent. Ingo Rellermeier

Dr. Dorit Richter

Dr. med. dent. Peter Riedel

Dr. med. Claudia Ritter-Rupp

Dr. Bernhard Rochell

Dr. med. Annette Rommel

Caroline Roos

Dr. med. Stefan Roßbach-Kurschat

Dr. jur. Helmuth Roth, lawyer

Anke Rüdinger, pharmacist

Dr. med. Burkhard Ruppert

Lukas Salomon

Dr. med. habil. Thomas Schang

Freiherr Dr. med. Titus Schenck zu Schweinsberg

Günter Scherer

Dipl. Oec. med. Dr. med. Monika Schliffke

Dr. med. dent. Jochen Schmidt

Thorsten Schmidt

Dr. jur. Sebastian Schmitz

Dr. med. Christina Schneider

Robert Schneider

Dr. med. dent. Rüdiger Schott

Harald Schrader, dentist

Dr. med. Volker Schrage

Dr. med. Thomas Schröter

Joachim Schütz, lawyer

Dr. med. dent. Holger Seib

Dr. Philipp Siebelt

Dirck Smolka, dentist

Dr. med. Dirk Spelmeyer

Harald Spiegel, lawyer

Dr. med. dent. Martin Spukti

Dr. med. Philipp Stachwitz

Dr. med. Eberhard Steglich

Frank Steimel

Dr. Sibylle Steiner

Catrin Steiniger

Martin Sztraka, dentist

Carlos Thees

Dr. med. vet. Uwe Tiedemann

Stefan Tilgner

Dr. med. Max Tischler

Dr. med. Torsten Tomppert

Dr. Thomas Treptow

Dipl.-Ing. Ernst Uhing

Axel Uttenreuther

Dr. med. Peter Velling

Dr. Claudia Vogt, pharmacist

Dr. med. Michael Vogt

Dr. med. dent. Carsten Vollmer

Dr. med. dent. Ursula von Schönberg

Dipl.-Med. Angelika von Schütz

Dr. med. vet. Guntram Wagner

Ralf Wagner, dentist

Dr. med. dent. Holger Weißig

Frank Wessels

Dr. med. Lothar Wittek

Ralf Wohltmann

Ulrike Zethoff, tax consultant

Jürgen Ziehl, dentist

Honorary Position Holders and Honorary Members

Hermann S. Keller, pharmacist
Honorary Chair of the Supervisory Board,
bearer of apoBank's Karl Winter Medal
and honorary member of apoBank

Dr. med. dent. Wilhelm Osing
Honorary Chair of the Supervisory Board
and honorary member of apoBank

Berthold Bisping
Honorary member of apoBank

Dr. med. dent. Wolfgang Eßer
Honorary member of apoBank

Jürgen Helf
Honorary member of apoBank

Dr. med. Ulrich Oesingmann
Honorary member of apoBank

Dipl.-Betriebswirt Werner Wimmer
Honorary member of apoBank

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Management Report

Fundamental Features of the Bank

Business model

Aligned with the health care market

apoBank is a cooperative full-service bank. Its business strategy is tailored to the special requirements of health care professionals and the health care market. As a cooperative, the business purpose of apoBank is to support its members – specifically health care professionals as well as their organisations and institutions – and their economic development. The fair participation of our members in the Bank's economic success over the long term is therefore also central to our goals.

apoBank's business model is designed to sustainably utilise the opportunities presented by the growing health care market.

We support academic health care professionals during their training, throughout their careers and in retirement, as well as other selected customers to implement their professional and private projects. We also service small companies and care structures. When it comes to professional associations and large customers, we advise associations of panel doctors/dentists, chambers and associations, institutional organisations in the health care sector, professional capital investors as well as larger companies and care structures in the health care market. These include operators of pharmaceutical, medical, veterinary, dental, inpatient and nursing care structures.

We offer our customers a wide range of financial and advisory services in payment transactions, in the lending, deposit and investment business, as well as in asset management. We round off our offering with additional services for our customers' various needs – in the health care environment in particular, but also in their private lives.

Strategy and goals

apoBank aims to be a financial partner of preference to its customers and to take on responsibility in the health care market. Our strength and our potential lie in our offerings for salaried and self-employed health care professionals, their organisations as well as for companies and care structures in the health care market. We aim to further strengthen the core of our business model. To achieve this, we will hone our focus even more, thus gaining financial and creative room to manouevre. The Bank must be structured to be financially stable in the long run and to continuously enhance its competitiveness.

We consistently place our customers, their goals and needs at the centre of everything we do – following our conviction that trusting and stable customer relationships are the key prerequisite for successful collaboration.

We differentiate customer support according to individual needs, providing intensive and personal advice on complex topics. In addition, we offer our customers fast, direct and easy access to our banking services. In this context, we are continuing to expand our digital channels and our apoDirect customer centre.

We offer integrated advisory services providing solutions to the variety of challenges faced in health care professions and in the health care market, always with the lifelong needs of our customers in mind. By adopting this long-term perspective, we aim to deliver the right solution to our customers at any point in their lives.

We support people in academic health care professions with services and products around the topics of career and business start-ups as well as asset management and retirement provision. We plan to significantly expand the asset management business, primarily by considerably growing our securities advisory services for retail clients and particularly our asset management. For this purpose, we apply our own specialist knowledge and the expertise of our associated company Apo Asset Management GmbH, which specialises in the administration and management of securities funds for private and institutional customers. In addition, aik Immobilien-Investmentgesellschaft mbH, which is also part of our investment portfolio, supports occupational pension funds and pension funds.

At the same time, we intend to consolidate and expand our lending business, including the financing and support of new businesses, construction financing as well as investment financing and private loans. In addition, we will continue to leverage our expertise in the financial and health care market and will develop a selection of services that complement our product portfolio and support health care professionals in their function as business owners.

In the corporate clients business, apoBank acts as a strategic partner to the operators of outpatient and inpatient care, to companies in the health care market, and to clearing centres.

We want our members to participate in our business success while at the same time continuously strengthening our capital and reserves in order to finance our growth from new members' capital contributions and using our own resources. To achieve this, we must reduce costs in the long term. A key lever here will be an ongoing increase in efficiency, primarily by optimising processes from end to end and through digital transformation.

In addition to economic sustainability, questions of environmental and social sustainability are becoming increasingly important when it comes to generating value. We see ourselves as a company that is aware of the responsibility it bears towards society. Our strategy includes a range of measures to help us make our business operations more sustainable. We will reduce our CO_2 emissions on an ongoing basis and will balance out further emissions in yearly compensation projects. Our long-term goal is to contribute towards climate neutrality in all of our business activities.

Management system

The management of apoBank is based on the annual strategy process, during which the strategic goals are set for a period of five years. These comprise financial, market-specific and structural targets. The financial targets are operationalised in the medium-term planning, which in turn forms the basis of operational business planning for the subsequent financial year.

For the Bank as a whole, the following key financial indicators have been defined.

Profitability

- Operating profit before risk provisioning: For this key figure, the net balance is calculated for the items of net interest income and net commission income, general administrative expenses, as well as other operating income and expenses.
- Cost income ratio: This refers to the ratio of operating costs to operating income. It is our strategic objective to achieve a cost income ratio of under 70%.
- Risk provisioning with reserve character and allocations to reserves: This primarily consists of allocations to the fund for general banking risks, to provisioning reserves, to general value adjustments and to reserves.

Liquidity adequacy

- Normative perspective: The key parameter here is the liquidity coverage ratio. To calculate this key figure, highly liquid assets are placed in relation to net cash outflows under stress cases as defined by the regulator. In addition, longer-term refinancing capability is monitored using the net stable funding ratio.
- Economic perspective: The liquidity gap analysis is used to measure the economic insolvency risk. It maps all short-term liquidity inflows and outflows for a period of twelve months. Intra-day liquidity analyses complement the short-term risk analysis. We apply the refinancing analysis to monitor long-term solvency based on an observation period of more than one year. In the economic perspective, the key figure "ECB-eligible marketable assets" has been added to the monitoring process. This key figure supports securing the liquidity stock by defining a minimum level of ECB-eligible marketable assets.

Capital adequacy

- Normative perspective: Compliance with the regulatory key equity figures, e.g. total capital ratio and common equity tier 1 (capital) ratio, is monitored over a rolling period of at least three years. We set a strategic target for the total capital ratio of at least 16.25%.
- Economic perspective: The economic capital ratio sets the risk cover potential (in essence the common equity tier 1 (capital) ratio as well as economic valuation reserves) against the economic risks (confidence level of 99.9%).

Further performance indicators are defined in the management system. These are also derived from the Bank's strategy and refer to market-specific indicators such as customer satisfaction as well as structural key indicators such as quotas for women. In addition, the degree to which employees identify with apoBank is monitored here (Organisational Commitment Index, OCI).

The OCI rose to 68 in 2023 (2022: 61), an increase for the second year running. After falling to a low of 56 in 2020, it is now in the mid-range among its peer group of more than 100 companies, particularly financial institutions from Germany. The medium-term target here is 75. apoBank has developed measures to achieve this target, the main one being a comprehensive plan for a more sophisticated corporate culture. Retail client satisfaction was 48% in the year under review (2022: 55%). In 2023, professional associations and large customers were not surveyed about their satisfaction with apoBank (2022: 73%). The Bank is developing measures on an ongoing basis to further increase overall satisfaction. Enhancing online and mobile banking and the optimisation of our product and service processes are among these measures. We regularly track their success using surveys.

Strategic objective "Increase the proportion of women in management"

It is important to apoBank to recruit people with different talents, competencies and social skills to join the Bank's team. In particular, this includes finding women for management positions and promoting their development. Increasing the proportion of women in the two upper management levels is one of our strategic goals. The Board of Directors has established the following targets staggered over time for this.

Targets for the proportion of women in the top management levels of apoBank

Deadline to reach the target	Proportion of women 1st management level	Proportion of women 2nd management level
By 30 June 2027	25%	30%

The first management level includes the divisional directors, the division managers at head office and the sales region managers. The second management level encompasses the department managers at head office, the market region managers, the regional managers Sales Partner Liaison and Support and Corporate Clients as well as the managers of the specialists in portfolio management and of regional loan management.

The share of women as at 31 December 2023 was 19.4% at the first management level (2022: 14.8%) and 20.5% at the second level (2022: 19.5%).

The share of women on the Supervisory Board of apoBank was 25% (2022: 30%) at the balance sheet day. The share of women on the Board of Directors was 20% at the reporting date. Temporarily, this figure was zero following the withdrawal of two members – among whom one woman – in autumn 2022. For the years 2024 to 2028, for the period from 1 January to 31 December each year, the Supervisory Board defined a target of 25% of women on the Supervisory Board and of 20% on the Board of Directors.

Personnel report

For apoBank, reconciling work and family life is a central concern. Thanks to our needs-based, practical arrangements, employees at the Bank are able to find a balance between their work and family obligations. A family service is available to employees who require childcare or support for family members in need of nursing care. Additionally, apoBank offers places at a childcare facility at its Dusseldorf location.

With offerings such as mobile work and flexible work time models, apoBank enables its employees to organise their work in alignment with the needs of their individual life stage.

Since 2008, apoBank has been participating in the "audit berufundfamilie", which examines to what degree our personnel policy takes into account family needs, and has continued to set itself new goals for a healthy work-life balance of the Bank's employees. apoBank most recently received this certificate in December 2023 for a period of three years.

We offer seminars and programmes for women to help them define where they are at professionally and to plan their careers. This offering was again extended in 2023. For example, apoBank's internal mentoring programme to develop leadership skills in women "Frauen fit für Führung – F^4" was launched. This programme is to be carried out each year with a new cohort of mentees, and annual alumnae meet-ups are also planned.

We have a special programme in place called "apoDrive" to nurture and promote future leaders.

The Bank is intensifying its efforts to find, qualify and deploy suitable female candidates for management positions and thus to further increase the proportion of women at management level. For this purpose, the Board of Directors has adopted a binding personnel development plan for women in management positions. It has been implemented since 2019.

In line with the requirements of the European Banking Supervision Authority (EBA), the Board of Directors has adopted a diversity guideline to strengthen the diversity of the workforce and increase the diversity of the pool of successor candidates for Board positions. The EBA specifically assesses diversity according to the criteria of age, education and professional background, geographical origin and gender. The diversity guideline points to offerings around various aspects of career planning as well as measures we intend to implement to ensure equal treatment and opportunities for all employees.

Economic Report

General economic conditions

Recovery in global economy in 2023

The global economy recorded solid growth of an expected 3.0% in 2023 and continued to recover from the impact of the Covid pandemic. Three factors were responsible for the fact that the growth rate was nevertheless unable to maintain the previous year's 3.5%: Firstly, the industrial sector was less successful in recovering than the service sector. Secondly, the rise in key interest rates slowed the economy. Thirdly, high inflation, particularly in energy prices, weighed on some countries and sectors.

Economic growth in 2023 varied considerably in the individual countries and regions. Growth was especially weak in Europe, where industrial heavyweights were hit particularly hard. In Germany, for example, gross domestic product is likely to have fallen. In the US, on the other hand, the economy saw surprising growth thanks to robust consumer and investment spending. Growth in emerging markets was also unexpectedly resilient, with the exception of China, where the faltering development of the property sector weighed on the economy. Overall, the global economy appears to have survived the phase of high inflation and increased key interest rates without suffering a significant economic downturn. Inflation is on the retreat worldwide – energy and food prices have stabilised or are falling again in some cases. In November 2023, the inflation rate in Germany sank to 3.2%, its lowest point since June 2021. The average for the year was 5.9%.

GDP growth in % compared to the previous year

	2023 %	2024[1] %
Germany	– 0.3[2]	0.9
Euro area	0.7[1]	1.2
USA	2.1[1]	1.5
Emerging markets	4.0[1]	4.0
World economy	3.0[1]	2.9

1) Expected.
2) Actual figure.
Expected figures: International Monetary Fund (IMF), actual figures: German Federal Statistical Office

Restrictive central bank monetary policy in Europe and the US

The ECB raised its key interest rates, i.e. the deposit facility rate, the main refinancing operations rate and the marginal lending facility rate, a total of six times in the course of 2023, ultimately to 4.0%, 4.5% and 4.75% respectively. It also continued its balance sheet contraction. In the US, the Federal Reserve raised its key interest rate corridor three times in the course of 2023, bringing it to between 5.25% and 5.5% currently. The Fed also continues to reduce its holdings of government bonds and mortgage-backed securities on a monthly basis.

Growth on financial markets

Share prices worldwide rose significantly year-on-year in 2023. The MSCI All Countries World Index rose by around 20% in euro terms over the course of the year. The technology-heavy Nasdaq 100 index recorded particularly strong growth. Despite the weakening economy in Germany, the country's benchmark index DAX rose by around 20%. The bond markets were volatile over the course of the year. Slow declines in inflation and higher key interest rates caused yields to rise and share prices to fall until the autumn. At the end of the year, however, the prospects of falling key interest rates in 2024 led to significant share price increases. Yields fell noticeably and at year-end were in some cases below the level at the beginning of the year. The bond markets therefore ended 2023 with gains.

Decline in real estate prices in 2023

Property prices in Germany fell significantly over the course of 2023. At the end of the third quarter, they were 7.1% lower than a year earlier. While prices for residential property fell by 6.3% in the same period, commercial property recorded an even greater price decline of 10.3%. The reluctance to invest is primarily due to the high interest rates and the associated lower expected returns. In the top seven cities, the price decline of 5.7% was lower than the national average. Due to the low level of construction activity, demand for rental flats exceeded supply and rents rose by 5.9%. By contrast, rents for commercial property fell.

Health care market

Mid-term performance of health policy

In December 2023, at the mid-term point of the country's "traffic light" coalition, Germany's Health Minister Lauterbach was able to report some achievements: The two digital services acts – an act to accelerate the digitalisation of the health care system and the Health Data Use Act (Gesundheitsdatennutzungsgesetz, GDNG) – were passed in the Bundestag before the end of the year, and key points for an act on nursing care competencies (Pflegekompetenzgesetz) were also presented. However, the minister had not been able to implement the hospital reform by the mid-term point. The planned "hospital atlas" ended up in the mediation committee and with it the billions in aid for hospitals. In December, the Federal Ministry of Health announced a new start for the Health Care Strengthening Act (Gesundheitsversorgungsstärkungsgesetz, GVSG) with additional content, e.g. the regulation of investor-supported medical care centres (MVZ) and an initiative for more university places to study medicine.

Uneven financial situation among health care professionals

2023 was a particularly challenging year for pharmacies. While they were burdened with the temporary higher two-euro health insurance discount, the German government did not fulfil their demands for an adjustment to pharmacy remuneration. The health ministry's liberalisation plans for the pharmacy market have caused considerable unrest in the industry since they became public.

Expenditure by statutory health insurance on panel doctors and psychotherapists increased by 1.1% in the first three quarters of 2023. The extent to which their income will change depends on the individual association of panel doctors and their speciality.

The temporary limit on fee increases for dentists set down in the legislation on the financial stabilisation of statutory health insurance (GKV-Finanzstabilisierungsgesetz, GKV-FinStG) for 2023 and 2024 essentially means a reintroduction of budgeting of their total remuneration. As a result, the funds just recently promised for the new, prevention-orientated periodontitis therapy have been withdrawn.

Inpatient providers and companies under pressure

Although all stakeholders want a hospital reform, the federal and state governments have been unable to overcome their differences. Falling occupancy rates and rising costs are leading to liquidity problems and insolvencies. The nursing care sector is also affected by insolvencies due to falling occupancy rates, higher personnel and material costs, rising rents, and also financing costs.

While the pharmaceutical industry is seeing declines in turnover and production following the vaccine boom, the medical technology sector is expecting a slight real growth in turnover. Increased purchasing costs and high bureaucratic costs as a result of the EU Medical Device Regulation had a negative impact.

Business performance

Challenging business environment for banks

The reporting period (1 January to 31 December 2023) continued to be marked by high interest levels after a long period of low rates, along with fears of recession and, although inflation rates have recently fallen, persistently high energy prices. Russia continued its war of aggression against Ukraine, while new geopolitical conflicts broke out, so there has still been no relief for global economies. However, ongoing digitalisation and artificial intelligence, which is a relatively new topic for banks, as well as regulatory innovations, particularly with regard to sustainability, also shaped the banking environment in fiscal 2023. The banks addressed these challenges by investing more in improving processes and in digital applications, and also with cost reduction programmes.

Performance very good overall under challenging conditions

Regarding the earnings situation – with operating profit before risk provisioning amounting to €433.9 million – we rate our performance in the year under review as very good overall, particularly when compared to the previous years. However, in terms of how the relevant items in the income statement developed, a more refined analysis is necessary, which also takes the economic sustainability of their performance into account. In accordance with our statutory purpose, we supported our members and customers in achieving their professional and private goals by providing them with our specialised banking services. As at the reporting date, we had 501,823 customers (31 December 2022: 498,474), 112,431 of whom were also members (31 December 2022: 113,543). apoBank pushed ahead with its Agenda 2025 in the reporting period. Its goals include strengthening sales, optimising products and processes and increasing apoBank's resilience.

In the year under review, apoBank generated a net profit (after tax) of €94.2 million (31 December 2022: €65.8 million).

The balance sheet total decreased to €50.7 billion as at 31 December 2023 (31 December 2022: €54.2 billion). Loans and advances to customers declined to €35.3 billion (31 December 2022: €37.0 billion). Loans and advances to banks also decreased, falling to €6.1 billion (31 December 2022: €9.0 billion). The securities portfolio increased to €8.4 billion (31 December 2022: €7.2 billion). We continue to finance our lending business primarily through liabilities to customers; these customer deposits amounted to €29.4 billion in the reporting period (31 December 2022: €33.9 billion). Securitised liabilities increased to €6.0 billion (31 December 2022: €5.5 billion). Liabilities to banks rose marginally to €11.3 billion (31 December 2022: €11.1 billion).

Retail clients business

In the Retail Clients business area, we support the professional and private endeavours of pharmacists, physicians, dentists, veterinarians and psychotherapists as well as small businesses and care structures.

Slight decline in loan portfolio
The loan portfolio in our retail clients business shrank slightly to €29.3 billion in the period under review (31 December 2022: €30.7 billion). We expanded the volume of business start-up financing to €8.3 billion as at 31 December 2023 (31 December 2022: €8.2 billion). Real estate financing dropped due to the general increase in interest rates and the correspondingly weak new business volume to €17.1 billion (31 December 2022: €18.3 billion). Investment and private financing reached a volume of €3.8 billion (31 December 2022: €4.2 billion).

Decrease in average deposit volume
The average deposit volume of our retail clients decreased to €23.9 billion (2022: €26.4 billion). This was primarily due to higher interest rates, which led to a revival of competition for interest-bearing deposits in the retail clients business.

Expansion of securities business
Thanks mainly to good market performance, particularly with respect to stocks and shares, our customers' deposit volume increased to €11.7 billion (31 December 2022: €10.3 billion).

The volume of assets managed was €5.9 billion (31 December 2022: €4.8 billion).

Further growth in insurance and building society business
We also expanded our life insurance business in the year under review, achieving a brokered volume of €459.3 million (31 December 2022: €448.8 million[1]). The main driver of this growth was the high demand for pension insurance and cover for occupational disability risk.

We increased the building society contract value to €396.3 million (31 December 2022: €327.4 million).

Collaboration with professional associations representing groups of health care professionals and occupational pension funds

apoBank supports professional associations representing all groups of health care professionals in financial matters. These include the associations of panel doctors and panel dentists, the chambers as well as professional organisations.

The average deposit volume was €3.8 billion in the reporting period (2022: €4.7 billion) and was therefore back at the 2019 level. The reason for the lower volume is the outflow of funds which had temporarily flowed through clearing centres in connection with the Covid pandemic.

1) 2022 figure adjusted.

Individually tailored advisory approach for institutional investors

Institutional investors include occupational pension funds for the health care and other liberal professions as well as other professional investors such as pension funds, insurance companies and church and municipal pension institutions.

Some of these investors have certain regulatory obligations with regard to their business activities. Besides banking services, we offer them products and services such as asset liability management studies, which are tailored to help them manage and monitor their capital investments as well as comply with regulatory requirements. In addition, we support our customers in optimising strategic capital investments and investment plans.

When managing mandates as part of our direct portfolio management, we continued to focus on analysing the creditworthiness of bond debtors. Here, in addition to a large number of quantitative and qualitative aspects, we also take sustainability factors into consideration. Our advisory approach is rounded off by investment plans and solutions for implementing capital investment strategies. apoBank aims to hone its profile in institutional business. Therefore, it will transfer its custodian service for special funds after completion of the sales process to DZ BANK and no longer offer the service itself.

Lending business with corporate clients

In its business with corporate clients, apoBank pools strategic advisory services to companies in the health care market, primarily those from the areas of pharmaceutical wholesalers and the pharmaceutical and medical technology industry as well as private clearing centres. In addition, we support providers of outpatient and inpatient care such as clinics, rehabilitation facilities and nursing homes, with a focus on offering them our financing solutions.

Against the backdrop of continued intense competition and a challenging market situation due to the war in Ukraine and high energy prices, the volume of loans to corporate customers amounted to €4.9 billion (31 December 2022: €5.3 billion). The decrease compared to the previous year is mainly due to a sharper focus in the corporate finance business as well as a lower volume of new business with real estate funds.

Net assets, financial position and results

Income statement

	1 Jan - 31 Dec 2023 €m	1 Jan - 31 Dec 2022 €m	Change %[1]
Net interest income[2]	970.2	766.4	26.6
Net commission income	178.3	184.1	– 3.2
General administrative expenses	– 738.8	– 737.3	0.2
Balance of other operating income/expenses	24.3	27.7	– 12.5
Operating profit before risk provisioning	433.9	241.1	80.0
Risk provisioning from the operating business[3]	– 64.1	– 43.1	48.7
Risk provisioning with reserve character[4]	– 131.9	– 46.5	> 100
Operating result	237.9	151.5	57.1
Taxes	– 143.7	– 85.7	67.6
Net profit after tax	94.2	65.8	43.3

1) Deviations possible due to rounding differences.
2) Including current income from shares, fixed-interest securities, investments and shares in affiliated companies as well as income from profit transfer agreements.
3) This includes individual risk provisioning measures for the customer lending business as well as for financial instruments and investments.
4) This includes risk provisioning measures which do not concern individual risks, as well as allocations to the fund for general banking risks and to provisioning reserves.

Net interest income benefits from higher interest rates

We exceeded the previous year's net interest income by around a quarter. It rose to €970.2 million (31 December 2022: €766.4 million). Here, we benefited extensively from the fact that interest rates increased year on year, while refinancing costs in the customer business were moderate. We generated rising income from the lending business, although new loans here fell to €3.3 billion (31 December 2022: €5.2 billion). One of the main reasons for this trend was that demand for construction financing was weak as a result of the increase in interest rates.

The deposit business was thus the primary reason we very clearly[1] exceeded our targeted net interest income.

In order to manage net interest income in the long term, we implemented measures in the strategic banking book. These had a negative impact on net interest income in the low three-digit million range.

In the reporting period, net interest income no longer included bonuses from the ECB's TLTRO measures, which had been a mid-double-digit million amount in the previous year.

The net interest margin was 1.9% (2022: 1.3%).

1) See the table "Qualitative terms and their quantification" on the following page for an explanation of terms like these.

Qualitative terms and their quantification

Qualitative	Quantitative %
On/at the same level, constant, stable, unchanged, negligible/negligibly, marginal(ly)	0–2
Slight(ly), somewhat, moderate(ly)	from 3–5
Noticeable/noticeably, perceivably, clearly, distinct(ly), marked(ly)	from 6–15
Very clear(ly), strong(ly), clearly noticeable	from 16–32
Considerable/considerably, by more than a third, remarkable/remarkably, exceptional(ly)	from 33–49
Unparalleled, significantly	from 50 upwards

Slight decrease in net commission income

At €178.3 million, net commission income was below the previous year's level (31 December 2022: €184.1 million). While we saw increases in revenues from payment transactions, we recorded lower revenues from brokerage commissions and from the securities business with customers. This is likely to have been the result of reticence on the part of our customers as a consequence of volatile financial markets. In addition, it should be noted that the Bank gradually relinquished its custodian function in the year under review. The full exit is expected to be completed by mid-2024. On balance, the commission-based business was slightly lower than planned.

General administrative expenses stable overall

General administrative expenses amounted to €738.8 million in the reporting period (31 December 2022: €737.3 million), and were thus almost in line with the target amount.

Personnel expenses rose to €300.7 million (31 December 2022: €282.0 million). This trend is due, among other things, to the personnel measures planned as part of Agenda 2025, as well as increased wages and salaries. In the end, personnel expenses rose more strongly than expected.

Operating expenditure including depreciation was reduced to €438.2 million (31 December 2022: €455.3 million). Counteracting effects were at play here, with higher expenditure on bank operations more than compensated for by lower costs for projects and services, and also lower regulatory charges. Operating expenditure including depreciation was clearly below the budgeted amount overall.

The cost income ratio was thus 63.7% (2022: 75.9%). We had assumed in our planning that the cost income ratio would be around 12 percentage points higher.

Operating result significantly higher than expected

The operating result, i.e. the profit before risk provisioning, amounted to €433.9 million (31 December 2022: €241.1 million), and was thus significantly above the budgeted figure. The main reason for this was the dynamic development of net interest income as a result of the higher interest rates and thus also income, which rose more strongly than expected overall.

Higher risk provisioning for the operating business

Risk provisioning for the operating business was at -€64.1 million (31 December 2022: -€43.1 million). This rise was primarily due to higher net allocations to loan loss provisions in the Corporate Clients business area – both year-on-year and compared to the amount we had planned. Risk provisioning in the retail clients business was also higher than in the previous year but remained below the planned amount. Due to the development in the Corporate Clients business area, risk provisioning for the operating business was very clearly above its planned value overall. The hidden burdens of our financial instruments classified as fixed assets sank considerably to €283.0 million. In total, they are still exclusively interest-induced, which is why we do not expect any permanent impairments.

Risk provisioning with reserve character amounted to -€131.9 million (31 December 2022: -€46.5 million). Due to the positive earnings trend, we made significantly higher risk provisions with reserve character than planned.

Increase in net profit

The bottom-line operating result amounted to €237.9 million (31 December 2022: €151.5 million); we had expected a clear decrease compared to the previous year's result.

Net profit after tax was at €94.2 million (31 December 2022: €65.8 million). This is considerably higher than planned due to the earnings trend enabling the Bank to pay out a higher profit share to the members of the cooperative compared to the previous year.

The return on equity after taxes is 4.8% (2022: 3.4%), the return on capital 0.2% (2022: 0.1%).

Decline in balance sheet total, liquidity situation remains comfortable

The balance sheet total decreased as at 31 December 2023 by 6.4% to €50.7 billion (31 December 2022: €54.2 billion). At €35.3 billion, loans and advances to customers were slightly below the figure at the end of 2022 (31 December 2022: €37.0 billion). The securities portfolio amounted to €8.4 billion (31 December 2022: €7.2 billion).

apoBank's liquidity situation remained comfortable in 2023, with all internal and external minimum requirements for our liquidity position fulfilled once again. As a well-established market player with good credit ratings, apoBank secures funds for refinancing through various sources based on a broadly diversified customer and investor base. Liabilities to customers account for the largest share of refinancing, falling to €29.4 billion in the reporting period (31 December 2022: €33.9 billion). This also includes promissory note loans and registered bonds placed with our customers amounting to €1.8 billion (31 December 2022: €2.0 billion).

Our liabilities to banks amounted to €11.3 billion as at the balance sheet date (31 December 2022: €11.1 billion), the majority of which are loans from public development banks. In addition, we issue covered bonds (Pfandbriefe), unsecured bonds (preferred and non-preferred), as well as subordinated issuances, which we place with our institutional clients and on the capital market, among others. The volume of our ECB-eligible securities decreased to €5.0 billion (31 December 2022: €6.2 billion). We invested €0.5 billion in a newly launched LCR-eligible special fund.

The total volume of the Pfandbrief portfolio outstanding as at the balance sheet date of 31 December 2023 amounted to €4.3 billion (31 December 2022: €4.9 billion).

The equity capital item is described in the section "Overall capital situation" in the risk management report. Information on member numbers can be found on the inside cover of the report and above in the text.

Assessment by external rating agencies

apoBank's creditworthiness, in other words its ability and willingness to meet all its financial obligations fully and in a timely manner, is rated by Standard & Poor's. In November 2023, the agency confirmed apoBank's issuer credit rating of A+ and its stable outlook. apoBank's senior unsecured bonds have an A+ rating, senior subordinated bonds an A rating.

As apoBank is part of the cooperative FinanzGruppe and a member of the cooperative protection systems, the ratings by Standard & Poor's and Fitch Ratings for the cooperative FinanzGruppe also apply to apoBank.

Summary

Conditions for the banking business were dominated in particular by ongoing geopolitical tensions, the increases in interest rates and high inflation. Against this backdrop, apoBank continued to implement its Agenda 2025.

Net interest income benefited from the interest rate turnaround, while net commission income was below the previous year's level. Administrative expenses were largely stable. Risk provisioning from the operating business increased. Although we formed more reserves than in the previous year, the net profit for the year was higher than in 2022. This makes it possible to have members participate in earnings to a greater extent than in the previous year.

We view the liquidity situation as comfortable in the year under review.

Customer confidence in apoBank is also supported by the stability of the cooperative FinanzGruppe and its integration into the protection systems provided by the Federal Association of German Cooperative Banks (Bundesverband der Deutschen Volksbanken und Raiffeisenbanken e. V., BVR).

Sustainability report

The Bank complies with the legal obligation to publish a non-financial report in accordance with Section 289b of the German Commercial Code (HGB) by issuing a separate report annually which follows the guidelines of the German Sustainability Code (Deutscher Nachhaltigkeitskodex, DNK). The German declaration of conformity can be found at www.apobank.de/nachhaltigkeit as well as on the website of the German Sustainability Code (www.deutscher-nachhaltigkeitskodex.de).

Risk Management Report

Principles of risk management and risk control

The main objective of apoBank's risk management is to secure the Bank's long-term existence. This includes guaranteeing its ongoing ability to pay out dividends and the option of retaining earnings beyond this as well as to provide the investment means required to ensure that the Bank is fit for the future.

Risk management at apoBank includes the following essential elements that contribute to achieving the objectives outlined above:
- the risk inventory,
- the business and risk strategy,
- the capital adequacy monitoring process (ICAAP) including the stress test framework,
- the liquidity adequacy monitoring process (ILAAP) including the stress test framework,
- the risk-type-specific sub-strategies and
- the organisation of risk management, including (recovery) governance.

On the following pages, we discuss each of these items in more detail. We then provide an overview of the development of the risk situation in fiscal 2023 and present our risk management objectives. apoBank's risk management system does not assess opportunities; it deals exclusively with risks.

Risk inventory

The full identification of all risks relevant to the Bank forms the basis for an adequately functioning risk management system. Here, the risk inventory, which has to be carried out at least once a year, and the New Product Process (NPP) complement each other.

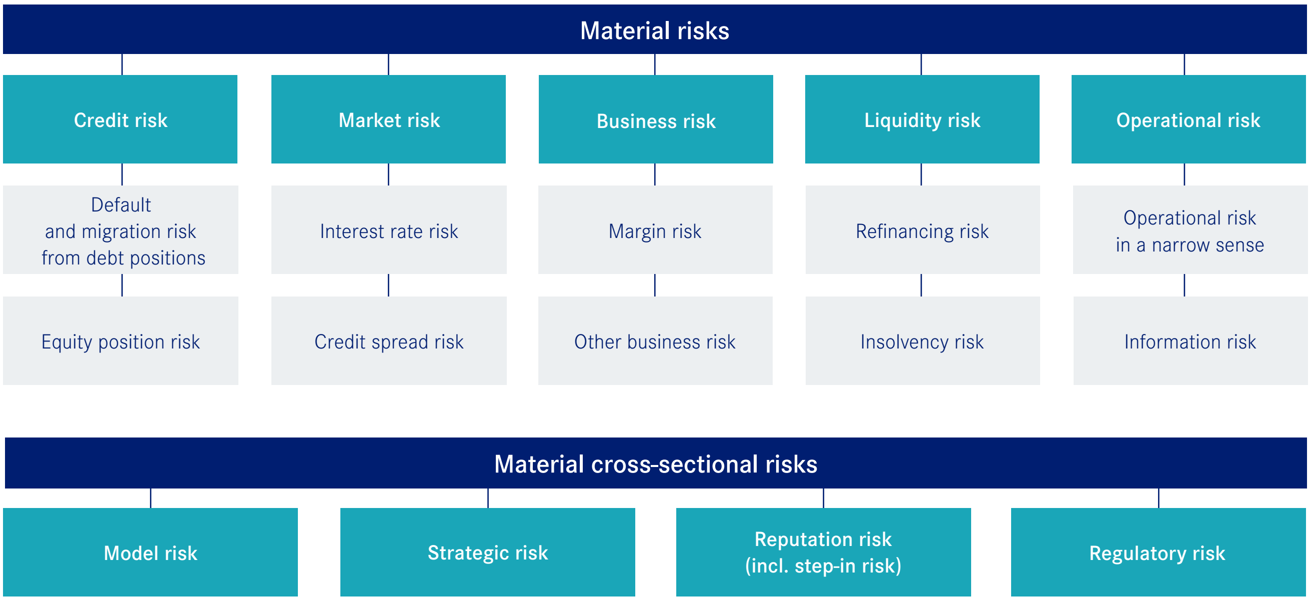
In the risk inventory, we determine the risk profile of apoBank including possible risks from shareholdings and outsourced business operations. In addition, we carry out (risk and income) concentration analyses. We analyse risk drivers from climate and environmental risks as well as social and governance risks in the ESG (environment, social, governance) materiality analysis.

The core element of the risk inventory is the identification of material risks for the Bank. apoBank considers risks as material when, by virtue of their nature, scope and potentially also their possible interaction, they can significantly influence the Bank's capital and liquidity position. All identified risks are listed in the Bank's risk inventory.

The material risks for apoBank are credit risk, market risk, business risk, liquidity risk, and operational risk as shown in the diagram on the following page.

In addition to the material risk types that directly affect the Bank's capital and/or liquidity situation, apoBank also examines risks that can have an indirect negative impact via the material risks. These risks are considered material cross-sectional risks and are thus included in the risk control and risk-measuring procedures of the material risk types. In this context, apoBank has identified model risk, strategic risk, reputation risk (incl. step-in risk) and regulatory risk as being material cross-sectional risks.

Types of risks at apoBank (aggregated representation)



Credit risk

Credit risk refers to the general risk of deteriorating creditworthiness of business partners in the customer business or in the Bank's own business, which may even lead to a potential default event. In addition, equity position risk is part of credit risk.

Market risk

Market risk is the loss that can occur due to changes in market prices (such as interest rates and credit spreads) for the positions held by apoBank. The impact of these risks is calculated both with regard to the periodic income statement and to present-value parameters.

Business risk

Within business risk, a differentiation is made between margin risk and other business risk.

Margin risk quantifies the discounting risk from the contracted margins of the concluded transactions.

Other business risk is defined by the Bank as an unexpected development in administrative costs, provisions for pension obligations, dividend payments, other operating income as well as commissions. In addition, real estate risk is considered within business risk.

Liquidity risk

With respect to liquidity risk, a distinction is made between refinancing risk and insolvency risk.

Refinancing risk is the term used to describe the risk of burdens to the Bank as a result of changes in liability spread conditions in combination with a liquidity item that has not been closed in line with its maturity. This risk includes the following sub-risks: idiosyncratic refinancing spread risk (cost change due to individual effects) and liquidity maturity transformation risk (cost changes due to market-wide effects).

Insolvency risk is the risk that apoBank may not be able to meet its current or future payment obligations in whole or in part.

Insolvency risk is a main component of the Internal Liquidity Adequacy Assessment Process (ILAAP). Refinancing risk is considered in the Internal Capital Adequacy Assessment Process (ICAAP).

Operational risk

apoBank defines operational risk as possible losses resulting from the inadequacy or failure of internal processes or systems, from human error or as a result of external events. This definition includes legal risks and information risks.

Reputation risk is also explicitly included in this risk category as a cross-sectional risk.

Model risk

Model risk describes the risk that the methods and procedures used may become inaccurate or inappropriate in the course of changing circumstances and that the risk calculated using this model will be inadequate, with regard to both individual risk and risk on an aggregated level.

Strategic risk

Strategic risk represents the risk of potential burdens to the Bank from long-term business decisions.

Reputation risk including step-in risk

apoBank defines reputation risk as the risk of potential financial burdens due to a negative perception of the Bank among stakeholders (e.g. customers, members, employees, banking supervision authority). Step-in risk describes the danger of potential burdens that can stem from apoBank granting a natural or legal person financial support in a stress situation, above and beyond existing contractual obligations. It is an implicit element of reputation risk.

Regulatory risk

apoBank defines regulatory risk as the risk of potential burdens from unforeseeable regulatory requirements with regard to recognising capital/liquidity components and/or from increased capital/liquidity requirements.

Sustainability risk

Sustainability (ESG) risks encompass climate and environmental risks as well as social and governance risks. In principle, ESG risks are not a separate risk type for apoBank. They are rather potential risk drivers that can impact the Bank's existing material risk types and cross-sectional risks, and here in particular reputation risk.

Climate and environmental risks are subdivided into physical risks (financial losses due to a changing climate) and transitory risks (financial losses due to the adaptation process towards a lower-carbon and environmentally more sustainable economy). Social risks can occur for example in connection with the violation of labour standards (child and forced labour), discrimination, deficits in occupational health and safety, insufficient wages as well as a lack of diversity. Governance risks encompass topics such as tax evasion, corruption, money laundering and insufficient transparency of information.

Business and risk strategy

The business and risk strategy is the overall representation of apoBank's strategic direction for a time horizon of five years. The content of this strategy is the outcome of the strategy process, which is carried out annually and additionally as required.

The overarching parameters for apoBank's risk appetite are defined in the risk strategy, and it sets the goals for risk control as well as the measures to achieve the risk-strategy-related goals. Specific risk guidelines have been defined for each of the Bank's business areas. Compliance with these guidelines is monitored as part of overall bank management. The responsible decision-making bodies are informed by way of ongoing reporting about compliance with the risk guidelines derived from the general risk appetite, i.e. quantitative and qualitative specifications such as minimum requirements for ratings and restrictions on maturities or limits.

With regard to dealing with risks, the risk culture is a key element of corporate culture for apoBank. In addition to guidelines on risk culture in the business and risk strategy as well as its code of conduct, the Bank also has a framework for risk culture. It conveys a common understanding of the term "risk culture" and of the target risk culture desired by the Board of Directors. This is strongly underpinned by the purpose and the scope of activities of the company, which is to promote and support the economic interests of its members and in particular of health care professionals, their organisations and institutions.

Capital adequacy monitoring process including the stress test framework

Capital adequacy monitoring process

The capital adequacy monitoring process helps us to assess and monitor the adequacy of our internal capital (ICAAP) in line with the regulatory and supervisory guidelines as well as internal requirements. This process serves to monitor apoBank's capital adequacy and encompasses the different key capital parameters as well as other parameters such as limits and threshold value criteria for the material risks as well as the corresponding reporting with the relevant information and escalation mechanisms.

In line with the regulatory specifications of the ICAAP guidelines of the European Central Bank (ECB), apoBank's capital adequacy monitoring process comprises two perspectives – a normative and an economic perspective. In each of these, a capital parameter and a risk and/or exposure parameter are set against each other. Both perspectives aim to ensure the continuing existence of apoBank. They enable a sophisticated view of the capital adequacy of the Bank based on different parameters and observation periods. The sensitivity of the capital adequacy is considered based both on the expected development (basic scenario) as well as on adverse developments/stress developments. This is the case for both perspectives.

In the normative perspective, capital adequacy is presented and monitored based in particular on the different regulatory capital parameters (e.g. total capital ratio) over a several-year period. The starting point for ongoing capital adequacy monitoring in the normative perspective is the annual capital planning. In addition, key realisations from regulatory/supervisory developments, the current business performance as well as other measures and matters that impact the capital parameters are taken into account.

The economic perspective complements the normative consideration of capital adequacy. It enables capital adequacy to be examined under consideration of all risks that are material to the Bank and which are measured based on a sufficiently conservatively measured confidence level of 99.9% as well as a holding period of one year and irrespective of regulatory requirements. In the economic perspective, the economic value of the Bank is presented with reference to a certain point in time, and the risks are quantified. In doing so, no diversification effects between the risk types are considered.

The internal capital considered in the economic perspective encompasses parts of the common equity tier 1 capital, hidden reserves and burdens from the Bank's assets as well as further economic measures of value that are available to it to compensate for future losses.

The capital adequacy calculation results in the economic capital ratio. This is the ratio of internal capital to the measured economic risks.

In addition to the gradated monitoring limits for the regulatory capital ratios and the economic capital ratio, the Board of Directors decides on a normative and an economic Bank-wide limit that are spread in the form of threshold value criteria across the exposure classes of risk-weighted assets (normative) and material risk types (economic).

Stress test framework

In addition to the basic scenario, the capital adequacy monitoring process includes various quarterly scenario calculations in which we account for the effects of unusual but plausible developments on the capital adequacy of apoBank.

In 2023, two new adverse scenarios around ESG risks were added to the stress test framework.

The "economic crisis" adverse scenario is based on the macro-economic premises of the ECB stress test and takes account of the effects of a multi-year economic crisis, under consideration of the individual risk profile of the Bank.

The "business model crisis" adverse scenario maps out unexpected developments in the core markets resulting from the business model of the Bank.

The "strategy crisis" adverse scenario addresses potential risks in connection with the Bank's strategic focus.

The "flooding" adverse scenario assumes a sudden and widespread flooding event in Germany, based on the ECB's climate stress test from 2022.

The "disordered transition to a low-carbon society" adverse scenario looks at transitory climate risks when political measures are introduced too late.

The economic perspective includes three Bank-wide stress tests that use various scenarios to demonstrate how unusually negative but plausible developments can affect the economic capital ratio of the Bank.

In the “health care market crisis” stress scenario, potential structural changes to the German health care market and the resulting impact on apoBank’s business model are considered.

In the “financial market and sovereign crisis” stress scenario, a model is set up of serious distortions on the financial markets with far-reaching implications for the real economy, based on observations made during the debt crisis in Europe as well as the financial market crisis of 2008 and 2009.

The “crisis of confidence and real estate” stress scenario considers both the impact of extensive reputational damage and a subsequent loss of stakeholder confidence in apoBank as well as the effects of significant losses in value on the real estate market.

In addition to the established scenarios described above, the Bank addresses current changes in internal and external conditions and uses ad hoc scenario calculations as well as quarterly reviews and fine-tuning of the assumptions of the existing scenarios to consider potential risks. This included, for example, the ad-hoc stress scenario for the Russia-Ukraine war.

apoBank also carries out reverse stress tests in both perspectives of the ICAAP at least once a year. These analyse under which circumstances apoBank’s business model would either no longer be economically sustainable or only to a limited degree.

Non-sustainability or limited sustainability of the business model occurs in the normative capital perspective if the regulatory and supervisory capital requirements are no longer fulfilled, or are fulfilled to a limited extent only.

In the economic capital perspective, non-sustainability of the business model occurs if the minimum requirement of the economic capital ratio is no longer fulfilled.

In addition to analysing the effects of individual events, the reverse stress tests also analyse combinations of potential risk factors. These are critically examined with regard to possible sensitivities in the risk profile of the Bank.

Liquidity adequacy monitoring process including the stress test framework

Liquidity adequacy monitoring process

The liquidity adequacy monitoring process that apoBank uses to assess its own liquidity is designed based on the ILAAP guidelines of the ECB. We understand the term liquidity adequacy to mean that sufficient liquidity reserves are available to cover the risks from existing and future payment obligations. Management of liquidity adequacy is an integral part of corporate management at apoBank and is considered from economic and normative perspectives.

The normative perspective takes account of the rules of the European Capital Requirements Regulation (CRR) and the national specifications of the Capital Requirements Directive IV (CRD IV), and focuses in particular on the liquidity ratios LCR (liquidity coverage ratio) and NSFR (net stable funding ratio). These provide information as to whether the minimum requirements under supervisory law are fulfilled, both from a current-state perspective as well as in future scenarios.

The LCR specifications determine apoBank's liquidity stock. This is why, in accordance with the regulatory specifications, we monitor the actual key figure daily and forecast the future LCR. We calculate the NSFR on a quarterly basis to ensure that minimum and internal requirements are fulfilled here, too.

The actual figures of the LCR and NSFR as well as the LCR forecasts are adequately monitored in the internal limit system that reflects apoBank's risk appetite. Target ratios and internal warning thresholds are set for both key figures. The management buffer is the difference between target ratio and internal warning threshold.

Economic liquidity management is based on the ongoing analysis and juxtaposition of all cash inflows and outflows in a liquidity gap analysis, which is prepared over a rolling period of the following twelve months. In addition, we track the liquidity on an intraday basis in order to swiftly identify unplanned liquidity events and to limit unplanned liquidity outflows.

Furthermore, we monitor longer-term liquidity management using a refinancing analysis. Here, the annual gaps on the liabilities side are set against the liquidity stock of the Bank over a period of up to ten years.

Stress test framework

The liquidity gap analysis shows the future development of liquidity in different scenarios. These take into account the specifications of the business planning in the expected plan scenario, the overarching assumptions of the adverse scenarios as well as the macro-economic and institute-specific Bank-wide stress tests, in line with the ICAAP scenarios. In addition, in order to account for the regulatory requirements, a combined Bank-wide stress test is carried out daily in the economic liquidity analysis.

For all scenarios it is required that sufficient liquidity stock be available to cover the liquidity outflows. Here, the risk appetite of apoBank is derived both from the accepted survival period defined in the limit system, which reflects the time horizon until all liquidity reserves have outflowed in a stress event, and from the stress parameters applied.

The liquidity stock consists of liquid securities, cash reserves and overnight deposits with banks and the ECB. The level of liquidity stock required is determined based on scenario analyses, and also takes fulfilment of all requirements relating to pledges into account.

In addition, reverse stress tests are used to analyse liquidity adequacy.

Risk-specific sub-strategies

Credit risk

In credit risk management, a distinction is made between the business areas of Retail Clients, Professional Associations, Corporate Clients, Institutional Investors, Treasury, as well as Shareholdings. The unexpected loss (UEL) for credit risks as recognised in the capital adequacy calculation is determined based on portfolio data and taking into account concentration effects, and is limited at a Bank-wide level.

In addition, in the case of credit risk the volume is limited and monitored at individual borrower level and also at portfolio level, depending on the extent of control needed. Here, both individual risk and material risks from group exposures attributable to these customers or from the risk category are taken into account.

apoBank uses a system of country limits to monitor the regional distribution of credit exposure at overall portfolio level. The risks are limited depending on fundamental country-specific macroeconomic data, the current creditworthiness of the respective country and apoBank's equity situation.

Credit risk is measured based on sophisticated internal and external rating systems, the results of which are rendered comparable using a master scale. The quality of the internal rating systems is constantly monitored and improved, if required. The IRB rating procedures are validated at least once a year and the results are documented in validation reports.

apoBank regularly agrees on collateral with its customers in the lending business. In particular, eligible collateral includes mortgages, the pledging of securities, the assignment or pledging of credit, the assignment of receivables (such as earned income) and life insurance benefits as well as guarantees. A proportional valuation limit (loan-to-value ratio) is assigned to each bankable collateral which can be evaluated based on its properties and other factors.

To reduce the counterparty risk from derivative transactions, master netting agreements (offsetting of opposite positions) are concluded and apply across products. In addition, apoBank uses collateral management (collateral for open positions) for derivatives.

Retail Clients business area

The Retail Clients business area primarily consists of loans to health care professionals, cooperations in outpatient care and smaller companies in the health care sector if these companies' risks can be assigned to health care professionals.

To manage this business area, apoBank makes use of apoRate, a rating procedure which has been specially developed in-house and tailored to apoBank customers, in addition to customer-specific economic analyses. On this basis and combined with our excellent expertise in the health care professions sector, which we have established over many decades, these tools are suitable risk and early warning indicators. They are the basis for early detection of potential payment disruptions.

Standardised processes of intensive loan management and problem loan management are applied when dealing with customers in this business area. If the detected risk factors have an identifiable impact on the customers' creditworthiness, these customers are subject to a process of intensive loan management with the objective of quickly transferring them back to standard loan management.

Problem loan management comprises a catalogue of measures that we develop together with the customers to resolve their liquidity or earnings problems. The customers are looked after by special customer service teams in the back office. Their task is to support the customers during the recovery phase or – if a recovery is not possible – to pursue the termination of the commitment.

All customers who are transferred to problem loan management are logged in the risk provisioning application in the core banking system. The level of risk provisioning is initially determined automatically by the system and for each customer individually based on the debt they are capable of taking on. If no capacity for debt is identified or if it is unlikely that the loan can be repaid, the unsecured portion is generally used for risk provisioning. The same applies when the information on income or asset status as influencing factors has not been recently updated and therefore does not provide a legitimate basis for calculation. The Problem Loan and Receivables Management department at headquarters supports the problem loan management teams and the branches in asserting apoBank's claims against debtors in arrears.

Professional Associations, Corporate Clients and Institutional Investors business areas

apoBank allocates loans it makes to institutional health care organisations, larger care structures, health care companies and other institutional clients to the above business areas.

Sophisticated rating procedures are used in these business areas. Commitments to institutional organisations in the health care sector concern loans to legal entities of public law – mainly to professional organisations and associations of the health care professions.

These professional organisations and associations are evaluated using Rating öR – a rating model designed by apoBank. Due to the special characteristics of these customers, the rating procedure focuses on the operator of the respective entity in addition to qualitative aspects.

Health care company loans are primarily granted to enterprises in the area of inpatient and outpatient care, to manufacturers and retailers for pharmaceutical, dental or medical products as well as to private medical clearing centres in the health care sector. The Corporates rating model offered by CredaRate GmbH is applied to assess the risks of those companies.

apoBank uses CredaRate GmbH's Commercial Real Estate rating model to categorise corresponding financing exposures in the medical sector. The model evaluates relevant company-specific and real estate-specific risk factors in order to accurately assess the borrower's creditworthiness.

apoBank has an established process for early identification of risks, by which the economic circumstances of the customers of these business areas are regularly analysed, and are monitored using risk and early warning indicators. As is the case in the Retail Clients business area, the transfer into intensive support and problem loan management takes place as soon as risk and early warning indicators point to a deterioration in economic conditions. All customers who are transferred to problem loan management are captured in the risk provisioning application in the core banking system.

Treasury business area

apoBank invests funds in the money and capital markets to manage its liquidity and balance sheet structure. These money and capital market investments as well as derivative transactions are combined in the financial instruments portfolio. In addition to classical securities and money market instruments for liquidity management, it also and in particular includes derivatives to manage the Bank's interest rate risk. The issuers and counterparties of the financial instruments portfolio are almost exclusively allocatable to the central governments and banks exposure classes. Accordingly, it is primarily external ratings and the VR bank rating of DZ BANK that are used to assess creditworthiness. apoBank also uses various early risk detection tools and processes.

Shareholdings business area

The Shareholdings business area is responsible for the acquisition, management and sale of shareholdings. Depending on the business purpose, we differentiate here between strategic investments and financial shareholdings. apoBank carries out a half-yearly impairment test for its shareholdings and makes a value adjustment, if necessary.

Market risk

The market risks faced by apoBank are integrated into general risk management. This is based on a sophisticated system of risk measurement and control. The market risks of apoBank primarily lie in its overall interest rate risk and in the credit spread risk that results from changes in the credit spreads in the Treasury business area.

Currency risks are hedged to the greatest extent possible. apoBank is not subject to any specific material foreign currency risk. Its business and risk strategy does not allow for active trading of securities, for example, to exploit short-term fluctuation in prices.

To reduce market risk and hedge its transactions, apoBank regularly employs interest and currency derivatives both at the level of individual transactions (micro hedges) and at Bank-wide level (strategic interest rate risk management). In addition, portfolio hedges cover the risks of multiple underlying transactions of the same type via one or more hedging instruments. Furthermore, interest rate derivatives are concluded at Bank-wide level as part of strategic interest rate risk management to align the interest cash flow with a strategic benchmark. To secure the exchange rate of foreign currency items, apoBank uses forward foreign exchange transactions and FX swaps.

Interest rate risk

Strategic interest rate risk management is based on an integrated management approach which includes both periodic and present-value parameters. Our management objective is to achieve a moderate interest rate risk position at Bank-wide level and thus to continuously develop interest income. The level of the interest rate risk position is determined using extensive interest rate simulations across multiple budget years. This is how both the impact on the Bank's future net interest income and the associated present-value risks are determined. Here, the interest rate risk position of the Bank, which results primarily from its customer business, is managed in the long term using derivative management instruments.

The key component in determining the present-value risk is the value at risk (historic simulation), which is calculated based on a large number of possible interest rate scenarios over a long period of time. In combination with the risk appetite limit derived based on the economic capital adequacy, this control parameter results in our interest rate risk position.

Another key indicator for monitoring the present-value interest rate risk is the supervisory outlier test on economic value of equity (SOT EVE). It provides information on the relationship between the loss of present value of the banking book in the event of an ad hoc shock of +/– 200 basis points and the Bank's core capital.

The periodic interest rate risk is monitored using interest rate simulations that quantify the effects of adverse interest rate developments on the net interest income of the Bank. Here, precisely defined early warning limits allow for early counteraction to be taken if necessary.

Credit spread risk of the financial instruments
We also calculate a value at risk based on a historic simulation to measure the credit spread risk of the financial instruments. The parameters measured here are the credit spreads of the securities. We differentiate between operational and strategic control within the economic capital adequacy framework. As is the case with interest rate risk parameters, risk contribution of the credit spread risk in strategic controlling is calculated based on a long history, which also includes the financial market crisis. By contrast, in operational control the focus is on the development of the credit spreads in the more recent past and the risk is calculated based on a one-month time horizon.

Liquidity risk

In addition to taking account of regulatory requirements, the highest priority of liquidity risk management at apoBank is to guarantee the solvency of the Bank at all times.

Against this backdrop, apoBank has a liquidity stock that on the one hand covers all payment obligations (economic liquidity stock) and on the other hand fulfils the regulatory requirements (normative liquidity stock). The securities in the liquidity stock can be sold or used as collateral at any time. This way, apoBank ensures maximum fungibility of its assets, both in the event of a regulatory as well as an economic crisis, and thus secures its solvency. To determine the required liquidity reserves, we compare the effects of the economic stress scenarios on liquidity against the results of the normative LCR calculation. The requisite with the highest liquidity outflows represents the bottleneck and indicates the liquidity reserve that must be held.

Refinancing planning is linked to the business planning process and the specifications of the business and risk strategy. Key aspects of refinancing planning are maintaining an adequate maturity structure, as well as sufficient diversification. An important refinancing source for apoBank are covered bonds (Pfandbriefe). In order to fulfil the statutory requirements set for issuers of covered bonds, the security of their recovery is monitored and controlled on a daily basis.

Suitable instruments are used to ensure that the specifications set out in the Risk Appetite Framework are fulfilled at all times. These include a consistent limit system for the LCR, the NSFR, the survival period under stress, and the setting of minimum limits for the maximum long-term refinancing gap.

Our liquidity contingency plan, which is revised annually, ensures a fast and coordinated response to possible crisis events.

The costs of the liquidity reserve to be held by apoBank are to be borne by the business areas where the costs originate. To assign the liquidity risks and costs according to their source and offset them, apoBank uses an internal liquidity price allocation system.

In addition to the insolvency risk, apoBank calculates the refinancing risk. This includes the following sub-risks: idiosyncratic refinancing spread risk (cost change due to individual effects) and liquidity maturity transformation risk (cost change due to market-wide effects).

Business risk

Business risk encompasses margin risk and other business risks.

Margin risk includes the interest-dependent risk of a present-value loss of the margins in the banking book. It is quantified using a value-at-risk approach based on a historic simulation. It is calculated on the basis of a large number of possible interest scenarios over a long period of time.

A value-at-risk approach (variance-covariance method) is used to calculate other business risks, i.e. the risk of present-value changes in the actual administrative costs and commissions.

Generally, it is not possible to limit business risks via financial instruments that can be traded on the market. The administrative cost risks included in business risk are constantly monitored and controlled using defined cost management processes.

Operational risk

The starting point for controlling operational risk is the identification of potential operational risks by the local risk managers, based on a self-assessment. They are also responsible for developing, implementing and monitoring measures to control all significant operational risks identified.

The results of the self-assessment are checked for plausibility, compiled, analysed and presented to the Board of Directors. The key data on the losses incurred from operational risks are recorded in the central risk event database.

Legal risks from standard operations are reduced using standardised contracts. The effects of insurable risks are alleviated by obtaining suitable insurance coverage if this is economically reasonable.

Unexpected losses (UEL) from operational risks in the economic capital adequacy calculation are measured based on the standard regulatory approach. The Bank has a risk buffer in place for the UEL from reputation risk, which is included in operational risks for internal reporting purposes.

Concentrations

The Bank generally differentiates between risk, earnings, capital and demography concentrations.

We analyse and monitor risk concentrations both within the material risks (intra-risk concentrations) and between the material risks (inter-risk concentrations). To identify and monitor earnings concentrations, we analyse the earnings structure of the Bank and its development with regard to different dimensions, for example business areas or product types. To analyse capital concentrations, the individual components of capital are examined. We look at demography-related concentrations with reference to age structure, in particular that of members, customers and employees.

Risk reporting

apoBank has a standardised reporting system in place that covers both developments in the material risks of the Bank and in the business areas. It is the basis for detailed analyses of the economic and risk position of the Bank, for deriving and evaluating alternative actions as well as for deciding on risk control and limitation measures.

The Bank's risk management report is a key component of risk reporting. It serves to inform the Board of Directors about the ICAAP and ILAAP results, including developments in the material risk types. Further addressees of the risk report are the Supervisory Board of the Bank as well as the Joint Supervisory Team of the European banking supervision authority. The ILAAP results are also reported to the Board of Directors once a month.

Issues within the financial instruments portfolio that are relevant for early warning are reported on an ad hoc basis to a specific group of recipients.

As monitoring bodies, the Supervisory Board and its Loan and Risk Committee are informed regularly about the current economic situation and risk position of the Bank as well as about risk control and limitation measures. The Loan and Risk Committee advises on the granting of loans and also discusses significant investment decisions, the sale and purchase of properties as well as new investments and divestments. The committee held a total of four ordinary meetings in the 2023 financial year.

Organisation of risk management

Organisational principles

The risk management system at apoBank is organised according to the Three Lines of Defence model and ensures that risks are identified, evaluated, controlled and monitored. In this process, the front-office/sales functions on all hierarchy levels are kept functionally and organisationally separate from the back-office/risk management and risk control functions in order to avoid conflicts of interest and maintain objectivity. The principle of dual control is applied up to the level of the Board of Directors to enhance the reliability of decision-making and processes.

The entire Board of Directors is responsible for the risk inventory, the business and risk strategy, as well as the proper organisation and design of risk management. It is also responsible for the adequate design of the internal capital and liquidity adequacy process, including limiting the risk appetite with regard to the capital and liquidity position. In the case of new products or markets, it approves the launch plan and the start of ongoing business activities.

The first line of defence is made up of the front-office, back-office and other functions, especially those that ensure the Bank's infrastructure is functioning. They are responsible for operational management. They monitor business operations on an ongoing basis and contribute by means of their original (control) tasks to recognising, evaluating and reducing risks. In addition, the back-office function monitors credit risk at the individual borrower, issuer and counterparty level in the customer portfolios as well as in the financial instruments and shareholdings portfolios.

The risk control function is responsible for the methods and models used to identify, measure and limit risks, as well as for compliance with further specifications, independent monitoring and risk reporting at portfolio level and for the Bank as a whole. To ensure that the procedures and models used are of high quality and validity, the risk control function includes an independent validation function. Together with the compliance functions, the risk control function constitutes the second line of defence.

The internal auditing function is an essential component of the Bank's independent monitoring system and constitutes the third line of defence. It conducts downstream audits of the agreed regulations and controls that are established by the risk control and compliance function.

The recovery governance established by apoBank is the organisational precondition for convening a recovery committee in crisis situations, as well as for creating the function of recovery coordinator.

Before any major changes are made to the organisational structure and processes or to the IT systems, the units responsible for organisation and IT at the Bank use defined methods to ensure that the impact of planned changes is analysed both with regard to the organisation as well as the control procedures and intensity.

Recovery governance and resolution plan

Pursuant to the legal and regulatory requirements of the Recovery and Liquidation Act (Sanierungs- und Abwicklungsgesetz, SAG) as well as the Minimum Requirements for the Design of Recovery Plans (Mindestanforderungen an die Ausgestaltung von Sanierungsplänen, MaSanV), the Bank has a recovery plan that was further refined according to a regular schedule in the year under review, as well as corresponding governance.

As a Single Supervisory Mechanism Institute (SSM) supervised directly by the ECB, apoBank is subject to liquidation monitoring by the European authority for liquidation, the Single Resolution Board (SRB). To allow the European liquidation authority to establish a resolution plan, apoBank submitted the relevant information in the year under review.

Accounting management and control

The Bank has its own internal control system for financial accounting. This consists of principles, procedures and measures that serve to ensure the effectiveness, efficiency and correctness of accounting as well as compliance with the relevant legal regulations. The internal control system for financial accounting ensures that business matters are recorded, processed and recognised properly and entered into the accounts correctly. Internal Auditing monitors the correctness and functional reliability of the processes and systems and, in particular, evaluates the effectiveness and appropriateness of the internal control system for financial accounting.

Details on the development of the risk position in 2023

Overall capital situation

Both in the normative perspective and in the economic perspective, the capital ratios were above the respective target ratios on each risk reporting date and were thus also above the regulatory capital recommendations and minimum requirements. Although some individual threshold value criteria were temporarily exceeded in the course of the year, the Bank-wide limit set by the Board of Directors was complied with at all times.

Capital situation – normative perspective
In 2023, apoBank's capital ratios were above the respective capital requirements and recommendations as well as above the internal target ratios both on each reporting date and in the rolling three-year capital forecast carried out on the same date.

Both the common equity tier 1 capital ratio and the total capital ratio increased as at 31 December 2023 compared to the previous year. As at the balance sheet date, the total capital ratio of apoBank pursuant to the CRR amounted to 18.0% (31 December 2022: 17.6%) and the common equity tier 1 capital ratio was at 16.7% (31 December 2022: 15.8%). The tier 1 capital ratio is identical to the common equity tier 1 capital ratio as apoBank did not issue any additional tier 1 capital.

The Bank rates its capital situation as good overall, since the respective target ratios were exceeded in all capital categories, both as at the reporting date and in the capital forecast.

As at 31 December 2023, regulatory capital totalled €2,857 million, an increase on the previous year's figure (31 December 2022: €2,595 million). Here, common equity tier 1 capital rose to €2,661 million (31 December 2022: €2,331 million), while at the same time tier 2 capital declined to €196 million (31 December 2022: €264 million).

The increase in common equity tier 1 capital primarily resulted from lower regulatory deduction items. Capital was also strengthened by higher offsetable members' capital contributions, which rose to €1,217 million (31 December 2022: €1,192 million), allocations to the fund for general bank risks and to the revenue reserves from the 2022 annual result, as well as the offsetable interim profit that had already been generated by mid-year.

ICAAP – normative perspective

as at 31 December 2023	€m	Total capital ratio %
Regulatory capital	2,856.5	
Risk-weighted assets (RWA)	15,894.7	18.0

Risk-weighted assets	Actual risk €m	Utilisation of threshold value criteria[1] %
Retail business	8,766.2	92.8
Corporates	3,826.8	91.1
Institutes	703.8	93.8
Investments	877.7	97.5
Other RWA[2]	1,720.3	90.5

1) In the normative perspective, the threshold value criteria are used as an internal tool to monitor the development in the risk-weighted assets.
2) RWA for credit risk positions in relation to sovereign states, as well as for operational risk, market risk positions, credit value adjustments (CVA) and settlement risk.

Tier 2 capital was lower due to the fact that, based on the consolidated consideration of the value adjustment deficit (common equity tier 1 capital) and the value adjustment surplus (tier 2 capital), there was no longer any offsetable surplus.

Risk-weighted assets amounted to €15,895 million as at 31 December 2023 (31 December 2022: €14,752 million). The utilisation rate of the normative Bank-wide limit of €17,200 million was 92.4% as at 31 December 2023.

The increase in risk-weighted assets (RWA) is mainly the result of higher risk weightings overall in the retail business exposure class. The backdrop here is an adjustment to regulatory privilege granted for receivables from small and medium-sized companies.

The leverage ratio amounted to 5.2%. It was thus above the regulatory minimum requirement of 3.0%, and above the previous year's level (31 December 2022: 4.3%). This was due to the simultaneous increase in core capital and lower leverage ratio exposure.

Capital situation – economic perspective
Since the beginning of 2023, apoBank has been using an internally refined methodology to monitor and calculate economic capital adequacy. This method now focuses much more strongly than before on the economic value of the Bank, i.e. on the market and present values of the individual assets. For this reason, the reporting data are only comparable with the previous year's figures to a limited extent.

In the economic perspective of the ICAAP, the internal target ratio was exceeded on all reporting dates last year.

The economic capital ratio, which represents the relation between the risk cover potential and the economic risks, was at a comfortable 249.3% as at 31 December 2023 (31 December 2022: 152.9%).

As at the reporting date, the risk cover potential amounted to €4,483 million. It was thus higher than at the end of 2022 (31 December 2022: €2,586 million). This increase is due in particular to the common-practice recognition of hidden reserves from the Bank's banking book items combined with the fact that we refined our deposit model. This resulted in more accurate recognition of fixed interest periods in the deposit business.

ICAAP – economic perspective

as at 31 December 2023	€m	Economic capital ratio %
Risk cover potential	4,483.3	
Bank-wide risk position	1,798.1	249.3

Material risks	Actual risk €m	Utilisation of threshold value criteria[1] %
Credit risk	770.8	78.3
Market risk	241.2	51.3
Liquidity risk	0.0	0.0
Business risk	644.4	94.8
Operational risk	141.8	88.6

1) In the economic perspective, the threshold value criteria are used as an internal tool to monitor the development in the material risks.

With regard to risk development, higher measured business risk was partially compensated for by lower credit, market and liquidity risks. The utilisation rate of the economic Bank-wide limit of €2,310 million was 77.8% as at 31 December 2023.

The rating system of apoBank

Meaning	Rating class (BVR master scale)	Probability of default %	External rating class[1]
Commitments with **excellent** creditworthiness, no risk factors (standard loan management)	0A	0.01	Aaa
	0B	0.02	Aa1
	0C	0.03	Aa2
	0D	0.04	
	0E	0.05	Aa3
Commitments with **good** creditworthiness, individual risk factors (standard loan management)	1A	0.07	A1
	1B	0.10	A2
	1C	0.15	
	1D	0.23	A3
	1E	0.35	Baa1
	2A	0.50	Baa2
Commitments with **low** risks (standard loan management)	2B	0.75	Baa3
	2C	1.10	Ba1
Commitments with **greater** risks (intensive loan management)	2D	1.70	Ba2
High-risk commitments (problem loan management)	2E	2.60	Ba3
	3A	4.00	B1
	3B	6.00	B2
Higher-risk commitments (problem loan management)	3C	9.00	B3
	3D	13.50	
	3E	30.00	Caa1 to C
Commitments **threatened by default** (according to CRR definition) – commitments overdue by more than 90 days – commitments with a loss provision from last or this year (problem loan management) – write-offs – insolvency – commitments of customers in the probationary period after all reasons for default have ceased to be valid (4W)	4A to 4E 4W	100.00 100.00	D
No rating			

1) According to Moody's rating system. The internal apoBank rating classes (BVR master scale) are compared with the external rating classes based on the probability of default. As the BVR master scale is broken down into very small categories and contains more rating classes than Moody's, not all external rating classes are matched with an internal one.

Credit risk

The UEL from credit risks faced by apoBank was €771 million as at the end of December 2023 (31 December 2022: €791 million). The threshold value criterion for credit risk derived from the Bank-wide limit of the economic capital adequacy calculation was complied with on all reporting dates.

The key developments in credit risks for the individual business areas of the Bank are presented below.

Retail Clients business area
In the Retail Clients business area, drawdowns dropped last year to €30.6 billion (31 December 2022: €32.0 billion).

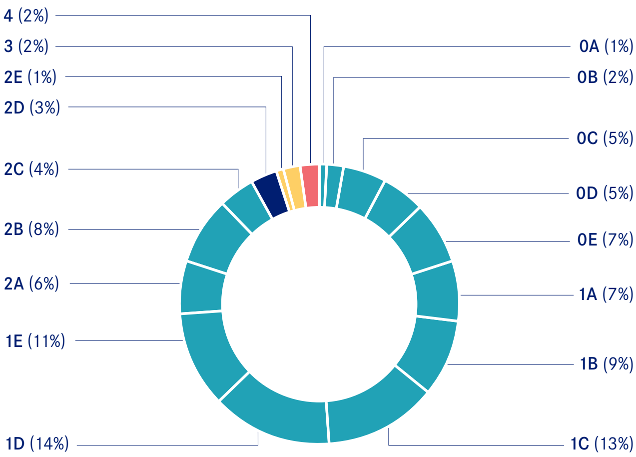
The rating structure shows a rating distribution with an emphasis on good and average rating classes, which is typical of this customer group. The rating coverage is 100%. This business area is highly diversified: With around 234,000 borrowers, the largest individual risk accounts for only around 0.1% of the total drawdowns.

After offsetting new and no longer necessary precautionary measures, value adjustments to the amount of €29.4 million were made in the last financial year (31 December 2022: €22.6 million). Thus the value adjustments in this business area were very clearly lower than the modelled figure.

Professional Associations, Corporate Clients and Institutional Investors business areas
Drawdowns in the Professional Associations, Corporate Clients and Institutional Investors business areas decreased by a total of €0.3 billion to €5.5 billion as at 31 December 2023 (31 December 2022: €5.8 billion). The rating distribution of these business areas is balanced. The rating coverage is 100%. With 1,200 borrowers, the largest individual risk accounts for 5.8% of total drawdowns in these business areas.

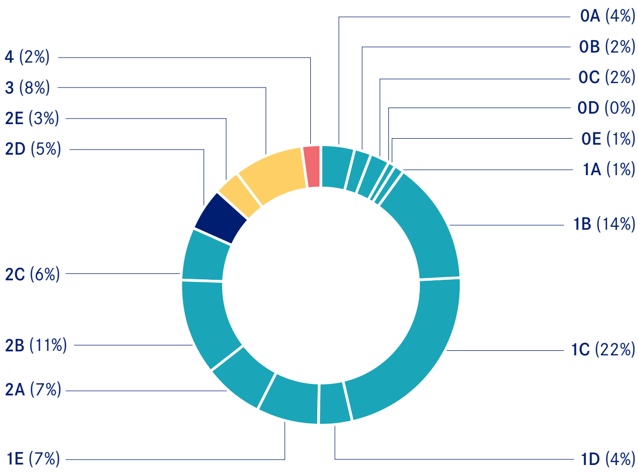
After offsetting of the newly made and no longer required provisioning measures, value adjustments made for the Professional Associations, Corporate Clients and Institutional Investors business areas amounted in total to €36.8 million in the year under review (31 December 2022: €19.6 million). This was considerably higher than planned, mainly due to some one-off cases in the corporate clients business.

Rating class distribution in the retail clients portfolio
Volume distribution based on drawdowns
Total of €30,599 million[1]



1) Percentages rounded.

Rating class distribution in the Professional Associations, Corporate Clients and Institutional Investors business areas
Volume distribution based on drawdowns
Total of €5.497 million[1]



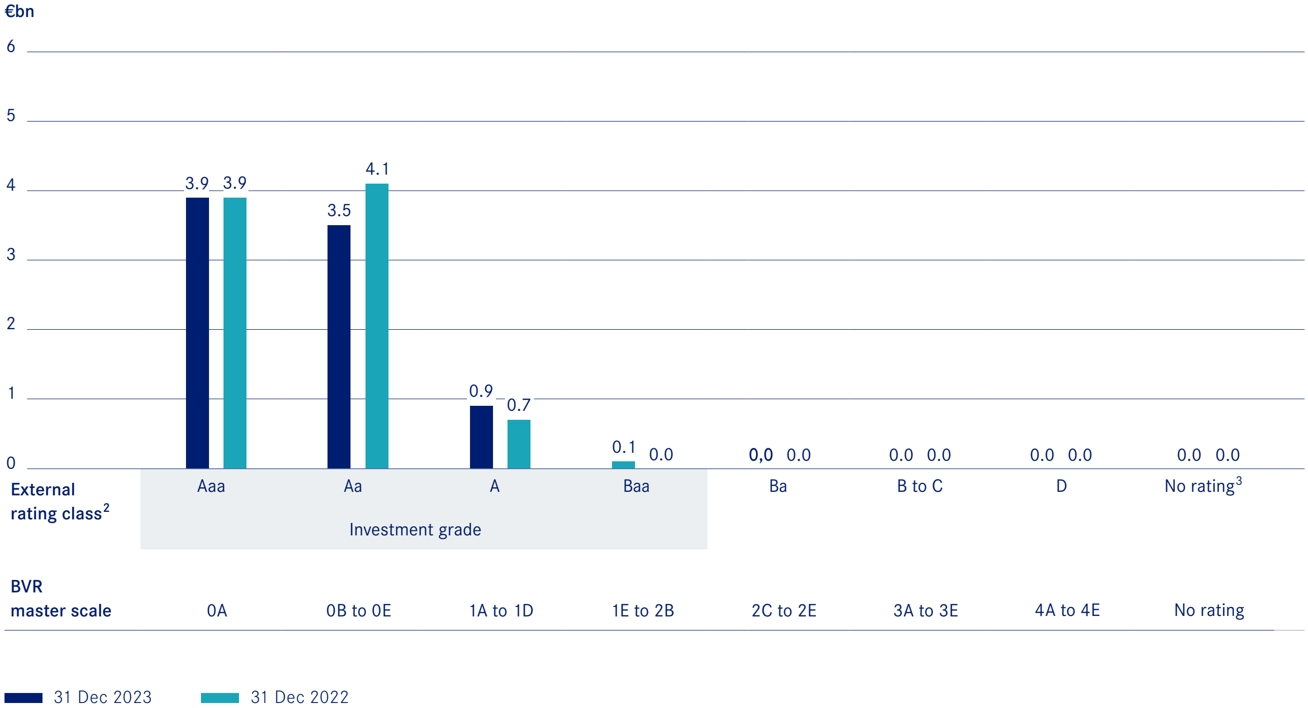
1) Percentages rounded.

Treasury business area

The risk volume of the financial instruments portfolio managed by the Treasury business area amounted to €8.4 billion on the reporting date (31 December 2022: €8.8 billion). This decline results from lower holdings of money market products and commercial papers. By contrast, securities holdings in the liquidity management portfolio and in the special funds held by the Bank were higher than in the previous year.

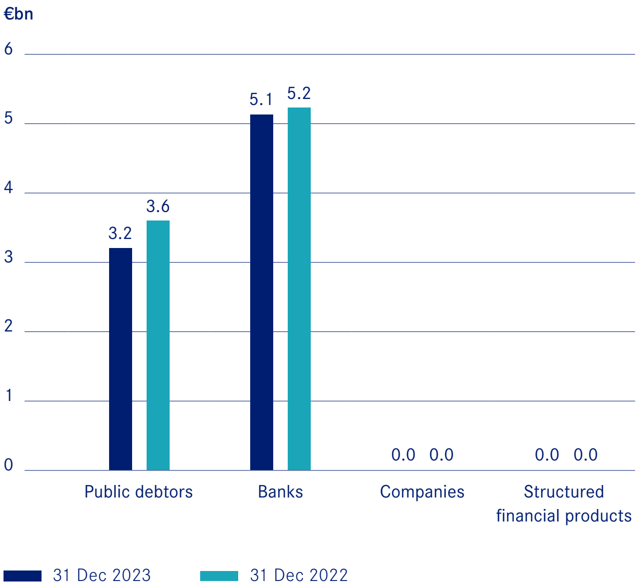
The risk volume of the derivatives in the financial instruments portfolio decreased to €48 million (31 December 2022: €130 million). apoBank uses derivatives primarily to hedge against interest rate risks stemming from the customer business. As at the balance sheet date, the nominal volume amounted to €27.0 billion (31 December 2022: €24.5 billion).

Total exposure of financial instruments portfolio by rating class[1]



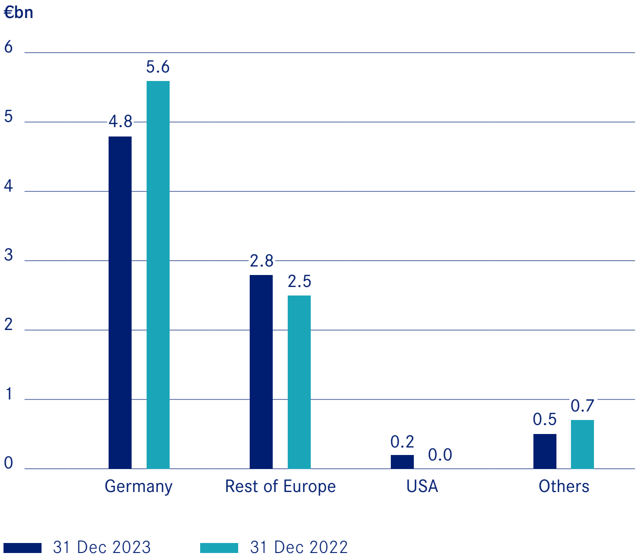
1) Total exposure is generally the book value (loan drawdowns or credit equivalent amount). The exposure for the INKA funds is determined by looking at the underlying assets; the exposure is accounted for on a cost value basis.
2) The letter ratings shown here comprise all rating classes of the respective rating segment (i.e. Aa comprises Aa1 to Aa3, for example).
3) The unrated exposures are mainly composed of interbank and fund items.

Total exposure of financial instruments portfolio by sector[1]



1) Deviations possible due to rounding differences.

Total exposure of financial instruments portfolio by country[1]



1) Deviations possible due to rounding differences.

As at 31 December 2023, around 99% of the financial instruments portfolio was rated in the investment grade range. After offsetting, we made a risk provision amounting to €4.9 million as at the reporting date (31 December 2022: €5.2 million). We had expected value adjustments to this portfolio of €3 to €4 million.

Shareholdings business area

The book values of the shareholdings were stable at €0.2 billion as at the balance sheet date (31 December 2022: €0.2 billion).

After offsetting, we released risk provisions in this business area amounting to €7.0 million as at the balance sheet date (31 December 2022: release of €2.8 million). The main reason for this was that one shareholding was written up, although no releases or value adjustments had been planned.

Market risk

The UEL from market risks faced by apoBank amounted to €241 million as at 31 December 2023 (31 December 2022: €392 million). This drop is mainly due to the fact that we refined our deposit model.

The threshold value criterion derived from the Bank-wide limit of the economic capital adequacy calculation for market risk was complied with on all reporting dates.

The results of the present-value regulatory stress calculations, which are carried out monthly, confirm a moderate interest rate risk at Bank-wide level. apoBank remained below the regulatory reporting limit of 20% of regulatory capital (Basel II interest risk coefficient) throughout 2023. The Basel II interest rate risk coefficient was 5.6% as at 31 December 2023 (31 December 2022: 9.2%).

The following table shows the changes in present value in the banking book with respect to the individual interest scenarios.

Changes in present value in the banking book

	Ad hoc interest scenario		
	Interest increase (+ 200 bp)	Interest decrease (– 200 BP)	Basel II interest rate risk coefficient
	€m	€m	%
31 Dec 2021	– 331	+116	12.4
31 Dec 2022	– 239	+235	9.2
31 Dec 2023	– 160	+183	5.6

When calculating the interest rate risks in the banking book, apoBank makes modelling assumptions for certain items of the customer business in order to determine the cash flows based on fixed-interest periods. In the assets business, this affects in particular the drawing behaviour of the customers on open credit lines as well as contractually agreed special redemption payments and statutory loan termination rights. For open credit lines and contractually agreed special redemption payments, we adjust the cash flows based on historical data. Statutory loan termination rights are modelled based on option models.

In the liabilities business, we model the cash flows for customer balances without a specific interest rate adjustment date. Here, moving averages are used to generate cash flows based on fixed-interest periods for basic amounts that are derived from historical data.

Liquidity risk

The UEL from refinancing risk faced by apoBank was €0 million as at 31 December 2023 (31 December 2022: €47 million) as there were no refinancing gaps that needed to be evaluated within the risk horizon. The threshold value criterion derived from the Bank-wide economic capital adequacy calculation limit for the refinancing risk was thus complied with on all reporting dates.

The decrease in risk compared to the end of the previous year results from a change in the risk calculation method, by which previously existing double recognition of items was eliminated. With respect to risk calculation, the solid liquidity position leads to a situation in which there is no refinancing gap in the risk horizon and there is thus no longer any refinancing risk.

Business risk

The UEL from apoBank's business risk was €644 million as at 31 December 2023 (31 December 2022: €322 million). The threshold value criterion for business risk derived from the Bank-wide limit of the economic capital adequacy calculation was complied with on all reporting dates.

The rise compared to the previous year stems from the shift from a periodical to a present-value risk calculation method as part of the further refinement of the economic ICAAP perspective. Overall, the measured risks fluctuated only moderately in 2023.

Operational risk

The UEL from apoBank's operational risk was at €142 million as at 31 December 2023 (31 December 2022: €139 million). The threshold value criterion for operational risk derived from the Bank-wide limit of the economic capital adequacy calculation was complied with on all reporting dates.

Gross losses from operational risks dropped year-on-year by 13 percentage points, net losses by almost 40 percentage points. As in the previous years, the main drivers here were legal risks.

Overall liquidity situation

Strong competition for deposits due to increasing interest rates led to lower deposit inventories. As a result, the liquidity position decreased but remained on a high level. The liquidity situation was comfortable throughout the year under review.

Liquidity situation – normative perspective
As at 31 December 2023, apoBank's LCR was 212.2% (31 December 2022: 206.3%). The minimum requirement of 100% was met at all times in 2023. The LCR forecast also shows that the internal and external minimum limits for the observation periods defined will be complied with at all times.

The net stable funding ratio (NSFR), at 124.5% (31 December 2022: 126.6%), was above the minimum level of 100%.

Liquidity situation – economic perspective
The economic analyses centre around the liquidity forecasts of the liquidity gap analysis. Here, the expected liquidity development in the planned scenario as well as in the combined stress scenario are analysed and limited. In the 2023 reporting period, the limits of the liquidity gap analysis were complied with each day.

Compliance with the Pfandbrief cover pool limits was also assured each day throughout 2023.

Disclosure of risk management objectives and policies pursuant to Article 435 of the CRR

Risk management declaration pursuant to Article 435 para. 1 e) of the CRR

apoBank's risk management system is geared towards our individual risk profile and the implementation of our risk strategy.

The risk management system, including the controlling and monitoring methods, takes all of apoBank's material risks into account. Our risk management system is designed to ensure compliance with the risk guidelines set out in the risk strategy for each of the business areas, in addition to identifying, evaluating, limiting and monitoring the material risks.

Our capital adequacy and our liquidity adequacy concepts consider all risks that are material for these concepts. The risks are set against the respective capital items and liquidity reserves in the corresponding adequacy calculations. The two adequacy concepts thus help apoBank to secure its long-term existence, which is the highest priority in risk management. We therefore consider our risk management system to be appropriate and effective.

The risk management objectives and the management of risks are described both at a Bank-wide level and in terms of the material risks in the risk management report, which is part of the management report. The risk management report also contains information about our risk profile and the key performance indicators. It gives a comprehensive overview of our risk management, and it shows in the context of our two adequacy concepts how apoBank's risk profile and risk tolerance interact.

Disclosure pursuant to Article 435 para. 2 a) to c) of the CRR

Number of executive and supervisory functions held by members of apoBank's boards

The members of the Board of Directors do not hold any further executive mandates apart from their tasks on the Board; however, they hold five supervisory board mandates (as at 31 December 2023). In addition to their membership on the Supervisory Board of apoBank, the members of the Supervisory Board hold five executive mandates and two supervisory board mandates (as at 31 December 2023). These figures were determined based on the application of the simplification provisions pursuant to Sections 25c para. 2 (3) et seqq. and 25d para. 3 (3) et seqq. of the KWG (German Banking Act).

Strategy for the selection of the members of apoBank's boards and their actual knowledge, expertise and professional experience

The members of the Board of Directors are selected by the Supervisory Board in compliance with the general law on equal treatment (Allgemeines Gleichbehandlungsgesetz) and on the basis of their professional qualifications. The shareholder representatives on the Supervisory Board are selected at the Annual General Meeting. The employee representatives on the Supervisory Board are selected by the employees. In both cases account is taken of the relevant legal requirements.

According to the legal requirements, the Supervisory Board must be configured such that its members collectively have the necessary knowledge, skills and professional experience to properly perform their duties. The management team must also collectively have an adequately broad spectrum of the knowledge, skills and experience necessary to understand the activities of the Bank. The strategy for selecting the members of the management body was set down in the form of internal guidelines, and aims to ensure, maintain and further develop the individual and collective qualification of the management body. One of the main ways the Supervisory Board achieves this is by preparing and approving role and competence profiles for the Board of Directors and the Supervisory Board. These profiles lay out the personal and professional requirements for each board member as well as for the boards overall. A detailed evaluation of the members' professional suitability and a corresponding targeted consolidation of competencies are the subject of the regular suitability evaluation in accordance with the guidelines of the European Banking Authority (EBA), which can also be carried out on an as-needs basis. To ensure that future members of the Supervisory Board and Board of Directors fulfil the requirements placed on them to the greatest extent possible, the role profiles are to be used as essential tools when selecting members of these boards. The relevant documents can be made available to potential Supervisory Board members, the workforce and the Annual General Meeting before the election.

The principle of co-determination based on equal representation is followed at apoBank, i.e. its Supervisory Board consists of an equal number of employee and shareholder representatives. The employee representatives contribute to the committee work first and foremost their practical expertise and comprehensive experience of the internal processes of apoBank, based on their many years of experience in positions of responsibility within the Bank. On the shareholder side, the representatives of the health care professions hold or have held leading positions in the major organisations in the health care sector (such as associations, chambers and pension funds) or in the financial industry. They have extensive knowledge in leading large organisations and with respect to the capital market, risk management and accounting. They also have many years of experience both from their service on the Supervisory Board of apoBank and on committees of other companies. In addition, Supervisory Board members receive systematic targeted training on a regular or as-needs basis by both external and internal experts in specific bank management and legal issues.

The professional careers of the members of the Board of Directors are presented in detail on the apoBank website. Pursuant to Section 25c of the KWG, the executives of an institution must be professionally competent for managing it, suitably reliable and are required to dedicate a sufficient amount of time to their responsibilities. Professional competence implies that members of the Board of Directors have sufficient theoretical and practical knowledge in the relevant businesses, or that they gain this knowledge through training as needed in addition to having leadership experience. The responsible supervisory authority has confirmed this via their decisions on the professional competence and reliability of the members of the Board of Directors.

Diversity strategy for selecting the members of apoBank's boards, targets and relevant objectives of the strategy as well as level of target achievement

Diversity is a key prerequisite for apoBank's successful management and future viability. Based on its diversity policy for the Board of Directors and the Supervisory Board, apoBank therefore supports diversity in education and professional background, gender as well as age in its selection of suitable candidates for the two boards. apoBank promotes diversity with regard to geographical origin on the level of the Board of Directors, even though this aspect is not one of apoBank's target criteria due to the domestic nature of its customer and market structure.

When defining its diversity goals, apoBank draws upon relevant benchmark results, such as those published by the EBA. In the annual suitability evaluation, apoBank assesses and documents the fulfilment of the qualitative and quantitative goals. In line with statutory regulations, we state the targeted proportion of women on the Board of Directors and Supervisory Board in our external reporting.

Forecast Report

Overall economy and health care market

Outlook on global economy marked by uncertainty

We expect the global economy to develop more momentum in 2024 than in the previous year, and are thus more optimistic than most economists. In our assessment, the dampening effects caused by higher interest rates have now eased. In addition, we are seeing higher salary growth along with lower unemployment, resulting in stable consumer spending, which in turn supports growth. For the German economy, however, we nevertheless expect higher growth than in the previous year. With the downward trend in inflation towards the 2% target in Europe and the US, we expect the central banks to start reducing key interest rates from around mid-year onwards.

Economic prospects for health care professionals

The increased discount pharmacies must grant to statutory health insurance on each prescription drug will weigh on pharmacies. The Ministry of Health's liberalisation proposals may result in both challenges and opportunities. The introduction of the e-prescription could lead to more intense utilisation of mail-ordered pharmaceuticals, and thus a weakening of local pharmacies.

The 2024 fee agreement for doctors is likely to lead to additional income in the area of statutory health insurance of €1.6 to €1.8 billion. This equates to an increase in fees per license for self-employed panel doctors and psychotherapists who work in outpatient care of between €11,250 and €12,650.

The dental profession will have to deal with the impact of the Statutory Health Insurance Financing Act. The final accounting of payments for 2023, which will take place this year, will reveal the impact of the budgeting measures on the individual practices.

Medical care and health care companies in transition

The first half of 2024 should see the hospital reform taking shape. The liquidity situation of clinics will be stabilised for the time being by way of energy subsidies and the reduction of payment deadlines for health insurance companies. Economic pressure remains high in the nursing care sector, while capacity would need to be expanded due to rising demand. On 1 January 2024, the health care reform took effect and payments by the nursing care insurance fund rose. The emergency energy fund will be terminated in April; the nursing care sector will try hard to compensate for cost increases by renegotiating nursing fees.

Bottleneck on implementation of many health policy reforms

In spite of the budget crisis, the health ministry is confident that the "modernisation offensive" around health policy will continue. However, the time window for reforms in this legislative period is gradually closing. Most projects first have to move through the various levels of ministerial and state participation. This goes for the hospital reform, transitioning outpatient to inpatient services, long-term financing of statutory health insurance, the health kiosks and regions, the partial academisation of the health care professions, debudgeting and the fee reform for general practitioners and pharmacists as well as a reduction in red tape.

Digital legislation in the starting blocks

Two key acts on the digitalisation of the health care sector were introduced at the end of 2023: An act to accelerate the digitalisation of health care (Gesetz zur Beschleunigung der Digitalisierung des Gesundheitswesens, DigiG) and an act to improve how health data is used (Gesetz zur verbesserten Nutzung von Gesundheitsdaten, GDNG).

The DigiG act obliges all practices to issue e-prescriptions as of 1 January 2024. In addition, the electronic patient record will be introduced at the beginning of 2025. All holders of statutory health insurance are to receive an electronic patient record unless they specifically opt out.

Business performance

The banking sector is very likely to continue to face a wide variety of challenges in 2024. The higher interest rates are expected to further bolster the margins we realise on our customers' funds and thus have a positive effect on the earnings situation of many banks. However, this effect may weaken in the current year if the ECB reduces the key interest rates and competition for customer deposits continues to intensify.

The current economic challenges are placing burdens of varying degrees on the banks, depending on their refinancing profile, geographical target markets, business model and scaling opportunities. In particular banks whose customers are highly exposed to macroeconomic shocks could be confronted by increasing loan defaults due to the currently more restrictive financing conditions and the liquidity bottlenecks that may accompany them.

Many banks rely on achieving higher commission income from their asset management and pension planning business, on scaling in areas such as payment transactions, giving up unprofitable business areas and offering more and more digital and also non-banking products. Wherever there are limitations to tapping into new sources of earnings, cost reduction programmes will play a larger role. Therefore, banks will have to continue to focus on making optimum use of their resources, tidying up their balance sheets, fine-tuning their business models and driving forward their digital transformation strategies. This is all the more important in view of the fact that no end to global economic uncertainty is in sight. This means that strengthening the individual crisis resilience of banks is becoming more and more important. Securing long-term profitability, adequate capitalisation and tight risk management – both with regard to the liquidity position and the loan portfolio – will remain the decisive factors in banks' success going forward.

apoBank is working on further refining its business model in the current year. It continues to pursue its strategy to selectively grow the business with members of the health care professions, their organisations as well as companies in the health care market. Our focus is on our core business, i.e. the financing needs of our customers in the health care professions, as well as on building their assets and their retirement provision.

At the same time, we intend to continue to further optimise the Bank's structures and processes and improve our operating performance. We combined the measures developed in this regard in our "Agenda 2025", which we are implementing step by step. The aim is to increase our earnings and reduce our expenditure in order to become more profitable overall and to enhance our capital efficiency for the long term.

In addition to economic sustainability, questions of environmental and social sustainability are becoming increasingly important when it comes to generating value. We orient our actions along ethical and moral principles, which are documented in our code of conduct, and we consider sustainable development as our responsibility. This concerns in particular the interactions as well as the opportunities and risks associated with our business activities in relation to sustainability.

In 2024, we will continue to work on improving the technical functionalities of our IT systems and the applications for our customers, the aim being to increase customer satisfaction again. In this process, we ensure that we work efficiently and make sparing use of resources.

Positive performance in challenging environment

For fiscal 2024, we expect the earnings situation to develop positively overall, as measured against operating profit before risk provisioning. We have budgeted for it to be below the 2023 result, but the growth trend that began in 2021 will continue overall. Due to the interest rate environment, new lending business with retail clients is likely to remain under pressure. Our focus remains on business start-up financing, our core area of expertise. Conditions for real estate financing are likely to stay challenging this year. We aim to further expand the assets and pension planning business with our retail customers. Our focus here is on private asset management.

In the Professional Associations and Large Customers business, we aim for selective growth. Here, we focus more on enterprises in the health care market, hospitals, care facilities and care structures.

A further area of focus is to offer additional specialised products for institutional investors that are also grounded in our expertise in the health care market. The emphasis here is on independent advice based on a comprehensive range of solutions.

The balance sheet total should remain on the 2023 level.

Earnings situation in 2024

We forecast that the key income statement items will develop as follows:

We anticipate that net interest income will drop again slightly after an exceptional 2023.

In the commission-based business, we expect new net funds in our customers' securities accounts to increase in 2024. However, as a result of our exit from the custodian business, net commission income is likely to remain stable.

The balance of other operating expenses and income should decline noticeably, since expenses for legal risks are likely to increase again compared to the previous year, among other reasons.

Administrative expenses are dominated by project and investment costs, in particular for Agenda 2025, as well as the impact of rising inflation; they will increase slightly overall. Personnel expenses will see a distinct drop compared to 2023, while operating expenses including depreciation will see a marked increase.

Taking the development of all income and expenditure into consideration, the cost income ratio will also improve very clearly compared to the previous year.

In total, the operating result, i.e. profit before risk provisioning, will see a very clear significant drop in fiscal 2024 as a whole; nevertheless, it will remain on its growth path.

According to model-based figures, risk provisioning for the operating business will decline again strongly year on year.

For fiscal 2024, apoBank plans to allocate a high double-digit million-euro amount to its risk provisioning with reserve character, which is considerably lower than in fiscal 2023.

As a result, the net profit for 2024 will remain at the previous year's level.

Capital and liquidity situation

According to our internal forecasting, the common equity tier 1 capital ratio will be considerably higher at the end of fiscal 2024 than our internal target ratio of 12.5%. The total capital ratio will be very clearly above our internal target ratio of 16.3%. We will therefore comfortably comply with the external capital requirements and recommendations overall.

In the current fiscal year 2024, we expect our satisfactory liquidity situation to continue. Although the existing deposit surplus will probably decline further, the LCR forecast shows that apoBank will consistently comply with the internal and external minimum limits for the defined forecast periods. In addition to the deposit surplus, the broadly diversified customer and investor base is a major contributor to this.

Opportunities and risk report

Successfully providing advice to our customers and their satisfaction with their bank are the main prerequisites for continuing to consolidate and expand our market position. Agenda 2025 measures are designed to make a major contribution to increasing the satisfaction of our customers – which is a key objective of apoBank. The consistent implementation of Agenda 2025, which stipulates a return to focusing on the needs of health care professionals and their organisations, is also expected to bolster our market position.

Global geopolitical uncertainty, increased energy prices as well as comparably high inflation rates continue. Due to the nature of apoBank's business model we are still seeing only moderate consequences for our net assets, financial position and results, and our risk situation. However, it is still hard to reliably predict how this will look in the future. There is also much uncertainty around how the construction financing and deposit businesses will develop going forward, especially with regard to the general interest rate situation and the future behaviour of customers and competitors. The resulting increasingly difficult market environment may lead to both retail clients and institutional customers of apoBank requiring more advisory services with regard to investing their assets and to their financing wishes.

With Agenda 2025, the Bank will optimise its processes and structures, thus also reducing its costs in the long run. To complement its core expertise, i.e. offering financing to health care professionals, the Bank will align its sales approach more with the assets business, and here in particular the mandated business. This could create opportunities for higher profitability in the future as well as improved capital and cost efficiency going forward. These strategic measures come with investment costs that will temporarily burden our income statement. Delays in implementing the cost reduction measures could lead to negative effects on the cost income ratio in subsequent years.

After the finalisation of Basel IV and with the expected coming into force of the output floor rule, calculation of capital requirements is likely to become to a great extent standardised for apoBank and thus less risk-based. The new regulations put restrictions on capital relief from the application of our internal regulatory risk measuring models in particular. The finalised future specifications of the European Banking Package (CRR III/CRD VI) provide for a multi-year transition period beginning in 2025. The Bank has already implemented measures to buffer the regulatory-induced increase in capital requirements and to fulfil the CRR III/CRD VI requirements as of 2025 based on its solid capital position.

In the area of sustainability, too, regulatory requirements will continue to increase for the financial sector. This will necessitate further adaptations to internal bank processes and additional considerable investments are likely to be required. These also result from more comprehensive disclosure requirements. Furthermore, we expect that increasing statutory sustainability requirements will lead to our customers also requiring more advisory services and financing. In addition, more and more customers are demanding an attractive range of products and services that complies with sustainability criteria.

Climate change as well as the management of climate and environmental threats also present potential risks. These would be both physical risks to assets in the bank balance sheets as a direct result of climate change, as well as transitory risks, i.e. potential financial consequences due to national economies having to adapt to climate change. In addition, new and more extensive regulatory requirements can increase transitory risks.

apoBank assesses the significance of the various risk drivers in the sustainability dimensions of environmental, social and governance (ESG) for the Bank's main risk types on the basis of quantitative and/or qualitative analyses. Overall, ESG risk drivers were classified as material for the risk types of credit risk, business risk, operational risk, and reputational risk.

In addition, the financial supervisory authority expects banks to provide more detailed information about the impact of their activities and products with respect to sustainability and to integrate this into their advisory services as well as take account of any negative consequences when granting loans. In this context, banks will not be able to avoid strategically rethinking their product ranges as well as their conditions from a sustainability perspective. The trends described could influence banks' reputation as well as generating considerable implementation costs. apoBank will continue to develop its sustainability strategy in 2024.

Opportunities and risks also arise from ongoing digital transformation of the banking business, both in connection with banking processes and the resulting opportunities for future-proof business models. On the one hand, further advances in digital transformation of business models can lead to new access channels for customers that are promising in terms of earnings, but on the other hand, providers from outside the industry ("fintechs" or "BigTechs") are pushing into the market and staking claims on banks' traditional branches of business. At the same time, customers are demanding higher availability, speed, quality and transparency of financial services as digital transformation advances.

Banks can reduce the degree of vertical integration in their value chain by outsourcing areas that are not relevant to their competitive position and focus on customer-adjacent activities and processes or on specific parts of their value chain, e.g. on the production process, and thus achieve economies of scale. This also goes for the IT infrastructure and the outsourcing of data to a cloud operated by specialist providers. However, with the rising number of new IT fintechs, competition is growing. To avoid any competitive disadvantages as a result of these trends, banks are often forced to invest considerable amounts in digital transformation measures. This is all the more true with regard to artificial intelligence, which is a relatively new topic for banks. apoBank's Agenda 2025 includes initiatives aimed, among other things, at making apoBank's applications faster and more productive while meeting customers' expectations of a modern bank.

Another effect of digitalisation is the increasing risk of cybercrime, which companies must protect themselves against. Growing operating, legal and regulatory costs are likely to result for banks. In addition, rising cybercrime also goes hand in hand with increasing reputational risk for banks.

The growing use of customer data opens up the opportunity to identify customer needs more accurately and to use new business models to satisfy them, but at the same time data protection risks increase. By implementing regulatory requirements, banks fulfil customers' high expectations regarding security and protection. For banks, this is a potential competitive advantage over less regulated providers. apoBank, too, is working on using the data available to it for the benefit of its customers.

Changes in the health care market as an opportunity

The number of self-employed health care professionals is continuously declining. At the same time, new opportunities are emerging for practices, branches and co-operations. Outpatient and inpatient care are dovetailing more and more. And an increasing number of health care corporations and financial investors are becoming interested in outpatient medicine.

There is an extensive agenda for German health policy in 2024, including two large-scale medical care acts and a hospital reform. The transition from inpatient to outpatient services will also be driven forward here, with alignment of outpatient and inpatient remuneration structures.

By expanding our advisory services for practices, we support and advise their owners intensively in their professional practice – from starting up their businesses to optimising their practices right through to transferring them to others. In addition, we cover the specific advisory and financing requirements of outpatient and inpatient medical care companies. The transformation of the health care system towards more sustainability will provide impetus for further change in the health care market. The challenge of managing a practice or company that considers not only economic but environmental and social aspects as well also opens up the opportunity to health market players to realign individual practice and business models accordingly. By training advisors to become sustainability officers, we have laid the foundation to support and advise our customers on the challenges they face around sustainability.

From the point of view of apoBank, the health care market offers more opportunities than risks. Our business model and the fact that we specialise in the health care market give us the prerequisites necessary to develop in a changing environment and thus position ourselves for success against our competitors.

4

Annual Financial Statements

Balance Sheet

Assets

	(Notes)	31 Dec 2023 €	31 Dec 2022 €
1. Cash reserves	**(2)**	**309,979,397.32**	**352,506,171.15**
a) Cash on hand		26,252,169.00	26,665,506.25
b) Cash in central banks		283,727,228.32	325,840,664.90
Including: in the German Federal Bank (Bundesbank)		(283,727,228.32)	(325,840,664.90)
c) Cash in post office giro accounts		0.00	0.00
2. Debt instruments of public agencies and bills of exchange, eligible for refinancing with central banks		**0.00**	**0.00**
3. Loans and advances to banks	**(3, 16, 17)**	**6,053,806,452.67**	**9,003,802,243.56**
a) Mortgage loans		0.00	0.00
b) Local authority loans		0.00	0.00
c) Other receivables		6,053,806,452.67	9,003,802,243.56
Including: due on demand		(5,351,005,719.59)	(7,906,586,166.75)
Including: lending against securities		(0.00)	(0.00)
4. Loans and advances to customers	**(3, 16, 17, 29, 51)**	**35,309,069,394.23**	**37,008,337,606.63**
a) Mortgage loans		9,254,376,584.75	9,858,834,800.45
b) Local authority loans		101,255,627.26	143,579,732.06
c) Other receivables		25,953,437,182.22	27,005,923,074.12
Including: lending against securities		(0.00)	(0.00)
5. Debt securities and other fixed-interest securities	**(4, 6, 17, 18, 19, 20, 22, 25, 29, 50, 51)**	**5,183,283,005.64**	**6,212,599,031.81**
a) Money market instruments		97,385,324.46	416,952,200.70
aa) of public issuers		0.00	0.00
Including: acceptable as collateral by the Bundesbank		(0.00)	(0.00)
ab) of other issuers		97,385,324.46	416,952,200.70
Including: acceptable as collateral by the Bundesbank		(97,385,324.46)	(392,546,902.00)
b) Bonds and debt securities		5,085,897,681.18	5,795,616,237.53
ba) of public issuers		2,414,177,356.95	2,797,096,593.35
Including: acceptable as collateral by the Bundesbank		(2,414,177,356.95)	(2,797,096,593.35)
bb) of other issuers		2,671,720,324.23	2,998,519,644.18
Including: acceptable as collateral by the Bundesbank		(2,555,856,269.76)	(2,982,506,985.24)
c) Own debt securities		0.00	30,593.58
Nominal amount		(0.00)	(31,500.00)
6. Shares and other non-fixed-interest securities	**(4, 6, 19, 20, 21, 22, 25)**	**3,212,367,234.72**	**953,107,678.63**
6a. Trading assets	**(5, 19)**	**0.00**	**0.00**
7. Investments and capital shares in cooperatives	**(7, 17, 19, 23, 25, 33)**	**235,077,845.92**	**227,947,006.15**
a) Investments		234,906,448.53	227,775,608.76
Including: in banks		(113,185.48)	(113,185.48)
Including: in financial services institutions		(13,944,583.39)	(13,944,583.39)
Including: in securities institutions		(0.00)	(0.00)
b) Capital shares in cooperatives		171,397.39	171,397.39
Including: in cooperative banks		(0.00)	(0.00)
Including: in financial services institutions		(0.00)	(0.00)
Including: in securities institutions		(0.00)	(0.00)
8. Shares in affiliated companies	**(7, 17, 19, 23, 25, 33)**	**9,079,822.69**	**9,501,475.77**
Including: in banks		(0.00)	(0.00)
Including: in financial services institutions		(0.00)	(0.00)
Including: in securities institutions		(1,292,236.21)	(1,292,236.21)
9. Trust assets	**(24)**	**25,565.59**	**51,130.18**
Including: fiduciary loans		(0.00)	(0.00)
10. Compensation claims against the public sector including debt securities from their exchange		**0.00**	**0.00**
11. Intangible assets	**(8, 25)**	**126,730,000.71**	**132,327,460.89**
a) Internally-generated industrial and similar rights and assets		0.00	0.00
b) Concessions, industrial property rights and similar rights and assets acquired for a consideration, as well as licenses to such rights and assets		126,730,000.71	132,327,460.89
c) Goodwill		0.00	0.00
d) Payments in advance		0.00	0.00
12. Tangible assets	**(9, 25, 51)**	**106,761,972.52**	**110,989,854.44**
13. Other assets	**(26)**	**146,847,727.73**	**152,832,323.26**
14. Prepayments and accrued income	**(10, 27)**	**34,451,984.50**	**20,307,696.29**
a) from issuing and loan transactions		25,083,394.62	9,768,944.30
b) Others		9,368,589.88	10,538,751.99
15. Deferred tax assets	**(28)**	**0.00**	**0.00**
Total assets		**50,727,480,404.24**	**54,184,309,678.76**

Liabilities

	(Notes)	31 Dec 2023 €	31 Dec 2022 €
1. Liabilities to banks	**(11, 32, 33, 50)**	**11,337,728,484.80**	**11,065,957,774.49**
a) Registered mortgage bonds issued		155,889,590.86	155,891,396.86
b) Registered public covered bonds issued		0.00	0.00
c) Other liabilities		11,181,838,893.94	10,910,066,377.63
Including: due on demand		(585,423,689.53)	(587,349,954.82)
Including: mortgage bonds and registered public covered bonds delivered to the lender as collateral		(0.00)	(0.00)
2. Liabilities to customers	**(11, 32, 33, 50)**	**29,421,811,864.01**	**33,933,739,088.53**
a) Registered mortgage bonds issued		938,163,904.09	1,039,693,316.76
b) Registered public covered bonds issued		0.00	0.00
c) Savings deposits		94,204,972.98	103,436,178.80
ca) with an agreed notice period of three months		94,051,830.19	103,267,925.35
cb) with an agreed notice period of more than three months		153,142.79	168,253.45
d) Other liabilities		28,389,442,986.94	32,790,609,592.97
Including: due on demand		(24,983,320,329.95)	(30,897,962,449.22)
Including: mortgage bonds and registered public covered bonds delivered to the lender as collateral		(0.00)	(0.00)
3. Securitised liabilities	**(11, 32, 33, 50)**	**5,997,755,365.60**	**5,500,406,515.60**
a) Debt securities issued		5,997,755,365.60	5,500,406,515.60
aa) Mortgage bonds		3,247,817,699.28	3,770,370,215.74
ab) Public covered bonds		0.00	0.00
ac) Other debt securities		2,749,937,666.32	1,730,036,299.86
b) Other securitised liabilities		0.00	0.00
Including: money market instruments		(0.00)	(0.00)
Including: own acceptances and promissory notes outstanding		(0.00)	(0.00)
3a. Trading liabilities	**(5)**	**0.00**	**0.00**
4. Trust liabilities	**(34)**	**25,565.59**	**51,130.18**
Including: fiduciary loans		(0.00)	(0.00)
5. Other liabilities	**(11, 35)**	**75,554,318.93**	**83,142,419.89**
6. Prepayments and accrued income	**(13, 36)**	**13,567,821.66**	**18,335,876.57**
a) from issuing and loan transactions		6,013,709.31	8,783,041.98
b) Others		7,554,112.35	9,552,834.59
6a. Deferred tax liabilities		**0.00**	**0.00**
7. Provisions	**(12)**	**563,466,119.09**	**449,342,071.14**
a) Provisions for pensions and similar obligations		271,385,030.08	261,380,552.74
b) Tax provisions		118,965,762.15	35,096,609.24
c) Other provisions		173,115,326.86	152,864,909.16
8. - - -		**0.00**	**0.00**
9. Subordinated liabilities	**(11, 33, 37)**	**189,300,964.06**	**190,233,098.95**
10. Participating certificate capital		**0.00**	**0.00**
Including: due within two years		(0.00)	(0.00)
11. Fund for general banking risks		**1,082,660,306.25**	**959,159,460.27**
Including: special items pursuant to Section 340e para. 4 of the HGB		(0.00)	(0.00)
11a. Special items from currency translation		**0.00**	**0.00**
12. Capital and reserves	**(38, 48, 54, 55)**	**2,045,609,594.25**	**1,983,942,243.14**
a) Subscribed capital		1,278,228,247.62	1,261,028,183.58
b) Capital reserves		0.00	0.00
c) Revenue reserves		673,151,787.67	657,151,787.67
ca) Legal reserves		462,230,000.00	454,230,000.00
cb) Other revenue reserves		210,921,787.67	202,921,787.67
d) Balance sheet profit		94,229,558.96	65,762,271.89
Total liabilities		**50,727,480,404.24**	**54,184,309,678.76**

1. Contingent liabilities	**(39, 40)**	**347,691,903.07**	**387,338,316.98**
a) Contingent liabilities from rediscounted, settled bills		0.00	0.00
b) Liabilities from guarantees and indemnity agreements		347,691,903.07	387,338,316.98
c) Liabilities arising from the provision of collateral for third-party liabilities		0.00	0.00
2. Other obligations	**(39)**	**2,414,839,569.57**	**3,002,975,455.31**
a) Obligations under optional repurchasing agreements		0.00	0.00
b) Placement and underwriting obligations		0.00	0.00
c) Irrevocable loan commitments		2,414,839,569.57	3,002,975,455.31

Income Statement

Income statement

	(Notes)	1 Jan – 31 Dec 2023 €	1 Jan – 31 Dec 2022 €
1. Interest income from	**(42)**	**1,447,801,857.68**	**821,168,769.79**
a) lending and money market transactions		1,373,697,326.41	790,302,045.29
b) fixed-interest securities and debt register claims		74,104,531.27	30,866,724.50
Including: from negative interest rates		(– 67,084.81)	(– 48,666,960.14)
2. Interest expenses	**(43)**	**– 495,104,988.13**	**– 74,094,405.52**
Including: from positive interest rates		(3,440,908.47)	(71,159,076.51)
3. Current income from		**16,415,916.80**	**18,705,244.16**
a) shares and other non-fixed-interest securities		209,710.42	253,996.47
b) participating interests and capital shares in cooperatives		14,322,978.78	13,881,364.23
c) shares in affiliated companies		1,883,227.60	4,569,883.46
4. Income from profit pooling, profit transfer agreements and partial profit transfer agreements		**1,064,563.46**	**658,236.25**
5. Commission income	**(44)**	**233,972,061.40**	**250,570,831.79**
6. Commission expenses	**(44)**	**– 55,678,546.67**	**– 66,437,189.43**
7. Net trading revenues		**0.00**	**0.00**
8. Other operating income	**(45)**	**48,028,446.55**	**50,439,884.00**
Including: from discounting		(304,149.36)	(16,414.79)
9. - - -		**0.00**	**0.00**
10. General administrative expenses		**– 710,983,056.57**	**– 708,030,250.79**
a) Personnel expenses		– 300,682,445.40	– 281,953,674.56
aa) Wages and salaries		– 248,917,353.83	– 217,941,851.24
ab) Social security contributions and expenses for pensions and benefits		– 51,765,091.57	– 64,011,823.32
Including: for pensions		(– 21,038,053.63)	(– 34,569,478.75)
b) Other administrative expenses		– 410,300,611.17	– 426,076,576.23
11. Depreciation, amortisation and write-downs in respect of intangible and tangible assets		**– 27,864,424.60**	**– 29,223,924.91**
12. Other operating expenses	**(45)**	**– 23,738,272.28**	**– 22,693,231.73**
Including: from discounting		(– 4,488,089.18)	(– 4,776,106.09)
13. Write-downs and value adjustments in respect of receivables and specific securities and allocations to provisions for credit risks		**– 72,227,017.00**	**– 35,912,651.62**
14. Income from write-ups in respect of receivables and specific securities and from the release of provisions for credit risks		**0.00**	**0.00**
15. Write-downs and value adjustments in respect of participating interests, shares in affiliates and securities treated as fixed assets		**– 245,189.55**	**0.00**
16. Income from write-ups in respect of investments, shares in affiliates and securities treated as fixed assets		**0.00**	**46,950.84**
17. Expenses from the assumption of losses		**0.00**	**0.00**
18. - - -		**0.00**	**0.00**
19. Operating surplus	**(59)**	**361,441,351.09**	**205,198,262.83**
20. Extraordinary income	**(46)**	**0.00**	**0.00**
21. Extraordinary expenses	**(46)**	**0.00**	**0.00**
22. Extraordinary result	**(46)**	**0.00**	**0.00**
23. Taxes on income	**(47)**	**– 143,435,616.66**	**– 85,334,246.70**
24. Other taxes not reported in item 12		**– 283,194.03**	**– 397,713.52**
24a. Allocations to the fund for general banking risks		**123,500,845.98**	**53,709,051.53**
25. Net profit	**(48)**	**94,221,694.42**	**65,757,251.08**
26. Profit carried forward from the previous year	**(48)**	**7,864.54**	**5,020.81**
27. Withdrawals from revenue reserves	**(48)**	**0.00**	**0.00**
a) From legal reserves		0.00	0.00
b) From other revenue reserves		0.00	0.00
28. Allocations to revenue reserves	**(48)**	**0.00**	**0.00**
a) To legal reserves		0.00	0.00
b) To other revenue reserves		0.00	0.00
29. Balance sheet profit	**(48)**	**94,229,558.96**	**65,762,271.89**

Statement of Changes in Equity

Development of capital and reserves

In the reporting year 2023, the amounts shown under liability item 12, “Capital and reserves”, developed as follows:

Capital development

	Subscribed capital		Capital reserves	Revenue reserves		Balance sheet profit/loss
	Members' capital contributions[1]	Contributions of silent partners		Legal reserves	Other revenue reserves	
	€thous	€thous	€thous	€thous	€thous	€thous
1 Jan 2023	1,261,028	0	0	454,230	202,921	65,762
Withdrawals	52,009	0	0	0	0	16,000
Additions	69,209	0	0	8,000	8,000	94,222
Distribution of annual result	0	0	0	0	0	49,754
31 Dec 2023	**1,278,228**	**0**	**0**	**462,230**	**210,921**	**94,230**

1) The changes in members’ capital contributions are composed of disposals due to (partial) termination, (partial) transfer, death or exclusion, as well as additions due to new memberships or investments.

Cash Flow Statement

Cash flow statement

	31 Dec 2023 €m	31 Dec 2022 €m
Result for the period (net profit/loss)	**94.2**	**65.8**
Write-downs, value adjustments and write-ups in respect of receivables and fixed assets	112.4	80.8
Increase/decrease in provisions	114.1	64.6
Other non-cash expenses/income	126.6	53.3
Profit/loss from the sale of fixed assets	5.7	2.5
Other adjustments (on balance)	0.3	– 0.1
Increase/decrease in loans and advances to banks	3,013.1	– 7,555.4
Increase/decrease in loans and advances to customers	1,629.0	781.9
Increase/decrease in securities (unless financial assets)	319.6	2,079.6
Increase/decrease in other assets from operating activities	108.7	72.1
Increase/decrease in liabilities to banks	264.4	– 6,832.0
Increase/decrease in liabilities to customers	– 4,525.5	– 3,206.6
Increase/decrease in securitised liabilities	491.3	– 3,426.7
Increase/decrease in other liabilities from operating activities	– 238.3	– 146.6
Interest expenses/interest income	– 952.7	– 747.1
Current income from shares, non-fixed-interest securities, investments, capital shares in cooperatives and shares in affiliated companies	– 16.4	– 18.7
Expenses/income from extraordinary items	0.0	0.0
Income tax expense/income	143.4	85.3
Interest payments and dividend payments received	1,394.9	855.9
Interest paid	– 465.9	21.2
Extraordinary deposits	0.0	0.0
Extraordinary payments	0.0	0.0
Income tax payments	– 53.5	– 53.4
Cash flow from operating activities	**1,565.4**	**– 17,823.6**
Deposits from the sale of financial assets	1,053.4	1,864.8
Payments for investments in financial assets	– 2,611.2	– 954.8
Deposits from the sale of tangible assets	3.9	0.7
Payments for investments in tangible assets	– 6.4	– 2.1
Deposits from the sale of intangible assets	0.0	0.0
Payments for investments in intangible assets	– 14.0	0.0
Deposits from the sale of consolidated companies	0.0	0.0
Payments for additions to the scope of consolidation	0.0	0.0
Fund changes from other investment activities (on balance)	0.0	0.0
Deposits from extraordinary items	0.0	0.0
Payments for extraordinary items	0.0	0.0
Cash flow from investment activities	**– 1,574.3**	**908.6**
Payments from increases in equity capital by partners	69.2	48.0
Payments for decreases in equity capital to partners	– 52.0	– 24.8
Deposits from extraordinary items	0.0	0.0
Payments for extraordinary items	0.0	0.0
Dividends paid to partners	– 49.8	– 86.1
Fund changes from other capital (on balance)	– 1.0	70.5
Cash flow from financing activities	**– 33.6**	**7.6**
Cash changes in liquid assets	– 42.5	– 16,907.4
Changes to liquid assets due to foreign currency and valuation	0.0	0.0
Changes in liquid assets due to the scope of consolidation	0.0	0.0
Liquid funds at the start of the reporting period	352.5	17,259.9
Liquid funds at the end of the reporting period	**310.0**	**352.5**

Notes

A. General information

1. Framework for the preparation of the annual financial statements

The annual financial statements of Deutsche Apotheker- und Ärztebank eG (apoBank), Dusseldorf (Local Court of Dusseldorf, GnR 410), as at 31 December 2023 were prepared according to the regulations of the German Commercial Code (HGB) as well as the Accounting Ordinance for Banks, Financial Services Institutions and Investment Firms (RechKredV). At the same time, the annual financial statements meet the requirements of the Cooperative Societies Act (GenG), the German Pfandbrief Act (PfandBG) and the Articles of Association of apoBank.

Pursuant to Section 244 of the HGB, the annual financial statements are drawn up in German and in euros. apoBank exercises the option to provide information in the notes rather than in the balance sheet.

Due to rounding, small deviations can occur in the totals stated in the tables and in the calculation of percentages.

B. Accounting, valuation and translation methods

In preparing the balance sheet and income statement, the following accounting, valuation and translation methods were used.

2. Cash reserves

The cash reserve denominated in euros was carried at nominal value. Foreign currency was valued at the spot exchange rate on the balance sheet date.

3. Loans, advances and risk provisioning

Loans and advances to banks and customers were carried at nominal value or acquisition cost, with the difference between the higher nominal value and the amount disbursed being posted to accruals and deferred income. Identifiable credit risks in loans and advances to customers are covered by individual loan loss provisions. apoBank made a general value adjustment for inherent credit risks.

The general value adjustment is calculated employing a procedure based on expected losses. Here, apoBank uses a simplified procedure at portfolio level, whereby the expected loss is determined over an observation period of 12 months, as long as there is no major deterioration in loan quality at portfolio level. This approach is based on the assumption that, when granting loans, credit risk and the creditworthiness premiums considered when defining the terms and conditions are in alignment with each other. This assumption is reviewed at regular intervals. If alignment at portfolio level were no longer given, a lifetime expected loss would be applied for the portfolio.

4. Securities

Securities in the liquidity reserve were valued according to the strict lower-of-cost-or-market principle, while fixed-asset securities were valued according to the moderate lower-of-cost-or-market principle. The exchange or market prices provided by Bloomberg or Reuters were taken as a basis for this.

Acquisition costs for securities of the same type were calculated using the averaging method.

All interest-bearing securities have been measured at amortised cost according to the effective interest method. Existing premiums and discounts that are similar in nature to interest are amortised using the effective interest method and recognised in net interest income.

5. Trading assets and liabilities

The internally defined criteria for including financial instruments in trading assets and liabilities are unchanged compared to the previous year.

6. Valuation units

At apoBank, micro-hedge units and portfolio valuation units are formed to hedge risks. Micro-hedge units are used in the context of asset swap packages and to cover part of the Bank's own issuances. This hedges against interest change risks. apoBank uses portfolio valuation units to hedge currency risks in various independently managed portfolios.

In the case of the micro-hedge units, the effective portion of the valuation units formed is presented in the balance sheet according to the cost method. For some of the portfolio valuation units, the fair value method is applied. A prospective and a retrospective effectiveness test is performed.

apoBank carries out the prospective effectiveness test for the micro-hedge units using the critical terms match method. Effectiveness is assumed if the essential value drivers for the hedged risks of the underlying transaction and the hedging transaction correspond.

In the case of micro-hedge units with underlying transactions on the asset side, changes in the market value of the underlying transaction and the hedging transaction are determined and netted in relation to the last reporting date. If there is an excess loss resulting from unhedged risks and this loss ist considered permanent, a specific write-down with respect to the underlying transaction is made in this amount.

For micro-hedge units with underlying transactions on the liability side, apoBank applies the fixed valuation method as long as it is considered a perfect hedge. The Bank's own issuance is posted at the repayment amount and is not valued. Accordingly, the hedging derivative is not valued either.

In the case of portfolio valuation units, the risks of multiple underlying transactions of the same type are covered by one or more hedging instruments. The underlying transactions have similar terms (currency, maturity, coupon).

The portfolio valuation units concern FX forward transactions, FX swaps as well as syndicated loans in foreign currencies. For each currency and each underlying transaction a portfolio is formed, in which the sum of both the underlying transaction and the hedging transaction in terms of volume, as well as all payment flows or changes in value are balanced as a rule. This way, 100% effectiveness is guaranteed in principle. Any ineffectiveness that occurs over time is recognised in profit or loss as a provision for the valuation units.

As at the balance sheet date, the total volume of the risks hedged amounted to €581 million (31 December 2022: €880 million). These risks result from an omitted depreciation of assets, an omitted appreciation of debt or omitted provisions for contingent losses, and are quantified based on the gross net present values of the derivative transactions. The majority of the changes in value and of the payment flows are likely to balance each other out over a period of up to ten years.

As at the reporting date, apoBank had designated a total of 300 micro hedges with a nominal value of €6,986 million:

- 251 hedges on the Bank's own issuances against the interest rate risk with a nominal value of €5,952 million, including
  - 12 caps with a nominal value of €171 million,
  - 14 floors with a nominal value of €181 million,
  - 87 swaptions with a nominal value of €1,163 million,
  - 138 swaps with a nominal value of €4,437 million,
- 49 asset swaps to hedge against the interest rate risk of 26 acquired securities with a nominal value of €1,034 million.

As at 31 December 2023, a volume of foreign currency swaps from FX trading had been used in the total amount of €265 million within the scope of valuation units, including €265 million to hedge offsetting FX swaps.

The FX swaps can be broken down based on their currency as follows:

- €132 million in British pounds,
- €80 million in US dollars,
- €41 million in Danish kroner,
- €6 million in Swedish kroner,
- €4 million in Swiss francs,
- €2 million in Norwegian kroner.

As at the balance sheet date, apoBank had a total volume of foreign-currency FX forward transactions of €3 million in Danish kroner as valuation units. They served to hedge offsetting FX forward transactions.

7. Investments and shares in affiliated companies

Investments and capital shares in cooperatives as well as shares in affiliated companies were reported at acquisition cost or at fair value, if lower. In the case of purchase transactions, acquisition costs comprise the purchase price including directly attributable additional costs and, in the case of swaps, the application of general swap principles.

8. Fixed assets/intangible assets

Intangible assets were valued at acquisition cost and depreciated on a straight-line basis as planned. To determine the average useful life of the intangible assets, we generally use the letter of the Federal Ministry of Finance dated 18 November 2005 as a basis ("Bilanzsteuerrechtliche Beurteilung von Aufwendungen zur Einführung eines betriebswirtschaftlichen Softwaresystems" [ERP software]). The underlying useful life of the intangible assets is three to five years. One exception is the software license of our core bank system. Its average useful life was derived based on the ten-year minimum term of the corresponding maintenance contracts. Thus, the license is depreciated over a period of ten years.

9. Fixed assets/tangible assets

Tangible assets were carried at acquisition cost and depreciated over their average useful life as planned. To determine the average useful life, we generally use the depreciation tables for banks published by the German financial authorities ("Afa-Tabelle für den Wirtschaftszweig 'Kreditwirtschaft'"). If the depreciation tables for banks cannot be applied, we use the "Afa-Tabelle für die allgemein verwendbaren Anlagegüter (Afa-Tabelle "AV"). With the exception of buildings, the underlying use life of the tangible assets is three to 25 years.

Buildings were written down on a straight-line basis or using declining-balance rates throughout their useful life. This corresponds to the specifications of Section 7 para. 4 (2) of the German Income Tax Act (EstG). Their useful life is between 25 and 50 years. Low-value assets within the meaning of Section 6 para. 2 EStG were fully depreciated. Art objects were classified as non-depreciating assets and carried at amortized costs.

10. Prepayments and accrued income (assets)

The difference between the repayment amount und the lower issue price of the liabilities was reported under "Prepayments and accrued income (assets)". The differences were spread across the terms of the liabilities as planned.

11. Liabilities

Liabilities were generally carried at their repayment amounts, taking account of accrued interest. Differences between the lower issue price and the repayment amount of the liabilities were reported under “Prepayments and accrued income” and dissolved on an accrual basis. Zero bonds and commercial papers were carried as liabilities at their issue price plus accrued interest.

12. Provisions

The provisions for pension liabilities as at 31 December 2023 were calculated based on the actuarial tables “Richttafeln 2018 G” (Heubeck) using the projected unit credit method. The calculation was based on an interest rate of 1.83% (average over the past ten financial years), a wage increase trend of 3.00% and a pension increase trend of 2.52%. As at 31 December 2023, the difference pursuant to Section 253 para. 6 of the HGB subject to a bar on distribution amounted to €2.3 million on an accounting basis.

apoBank recorded the releases and allocations to the balance sheet item “Provisions for pensions and similar obligations” in relation to the interest effects under other operating income and otherwise as a net item under “Personnel expenses”. Pension provisions and the provision for deferred compensation were netted with the corresponding plan assets (initially under “Other assets”) pursuant to Section 246 para. 2 (2) of the HGB. The fair value amounting to €16.6 million is equivalent to the acquisition costs of the plan assets. In conjunction with IDW RH FAB 1.021, the capitalisation values of the reinsurance for pension obligations are aligned with the corresponding provision amounts for these pension obligations (primacy of the liabilities side). The remaining amount of €13.0 million was offset with the corresponding pension obligations.

The balance of income amounting to €0.7 million and expenses of €0.1 million in connection with the reinsurance for pension obligations was netted with the expenses from the compounded interest of pension provisions amounting to €4.8 million.

There were no provisions for part-time retirement on the balance sheet date. The provisions for anniversary payments are calculated based on the projected unit credit method. They were made on the basis of an interest rate of 1.76%, a wage increase trend of 3.00% as well as the actuarial tables “Richttafeln 2018 G” (Heubeck). The provisions for early retirement are calculated in accordance with the law and under consideration of the agreements made in the individual contracts.

Provisions with a residual term of more than one year are discounted or compounded pursuant to Section 253 para. 2 of the HGB and posted at this amount (net method). The current profit/loss from discounting and compounding is posted to “Other operating income” or “Other operating expenses”. The results from the change in the discount rate on provisions for pensions and similar obligations are taken into account in the item “Personnel expenses”. The results from the change in the discount rate on other provisions are shown in the item “Other operating income” or “Other operating expenses”.

apoBank also made adequate provisions for the other uncertain liabilities.

13. Prepayments and accrued income (liabilities)

“Prepayments and accrued income (liabilities)” mainly includes discounts that are deducted when receivables are extended, as well as premiums from liabilities. The differences are spread across the terms of the receivables as planned.

14. Derivative financial instruments

Derivative financial instruments are generally valued individually in accordance with the general valuation provisions of German commercial law (Sections 252 et seqq. of the HGB) and taking the realisation and imparity principle into account, unless valuation units are formed to a permissible extent in order to hedge balance sheet items or the derivatives are used for controlling the overall bank interest rate risk.

Provisions for contingent losses are recorded if apoBank anticipates a claim.

Pursuant to IDW RS HFA 22, apoBank treats separable embedded derivatives from structured financial instruments as primary derivatives.

As a basic principle, apoBank uses all tradeable interest rate derivatives in its overall bank management. They are used to hedge the interest rate risks in the banking book and for P&L control.

Pursuant to IDW RS BFA 3 n.F., apoBank is required to provide proof of a loss-free valuation of interest-bearing banking book transactions. For all interest-bearing transactions (on-balance-sheet and off-balance-sheet) in the banking book, proof was provided that no losses will occur in future as a result of contracted interest rate positions. The analysis was based on the net present value/book value method, which compares the book values of the interest-bearing transactions of the banking book with the net present values attributable to interest rates, taking account of risk and portfolio management costs. apoBank did not identify any need for provisioning.

15. Currency translation

apoBank translates items based on amounts that are or were originally denominated in foreign currency into euros as follows: Items denominated in foreign currencies are in principle valued pursuant to Section 340h in conjunction with Section 256a of the HGB. Valuation units are formed for material holdings in foreign currencies pursuant to Section 254 of the HGB.

apoBank considers the special coverage pursuant to Section 340h of the HGB as given when the total item is financially balanced for each foreign currency as at the balance sheet date. Since special coverage existed in all cases, income and expenditure from currency translation are shown in the income statement under the items “Other operating income” or “Other operating expenses”.

C. Notes to the balance sheet

Notes to assets

16. Breakdown of loans and advances by residual terms and other items

The receivables shown in the balance sheet have the following residual terms:

Breakdown of loans and advances by residual terms

	Loans and advances to banks (A3) €thous		Loans and advances to customers (A4) €thous	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Accrued interest	97,933	34,868	7,583	3,536
Up to 3 months	5,455,873	8,059,595	1,083,781	1,434,311
More than 3 months to 1 year	500,000	909,339	3,165,176	3,223,151
More than 1 year to 5 years	0	0	16,103,228	16,213,783
More than 5 years	0	0	13,017,169	14,484,260

Loans and advances to banks (assets, 3) include receivables from the relevant central cooperative bank (DZ BANK AG) of €1,523,608 thousand (31 December 2022: 1,706,938 thousand).

Loans and advances to customers (assets, 4) include receivables with unspecified maturities of €1,932,133 thousand (31 December 2022: €1,649,295 thousand).

17. Affiliated and associated companies

Loans and advances include the following amounts which are also loans and advances to affiliated or associated companies:

Affiliated and associated companies

	Loans and advances to banks (A3) €thous		Loans and advances to customers (A4) €thous		Debt securities and other fixed-interest securities (A5) €thous	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Loans and advances to affiliated companies	0	0	13,762	13,756	0	0
Loans and advances to associated companies	1,523,608	1,706,938	340,468	346,604	67,323	16,013

18. Debt securities and other fixed-interest securities

Of the debt securities and other fixed-interest securities (assets, 5) reported in the balance sheet, €938,545 thousand (31 December 2022: €1,166,952 thousand) will mature during the financial year following the balance sheet date. These amounts do not include accrued interest.

19. Non-negotiable, negotiable, quoted and unquoted securities as well as negotiable securities not valued at the lower of cost or market

The items “Debt securities and other fixed-interest securities”, “Shares and other non-fixed-interest securities” and “Trading portfolio” are comprised as follows:

Non-negotiable, negotiable, quoted and unquoted securities as well as negotiable securities not valued at the lower of cost or market

	Debt securities and other fixed-interest securities (A5) €thous		Shares and other non-fixed-interest securities (A6) €thous		Trading assets (A6a) €thous	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Non-negotiable	0	0	3,212,367	953,108	0	0
Negotiable	5,183,283	6,212,599	0	0	0	0
Quoted	4,939,979	5,701,520	0	0	0	0
Unquoted	243,304	511,079	0	0	0	0
Negotiable securities not valued at the lower of cost or market	4,146,414	4,422,223	0	0	n/a	n/a

	Participating interest and capital shares in cooperatives (A7) €thous		Shares in affiliated companies (A8) €thous	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Non-negotiable	234,965	227,834	9,080	9,501
Negotiable	113	113	0	0
Quoted	0	0	0	0
Unquoted	113	113	0	0

In inventory accounting, negotiable securities not valued at the lower of cost or market are held in separate custodian accounts or are marked accordingly.

20. Securities portfolio/receivables by purpose

The securities portfolio and selected receivables are divided into the following categories according to their purpose (statements include accrued interest):

Securities portfolio/receivables by purpose

	31 Dec 2023 €thous	31 Dec 2022 €thous
Debt securities and other fixed-interest securities		
Fixed assets	5,085,898	5,795,616
Liquidity reserve	97,385	416,983
Total	**5,183,283**	**6,212,599**

	31 Dec 2023 €thous	31 Dec 2022 €thous
Shares and other non-fixed-interest securities		
Fixed assets	3,212,367	953,108
Liquidity reserve	0	0
Total	**3,212,367**	**953,108**

21. Shares in special investment funds

apoBank holds more than 10% of shares in the following domestic investment funds in accordance with Section 1 para. 10 of the German Capital Investment Code (KAGB) or in comparable international investments.

Shares in special investment funds

Name of fund	Investment objective	Value in accordance with Sections 168, 278 or 286 para. 1 KAGB or comparable international regulations (fair value) €thous	Difference to book value €thous	Distributions made for the total financial year €thous	Restriction of daily redemption
APO 1 Union	Domestic and international bonds	2,857,781	138,939	0	no
APO 2 Union	Domestic and international bonds	514,611	9,611	0	no
BlackRock apo Global Healthcare Private Equity Fund, S.C.A., SICAV-RAIF	Investments in unquoted companies, domestic and international funds	12,443	392	0	no

APO 1 INKA was transferred to Union Investment Institutional GmbH as the future capital management company as at 1 December 2023 and renamed APO 1 Union in this context.

22. Financial instruments classified as fixed assets

Financial instruments classified as fixed assets[1]

	Book value as at 31 Dec 2023 €thous	Fair value as at 31 Dec 2023 €thous	Omitted depreciation €thous
Banks	1,971,335	1,874,725	96,610
Public debtors	2,031,636	1,847,887	183,749
Companies	38,406	35,812	2,594
Total	**4,041,377**	**3,758,424**	**282,953**

1) Includes only financial instruments classified as fixed assets that showed hidden burdens as at the balance sheet date.

In fiscal 2023, the hidden burdens in fixed-asset securities decreased to €282,953 thousand (31 December 2022: €450,750 thousand). On the balance sheet date, a creditworthiness audit was carried out on all securities with hidden burdens. The audit determined no creditworthiness-induced impairments. The hidden burdens are due to interest-induced factors. There are no permanent impairments.

23. List of holdings

The following list includes significant investments pursuant to Section 285 para. 11 of the HGB. Pursuant to Section 286 para. 3 of the HGB, the list does not include investments that are of minor importance for apoBank's net assets, financial position and earnings situation.

List of holdings

Company	Share in company capital on 31 Dec 2023 %	Year	Capital and reserves of the company €thous	Result of the past financial year €thous
aik Immobilien-Investmentgesellschaft mbH, Dusseldorf	64	2022	11,354	3,097
aik Management GmbH, Dusseldorf [1]	100	2022	55	30
APO Asset Management GmbH, Dusseldorf	70	2022	27,617	6,170
APO Data-Service GmbH, Dusseldorf [2]	100	2023	4,031	754
apoDirect GmbH, Dusseldorf [2]	100	2023	1,525	310
ARZ Haan AG, Haan	38	2022	65,636	5,891
Deutsche Ärzte Finanz Beratungs- und Vermittlungs-Aktiengesellschaft, Cologne	25	2022	23,847	8,938
DZR Deutsches Zahnärztliches Rechenzentrum GmbH, Stuttgart	16	2022	32,015	20,247
Finanz-Service GmbH der APO-Bank, Dusseldorf	50	2022	5,785	1,845
HCL Technologies gbs GmbH, Ratingen [3]	49	2022	189	– 1,452
medisign GmbH, Dusseldorf	50	2022	2,665	1,576
PROFI Erste Projektfinanzierungs- und Beteiligungsgesellschaft AG, Zurich [3]	50	2023	12,833	7,369
RiOsMa GmbH, Dusseldorf	90	2022	387	307
Treuhand Hannover GmbH Steuerberatungsgesellschaft, Hanover	26	2022	39,527	586
WGZ Beteiligungs GmbH & Co. KG, Dusseldorf	5	2022	3,190,220	94,158
ZA Zahnärztliche Abrechnungsgesellschaft Düsseldorf AG, Dusseldorf	25	2022	7,839	2,056
ZPdZ – Zahnpraxis der Zukunft GmbH, Dusseldorf	50	2022	530	– 14

1) Indirect investment.
2) Before profit transfer or loss absorption.
3) The financial year ends on 30 June of the respective year.

In the second half of 2023, 50% of the preferred and the ordinary shares of naontek AG, which had formerly been recorded in current assets, were sold to DGN Deutsche Gesundheitsnetz Service GmbH (DGN), Kaarst. Subsequently, medisign GmbH, Dusseldorf, in which apoBank and DGN each have a 50% share, was merged with naontek AG. In addition, naontek AG changed its legal form and was renamed medisign GmbH. medisign GmbH was recorded in the item “Investments and capital shares in cooperatives” (assets, 7).

apoBank had investments in large corporations pursuant to Section 340a para. 4 of the HGB with more than 5% of voting rights in Treuhand Hannover GmbH Steuerberatungsgesellschaft, Hanover, Deutsche Ärzte Finanz Beratungs- und Vermittlungs-Aktiengesellschaft, Cologne, and DZR Deutsches Zahnärztliches Rechenzentrum GmbH, Stuttgart.

In accordance with Section 290 para. 5 of the HGB combined with Section 296 para. 1 no. 1 and Section 296 para. 2 of the HGB, apoBank has not prepared consolidated financial statements, as either significant and lasting constraints limit the exercise of the rights of apoBank with regard to the net assets or the management of the subsidiary, or the relevant companies are of minor importance overall in terms of presenting a realistic picture of the net assets, financial position and earnings situation.

24. Trust assets

The trust transactions shown on the assets side of the balance sheet are fiduciary loans (investments) totalling €26 thousand (31 December 2022: €51 thousand).

apoBank holds in trust almost exclusively limited partnership shares for the holders of share certificates in various Medico funds. In the reporting year, one Medico fund was dissolved.

25. Development of fixed assets

The item “Tangible assets” (assets, 12) includes:

Tangible assets

	31 Dec 2023	31 Dec 2022
	€thous	€thous
Land and buildings used within the scope of apoBank’s own operations	84,151	87,293
Office furniture and equipment	21,466	22,525

Development of fixed assets

	Acquisition/ production costs as at 1 Jan 2023	Changes in the reporting period Additions	Disposals	Transfers	Acquisition/ production costs as at 31 Dec 2023
	€thous	€thous	€thous	€thous	€thous
Intangible assets	218,069	13,986	0	0	232,055
Tangible assets					
Land and buildings	210,430	2,317	6,808	0	205,939
Office furniture and equipment	112,772	4,077	3,338	0	113,511
Fixed-asset securities	6,735,028	2,610,373	1,060,673	0	8,284,728
Participating interests and capital shares in cooperatives	228,414	784	4	7,034	236,227
Shares in affiliated companies	9,501	0	7,028	7,028	9,501
Total	**7,514,214**	**2,631,537**	**1,077,851**	**14,062**	**9,081,962**

Amortisation/ depreciation (accumulated) as at 1 Jan 2023	Amortisation/ depreciation	Write-ups	Changes in total amortisation/depreciation as a result of additions	disposals	transfers	Amortisation/ depreciation (accumulated) as at 31 Dec 2023	Book values at the balance sheet date
€thous	€thous	€thous	€thous	€thous	€thous	€thous	€thous
– 85,742	– 19,583	0	0	0	0	– 105,325	126,730
–121,965	– 3,210	0	0	4,532	0	–120,643	85,296
– 90,247	– 5,071	0	0	3,273	0	– 92,045	21,466
– 5,358	0	0	0	0	0	– 5,358	8,279,370
– 467	– 687	7,034	0	4	– 7,034	– 1,150	235,078
0	– 421	0	0	7,028	– 7,028	– 421	9,080
– 303,779	**– 28,972**	**7,034**	**0**	**14,837**	**– 14,062**	**– 324,942**	**8,757,020**

26. Other assets

The item “Other assets” includes the following larger amounts:

Other assets

	31 Dec 2023	31 Dec 2022
	€thous	€thous
Receivables from asset management	61,268	56,940
Capitalised premiums from options and caps	17,981	31,458
Receivables from the custody business	16,745	19,007
Tax receivables	13,938	14,089

27. Prepayments and accrued income (assets)

The “Prepayments and accrued income” item includes discount amounts from assumed liabilities of €25,083 thousand (31 December 2022: €9,769 thousand) and upfront payments of €6,101 thousand (31 December 2022: €8,497 thousand).

28. Deferred tax assets

The option to capitalise deferred tax assets under Section 274 para. 1 (2) of the HGB was not exercised.

As at 31 December 2023, a net deferred tax asset existed. This was essentially due to differences between the valuations in the trading and the tax accounts for loans and advances to customers, shares and other non-fixed-interest securities, other assets, provisions for pensions and other provisions.

The total net surplus of deferred tax assets amounted to €230,985 thousand, including deferred tax assets of €235,184 thousand and deferred tax liabilities of €4,199 thousand.

A tax rate of 31.6% was applied for calculating deferred taxes.

29. Subordinated assets

Subordinated assets are included in the following items:

Subordinated assets

	31 Dec 2023	31 Dec 2022
	€thous	€thous
Loans and advances to customers	157,157	178,164
Debt securities and other fixed-interest securities	67,323	16,013
Total	**224,480**	**194,177**

30. Repurchase agreements

Genuine repurchase agreements did not exist at the balance sheet date.

31. Foreign currency items

Assets include foreign currency items with a value of €235,392 thousand (31 December 2022: €338,266 thousand).

Notes to liabilities

32. Breakdown of liabilities by residual terms and other items

The liabilities shown in the balance sheet have the following residual terms:

Breakdown of liabilities by residual term

	Liabilities to banks (P 1) €thous		Savings deposits (P 2c) €thous		Liabilities to customers without savings deposits (P 2a, 2b, 2d) €thous		Securitised liabilities (P 3) €thous	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Accrued interest	40,410	33,003	0	0	31,993	18,444	21,550	15,502
Up to 3 months	721,871	722,338	93,152	101,648	25,952,504	31,116,650	110,905	525,905
More than 3 months to 1 year	252,359	230,870	677	572	1,445,484	390,733	414,000	308,699
More than 1 year to 5 years	3,198,097	3,067,068	352	1,201	1,161,392	1,417,156	4,186,300	2,850,300
More than 5 years	7,124,992	7,012,679	24	16	736,234	887,320	1,265,000	1,800,000

Liabilities to banks include €616,706 thousand (31 December 2022: €620,943 thousand) of liabilities to the relevant central cooperative bank (DZ BANK AG).

Of the liabilities to banks, €10,213,042 thousand (31 December 2022: €9,898,732 thousand) are secured by transfer of assets of at least the same amount. These liabilities are mainly publicly refinanced loans.

Irrespective of liabilities to be assigned, apoBank deposited cash collaterals of €171,127 thousand (31 December 2022: €228,765 thousand) within the framework of our collateral management for interest rate derivatives. Moreover, securities with a book value of €218,929 thousand (31 December 2022: €319,001 thousand) were pledged as collateral for margin obligations at futures and options exchanges and to secure payment obligations from securities transactions.

Of the debt securities issued (liabilities, 3.a)), €524,000 thousand (31 December 2022: €833,699 thousand) will mature in the year following the balance sheet date.

33. Liabilities due from affiliated or associated companies

The liabilities due from affiliated or associated companies can be broken down as follows:

Liabilities due from affiliated or associated companies

	Liabilities to affiliated companies €thous		Liabilities to associated companies €thous	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Liabilities to banks (P 1)	0	0	616,706	620,943
Liabilities to customers (P 2)	27,034	54,398	49,600	36,956
Securitised liabilities (P 3)	0	0	0	0
Subordinated liabilities (P 9)	0	0	0	0

34. Trust liabilities

The trust transactions shown on the liabilities side of the balance sheet are liabilities for contributions (investments) held in trust (liabilities to customers) of €26 thousand (31 December 2022: €51 thousand).

apoBank holds in trust almost exclusively limited partnership shares for the holders of share certificates in various Medico funds. In the reporting year, one Medico fund was dissolved.

35. Other liabilities

The item “Other liabilities” includes the following larger amounts:

Other liabilities

	31 Dec 2023 €thous	31 Dec 2022 €thous
Trade payables	9,206	3,933
Tax liabilities	23,304	6,058
Premiums from options and caps	3,449	5,006
Liabilities from variation margins	10,433	17,468

36. Prepayments and accrued income (liabilities)

“Prepayments and accrued income (liabilities)” includes:

Prepayments and accrued income (liabilities)

	31 Dec 2023 €thous	31 Dec 2022 €thous
Premium from liabilities (securitised or unsecuritised)	4,465	6,768
Discount from claims	1,549	2,015
Other prepayments and accrued income	7,554	9,553

37. Subordinated liabilities

Expenses of €4,434 thousand were incurred in the past financial year (1 January to 31 December 2022: €3,568 thousand). Early redemption of the subordinated liabilities is excluded in the case of four subordinated promissory note bonds.

Subordination has been arranged as follows: In the event of the insolvency or liquidation of apoBank, these liabilities are repayable only after all higher-ranking creditors have been satisfied. The liabilities have a residual term of four to 20 years.

Subordinated liabilities with a nominal value of €187,500 thousand (31 December 2022: €188,500 thousand) carry the following interest rates:
- one subordinated bearer bond with a 6-month Euribor variable rate plus 1.00%,
- 16 subordinated promissory note bonds with fixed interest rates of 1.60 to 4.96%.

As at the balance sheet date, borrowings exceeding 10% of the balance sheet item amounted to €120,000 thousand (31 December 2022: €120,000 thousand); their interest rates and maturities were as follows:

- subordinated promissory note bond with a nominal value of €35,000 thousand, due on 26 November 2030, interest rate of 1.60%,
- subordinated promissory note bond with a nominal value of €30,000 thousand, due on 30 November 2037 (early repayment as at 30 November 2032 possible), interest rate of 1.84%,
- subordinated promissory note bond with a nominal value of €35,000 thousand, due on 30 November 2037, interest rate of 1.82%,
- subordinated promissory note bond with a nominal value of €20,000, due on 23 February 2042 (early repayment as at 23 February 2038 possible), interest rate of 2.63%.

38. Capital and reserves

The amounts shown under “Subscribed capital” (liabilities, 12.a)) are structured as follows:

Subscribed capital

	31 Dec 2023 €thous	31 Dec 2022 €thous
Members' capital	**1,278,229**	**1,261,028**
Of remaining members	1,255,337	1,230,726
Of departing members	19,350	25,682
Of terminated cooperative shares	3,542	4,620
Compulsory contributions due on shares in arrears	271	1,994

The revenue reserves (liabilities, 12.c)) developed as follows in the past financial year:

Revenue reserves

	Legal reserves €thous	Other revenue reserves €thous
As at 1 Jan 2023	454,230	202,922
Transfers		
from balance sheet profit of the previous year	8,000	8,000
from net profit of the financial year	0	0
Withdrawals	0	0
As at 31 Dec 2023	**462,230**	**210,922**

39. Foreign currency items

Foreign currency items are included in liabilities with an equivalent value of €216,291 thousand (31 December 2022: €323,117 thousand) and in off-balance-sheet contingent liabilities and other obligations with an equivalent value of €50,614 thousand (31 December 2022: €77,016 thousand).

40. Contingent liabilities

Acute risks of claims in connection with off-balance-sheet contingent liabilities and open loan commitments are covered by provisions. The liabilities shown mainly refer to guarantee agreements or open loan commitments to customers. The amounts stated do not show the actual expected future payment flows from these agreements, since we anticipate that the large majority of the contingent liabilities will expire without being drawn down. The risks were assessed in the context of an individual evaluation of the creditworthiness of these customers. They are subject to the risk identification and controlling procedures which apply to all loan agreements and guarantee a timely identification of the risks.

In fiscal 2022, apoBank (shareholding: 49%) together with HCL Technologies Germany GmbH (shareholding: 51%) issued a hard comfort letter to HCL Technologies gbs GmbH (hereinafter referred to as “gbs”). Originally, this agreement was valid for the period 1 January 2022 to 31 December 2023. In July 2023, the period of validity was extended to 31 December 2024. According to the comfort letter, the two shareholders declared to gbs that they will fund gbs to the extent that it can meet its obligations to third parties punctually and in full. This letter may also be used to secure deliveries and services from third parties. A quantification of the risk arising from the letter for apoBank is not possible, in particular due to the inclusion of future obligations and the strategic operational realignment of gbs. Currently, apoBank does not anticipate a claim under the letter of comfort.

Derivative financial instruments

41. Derivative financial instruments

The volume of unsettled forward transactions affected by a settlement risk or currency, interest rate and/or other market risks arising from open positions, and in the event of counterparty default also from closed positions, amounted to €26,980 million as at 31 December 2023 (31 December 2022: €24,498 million). As at 31 December 2023, the following types of transactions were included therein:

Distribution of traded derivatives/types of transactions

Interest rate-related transactions

- Interest rate swaps
- Swaptions
- Caps/floors

Currency-related transactions

- FX forward transactions
- FX swaps

apoBank enters into these forward transactions, which are subject to fluctuations in interest rates, exchange rates and market prices, to hedge positions, and for asset liability management. Existing derivatives contracts are broken down according to their risk structure and shown in the table on the following page. The nominal volumes are stated in accordance with standard international practice; however, these figures are not identical with the default risk value.

apoBank calculated the fair values shown using the following valuation models: Interest rate swaps were measured at their net present value on the balance sheet date. The variable interest payment flows were calculated based on forward rates derived from the current yield curve and then discounted with the swap curve in the same way as fixed payment flows. Interest limit agreements were measured on the basis of the Bachelier model, swaptions on the basis of the Hull-White model.

The fair value of the FX forward transactions and of the FX swaps was calculated based on the net present values of the opposing payment flows (in foreign currency and in euros) using the yield curve of the respective currency.

Risk structure

	Nominal value €m		Fair value[1] €m	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Interest rate-related transactions[2]				
Time to maturity up to 1 year	2,459	1,777	24	5
more than 1 year to 5 years	14,027	11,888	187	281
more than 5 years	10,226	10,560	187	68
Subtotal	**26,712**	**24,225**	**398**	**354**
Currency-related transactions				
Time to maturity up to 1 year	268	273	1	0
more than 1 year to 5 years	0	0	0	0
more than 5 years	0	0	0	0
Subtotal	**268**	**273**	**1**	**0**
Total	**26,980**	**24,498**	**399**	**354**

1) Netted, taking into account pro rata interest, where applicable.
2) Interest- and stock-related transactions are reported under the items “Other assets” (€18.0 million), “Prepayments and accrued income (assets)” (€6.1 million), and “Prepayments and accrued income (liabilities)” (€7.4 million).

The vast majority of derivative financial instruments are used to hedge interest rate and/or currency fluctuations as part of valuation units (see note 6) as well as within the scope of asset liability management.

D. Notes to the income statement

42. Interest income

The “Interest income” item includes €67 thousand in negative interest income from deposits with the ECB and other banks, from collateral management, as well as from fixed-interest securities (1 January to 31 December 2022: €48,667 thousand).

43. Interest expenses

The item “Interest expenses” includes €3,441 thousand in positive interest expenses from borrowings from the ECB, other banks and specific customer groups, from collateral management as well as from securitised liabilities (1 January to 31 December 2022: €71,159 thousand).

In the year under review, measures were carried out in the strategic bank book to manage net interest income on a long-term basis. These measures had a negative impact on net interest income by an amount in the low triple-digit millions.

44. Commission income and commission expenses

Commission income from services rendered to third parties relating to management and brokerage, in particular in the securities and the custodian business, asset management and asset advisory services as well as insurance brokerage, amount to approximately 0.3% of the average balance sheet total.

45. Other operating income and expenses, or income and expenses related to other periods

Other operating income of €48,028 thousand (1 January to 31 December 2022: €50,440 thousand) includes, among other things:

Other operating income

	1 Jan – 31 Dec 2023	1 Jan – 31 Dec 2022
	€thous	€thous
Rental income	4,588	4,329
Release of reserves (related to other periods)	14,564	21,824
Income from currency translation	4,042	5,731
VAT reimbursement (related to other periods)	8,090	7,127
Income from assets sold	11,729	2

Other operating expenses of €23,738 thousand (1 January to 31 December 2022: €22,693 thousand) result primarily from the following items:

Other operating expenses

	1 Jan – 31 Dec 2023	1 Jan – 31 Dec 2022
	€thous	€thous
Expenses for litigation risks	4,043	2,282
Expenses from compounding	4,488	4,776
Expenses from currency translation	3,178	4,768
Donation to apoBank-Stiftung	3,000	0

46. Extraordinary income and expenses

As in the previous year, no extraordinary income or extraordinary expenses were incurred in 2023.

47. Taxes on income

Income taxes apply exclusively to the operating result and to adjustments and reimbursements of previous years. Taxes on income were calculated largely on the basis of actual figures and the current tax rate.

The item “Taxes on income” includes other material income related to other periods of €1,483 thousand from tax refunds for previous years (1 January to 31 December 2022: €924 thousand), and expenses related to other periods of €2,240 thousand from tax arrears for previous years (1 January to 31 December 2022: €946 thousand).

48. Proposal for the appropriation of the balance sheet profit

In 2023, apoBank recorded a net profit of €94,221,694, the profit carried forward from the previous year amounted to €7,865. The Supervisory Board and the Board of Directors will propose the following appropriation of profit at the Annual General Meeting:

Appropriation of balance sheet profit

	31 Dec 2023 €	31 Dec 2022 €
Net profit	94,221,694.42	65,757,251.08
Profit carried forward from the previous year	7,864.54	5,020.81
Balance sheet profit	94,229,558.96	65,762,271.89
Allocations to legal reserves	9,500,000.00	8,000,000.00
Allocations to other revenue reserves	9,500,000.00	8,000,000.00
Dividends (6,0%/in the previous year 4,0%)	75,224,126.86	49,754,407.35
Carried forward to new account	5,432.10	7,864.54

E. Other notes

49. Events after the reporting date

Subsequent to the balance sheet date of 31 December 2023, apoBank reached an out-of-court settlement with some of the potential recourse debtors in a legal dispute regarding compensation for capital gains tax and solidarity surcharge paid. The income in the low double-digit million range resulting from the settlement concluded in January 2024 will be recognised in profit or loss in 2024. The payment has been received in the meantime.

50. Disclosures according to Section 28 of the PfandBG

The following information is provided with respect to the mortgage bonds included in the items “Liabilities to banks”, “Liabilities to customers” and “Securitised liabilities” pursuant to Section 28 of the PfandBG:

Total amount and maturity structure

	Nominal value		Net present value		Risk net present value[1]	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Total amount of outstanding covered bonds (€m)	4,327	4,949	3,983	4,408	3,723	3,434
Total amount of cover pool (€m)	8,661	9,243	8,544	8,842	8,141	7,460
Overcollateralisation (€m)	4,334	4,294	4,561	4,434	4,418	4,026
Overcollateralisation in % of outstanding covered bonds	100	87	115	101	119	117
Statutory overcollateralisation (€m)	173	197	80	88	n/a	n/a
Contractual overcollateralisation (€m)	–	–	–	–	n/a	n/a
Voluntary overcollateralisation (€m)	4,161	4,097	4,482	4,346	n/a	n/a

	Maturity structure of outstanding covered bonds		Maturity profile of cover pool		Postponement of maturity (12 months)	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
	€m	€m	€m	€m	€m	€m
Up to 6 months	115	548	759	647	0	0
More than 6 months to 12 months	50	74	560	497	0	0
More than 12 months to 18 months	598	115	502	649	115	548
More than 18 months to 2 years	10	50	501	608	50	74
More than 2 years to 3 years	10	608	950	1,066	608	165
More than 3 years to 4 years	1,033	10	1,001	920	10	608
More than 4 years to 5 years	555	1,033	843	982	1,033	10
More than 5 years to 10 years	1,140	1,685	2,841	3,039	1,685	2,718
More than 10 years	816	826	704	835	826	826

1) The risk net present value is calculated on the basis of the dynamic method in accordance with the Pfandbrief Net Present Value Regulation (PfandBarwertV).

Information on the postponement of the maturity of covered bonds pursuant to Section 28 para. 1 no. 5 PfandBG[1]

	31 Dec 2023	31 Dec 2022
Prerequisites for the postponement of the maturity of covered bonds pursuant to Section 30 para. 2a PfandBG	The postponement of maturity is necessary to avoid the insolvency of the Pfandbrief bank with limited activity (prevention of insolvency), the Pfandbrief bank with limited activity is not over-indebted (no existing over-indebtedness) and there is reason to believe that the Pfandbrief bank with limited activity will be able to meet its liabilities then due at any rate after the expiry of the maximum possible postponement period, taking into account further postponement possibilities (positive fulfilment forecast). See also Section 30 para. 2b PfandBG.	The postponement of maturity is necessary to avoid the insolvency of the Pfandbrief bank with limited activity (prevention of insolvency), the Pfandbrief bank with limited activity is not over-indebted (no existing over-indebtedness) and there is reason to believe that the Pfandbrief bank with limited activity will be able to meet its liabilities then due at any rate after the expiry of the maximum possible postponement period, taking into account further postponement possibilities (positive fulfilment forecast). See also Section 30 para. 2b PfandBG.
Powers of the cover pool administrator in the event of postponement of the maturity of the covered bonds under Section 30 para. 2a PfandBG	The cover pool administrator may postpone the due dates of the redemption payments if the relevant requirements under Section 30 para. 2b PfandBG are met. The period of postponement, which may not exceed twelve months, shall be determined by the cover pool administrator as needed.	The cover pool administrator may postpone the due dates of the redemption payments if the relevant requirements under Section 30 para. 2b PfandBG are met. The period of postponement, which may not exceed twelve months, shall be determined by the cover pool administrator as needed.
	The cover pool administrator may postpone the due dates of redemption and interest payments, which become due within one month after their appointment, to the end of this monthly period. If the cover pool administrator decides to make such a postponement, it shall be irrefutably presumed that the requirements of Section 30 para. 2b PfandBG have been met. Such a postponement shall be taken into account within the framework of the maximum postponement period of 12 months.	The cover pool administrator may postpone the due dates of redemption and interest payments, which become due within one month after their appointment, to the end of this monthly period. If the cover pool administrator decides to make such a postponement, it shall be irrefutably presumed that the requirements of Section 30 para. 2b PfandBG have been met. Such a postponement shall be taken into account within the framework of the maximum postponement period of 12 months.
	The cover pool administrator may only exercise their authority uniformly for all covered bonds of an issue. In this context, the maturities may be postponed in full or on a pro rata basis. The cover pool administrator must postpone the maturity of a covered bond issue in such a way that the original sequence of servicing of the covered bonds which could be overtaken by the postponement is not changed (prohibition of overtaking). This may mean that the maturities of issues falling due at a later date must also be postponed in order to comply with the prohibition on overtaking. See also Section 30 para. 2a and 2b PfandBG.	The cover pool administrator may only exercise their authority uniformly for all covered bonds of an issue. In this context, the maturities may be postponed in full or on a pro rata basis. The cover pool administrator must postpone the maturity of a covered bond issue in such a way that the original sequence of servicing of the covered bonds which could be overtaken by the postponement is not changed (prohibition of overtaking). This may mean that the maturities of issues falling due at a later date must also be postponed in order to comply with the prohibition on overtaking. See also Section 30 para. 2a and 2b PfandBG.

1) Effects of a maturity shift on the maturity structure of the covered bonds/shift scenario: 12 months. This is an extremely unlikely scenario which could only come into effect after the appointment of a cover pool administrator.

There are no derivates or foreign currencies included in the cover pool.

Composition of the cover pool

Total amount of receivables used as cover	31 Dec 2023 €m	31 Dec 2022 €m	Share in the total amount of cover pool 31 Dec 2023 %	 31 Dec 2022 %
By size class				
Up to €300 thousand	5,740	6,127	66	66
More than €300 thousand to €1 million	1,339	1,286	15	14
More than €1 million to €10 million	758	796	9	9
More than €10 million	408	404	5	4
By type of use (I) in Germany				
Residential	6,676	6,990	77	76
Commercial	1,569	1,623	18	18
By type of use (II) in Germany				
Flats	1,962	2,073	23	22
Single- and two-family homes	3,830	4,047	44	44
Multi-family homes	884	870	10	9
Office buildings	917	713	11	8
Retail buildings	63	57	1	1
Industrial buildings	0	0	0	0
Other commercially used buildings	590	853	7	9
Unfinished new buildings not yet ready to generate a return as well as building sites	0	0	0	0
of which: building sites	0	0	0	0

There are no mortgage cover assets outside Germany.

Other cover assets

	31 Dec 2023 €m	31 Dec 2022 €m
Receivables pursuant to Section 19 para.1 (1) no. 2a) and b) PfandBG	0	0
thereof covered bonds pursuant to Article 129 Regulation (EU) No. 575/2013	0	0
Receivables pursuant to Section 19 para. 1 (1) no. 3a) to c) PfandBG	0	0
of which covered bonds pursuant to Article 129 Regulation (EU) No. 575/2013	0	0
Receivables pursuant to Section 19 para. 1 (1) no. 4 PfandBG	415[1]	630[1]

1) All debtors have their headquarters in Germany.

Key figures for covered bonds outstanding

		31 Dec 2023	31 Dec 2022
Covered bonds outstanding	(€m)	4,327	4,949
of which share of fixed-interest covered bonds Section 28 para. 1 no. 13 PfandBG (weighted average)	(%)	98	98
Cover pool	(€m)	8,661	9,243
of which total amount of claims pursuant to Section 12 para. 1 PfandBG which exceed the limits pursuant to Section 13 para. 1 (2), 2nd half-sentence	(€m)	0	0
of which total amount of values according to Section 19 para.1 PfandBG exceeding the limits pursuant to Section 19 para. 1 (6) PfandBG	(€m)	0	0
Receivables exceeding the limit according to Section 19 para. 1 no. 2 PfandBG	(€m)	0	0
Receivables exceeding the limit according to Section 19 para. 1 no. 3 PfandBG	(€m)	0	0
Receivables exceeding the limit according to Section 19 para. 1 no. 4 PfandBG	(€m)	0	0
of which share of fixed-interest cover assets	(%)	94	93
Volume-weighted average age of receivables (elapsed term since granting of loan, “seasoning”)	(years)	6	6
Average weighted loan-to-value ratio	(%)	54	55

Key liquidity figures

		31 Dec 2023	31 Dec 2022
Largest negative sum arising within the next 180 days within the meaning of Section 4 para. 1a (3) PfandBG for covered bonds (liquidity requirement)	(€m)	34	367
Day on which the largest negative sum arises	Day (1-180)	54	88
Total amount of cover assets that meet the requirements of Section 4 para. 1a (3) PfandBG (liquidity cover)	(€m)	380	570
Proportion of cover assets in the cover pool for which or in respect of whose debtor is deemed to have defaulted in accordance with Article 178 (1) CRR	(%)	–	–

Overview of overdue receivables

	31 Dec 2023	31 Dec 2022
	€m	€m
Total amount of receivables more than 90 days in arrears	0	0
Total amount of receivables in arrears if the respective arrears amount to at least 5% of the receivable	0	0

Other information

	Residential		Commercial	
	2023	2022	2023	2022
Number of foreclosure and receivership proceedings pending on the closing date	0	0	0	0
Number of foreclosures carried out during the financial year	0	0	0	0
Number of properties taken over during the financial year to prevent losses	0	0	0	0
Total amount of interest in arrears (€m)	0	0	0	0

Mortgage bonds – publication according to Section 28 para. 1 (1) no. 2 PfandBG

	31 Dec 2023	31 Dec 2022
ISIN	XS1043552345, XS1109753175, XS1119335534, XS1195587941, XS1535054891, XS1693853944, XS1760108198, XS1763163067, XS1766992058, XS1770021860, XS1852086211, XS1869455490, XS1957516252, XS2022175249, XS2079126467, XS2113737097	XS0916966731, XS1043552345, XS1109753175, XS1119335534, XS1123870641, XS1195587941, XS1376323652, XS1535054891, XS1693853944, XS1760108198, XS1763163067, XS1766992058, XS1770021860, XS1852086211, XS1869455490, XS1957516252, XS2022175249, XS2079126467, XS2113737097

51. Cover statement mortgage bonds

Cover statement mortgage bonds

	31 Dec 2023 €thous	31 Dec 2022 €thous
Loans and advances to customers		
Mortgage loans	8,245,604	8,612,924
Tangible fixed assets (land charges on the Bank’s own property)	0	0
Debt securities and other fixed-interest securities (book value as at 31 Dec 2023: €415,000 thousand, 31 Dec 2022: €630,000 thousand)	415,000	630,000
Total cover assets	8,660,604	9,242,924
Total mortgage bonds requiring cover	4,326,600	4,949,100
Overcollateralisation	4,334,004	4,293,824

52. Other financial obligations

Other financial obligations amounted to €115,020 thousand at the end of 2023 (31 December 2022: €118,020 thousand) and result from an optional obligation to purchase shares in a company within the scope of a lending transaction. This obligation does not currently pose a risk.

apoBank is a member of the protection scheme with a guarantee fund and a guarantee network operated by the National Association of German Cooperative Banks (Deutsche Volksbanken und Raffeisenbanken e. V., BVR). Within the scope of the guarantee network, apoBank has assumed a guarantee obligation that amounted to €55,237 thousand as at the end of 2023 (31 December 2022: €57,183 thousand).

A premium guarantee in favour of BVR Institutssicherung GmbH (BVR-ISG) is also in force. This relates to annual contributions to reach the target level and payment obligations, special contributions and special payments in the event that the available cash funds are not sufficient to compensate the depositors of a CRR bank belonging to a bank-related protection scheme as well as replenishment obligations pursuant to cover measures.

53. Average number of employees

The average number of employees in 2023 was 1,798 (2022: 1,741) full-time and 450 (2022: 417) part-time employees. In addition, apoBank also employed an average of 82 apprentices (2022: 89).

54. Changes in membership

Changes in membership

	Number of members	Number of cooperative shares	Uncalled liabilities €thous
Beginning of 2023	113,543	821,813	1,232,720
Additions 2023	1,541	44,991	0
Departures 2023	2,653	29,733	44,600
End of 2023	112,431	837,071	1,188,120

55. Capital contributions and uncalled liabilities of members

Capital contributions and uncalled liabilities of members

	1 Jan – 31 Dec 2023	1 Jan – 31 Dec 2022
	€thous	€thous
The capital contributions of the remaining members increased in the year under review (previous year: decreased) by	24,611	493

The value of the company share and the value of the uncalled liabilities amount to €1,500 each. By amendment to the Articles of Association on 29 April 2022, the obligation of members to make additional contributions was excluded (entered in the register of cooperatives on 15 August 2022).

56. Auditor's fee

The expenses for the audit of the annual financial statements, other certification services, tax advice and other services of the auditor GV (Genossenschaftsverband – Verband der Regionen e. V.), were €3,179 thousand in the year under review (2022: €2,832 thousand).

The expenses can be broken down as follows:

Auditor’s fee

	2023	2022
	€thous	€thous
Audit of the annual financial statements	2,730[1]	2,261[2]
Other assurance services	382[3]	511[4]
Tax advice	10	8
Other services	57	52

1) Of which release of a provision made in 2022 amounting to €11 thousand.
2) Of which release of a provision made in 2021 amounting to €89 thousand.
3) Of which €20 thousand for auditing services in connection with the German Securities Trading Act (WpHG) in previous years.
4) Of which €134 thousand for auditing services in connection with the German Securities Trading Act (WpHG) in previous years.

57. Board compensation

According to Section 285 (1) no. 9a of the HGB, the total remuneration granted to the Board of Directors amounted to €5,725 thousand in 2023 (2022: €5,625 thousand); the performance-related share of this total remuneration was 40.3% (2022: 43.7%). The total remuneration paid to Board members in 2023 amounted to €3,622 thousand (2022: €5,281 thousand).

According to the remuneration structure for members of the Board of Directors agreed upon by the Board of Directors and the Supervisory Board, variable remuneration is paid to Board members on top of the basic salary. This amounts to 35.0% of the aggregate salary if all goals are achieved. If the agreed goals are exceeded or not met, the variable payment for the year is increased or decreased accordingly. However, if the results fall short of the goals by more than 50.0%, no variable remuneration will be paid, and if the goals are exceeded by more than 50.0%, the variable remuneration will not increase further.

A remuneration structure that takes account of the legal and regulatory requirements – in particular the provisions of the German Ordinance on the Supervisory Requirements for Institutions' Remuneration Systems (InstitutsVergV) – has been agreed upon.

The total remuneration for former members of the Board of Directors and their surviving dependants amounted to €2,537 thousand (2022: €4,546 thousand). Pension provisions for this group of persons as at the balance sheet date amounted to €55,644 thousand (2022: €56,004 thousand).

The total remuneration for members of the Supervisory Board was €1,483 thousand (2022: €1,352), which was divided up as follows: annual remuneration €731 thousand (2022: €612 thousand), attendance fees €659 thousand (2022: €659 thousand) and other benefits €93 thousand (2022: €81 thousand).

58. Amounts due from Board members

On the balance sheet date, amounts due to and from contingent liabilities incurred for Board members were as follows:

Amounts due from Board members

	31 Dec 2023 €thous	31 Dec 2022 €thous
Members of the Board of Directors	6	1
Members of the Supervisory Board	4,209	4,373

59. Additional notes pursuant to Article 434 para. 2 of the Capital Requirements Regulation (CRR)

Some of the disclosures required pursuant to Part 8 of the CRR (Articles 435 to 455) are included in the management report. apoBank publishes the remaining disclosures in a separate disclosure report and in the remuneration report on its website.

60. Board of Directors

Members of the Board of Directors
- Matthias Schellenberg, Chair, responsible for Health Care Market & Shareholdings, Communications & Brand, Legal, Boards and Committees & Data Protection, Internal Auditing, Professional Organisations, Corporate Development; since 1 May 2023 also responsible for Human Resources as well as Transformation Management Retail Clients; since 1 July 2023 also responsible for Treasury, Institutional Clients & Asset Management, apoAsset and aik Immobilien-managementgesellschaft of the former board department Large Customers and Markets
- Heiko Drews (since 1 May 2023), responsible for Retail Clients from 1 May 2023 to 30 June 2023; since 1 July 2023 responsible for Sales (formerly Retails Clients plus Corporate Clients of the former board department Large Customers and Markets)
- Alexander Müller (until 30 June 2023), responsible for Large Customers and Markets (until 30 June 2023)
- Thomas Runge, responsible for Products, Processes & IT (formerly IT and Products)
- Holger Wessling (until 31 March 2023), responsible for Controlling and Bank Operations (until 31 March 2023)
- Dr. Christian Wiermann (since 1 October 2023), responsible for Finance, Controlling & Bank Operations
- Sylvia Wilhelm, responsible for Risk

61. Supervisory Board

Members of the Supervisory Board
- Dr. med. dent. Karl-Georg Pochhammer, Chair, Deputy Chair of the National Association of Statutory Health Insurance Dentists KdöR
- Sven Franke[1], Deputy Chair, bank employee
- Fritz Becker, pharmacist and owner of Nordstadt-Apotheke Pforzheim
- Marcus Bodden[1], bank employee
- Martina Burkard[1], bank employee
- Mechthild Coordt[1], bank employee
- Stephanie Drachsler[1], bank employee
- Dr. med. dent. Peter Engel (until 28 April 2023), dentist (retired)
- Dr. med. Andreas Gassen, Chair of the Board of the German National Association of Statutory Health Insurance Physicians KdöR
- Günter Haardt[1], General Manager Asset Management at Vereinte Dienstleistungsgewerkschaft (ver.di) GmbH
- Dr. med. Torsten Hemker, Chair of the Administrative Committee of the Versorgungswerk der Zahnärztekammer Hamburg KdöR
- Gerhard Hofmann, Member of the Board of the Federal Association of German Cooperative Banks (Bundesverband der Deutschen Volksbanken und Raiffeisenbanken e. V., BVR) (retired) and Director of Deutsche Bundesbank (retired)
- Steffen Kalkbrenner[2] (until 28 April 2023), bank employee
- Lukas Kaster[1] (since 28 April 2023), bank employee
- Walter Kollbach, tax consultant/auditor (retired)
- Bettina Krings[1] (until 28 April 2023), bank employee
- Christian Scherer[1], bank employee
- Friedemann Schmidt, pharmacist and owner of the Seume-Apotheke OHG Leipzig
- Dietke Schneider[1], bank employee
- Dr. Thomas Siekmann, former Deputy Chair of the Board of Deutsche Apotheker- und Ärztebank eG
- Dr. med. dent. Reinhard Urbach (since 28 April 2023), dentist and Chair of the Managing Committee of the Altersversorgungswerk der Zahnärztekammer Niedersachen KdöR
- Daniel Valo[2] (from 28 April 2023 to 31 December 2023), bank employee
- Susanne Wegner, General Manager of the Verwaltungsgesellschaft Deutscher Apotheker mbH

1) Employee representative.
2) Representative of the executive staff.

62. Seats on supervisory boards held by members of the Board of Directors and employees

In 2023, members of the Board of Directors and employees of the Bank held seats on the supervisory boards or comparable boards of the following joint-stock companies pursuant to Section 267 para. 3 of the HGB or comparable organisations:

Name	Company	Function
Matthias Schellenberg	aik Immobilien-Investmentgesellschaft mbH, Dusseldorf	First Deputy Chair of the Supervisory Board
	Apo Asset Management GmbH, Dusseldorf	Deputy Chair of the Supervisory Board until 31 December 2023, Chair of the Supervisory Board since 1 January 2024
	Bundesverband der Deutschen Volksbanken und Raiffeisenbanken (BVR), Berlin	Member of the Association Council (personal deputy of an ordinary member)
	Deutsche Ärzteversicherung AG, Cologne[1]	Second Deputy Chair of the Supervisory Board and Member of the Audit Committee
	Marburger Bund-Stiftung, Berlin	Deputy Chair of the Board of Trustees
	PROFI Erste Projektfinanzierungs- und Beteiligungsgesellschaft AG, Zurich	Member of the Administrative Board since 30 May 2023
Heiko Drews	Deutsche Ärzte Finanz Beratungs- und Vermittlungs-Aktiengesellschaft (DÄF), Cologne[1]	Chair of the Supervisory Board since 1 January 2024
	Finanz-Service GmbH der APO-Bank, Dusseldorf	Member of the Supervisory Board until 31 December 2023
Alexander Müller	aik Immobilien-Investmentgesellschaft mbH, Dusseldorf	Member of the Supervisory Board until 31 May 2023
	Apo Asset Management GmbH, Dusseldorf	Member of the Supervisory Board until 30 June 2023
	PROFI Erste Projektfinanzierungs- und Beteiligungsgesellschaft AG, Zurich	Member of the Administrative Board until 25 May 2023
Thomas Runge	aik Immobilien-Investmentgesellschaft mbH, Dusseldorf	Member of the Supervisory Board since 1 June 2023
	Apo Asset Management GmbH, Dusseldorf	Member of the Supervisory Board since 1 July 2023
	PROFI Erste Projektfinanzierungs- und Beteiligungsgesellschaft AG, Zurich	Member of the Administrative Board since 9 January 2023
Holger Wessling	Internationale Kapitalanlagegesellschaft mbH, Dusseldorf[1]	Member of the Supervisory Board until 20 April 2023
Dr. Christian Wiermann	ARZ Haan AG, Haan	Member of the Supervisory Board since 13 June 2023
	naontek AG, Dusseldorf	Deputy Chair of the Supervisory Board until 24 August 2023
Christina Fabich	Finanz-Service GmbH der APO-Bank, Dusseldorf	Member of the Supervisory Board since 1 July 2023
Steffen Kalkbrenner	Treuhand Hannover Steuerberatung und Wirtschaftsberatung für Heilberufe GmbH, Hanover[1]	Deputy Chair of the Supervisory Board
Dr. Hanno Kühn	aik Immobilien-Investmentgesellschaft mbH, Dusseldorf	Member of the Supervisory Board until 30 September 2023
	Apo Asset Management GmbH, Dusseldorf	Member of the Supervisory Board until 30 September 2023
Jasper Jan Meijerink	Finanz-Service GmbH der APO-Bank, Dusseldorf	Member of the Supervisory Board until 30 June 2023
Linda Mende	Finanz-Service GmbH der APO-Bank, Dusseldorf	Member of the Supervisory Board since 1 January 2024

Carsten Padrok	Deutsche Ärzte Finanz Beratungs- und Vermittlungs-Aktiengesellschaft, Cologne[1]	Deputy Chair of the Supervisory Board until 31 December 2023
	Finanz-Service GmbH der APO-Bank, Dusseldorf	Deputy Chair of the Supervisory Board until 31 December 2023, Chair of the Supervisory Board since 1 January 2024
Reinhard Pfingsten	aik Immobilien-Investmentgesellschaft mbH, Dusseldorf	Member of the Supervisory Board since 1 October 2023
	Apo Asset Management GmbH, Dusseldorf	Member of the Supervisory Board since 1 October 2023
Dr. Klaus Poggemann	ARZ Haan AG, Haan	Member of the Supervisory Board until 13 June 2023
Peter Schlögell	Apotheken-Rechen-Zentrum GmbH, Darmstadt	Chair of the Administrative Board
	naontek AG, Dusseldorf	Member of the Supervisory Board until 24 August 2023
Daniel Zehnich	ARZ Haan AG, Haan	Deputy Chair of the Supervisory Board
	naontek AG, Dusseldorf	Chair of the Supervisory Board until 24 August 2023
	ZA Zahnärztliche Abrechnungsgesellschaft Düsseldorf, AG, Dusseldorf	Member of the Supervisory Board

1) Disclosure required pursuant to Section 340a para. 4 no. 1 of the HGB.

63. Name and address of the responsible auditing association

Genoverband e. V.
Ludwig-Erhard-Allee 20
40227 Dusseldorf, Germany

Dusseldorf, 5 March 2024
Deutsche Apotheker- und Ärztebank eG
The Board of Directors

Matthias Schellenberg Heiko Drews Thomas Runge Dr. Christian Wiermann Sylvia Wilhelm

Annex to the Annual Financial Statements Pursuant to Section 26a KWG as at 31 December 2023

Deutsche Apotheker- und Ärztebank eG, 40547 Dusseldorf

Country-by-country reporting pursuant to Section 26a of the KWG as at 31 December 2023

In Section 26a para. 1 (2) of the KWG, the requirement of the 2013/36/EU Capital Requirements Directive (CRD IV) was implemented in German law.

According to this, CRR institutions must publish a country-by-country reporting that includes the following information:
1. company name, nature of activities and geographical location of the branches,
2. turnover,
3. number of employees on a full-time equivalent basis,
4. profit or loss before tax,
5. tax on profit or loss, as well as
6. public subsidies received.

Deutsche Apotheker- und Ärztebank eG is headquartered in Dusseldorf and is active Germany-wide.

The purpose of the cooperative as a lending institute with a focus on the health care market is to support its members – specifically health care professionals as well as their organisations and institutions – and their economic development. Its business is to conduct all customary bank transactions within the framework of legal provisions for members as well as non-members. The head office, the branches and the advisory offices of Deutsche Apotheker- und Ärztebank are all located in Germany.

Reporting on turnover, profit or loss before tax as well as tax on profit or loss is based on the individual financial statement. The turnover is calculated based on the operating result, excluding risk provisioning, depreciation of intangible and tangible assets and general administrative expenses.

The number of employees is expressed in full-time equivalents based on the average number of employees in 2023.

Overview of country-by-country reporting

Country	Turnover €m	Number of FTEs	Profit/(loss) before tax €m	Tax on profit or loss €m	Public subsidies received €m
Germany	1,172.8	2,120	361.4	143.4	-

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Certifications

Report of the Independent Auditor

to Deutsche Apotheker- und Ärztebank eG, Dusseldorf

Report on the audit of the annual financial statements and the management report

Audit opinions

We have audited the annual financial statements of Deutsche Apotheker- und Ärztebank eG, Dusseldorf (hereinafter referred to as the "Cooperative"), comprising the balance sheet as at 31 December 2023, the income statement, the cash flow statement and the statement of changes in equity for the fiscal year from 1 January to 31 December 2023, as well as the notes to the financial statements, including the accounting and valuation methods. We also audited the management report of the Cooperative for the fiscal year from 1 January to 31 December 2023. In accordance with German legal requirements, we did not audit the content of the parts of the management report referred to in its "Other information" section. The management report makes reference to the publication of the separate non-financial report pursuant to Sections 289b to 289e HGB on the Cooperative's website. In line with German legal requirements, our audit does not cover this separate non-financial report.

According to the findings obtained within the scope of our audit

- the attached annual financial statements comply with applicable German commercial law requirements for cooperative banks in all key aspects and, in consideration of German standard accounting practice, give a true and fair view of the net assets and financial position of the Cooperative as at 31 December 2023 as well as of the results of operations for the fiscal year from 1 January to 31 December 2023 and
- the attached management report as a whole gives an accurate picture of the Cooperative's position. This management report is consistent with the annual financial statements in all key aspects, complies with German legal requirements and gives a true and fair view of the opportunities and risks associated with future developments. Our audit opinion on the management report does not cover the content of the parts of the management report referred to in its "Other information" section. Nor does our audit opinion cover the content of the above-mentioned separate non-financial report.

In accordance with Section 322 para. 3 (1) of the HGB, we declare that our audit did not lead to any objections regarding the correctness of the annual financial statements and the management report.

Basis for the audit opinions

We conducted our audit of the annual financial statements and the management report in accordance with Section 53 para. 2 of the Cooperative Societies Act (GenG), with Sections 340k and 317 of the HGB and with the European Union Auditing Regulation (No. 537/2014, hereinafter referred to as EU-APrVO), in consideration of the German standards for the proper auditing of financial statements issued by the Institute of Public Auditors in Germany (IDW). Our responsibilities under these provisions and principles are described in further detail in the section "Responsibility of the auditor in auditing the annual financial statements and the management report" of our auditor's report. We are independent of the Cooperative in accordance with European law, German commercial law and provisions governing the auditing profession and have fulfilled all other professional duties valid in Germany in accordance with these requirements. Moreover, in accordance with Article 10 para. 2 f) EU-APrVO in conjunction with Sections 55 para. 2 and 38 para. 1a GenG, we declare that nobody in our employment who could influence the result of the audit has provided non-audit services that are prohibited under Article 5 para. 1 EU-APrVO. We believe that the audit evidence we have obtained is sufficient and appropriate to serve as a basis for our audit opinions on the annual financial statements and the management report.

Key audit matters in auditing the annual financial statements
Key audit matters are matters that, after due consideration, we found to be the most important in our audit of the annual financial statements in the fiscal year from 1 January to 31 December 2023. These matters were taken into account in our audit of the annual financial statements as a whole and in the formation of our audit opinion. We do not issue any separate audit opinions on these matters.

In the following, we present the audit matters we consider as key:
1. Valuation of other provisions
2. Valuation of loans and advances to customers

We structured our presentation of key audit matters as follows:
a) Matter and issue at hand
b) Audit procedures and findings
c) Reference to further information

on 1.a)
As a credit institution, the Cooperative is exposed to various risks. The recognition and valuation in particular of provisions for litigation risks and costs, transaction bonuses and other uncertain liabilities of the Cooperative are based on estimates, expectations and assumptions made by the legal representatives. For this reason and also due to the significant amount of these items, we believe that these matters constituted key audit matters in our audit of the Cooperative's annual financial statements.

on 1.b)
We initially reviewed whether the Cooperative's relevant systems and processes for the valuation of other provisions are designed so that the need for provisions is recognized with reasonable assurance and in good time and provisions are formed in a sufficient amount.

We then verified the functionality of the regulations and processes by auditing selected individual cases. This audit process was based on the relevant controls put in place by the Cooperative.

We also conducted analytical audit procedures. In this context, the Cooperative's data pool was assessed according to predefined audit criteria.

Based on the results of this assessment, we reviewed individual cases selected deliberately with regard to the need for and, if applicable, the appropriateness of the formation of provisions.

on 1.c)
Further disclosures by the Cooperative on the accounting and valuation of other provisions are included in notes 12 and 45 of the notes to the annual financial statements.

on 2.a)
Loans and advances to customers amount to €35.3 billion when netted with the risk provisions made; this corresponds to 69.9 % of the balance sheet total. In addition, contingent liabilities exist in the amount of €0.3 billion and irrevocable loan commitments in the amount of €2.4 billion.

The identification of impairments as well as the calculation of loan loss provisions, provisions for contingent liabilities and irrevocable loan commitments are subject to significant estimation uncertainties and scope for discretion. In the case of the annual financial statements, the risk is that the need for impairment and/or for provisions is not recognised in time or that the amount of the impairment and/or the provisions is influenced by the economic situation and development of the respective borrower as well as by the valuation of the collateral. As a result, it is essential for the annual financial statements and in particular the earnings situation that loans and advances to customers as well as contingent liabilities, in particular in the commercial lending business, are correctly assessed. We believe that this constitutes a key audit matter.

on 2.b)
We initially assessed whether the Cooperative's systems and processes relevant for the valuation of loans and advances to customers are designed so that acute risks are recognized with reasonable assurance in good time, and risk provisions are formed in a sufficient amount, if needed.

We then verified the functionality of the regulations and processes by auditing selected individual cases. This audit process was based on the relevant controls put in place by the Cooperative.

We also conducted analytical audit procedures. In this context, the Cooperative's data pool was assessed according to predefined audit criteria. This process took into account ratings and in particular the amount of unsecured loan components, the level of value at risk and the total loan commitment.

On the basis of the different audit procedures mentioned before, we conducted individual reviews of loan exposures selected deliberately with regard to the need for and, if applicable, the appropriateness of risk provisions.

on 2.c)
Further disclosures from the Cooperative on the recognition and valuation of receivables in the lending business are included in particular in notes 3, 16, 36 and 40 of the notes to the annual financial statements.

Other information
The legal representatives or the Supervisory Board are responsible for other information.

Other information comprises the following parts of the management report, the content of which is not audited:
- the corporate governance statement pursuant to Section 289f para. 4 of the HGB (disclosures concerning the proportion of women).

Other information also encompasses the following:
- the separate non-financial report pursuant to Sections 289b to 289e of the HGB,
- the remaining parts of the annual report, without further cross-references to external information, with the exception of the audited annual financial statements and the management report as well as our audit report.

Our audit opinions on the annual financial statements and the management report do not extend to other information. Accordingly, we do not issue any audit opinion or any other form of audit conclusion in this regard.

In the context of our audit, it is our responsibility to read other information and assess whether it
- contains any material discrepancies to the annual financial statements, the management report, or the findings we obtained during the audit or
- appears to have been otherwise incorrectly presented.

Responsibility of the legal representatives and the Supervisory Board for the annual financial statements and the management report
The Cooperative's legal representatives are responsible for preparing the annual financial statements in accordance with the applicable German provisions under commercial law for cooperative banks in all key aspects and for ensuring that the annual financial statements provide a true and fair view of the Cooperative's net assets, financial position and results in accordance with standard German accounting practice. In addition, the legal representatives are responsible for the internal controls they deem necessary in accordance with standard German accounting practice to allow the preparation of annual financial statements that are devoid of material misstatements due to fraudulent actions (i.e. manipulation of the accounts and damage to assets) or errors.

In preparing the annual financial statements, the legal representatives are responsible for assessing the Cooperative's ability to continue as a going concern. Furthermore, they are responsible for disclosing any and all relevant matters associated with the continuation of the Cooperative as a going concern. They are also responsible for drawing up the balance sheet on the basis of the going-concern principle unless prevented from doing so by any actual circumstances or legal affairs.

In addition, the legal representatives are in charge of preparing the management report, which provides a true and fair view of the Cooperative's situation and also corresponds to the annual financial statements, complies with German legal requirements, and accurately presents the opportunities and risks associated with future developments. Moreover, the legal representatives are responsible for the precautions and measures (systems) they considered necessary to prepare a management report that complies with applicable German legal requirements and to provide sufficient appropriate evidence of the statements made in the management report.

The Supervisory Board is responsible for monitoring the Cooperative's accounting process in the preparation of the annual financial statements and the management report.

Auditor's responsibility for auditing the annual financial statements and the management report

We aim to determine with a reasonable degree of assurance whether the annual financial statements as a whole are free of material misstatements due to fraudulent actions or errors, and whether the management report as a whole gives a true and fair view of the Cooperative's situation and also corresponds in every aspect to the annual financial statements and the findings gathered during the audit, complies with German legal requirements, and accurately presents the opportunities and risks associated with future development, and also to issue an auditor's report that includes our audit opinions concerning the annual financial statements and the management report.

Reasonable assurance is understood to be a high level of assurance, but not a guarantee, that an audit conducted in accordance with Section 53 para. 2 of the GenG, Sections 340k and 317 of the HGB and the EU-APrVO, taking into consideration the German standards for the proper auditing of financial statements issued by the Institute of Public Auditors in Germany (IDW), will always uncover material misstatements. Misstatements can result from fraudulent actions or errors and are considered to be material if, taken individually or as a whole, they could be rationally expected to impact the financial decisions of readers of the annual financial statements and the management report made on the basis of these.

During the audit, we exercise our discretionary duty and take a critical approach. In addition

- we identify and assess the risks of material misstatements in the annual financial statements and the management report due to fraudulent actions or errors, plan and organise audit procedures in response to these risks, and obtain audit evidence that is sufficient and appropriate to serve as a basis for our audit opinions. The risk of material misstatements due to fraudulent actions not being detected is higher than the risk that misstatements resulting from errors are not detected, as fraudulent actions can include collusive collaboration, forgery, intentionally incomplete disclosures, misleading statements, and the circumvention of internal controls;

- we gain an understanding of the relevant internal control system for auditing the annual financial statements and of the relevant precautions and measures for auditing the management report in order to plan audit procedures that are appropriate under the given circumstances. However, this is not aimed at issuing an audit opinion on the effectiveness of these systems;
- we assess the appropriateness of the accounting methods applied by the legal representatives and the acceptability of the estimated figures presented by the legal representatives as well as related disclosures;
- we draw conclusions on the appropriateness of the going-concern accounting principle applied by the legal representatives and, on the basis of the audit evidence, whether any material uncertainty exists in relation to events or circumstances that could cast significant doubt on the Cooperative's ability to continue to operate as a going concern. If we conclude that material uncertainty exists, we are obliged to draw attention to the corresponding disclosures in the annual financial statements and the management report in our auditor's report or, if these disclosures are inappropriate, to modify our auditor's opinion. We draw conclusions on the basis of the audit evidence obtained up to the date of our auditor's opinion. Future events or circumstances can, however, lead to the Cooperative being unable to operate as a going concern;
- we evaluate the overall presentation, structure, and content of the annual financial statements, including the notes to the financial statements, and whether the annual financial statements present the underlying transactions and events in a manner that gives a true and fair view of the net assets, financial position and results of the Cooperative in consideration of German standard accounting practice;
- we assess the consistency of the management report with the annual financial statements, its compliance with legal requirements, and the impression it gives of the Cooperative's situation;
- we conduct audit procedures concerning the forward-looking statements made by the legal representatives in the management report. Based on the existence of sufficient and appropriate audit evidence, we verify in particular the significant assumptions that underpin the forward-looking statements made by the legal representatives and assess whether the forward-looking statements have been properly derived from these assumptions. We do not issue a separate audit opinion on the forward-looking statements or the underlying assumptions. There is a significant and unavoidable risk that future events will deviate from the forward-looking statements.

We discuss the planned scope and time frame for the audit as well as significant audit findings with the Supervisory Board, including any significant deficiencies found in the internal control system that we determine during our audit.

We issue a statement to the Supervisory Board that we have complied with the relevant independence requirements, discuss with them all relationships and matters that can be reasonably expected to affect our independence, and insofar as they are relevant, the actions or countermeasures taken to remove risks to our independence.

Of the matters discussed with the Supervisory Board, we determine the ones that were most significant for auditing the annual financial statements of the current reporting period and which therefore qualify as key audit matters. We describe these matters in the auditor's report unless we are prevented from disclosing this information due to statutory or legal requirements.

Other statutory and legal requirements

Report on the audit of the electronic rendering of the annual financial statements and the management report for the purposes of disclosure pursuant to Section 317 para. 3a of the HGB

Audit opinion (subject matter of the audit and audit opinion)
In accordance with Section 317 para. 3a of the HGB, we reviewed with reasonable assurance whether the rendering of the annual financial statements and the management report contained in the provided file **"Jahresfinanzbericht_apoBank_2023_ESEF.xhtml"** and prepared for the purposes of disclosure (called "ESEF documents" in the following) is in all key aspects in compliance with the specifications of Section 328 para. 1 of the HGB regarding the electronic format of reporting ("ESEF format"). In line with German legislation, this review extends solely to the transfer of information from the annual financial statements and the management report to the ESEF format. Thus, it does not extend to either the information contained in these renderings nor to other information contained in the above-mentioned file. In our opinion, the rendering of the annual financial statements and the management report contained in the above-mentioned file and prepared for purposes of disclosure complies in all key aspects with the specifications of Section 328 para. 1 of the HGB regarding the electronic format of reporting. Beyond this audit opinion as well as our audit opinions contained in the above "Report on the audit of the annual financial statements and the management report" on the attached annual financial statements and the attached management report for the financial year from 1 January to 31 December 2023, we provide no audit opinion on the information contained in these renderings nor on the other information contained in the above-mentioned file.

Basis for our audit opinion
We carried out our audit of the renderings of the annual financial statements and the management report contained in the above-mentioned file in compliance with Section 317 para. 3a of the HGB under consideration of the draft of the IDW auditing standard on auditing of the electronic rendering of financial statements and management reports for the purposes of disclosure pursuant to Section 317 para. 3a of the HGB (IDW PS 410 (10.2021)). Our responsibility according to this is described in detail in the section "Responsibility of the auditors for auditing the ESEF documents". In our audit practice, we applied the requirements of the quality assurance system of the IDW quality assurance standard regarding quality assurance requirements in audit practice (IDW QS 1).

Responsibility of the legal representatives and the Supervisory Board for the ESEF documents
The legal representatives of the Cooperative are responsible for preparing the ESEF documents including the electronic renderings of the annual financial statements and the management report in compliance with Section 328 para. 1 (4) no. 1 of the HGB.

Furthermore, the legal representatives of the Cooperative are responsible for the internal controls they deem necessary to enable the preparation of the ESEF documents, which are free from intentional or unintentional material breaches of the specifications of Section 328 para. 1 of the HGB regarding the electronic format of reporting.

In addition, the legal representatives of the Cooperative are responsible for submitting to the operator of the Federal Gazette the ESEF documents together with the auditor's report and the attached audited annual financial statements and audited management report as well as further documents for disclosure.

The Supervisory Board is responsible for monitoring the preparation of the ESEF documents as part of the financial reporting process.

Responsibility of the auditor for auditing the ESEF documents
We aim to determine with a reasonable degree of assurance whether the ESEF documents are free of intentional and unintentional breaches of the requirements of Section 328 para. 1 of the HGB. During the audit, we exercise our discretionary duty and take a critical approach. In addition:

- we identify and assess the risks of material intentional and unintentional breaches of the requirements of Section 328 para. 1 of the HGB, plan and organise audit procedures as a response to these risks and obtain audit evidence that is sufficient and suitable to serve as a basis for our audit opinions;
- we gain an understanding of the internal controls relevant to the audit of the ESEF documents in order to plan audit procedures that are appropriate under the given circumstances but are not aimed at issuing an audit opinion on the effectiveness of these controls;
- we review the technical validity of the ESEF documents, i.e. whether the file that contains the ESEF documents complies with the specifications of the Commission Delegate Regulation (EU) 2019/815 in the version valid on the closing date regarding the technical specification for this file;
- we review whether the ESEF documents enable XHTML rendering, identical in its content, of the audited annual financial statements and the audited management report.

Other disclosures pursuant to Article 10 EU AR

As the responsible audit association, we are the statutory auditor of the Cooperative.

We hereby declare that the audit opinions in this auditor's report correspond to the report to the Supervisory Board pursuant to Article 11 of the EU-APrVO in conjunction with Section 58 para. 3 of the GenG (audit report).

Persons employed by us who could influence the result of the audit performed the following services that were not disclosed in the annual financial statements or the management report of the audited Cooperative in addition to the audit of the annual financial statements for the Cooperative and for the companies it controls:

- audit of the securities services and custody business pursuant to Section 89 para. 1 (1) and (2) of the German Securities Trading Act (WpHG) as well as its custodian function pursuant to Section 68 para. 7 of the German Capital Investment Code (KAGB),
- review of the non-financial declaration pursuant to Section 340a para. 1a of the HGB in conjunction with 289b and c of the HGB,
- issuance of a letter of comfort,
- review of the abridged interim financial statements and the interim management report as at 30 June 2023 pursuant to Section 115 para. 5 of the WpHG,
- audit of reporting obligations to the settlement authority to calculate the contributions to the settlement fund (bank levy),
- other separate certification services to the banking supervisory authority and/or the Federal Association of German Cooperative Banks (Bundesverband der Deutschen Volksbanken und Raiffeisenbanken e. V.),
- implementation of a training course for the Supervisory Board,
- assessment during the project of selected questions in connection with the requirements of the CSRD (Corporate Sustainability Reporting Directive) as well as GDPdU (German Principles of Data Access and the Auditability of Digital Records) requirements.

Other matters – use of the auditor's report

Our auditor's report should always be read in combination with the audited financial statements and the audited management report as well as the audited ESEF documents. The financial statements and management report provided in ESEF format, including the versions to be published in the Federal Gazette (Bundesanzeiger), are merely electronic renderings of the audited financial statements and management report. They do not replace them. In particular, the ESEF certificate and our audit opinion contained therein may only be used in combination with the audited electronic ESEF documentation.

Responsible auditor
The German Public Auditor responsible for the engagement is Karsten Ernstberger.

Dusseldorf, 22 March 2024
Genoverband e. V.

Dirk Berkau Auditor	Karsten Ernstberger Auditor

Responsibility Statement by the Legal Representatives

To the best of our knowledge we assure that the annual financial statements give a true and fair view of the net assets, financial position and results of the company in accordance with the applicable accounting principles and that the management report gives a true and fair account of the development of the business including the company's performance and position as well as the material opportunities and risks associated with the company's expected development.

Dusseldorf, 5 March 2024
Deutsche Apotheker- und Ärztebank eG
The Board of Directors

Matthias Schellenberg	Heiko Drews	Thomas Runge	Dr. Christian Wiermann	Sylvia Wilhelm

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In Memoriam

Dr. rer. pol. Dietrich L. Meyer

Prof. Dr. med. Gabriele Nöldge-Schomburg

Dr. med. Dr. med. dent. Heinrich Schneider

Dr. Matthias Wegener

The deceased were closely associated with Deutsche Apotheker- und Ärztebank as members in our boards and committees.

We have lost good friends and estimated companions in our endeavours to advance the Bank.

We will cherish our memories of the deceased.

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Information about apoBank’s locations is available online at
www.apobank.de/ueber-uns/filialen.html.

This report is available in German and English.
The German version is legally binding.

Published by

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