Interim Report

2024

apoBank

The Health Care Bank

Overview of Business Development

Overview of business development

Bank data	30 June 2024	31 Dec 2023	Change[1] %
Members	110,890	110,436[2]	0.4
Customers	501,268	501,823	– 0.1
Employees	2,317	2,299	0.8
Locations	77	77	0

Balance sheet	€m	€m	%
Balance sheet total	50,706	50,727	0.0
Customer loans	34,930	35,309	– 1.1
Customer deposits	29,190	29,422	– 0.8

Income statement	1 Jan – 30 June 2024 €m	1 Jan – 30 June 2023 €m	%
Net interest income[3]	495.2	484.0	2.3
Net commission income	91.3	95.9	– 4.8
Other operating income and expenses	– 346.8	– 370.2	– 6.3
General administrative expenses	262.6	211.9	23.9
Operating profit before risk provisioning	– 30.3	– 22.8	32.6
Risk provisioning from the operating business[4]	– 87.1	– 82.9	5.0
Risk provisioning with reserve character[5]	145.3	106.2	36.8
Operating result before tax	– 97.5	– 73.2	33.3
Net profit after tax	47.8	33.0	44.8

Key figures	30 June 2024 %	31 Dec 2023 %	ppts
Total capital ratio (according to CRR)	18.2	18.0	0.2
Common equity tier 1 capital ratio (according to CRR)	17.0	16.7	0.3
Cost-income ratio[6]	58.4	63.7	– 5.3
Liquidity coverage ratio	216.6	212.2	4.4

Ratings	Standard & Poor's	Fitch Ratings (group ratings)
Long-term rating	A+[7]	AA–[8]
Short-term rating	A–1	F1+
Outlook	stable	stable
Covered bond rating	AAA	–

1) Deviations possible due to rounding differences.
2) Figure adjusted as at 31 December 2023.
3) Including current income from shares, fixed-interest securities, investments and shares in affiliated companies as well as income from profit transfer agreements..
4) This includes individual risk provisioning measures for the customer lending business as well as for financial instruments and participations.
5) 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.
6) 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.
7) Issuer credit rating as at November 2023.
8) Issuer default rating as at April 2024.

Content

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Interim Management Report

Fundamental Features of the Bank

Business model

Catering for 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 promote 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.

In our retail clients business, 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 medical care structures. When it comes to professional associations and large customers, we advise associations of panel doctors/dentists, pharmaceutical associations, chambers and federations, 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 manoeuvre.

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 constantly expanding 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 time.

We support people in academic health care professions with services and products around their careers as well as all aspects of business start-ups, asset management and provisioning. We plan to significantly expand the asset management business, primarily by considerably growing our securities advisory services for retail clients and our asset management in particular. For this purpose, we apply our own 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.

At the same time, we intend to consolidate and expand our lending business, with particular reference to financing and support for 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 markets and will develop a selection of services that complement our product portfolio and support health care professionals in their role 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, to real estate funds and to clearing centres.

We have our members share 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. This also means limiting our cost base in the long term in order to achieve our efficiency goal. The key levers here will be end-to-end optimisation of processes and digital transformation.

When it comes to generating value, in addition to economic sustainability, questions of environmental and social sustainability are also becoming increasingly important. 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 further reduce our carbon emissions in our business operations and offset remaining emissions each year through compensation projects. Our goal is to contribute towards achieving the Paris climate targets in all of our business activities.

Further details on the fundamental features of the Bank can be found in the Annual Financial Report 2023 (pages 23 to 26).

Economic Report

General economic conditions

Moderate growth in global economy

The global economy saw moderate growth in the first half of 2024. There was also a slight improvement in economic output in Germany and the euro area as a whole, indicating that the technical recession is coming to an end. The decline in inflation had a positive impact on economic conditions in the euro area. Positive developments in the service sector played a crucial part in improving the economic situation. Strong demand for services offset the weak development in the industrial sector. In the US, on the other hand, the economic situation recently weakened somewhat, even if it was still more dynamic than in the euro area. The Chinese economy benefited from political measures designed to support it.

Easing price pressure facilitates interest rate reduction in the euro area

At the beginning of the year, market players assumed key interest rates would fall early and quickly. The slowing of disinflation and the tightening economic situation, however, steadily tempered expectations of falling interest rates. Key interest rates therefore fell only to a limited extent in the industrialised nations. At mid-year, however, the ECB assessed disinflation in the euro area as sufficient to justify lowering the three key interest rates by 0.25 percentage points each. The deposit facility rate at mid-year was 3.75%, the main refinancing operations rate 4.25% and the marginal lending facility rate 4.5%. The ECB has not communicated a future interest rate path, especially since the still elevated core inflation rate makes it difficult to bring inflation back down to the 2% target. The main reason the inflation rate remains too high is the rise in prices in the service sector, which in turn is the result of increased demand and elevated wage dynamics.

Share markets bolstered by growth turnaround

Share market prices have risen noticeably since the beginning of the year. The global share market, as measured by the MSCI World All Countries Index, recorded an increase in excess of 10%. Gains on the technology-heavy NASDAQ – 100 index were even higher, with a rise of more than 17% by mid-year. The main reasons for the global share market gains are positive economic signals, solid corporate results, and a growing willingness on the part of investors to take risks. Government bond rates in the euro area were in decline during the first half of the year, which led to noticeably higher returns. The returns on 10-year government bonds, for example, rose from 2.0% at the beginning of the year to about 2.5% at the end of June. The reason for this, in addition to the increased demand for higher-risk assets, was the lowered expectations with respect to declining key interest rates. These also influenced the corporate and high-interest bond segment and led to increased returns, although to a lower extent than was the case for German federal bonds.

Cost pressure remains high in real estate sector

Residential and commercial property prices fell further in the first quarter of 2024, particularly on account of uncertainty over the future economic development. High construction and financing costs also continued to have a negative impact on real estate demand. Building loans for residential households therefore also remained at a low level in spite of recent rises in demand. The Bundesbank thus sees no signs of a lasting revival of real estate construction activity yet.

Health care market

Mid-term performance of health policy

Discussion of health care policy in the first six months of 2024 focused on the draft Health Care Strengthening Act (Gesundheitsversorgungsstärkungsgesetz, GVSG) and the Hospital Care Improvement Act (Krankenhausversorgungsverbesserungsgesetz, KHVVG). Both bills were passed by the German Federal Cabinet in May. The radical deletions from the planned GVSG together with ongoing criticism of the hospital reform raised by the Federal States mean a time-consuming parliamentary process can be expected.

The many intended changes in the first draft of the Pharmacy Reform Act (Apotheken-Reformgesetz) to the refund process and the conditions for pharmacy operation will trigger fundamental disruptions in pharmaceutical supply. There may, however, still be further adjustments in the course of the parliamentary process. It is not yet possible to predict concrete consequences.

Uneven financial situation among health care professionals

In the area of statutory health insurance (GKV), health care expenditure for panel doctors and psychotherapy practices increased in 2023. How their income has changed in their specific situations depends on their association of panel doctors and their field of specialisation.

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) hindered the ability of practices to plan reliably. It is only gradually becoming clear whether, and to what extent, dentists will have to deal with claims for repayment.

The mood in the pharmacy market remains tense. The economic situation is difficult, and more and more pharmacies are closing. Despite increasing turnover, the average operating result achieved in 2023 was in decline as a consequence of cost increases.

Inpatient providers and companies under pressure

While the federal states are still strongly criticising the details of hospital reform, the federal government is already planning an objection law (Einspruchsgesetz), which will enable the KHVVG to come into force without the approval of Germany’s Upper House, i. e. the country’s federal states. The decline in Covid-19 compensation payments, a low performance level and inflation-based cost increases are resulting in liquidity problems and insolvencies among hospitals. The nursing care sector is also affected by insolvencies. The reasons here are rising costs accompanied by falling revenues and the continuing shortage of skilled employees.

Germany’s pharmaceutical industry has deteriorated both in terms of quality and power of innovation. Excessive red tape and regulation in Germany and throughout Europe is holding it back against international competition. The medical technology sector is also facing huge cost pressure. Continuing supply chain problems, cost increases, the shortage of skilled labour and, in particular, the certification procedure under the EU’s Medical Device Regulation (MDR) have all had a negative impact.

Business performance

Intensity of competition in banking market continues

The banking market remained highly competitive during the reporting period (1 January to 30 June 2024). Banks are still working intensively on digitalising their processes and are increasingly integrating AI applications. Many banks focused on implementing a wealth of new regulatory developments, particularly with regard to sustainability. Making sparing use of resources is an ongoing issue they need to deal with.

Business performance good overall under challenging conditions

Regarding the earnings situation – with operating profit before risk provisioning amounting to €262.6 million – we rate our performance in the reporting period as good overall. 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 501,268 customers (31 December 2023: 501,823). The number of members increased as at 30 June 2024 to 111,880, of whom 110,890 are expected to remain when allowance is made for those departing at the end of the year (31 December 2023: 110,436[1]).

apoBank continued to push ahead with its Agenda 2025 in the reporting period. Its goals include strengthening sales, optimising products and processes and increasing apoBank's resilience.

As at the reporting date of 30 June 2024, apoBank generated a net profit (after tax) of €47.8 million (30 June 2023: €33.0 million).

The balance sheet total remained at €50.7 billion as at the reporting date (31 December 2023: €50.7 billion). Loans and advances to customers was stable at €34.9 billion (31 December 2023: €35.3 billion). Loans and advances to banks increased to €6.7 billion (31 December 2023: €6.1 billion). The securities portfolio amounted to €8.2 billion (31 December 2023: €8.4 billion). We continue to finance our lending business primarily via liabilities to customers; these customer deposits amounted to €29.2 billion in the reporting period (31 December 2023: €29.4 billion). Securitised liabilities amounted to €5.9 billion (31 December 2023: €6.0 billion), liabilities to banks came to €11.6 billion (31 December 2023: €11.3 billion).

1) Figure adjusted as at 31 December 2023.

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.

Loan portfolio steady

The loan portfolio in our retail clients business remained steady during the reporting period, at €29.1 billion (31 December 2023: €29.3 billion). The volume of business start-up financing was at €8.6 billion (31 December 2023: €8.3 billion). Real estate financing was stable, amounting to €16.7 billion (31 December 2023: €17.1 billion). Investment and private financing, at €3.7 billion (31 December 2023: €3.8 billion), was at the previous year's level.

Decrease in average deposit volume

The average deposit volume by our retail clients fell to €22.2 billion (2023: €23.9 billion), with the decline in deposits in the first half of 2024 in particular abating compared to the second half of 2023. The interest rate environment in particular contributed to this decline; this is likely to have led to increasing competition for interest-bearing deposits in the retail clients business.

Expansion of securities business

Thanks to good market performance as well as newly acquired funds, our customers' deposit volume increased to €12.7 billion (31 December 2023: €11.7 billion).

The volume of assets managed by us rose to €7.0 billion (31 December 2023: €5.9 billion).

Life insurance business volume up again – building society contract value down

We expanded our life insurance business once again in the year under review, achieving a brokered volume of €336.9 million (30 June 2023: €322.5 million). The main driver of this growth was the demand for pension insurance.

In the building society business, the total contract volume fell to €156.9 million (30 June 2023: €231.2 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 the areas of finance and health care policy. These include the associations of panel doctors and panel dentists, the chambers as well as professional federations.

The average deposit volume was €4.2 billion in the reporting period (2023: €3.8 billion).

Individually tailored advisory approach for institutional investors

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

For the investors among these customers who are bound by regulatory requirements, in addition to banking services we offer products and services which are tailored to help them manage and monitor their capital investments as well as comply with those regulatory requirements.

We support our customers in optimising strategic capital investments and investment plans. Our advisory approach is rounded out by suitable investment solutions and concepts in the context of asset liability management and individual risk-return profiles.

When managing mandates as part of our direct portfolio management we continued to focus on the creditworthiness of bond debtors.

apoBank aims to hone its profile in institutional business, and will focus in future on the advisory approach described above. It is therefore no longer operating its custodian service as of the year under review. The bulk of the special funds was transferred to DZ BANK.

Lending business with corporate clients

In its business with corporate clients, apoBank pools strategic advisory services to companies in the health care market in 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. We also offer financing solutions to real estate funds.

In spite of continued intense competition and a market situation that remains challenging, with minimal inclination to invest on the part of our clients, the loan volume in the corporate clients business remained stable as at the reporting date, at €4.8 billion (31 December 2023: €4.9 billion).

Net assets, financial position and results

Income statement

	1 Jan – 30 June 2024	1 Jan – 30 June 2023	Change[1]
	€m	€m	%
Net interest income[2]	495.2	484.0	2.3
Net commission income	91.3	95.9	– 4.8
General administrative expenses	– 346.8	– 370.2	– 6.3
Balance of other operating income/expenses	22.9	2.3	>100
Operating profit before risk provisioning	262.6	211.9	23.9
Risk provisioning from the operating business[3]	– 30.3	– 22.8	32.6
Risk provisioning with reserve character[4]	– 87.1	– 82.9	5.0
Operating result before tax	145.3	106.2	36.8
Tax	– 97.5	– 73.2	33.3
Net profit after tax	47.8	33.0	44.8

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.

Qualitative terms and their quantification

Qualitative	Quantitative
	%
Stable, negligible/negligbly, on/at the same level, unchanged, marginal(ly), constant, robust	0 to < 3.0
Slight(ly), somewhat, moderate(ly)	from 3.0 to < 5.0
Noticeable/noticeably, perceivably, clearly, distinct(ly)	from 6.0 to < 16.0
Strong(ly), much, very clear(ly), clearly noticeable	from 16.0 to < 33.0
Considerable/considerably, by more than a third, markedly	from 33.0 to < 50.0
Unparalleled, significantly	from 50 upwards

Net interest income at previous year's level

Net interest income was €495.2 million (30 June 2023: €484.0 million). One of the main reasons for this increase were high interest rates in the money market segment in the first six months of 2024, which more than compensated for the lower deposit inventories and shifts in fixed-term deposits. The new lending business grew to €2.1 billion (30 June 2023: €1.6 billion). One of the reasons for this trend was a revival of demand for construction financing.

Overall, we slightly exceeded our target performance in the first half of 2024, primarily due to the higher-than-expected interest level.

Slight decrease in net commission income

At €91.3 million, net commission income was below the previous year's level (30 June 2023: €95.9 million). In spite of the fact that most of the custodian business had been transferred to third parties, earnings from the securities business with customers were at the previous year's level. While earnings from payment transactions increased, we saw lower earnings from brokerage commissions. Higher commission payments for brokered loans also had a negative impact. On balance, the commission-based business was somewhat lower than planned.

Drop in general administrative expenses

General administrative expenses decreased to €346.8 million in the reporting period (30 June 2023: €370.2 million), and were thus noticeably lower than planned.

Personnel expenses decreased slightly to €130.8 million (30 June 2023: €135.5 million). This trend is mainly due to lower allocations to provisions for company pensions. We had expected personnel expenses to be stable. Job vacancies that were not filled in anticipation of our cost reduction programme were the main reason that personnel expenses were lower than expected.

Operating expenditure including depreciation sank to €215.9 million (30 June 2023: €234.7 million). While expenditure on projects and operating costs rose, there was some relief in the area of regulatory expenses. No bank levy has been charged so far this year. Overall, operating expenditure including depreciation was noticeably less than planned, one reason being that operating and IT costs were below the level expected.

The cost-income ratio was thus 58.4% (first six months of 2023: 64.5%). This was distinctly lower than planned.

Rise in balance of other operating income and expenses

The balance of other operating income and expenses rose to €22.9 million (30 June 2023: €2.3 million). The increase results in particular from one-off effects within the context of Agenda 2025 implementation as well as from a settlement agreement. The slight decrease compared to the targeted amount is mainly due to time-related shifts in sales of locations.

Operating result very clearly up on previous year

The operating result, i.e. the profit before risk provisioning, amounted to €262.6 million (30 June 2023: €211.9 million), and was thus not just strongly up on the previous year due to the developments described above but also markedly higher than planned. The main reasons for this deviation from plan were the better-than-expected performance of net interest income and the decrease in general administrative expenses.

Higher risk provisioning for the operating business

Risk provisioning for the operating business was at -€30.3 million (30 June 2023: -€22.8 million). This rise was primarily the result of higher net allocations to loan loss provisions – both year on year and compared to the planned amount. This was due to some larger individual allocations in the retail clients portfolio. The hidden burdens of financial instruments in fixed assets amounted to €296.6 million (31 December 2023: €283.0 million). In total, they continue to be exclusively interest-induced so we do not expect a long-term decrease in value.

Risk provisioning with reserve character amounted to -€87.1 million (30 June 2023: -€82.9 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 before tax, at €145.3 million (30 June 2023: €106.2 million), was much higher than expected.

Net profit after tax was on target at €47.8 million (30 June 2023: €33.0 million).

Balance sheet total stable, liquidity situation remains comfortable

As at 30 June 2024, the balance sheet total was unchanged, amounting to €50.7 billion (31 December 2023: €50.7 billion). Loans and advances to customers also remained stable at €34.9 billion (31 December 2023: €35.3 billion). The securities portfolio amounted to €8.2 billion (31 December 2023: €8.4 billion).

Once again, apoBank's liquidity situation remained comfortable in the first half of 2024; we fulfilled all internal and external minimum requirements for our liquidity position. 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 represent the largest part of refinancing. In the reporting period, they were at €29.2 billion (31 December 2023: €29.4 billion). This also includes promissory note loans and registered bonds placed with our customers amounting to €1.7 billion (31 December 2023: €1.8 billion).

Our liabilities to banks amounted to €11.6 billion as at the balance sheet date (31 December 2023: €11.3 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 €4.9 billion (31 December 2023: €5.0 billion). In addition, €500 million were invested in an LCR-eligible special fund.

The total volume of the Pfandbrief portfolio outstanding as at the reporting date of 30 June 2024 amounted to €4.2 billion (31 December 2023: €4.3 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 strong competition and the interest rate environment. Against this backdrop, apoBank continued to implement its Agenda 2025.

In the reporting period, net interest income continued to benefit from the deposit business, while net commission income was below the previous year's level. Administrative expenses decreased. Risk provisioning from the operating business increased. Once again we formed more reserves than in the previous year's period. As a result, net profit rose compared to the first half of 2023. It is thus likely that we will be able to pay out a fair share of the profit to our members for the year as a whole.

We view the liquidity situation as comfortable in the reporting period.

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 HGB by issuing a separate report annually which follows the guidelines of the German Sustainability Code. 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 potential of retaining earnings beyond this as well as to provide the investment means required to ensure that the Bank is fit for the future.

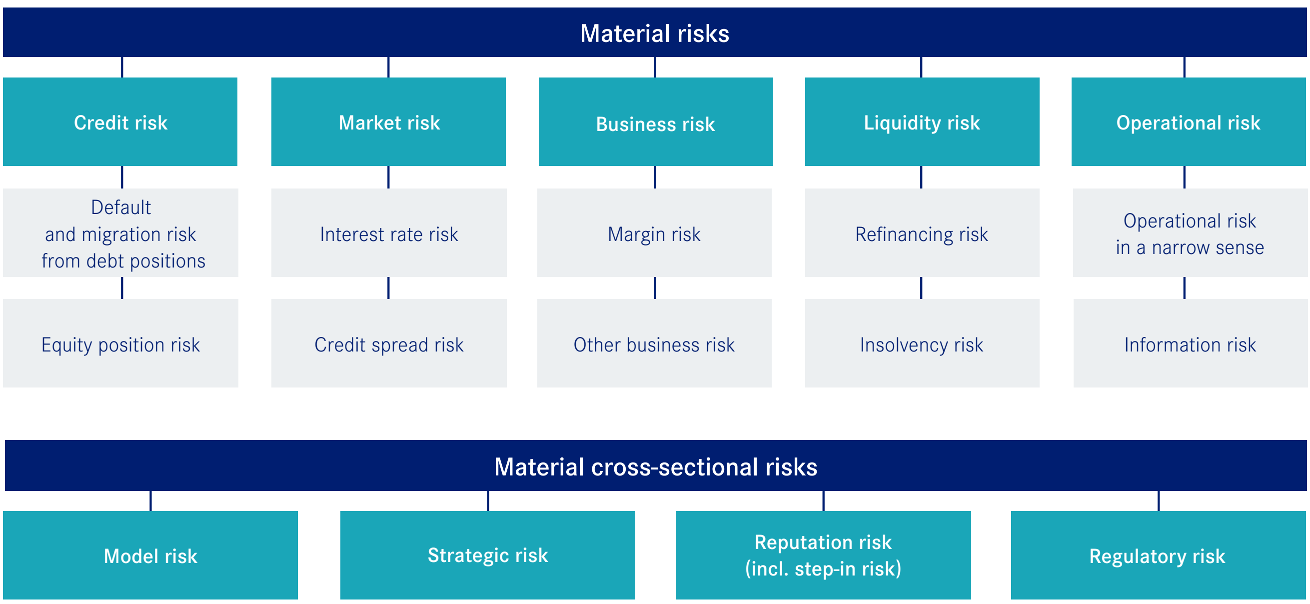
Risk management at apoBank includes the following essential elements that contribute to achieving the objectives outlined above:
- the risk inventory,
- the business and risk strategy,
- the Internal Capital Adequacy Assessment Process (ICAAP) including the stress test framework,
- the Internal Liquidity Adequacy Assessment Process (ILAAP) including the stress test framework,
- the risk-type-specific sub-strategies and
- the organisation of risk management, including (recovery) governance.

Compliance with the risk guidelines and the specified risk appetite is monitored operationally by the back office units and Risk Controlling. The responsible decision-makers receive regular reports on the results of this monitoring.

For a detailed description of apoBanks risk management including the essential elements listed above, please refer to the risk management report published in our 2023 Annual Financial Report (pages 36 to 59).

The following diagram provides an overview of the material risks at apoBank.

Classification of apoBank's types of risk



Development of the risk position in the first half of 2024

Overall capital situation

apoBank aligns its Internal Capital Adequacy Assessment Process (ICAAP) with the ICAAP guideline of the ECB. In the ICAAP, a sophisticated approach comprising a normative and an economic perspective is taken towards controlling capital adequacy. When monitoring capital adequacy, the correlations between the two perspectives are taken into account.

Capital situation – normative perspective
apoBank's capital ratios as at 30 June 2024 were above the respective capital requirements and recommendations as well as above the internal target ratios both on each reporting date during the first half of 2024 and in the rolling three-year capital forecast carried out on the same date. Compared to 31 December 2023, the capital ratios changed only insignificantly as at 30 June 2024. Therefore, the Bank continues to rate its capital situation as good overall.

As at the reporting date, the total capital ratio of apoBank pursuant to the Capital Requirements Regulation (CRR) amounted to 18.2% (31 December 2023: 18.0%) and the common equity tier 1 capital ratio was at 17.0% (31 December 2023: 16.7%). 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.

As at 30 June 2024, regulatory capital totalled €3,024 million (31 December 2023: €2,857 million). Common equity tier 1 capital rose from €2,661 million as at the end of 2023 to €2,826 million. The main drivers of this increase were allocations to reserves from the earnings generated in fiscal 2023 and the first half of 2024.

At the end of the first half of 2024, tier 2 capital was at the same level as at year-end 2023, at €198 million (31 December 2023: €196 million).

As at 30 June 2024, risk-weighted assets (RWA) amounted to €16,622 million, and were thus higher than at the end of 2023 (31 December 2023: €15,895 million). The utilisation rate of the normative Bank-wide limit of €17,500 million was 95.0% as at 30 June 2024.

The leverage ratio amounted to 5.5%; it was thus above the regulatory minimum requirement of 3.0%, and slightly above the previous year's level (31 December 2023: 5.2%). The significant increase in core capital along with a comparable leverage ratio exposure contributed substantially to this.

ICAAP – normative perspective

as at 30 June 2024	€m	Total capital ratio %
Regulatory capital	3,023.8	
Risk-weighted assets (RWA)	16,622.0	18.2

ICAAP – economic perspective

as at 30 June 2024	€m	Economic capital ratio %
Risk cover potential	4,205.8	
Bank-wide risk position	1,962.8	214.3

Capital situation – economic perspective
The economic capital ratio, which represents the relation between the risk cover potential and the measured economic risks, was at 214.3% as at the end of June (31 December 2023: 249.3%), and thus above the internal minimum requirement of 100.0%.

As at the reporting date, the risk cover potential amounted to €4,206 million; it was thus lower than at the end of 2023 (31 December 2023: €4,483 million). Changes in the method of calculating the present value of inventory costs were the main driver of the decrease, which in total resulted in a significant increase in the inventory costs under consideration.

The economic risks measured on the basis of a confidence level of 99.9% and a holding period of 250 days amounted to €1,963 million as at the reporting date, and were thus higher than at the end of 2023 (31 December 2023: €1,798 million). The strong rise in measured market price risks was partly offset in this regard by lower credit risks and business risks in particular. The utilisation rate of the economic Bank-wide limit of €2,130 million was 92.1% as at 30 June 2024.

Credit risk

The unexpected loss (UEL) from credit risks faced by apoBank was €757 million as at 30 June 2024 (31 December 2023: €771 million).

The threshold value criterion for credit risk derived from the Bank-wide limit of the economic capital adequacy calculation of €780 million was complied with as at 30 June 2024.

The key developments in the individual business areas are presented on the following pages.

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
Risky commitments (problem loan management)	2E	2.60	Ba3
	3A	4.00	B1
	3B	6.00	B2
High-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.

Retail Clients business area

In the retail clients business area, drawdowns dropped to €30.4 billion as at 30 June 2024 (31 December 2023: €30.6 billion).

The rating structure shows a rating distribution with an emphasis on good and average rating classes, which is typical of this customer group, and the rating coverage is complete. The portfolio is highly diversified: With around 230,000 borrowers, the largest individual risk accounts for only around 0.1% of the total drawdowns in this portfolio.

After offsetting new and no longer necessary provisioning measures, value adjustments to the amount of €28.5 million were made in the first half of 2024, with a focus on larger individual new value adjustments. The expected pro-rata amount had been between €18 and €19 million.

Professional Associations, Corporate Clients and Institutional Investors business areas

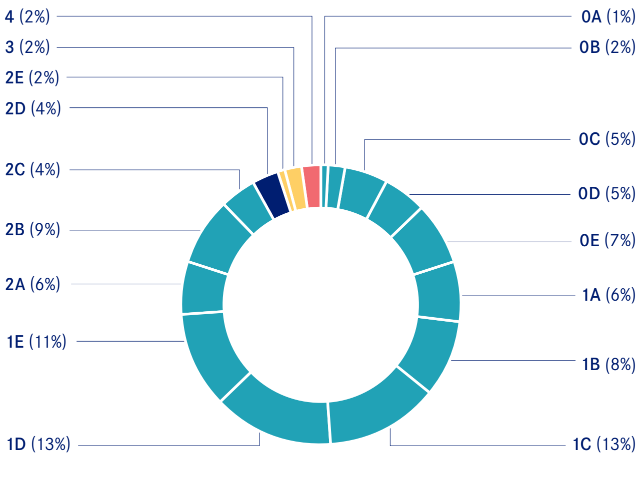
Drawdowns in the professional associations, corporate clients and institutional investors business areas decreased overall by €0.1 billion to €5.4 billion as at 30 June 2024 (31 December 2023: €5.5 billion). The rating distribution in the respective business areas was balanced and the rating coverage complete.

After offsetting, value adjustments were made for the professional associations, corporate clients and institutional investors business areas to the amount of €2.6 million as at the reporting date of 30 June 2024. We had planned pro-rata risk provisioning for the first half of 2024 of between €6 and €7 million.

Rating class distribution in the retail clients business area

Volume distribution based on drawdowns

Total of €30,361 million[1]

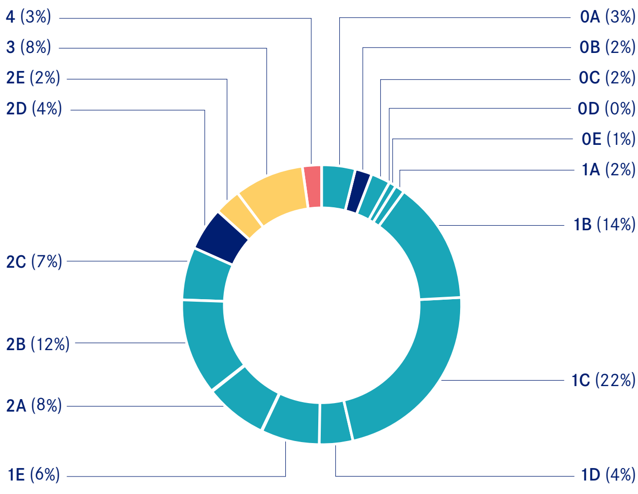


1) Percentages rounded.

Rating class distribution in the Professional Associations, Corporate Clients and Institutional Investors business areas

Volume distribution based on drawdowns

Total of €5,354 million[1]



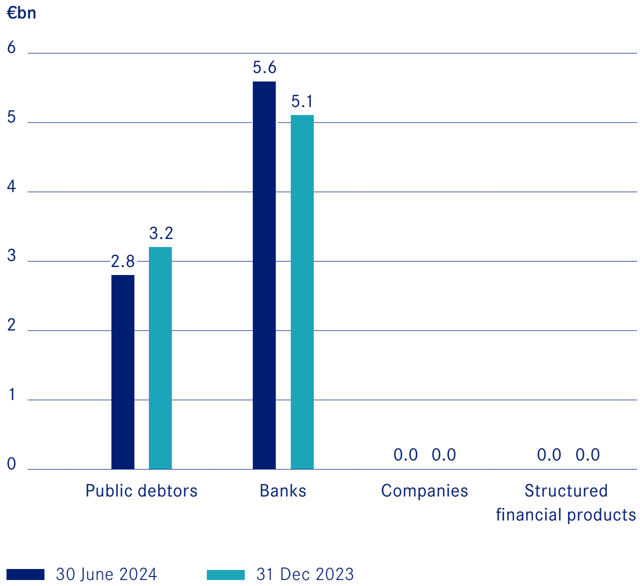
1) Percentages rounded.

Treasury business area

The risk volume of the financial instruments portfolio managed within the Treasury business area amounted to €8.4 billion on the current reporting date and was thus unchanged compared to year-end 2023 (31 December 2023: €8.4 billion). Larger holdings of money market products and commercial papers were offset by lower holdings of securities. The risk volume of the derivatives in the financial instruments portfolio amounted to €35 million (31 December 2023: €48 million). As at the end of June, the nominal volume amounted to €25.8 billion (31 December 2023: €27.0 billion).

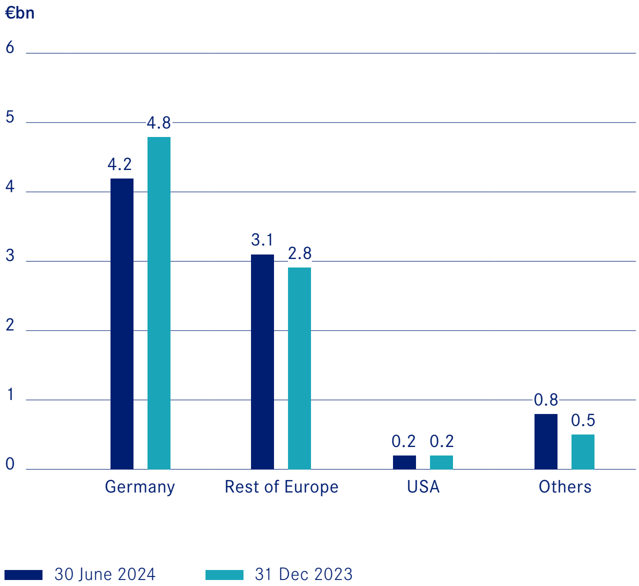
As at 30 June 2024, over 99% of the financial instruments portfolio was rated in the investment grade range. After offsetting, we released risk provisions amounting to €0.8 million in the first half of 2024; we had expected allocations to value adjustments of between €1.5 and €2 million.

Total exposure of financial instruments portfolio by sector[1]



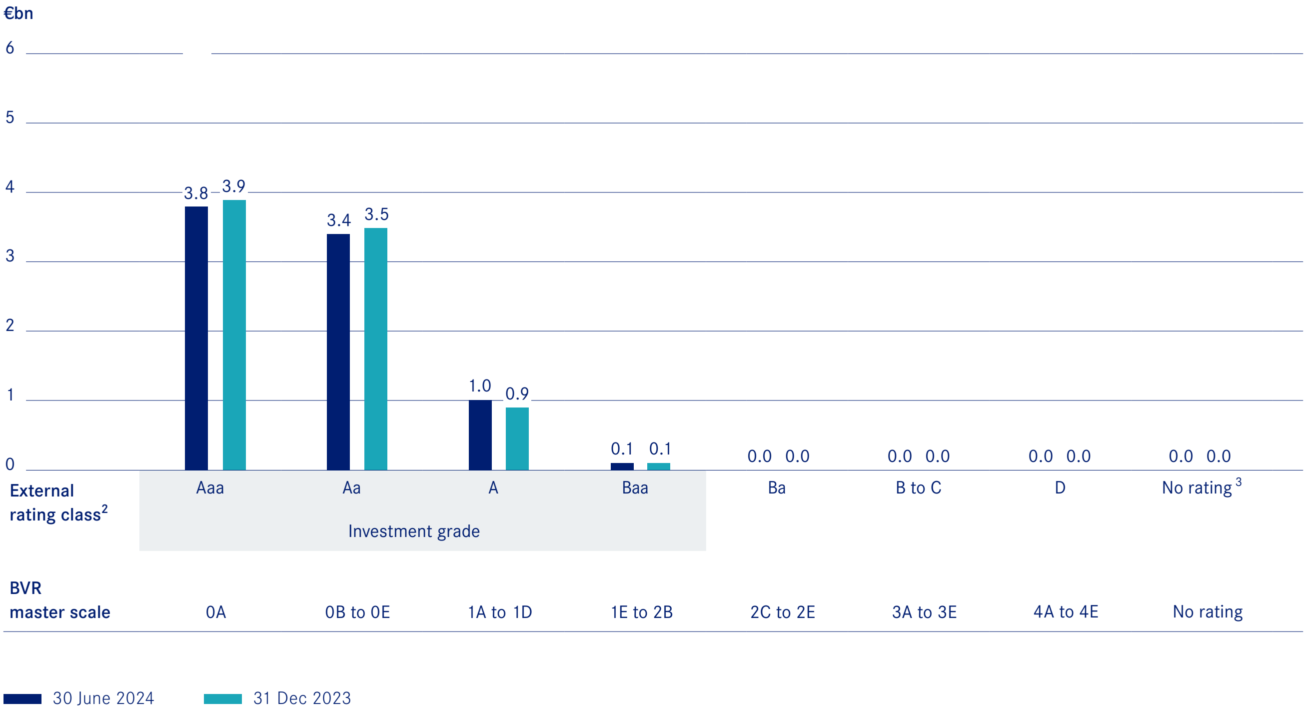
1) Deviations possible due to rounding differences.

Total exposure of financial instruments portfolio by country[1]



1) Deviations possible due to rounding differences.

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.

Shareholdings business area

The book values of the shareholdings were stable as at 30 June 2024 at €0.2 billion (31 December 2023: €0.2 billion).

As expected, in the first six months of 2024, no write-downs were undertaken in this business area.

Market risk

The UEL from market risks amounted to €442 million as at 30 June 2024 (31 December 2023: €241 million). This significant increase can be attributed mainly to an increase in the interest rate risk.

The threshold value criterion derived from the Bank-wide limit of the economic capital adequacy calculation for market risk of €520 million was complied with as at 30 June 2024.

The results of the supervisory outlier test on economic value of equity (SOT EVE), which are carried out monthly, confirm a moderate interest rate risk at Bank-wide level. As at 30 June 2024, apoBank had a SOT EVE of 10.1% (31 December 2023: 6.0%), and is thus below the supervisory outlier criterion of 15% of tier 1 capital.

The following table shows the changes in present value in the banking book with respect to the ad-hoc interest scenarios of relevance to apoBank (+/– 200 basis points).

Changes in present value in the banking book

	Ad hoc interest scenario		SOT EVE
	Interest decrease (+ 200 BP)	Interest decrease (– 200 BP)	
	€m	€m	%
31 Dec 2023	– 160	+ 183	6.0
31 Dec 2024	– 286	+ 327	10.1

Liquidity risk

As at 30 June 2024, there was no risk resulting from the refinancing structure of apoBank, as there were no refinancing gaps that needed to be evaluated. Accordingly, the UEL from refinancing risk was €0 million (31 December 2023: €0 million).

The threshold value criterion derived from the Bank-wide limit of the economic capital adequacy calculation for liquidity risk of €20 million was complied with as at 30 June 2024.

Business risk

The UEL from apoBank's business risks amounted to €619 million as at 30 June 2024 (31 December 2023: €644 million).

The threshold value criterion for business risk derived from the Bank-wide limit of the economic capital adequacy calculation of €650 million was complied with as at 30 June 2024.

Operational risk

The UEL from apoBank's operational risks rose to €144 million as at 30 June 2024 (31 December 2023: €142 million). The threshold value criterion for operational risk derived from the Bank-wide limit of the economic capital adequacy calculation of €160 million was complied with as at all reporting dates.

Gross losses from operational risks were at the same level as in the prior-year period. As in the previous years, the main drivers here were legal risks.

Overall liquidity situation

apoBank has established the Internal Liquidity Adequacy Assessment Process (ILAAP) to analyse and monitor its liquidity position from both a normative and an economic perspective. The main aim of the ILAAP is to ensure that the Bank is solvent at all times. In order to provide a stable supply of liquidity, both perspectives and their correlations are analysed in detail. Liquidity supply in the first half of 2024 was guaranteed at all times.

Liquidity situation – normative perspective
As at 30 June 2024, the liquidity coverage ratio (LCR) was 216.6% (31 December 2023: 212.2%). The minimum requirement of 100% was met in full throughout the reporting period.

The net stable funding ratio (NSFR), which is a structural liquidity ratio, was also maintained at all times during the first half of 2024.

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 the expected liquidity development in the combined stress scenario are analysed and limited. In the reporting period, the limits of the liquidity gap analysis were complied with each day. This also applies to the limits for the Pfandbrief (German covered bonds) cover pool.

Forecast Report

Overall economy and health care market

Global economy continues on moderate growth path

There are indications that the second half of 2024 will see continued moderate growth in the global economy, with the potential for growth likely to be fully leveraged by year-end. At the same time, the risk of recession in the major industrialised countries and emerging markets is low. The regional differences in growth dynamics evident in the first six months of the year will likely abate in the latter part of the year, but will not disappear entirely. While there are signs that growth rates in the US and China will gradually slow down during the next six months, major industrialised countries such as Germany, and thus the euro area as a whole, in addition to Japan and the UK, will experience accelerated growth. The main risks to growth in the global economy are the continued instability in the Chinese real estate market and the potential for a stronger cooling down of the labour market in the US.

Economic prospects for health care professionals

Pharmacies can expect the economic situation for 2024 as a whole to deteriorate. Operating results will be squeezed by a worsening of purchasing conditions as well as increasing personnel costs in particular. Planned measures to offset the German Federal Supreme Court's judgment on discounts as part of the pharmacy reform will provide some relief. On the other hand, there will be new challenges as a consequence of the proposals by the German Federal Ministry of Health regarding fee distribution and liberalisation.

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 licence for self-employed panel doctors and psychotherapists who work in outpatient care of between about €11,250 and €12,650.

The dental profession will have to deal with the impact of the Statutory Health Insurance Financing Act in the second half of 2024, too. The new fee cap can be expected to lead to a further decline in the number of new periodontal treatments in particular.

Medical care and health care companies in transition

Rapid implementation of the hospital reform is crucial for hospitals, but the federal states are standing by their clear criticism of the current draft legislation. In the short term, stabilisation of the hospitals' liquidity situation will come from the shortening of payment deadlines for health insurance companies and the federal states' loan programmes. The economic situation remains tense in the nursing care sector. Capacities would need to be expanded given the rising demand, but neither the necessary skilled employees nor the funds for investment are available. Costs are rising at the same time, partly on account of wage rises, and also because the emergency energy fund was terminated in April. One solution for nursing homes would be to compensate for cost increases by renegotiating nursing fees.

Window for reforms will not remain permanently open

Against a backdrop of increasing bottlenecks in the medical and care sectors, the German Federal Ministry of Health is currently working on 15 laws. One of the five key approaches aimed at freeing health care from the years of logjam in the reform process, besides legislation on digitalisation, hospital and nursing care reform, and the Health Care Strengthening Act, is emergency reform. Although hospitals are a fundamental element in emergency care, the coalition government has not succeeded in aligning emergency reform and hospital reform. In addition, the growing differences between the leading representatives of the coalition parties are jeopardising the chances for comprehensive health care reform during the current legislative period. The question of which legislation will still be passed remains open, especially given that in recent years original timeframes have rarely been observed.

Digital legislation generates critical innovations

In March, the Act to Accelerate the Digitalisation of the Healthcare System (Gesetz zur Beschleunigung der Digitalisierung des Gesundheitswesens, DigiG) and the Act on the Improved Use of Health Data (Gesetz zur verbesserten Nutzung von Gesundheitsdaten, GDNG) came into force.

From 2025, the focus will be on electronic patient records (“ePA”). All holders of statutory health insurance will receive an electronic patient record unless they specifically opt out. Doctors will be required to complete and maintain the ePA.

The DigiG is designed to give telemedicine the boost it needs. Doctors are now able to hold and charge for video consultations without limitation. In addition, by the end of 2024 video consultations and telemedicine aftercare will be included in the fee schedule. Pharmacies can offer “assisted telemedicine” services. The key conditions such as remuneration, billing and details of what will be offered are to be defined by 31 March 2025.

Business performance

The banking sector is very likely to continue to face a wide variety of challenges as the year progresses. Interest rates are expected to further bolster the margins realised on customers’ funds and thus have a positive effect on the earnings situation of many banks. However, this effect is likely to weaken in the current year because the ECB will probably reduce the key interest rates further.

apoBank is working on further refining its business model in the current year. It continues to pursue a strategy to grow the business with members of the health care professions, their organisations as well as enterprises 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 support them in making provisions for the future.

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 internal 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. Later in the year, we will integrate a revised sustainability strategy for apoBank into the business and risk strategy.

In 2024, too, we will continue to work on improving the applications for our customers and the technical functionalities of our IT systems, the aim being to increase customer satisfaction again.

Positive performance in a challenging environment

For fiscal 2024, we expect the earnings situation to develop positively overall, as measured against operating profit before risk provisioning. It will remain below the 2023 result, as budgeted, but the growth trend that began in 2021 will continue overall. 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, however, will stay challenging this year. We aim to further expand the assets and provisioning business with our retail customers. Our focus here is on the mandated business.

In the Professional Associations and Large Customers business, we aim for selective growth. Here, we concentrate 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 is expected to remain at the 2023 level.

Earnings situation in 2024

We forecast that the key income statement items will develop as follows by the end of the year in comparison to 2023:

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

In the commission-based business, we expect a rise in our customers' deposit volume in 2024. In spite of our exit from the custodian business, net commission income is likely to remain at the previous year's level.

One-off effects are expected to result in a marked decline in the balance of other operating income and expenditure.

The trend in administrative expenses is dominated by project and investment costs, in particular for Agenda 2025, as well as the consequences of higher prices; administrative expenses will, however, remain stable overall. Personnel expenses will see a distinct drop compared to 2023, while operating expenses including depreciation will see a distinct increase.

Taking the development of all income and expenditure into consideration, the cost-income ratio will also rise clearly compared to the previous year, but will remain below 70%.

On balance, the operating result, i.e. profit before risk provisioning, for the whole of 2024 should show a noticeable decline following an exceptional year in 2023; on the whole, however, it will continue on its growth path.

According to model-based figures, risk provisioning for the operating business will decline again considerably 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 markedly less 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.

The outflow of deposits weakened in the first six months of 2024 compared to the previous year. We continue to expect a comfortable liquidity situation in the further course of the year. This is also evident from the forecast of the liquidity coverage ratio (LCR), which shows that the internal and external minimum limits for the forecast periods defined were complied with at all times. The broadly diversified customer and investor base in particular continues to have a major positive impact in this regard.

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.

Economic conditions remain challenging. For example, global geopolitical uncertainties remain, with no solutions in sight. Due to the nature of apoBank's business model, however, this will still have 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. Even so, further interest rate developments could have a noticeable impact on our business figures. Given the decline in inflation in the euro area, the ECB lowered the key interest rates in June. We believe further reductions in the course of the year will be likely, but the exact path interest rates will take remains unclear. It is therefore still uncertain how the construction financing and deposit businesses will develop going forward, especially with regard to the future behaviour of customers and competitors. The resulting more difficult market environment may lead to both retail clients and corporate and institutional customers of apoBank requiring more extensive advisory services with regard to investing their assets and to their financing wishes.

With Agenda 2025, the Bank aims to 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, it will align its sales approach more with the assets business, and here in particular the mandated business, i.e. asset management. 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 increase in capital requirements induced by regulation and to fulfil the CRR III/CRD VI requirements based on its solid capital position.

In the area of sustainability, too, regulatory requirements will continue to increase for the financial sector. This necessitates further adaptations to internal bank processes and additional considerable investments. These also result from more comprehensive disclosure requirements and demands on internal control systems. In addition, we expect that increasing statutory sustainability requirements will lead to our customers also requiring more extensive advisory services and financing. Ever more customers are also demanding a range of products and services that complies with sustainability criteria.

Climate change and 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 consequence 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 environment, social and governance (ESG) for the Bank’s main risk types on the basis of quantitative and/or qualitative analyses. Overall, material risk drivers in the E, S and G dimensions were identified for the Bank’s significant risk categories under consideration.

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. The developments described can influence the reputation of banks and also generate considerable implementation costs. apoBank is continuing to implement its sustainability strategy in 2024 and is taking account of the opportunities offered by the transformation in terms of improved sustainability.

Opportunities and risks also arise from the 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 more availability, speed, quality and transparency from 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 can concentrate on specific parts of their value chain, e.g. on the production process, and thus create 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. This is all the more true with regard to artificial intelligence. apoBank's Agenda 2025 includes initiatives aimed, among other things, at increasing the performance of apoBank's applications 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 risks 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 can be a competitive advantage over less regulated providers. apoBank, too, is working on using the data available to it for the benefit of its customers.

Health care market facing major changes

The number of self-employed health care professionals is continuously declining. At the same time, new opportunities are emerging for practices, branches and cooperations. Outpatient and inpatient care are dovetailing. Constant progress is being made with respect to utilising the benefits of digitalisation and employing artificial intelligence in medical research and care.

There is an extensive agenda for German health policy in 2024, including a large-scale medical care act as well as a hospital, an emergency and a pharmacy reform. The introduction of electronic prescriptions and the new edition of the electronic patient record are gradually increasing the pace of digitalisation in the German health care system. The transition from inpatient to outpatient services will also be driven forward here, with outpatient and inpatient remuneration structures being aligned with each other.

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. At the same time, the challenge of successfully managing a practice or company economically, environmentally and socially gives players the opportunity to align their individual practice or business models specifically in this direction. Our advisors support our customers in mastering all of these challenges.

From our perspective, 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 competitive success.

2

Interim Financial Statements

Condensed Balance Sheet

Assets

	(Notes)	30 June 2024 €	31 Dec 2023 €
1. Cash reserves	**(2)**	**299,476,188.76**	**309,979,397.32**
a) Cash on hand		19,490,836.52	26,252,169.00
b) Cash in central banks		279,985,352.24	283,727,228.32
Including: in the German Federal Bank (Bundesbank)		(279,985,352.24)	(283,727,228.32)
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)**	**6,692,605,527.64**	**6,053,806,452.67**
a) Mortgage loans		0.00	0.00
b) Local authority loans		0.00	0.00
c) Other receivables		6,692,605,527.64	6,053,806,452.67
Including: due on demand		(5,784,815,426.00)	(5,351,005,719.59)
Including: lending against securities		(0.00)	(0.00)
4. Loans and advances to customers	**(3, 16, 23)**	**34,929,612,741.73**	**35,309,069,394.23**
a) Mortgage loans		8,931,252,088.55	9,254,376,584.75
b) Local authority loans		98,603,856.64	101,255,627.26
c) Other receivables		25,899,756,796.54	25,953,437,182.22
Including: lending against securities		(0.00)	(0.00)
5. Debt securities and other fixed-interest securities	**(4, 6, 16, 18, 23)**	**4,977,461,563.59**	**5,183,283,005.64**
a) Money market instruments		298,580,361.68	97,385,324.46
aa) of public issuers		0.00	0.00
Including: acceptable as collateral by the Bundesbank		(0.00)	(0.00)
ab) of other issuers		298,580,361.68	97,385,324.46
Including: acceptable as collateral by the Bundesbank		(298,580,361.68)	(97,385,324.46)
b) Bonds and debt securities		4,678,881,201.91	5,085,897,681.18
ba) of public issuers		2,264,961,205.55	2,414,177,356.95
Including: acceptable as collateral by the Bundesbank		(2,264,961,205.55)	(2,414,177,356.95)
bb) of other issuers		2,413,919,996.36	2,671,720,324.23
Including: acceptable as collateral by the Bundesbank		(2,344,653,593.53)	(2,555,856,269.76)
c) Own debt securities		0.00	0.00
Nominal amount		(0.00)	(0.00)
6. Shares and other non-fixed-interest securities	**(4, 16, 17, 18)**	**3,214,274,477.12**	**3,212,367,234.72**
6a. Trading assets	**(5)**	**0.00**	**0.00**
7. Shareholdings and capital shares in cooperatives	**(7, 19)**	**235,077,841.92**	**235,077,845.92**
a) Shareholdings		234,906,444.53	234,906,448.53
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 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, 19)**	**9,079,822.69**	**9,079,822.69**
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		**25,565.59**	**25,565.59**
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)**	**117,086,371.04**	**126,730,000.71**
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		116,834,876.44	126,730,000.71
c) Goodwill		0.00	0.00
d) Payments in advance		251,494.60	0.00
12. Tangible assets	**(9, 20)**	**105,244,977.09**	**106,761,972.52**
13. Other assets	**(21)**	**93,337,704.14**	**146,847,727.73**
14. Prepayments and accrued income	**(10)**	**32,410,600.35**	**34,451,984.50**
a) from issuing and loan transactions		23,634,878.01	25,083,394.62
b) Others		8,775,722.34	9,368,589.88
15. Deferred tax assets	**(22)**	**0.00**	**0.00**
Total assets		**50,705,693,381.66**	**50,727,480,404.24**

Liabilities

	(Notes)	30 June 2024 €	31 Dec 2023 €
1. Liabilities to banks	**(11)**	**11,623,632,095.46**	**11,337,728,484.80**
a) Registered mortgage bonds issued		175,354,048.80	155,889,590.86
b) Registered public covered bonds issued		0.00	0.00
c) Other liabilities		11,448,278,046.66	11,181,838,893.94
Including: due on demand		(507,082,907.90)	(585,423,689.53)
Including: mortgage bonds and registered public covered bonds delivered to the lender as collateral		(0.00)	(0.00)
2. Liabilities to customers	**(11)**	**29,189,824,236.04**	**29,421,811,864.01**
a) Registered mortgage bonds issued		899,794,551.77	938,163,904.09
b) Registered public covered bonds issued		0.00	0.00
c) Savings deposits		89,492,132.46	94,204,972.98
ca) with an agreed notice period of three months		89,290,304.45	94,051,830.19
cb) with an agreed notice period of more than three months		201,828.01	153,142.79
d) Other liabilities		28,200,537,551.81	28,389,442,986.94
Including: due on demand		(23,306,239,070.87)	(24,983,320,329.95)
Including: mortgage bonds and registered public covered bonds delivered to the lender as collateral		(0.00)	(0.00)
3. Securitised liabilities	**(11)**	**5,879,555,624.92**	**5,997,755,365.60**
a) Debt securities issued		5,879,555,624.92	5,997,755,365.60
aa) Mortgage bonds		3,148,701,638.36	3,247,817,699.28
ab) Public covered bonds		0.00	0.00
ac) Other debt securities		2,730,853,986.56	2,749,937,666.32
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		**25,565.59**	**25,565.59**
Including: fiduciary loans		(0.00)	(0.00)
5. Other liabilities	**(11, 24)**	**70,180,361.73**	**75,554,318.93**
6. Prepayments and accrued income	**(13)**	**11,301,468.21**	**13,567,821.66**
a) from issuing and loan transactions		4,891,548.45	6,013,709.31
b) Others		6,409,919.76	7,554,112.35
6a. Deferred tax liabilities		**0.00**	**0.00**
7. Provisions	**(12)**	**567,498,588.11**	**563,466,119.09**
a) Provisions for pensions and similar obligations		269,086,632.48	271,385,030.08
b) Tax provisions		118,506,389.76	118,965,762.15
c) Other provisions		179,905,565.87	173,115,326.86
8. ---		**0.00**	**0.00**
9. Subordinated liabilities	**(11)**	**188,293,652.99**	**189,300,964.06**
10. Participating certificate capital		**0.00**	**0.00**
Including: due within two years		(0.00)	(0.00)
11. Fund for general banking risks		**1,167,050,306.25**	**1,082,660,306.25**
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	**(25)**	**2,008,331,482.36**	**2,045,609,594.25**
a) Subscribed capital		1,268,421,747.62	1,278,228,247.62
b) Capital reserves		0.00	0.00
c) Revenue reserves		692,151,787.67	673,151,787.67
ca) Legal reserves		471,730,000.00	462,230,000.00
cb) Other revenue reserves		220,421,787.67	210,921,787.67
d) Balance sheet profit		47,757,947.07	94,229,558.96
Total liabilities		**50,705,693,381.66**	**50,727,480,404.24**

1. Contingent liabilities	**(26)**	**340,024,699.17**	**347,691,903.07**
a) Contingent liabilities from rediscounted, settled bills		0.00	0.00
b) Liabilities from guarantees and indemnity agreements		340,024,699.17	347,691,903.07
c) Liabilities arising from the provision of collateral for third-party liabilities		0.00	0.00
2. Other obligations		**2,302,287,782.93**	**2,414,839,569.57**
a) Obligations under optional repurchasing agreements		0.00	0.00
b) Placement and underwriting obligations		0.00	0.00
c) Irrevocable loan commitments		2,302,287,782.93	2,414,839,569.57

Condensed Income Statement

Income statement

	(Notes)	1 Jan – 30 June 2024 €	1 Jan – 30 June 2023 €
1. Interest income from	**(28)**	**854,520,913.09**	**667,064,855.35**
a) lending and money market transactions		820,557,428.91	634,271,954.27
b) fixed-interest securities and debt register claims		33,963,484.18	32,792,901.08
Including: from negative interest rates		(– 7,493.78)	(– 33,528.83)
2. Interest expenses	**(29)**	**– 366,958,321.71**	**– 193,038,126.13**
Including: from positive interest rates		(1,547,276.51)	(1,798,451.66)
3. Current income from		**7,636,466.68**	**9,924,108.15**
a) shares and other non-fixed-interest securities		0.00	0.00
b) shareholdings and capital shares in cooperatives		7,618,466.68	8,040,880.55
c) shares in affiliated companies		18,000.00	1,883,227.60
4. Income from profit pooling, profit transfer agreements and partial profit transfer agreements		**0.00**	**0.00**
5. Commission income	**(30)**	**117,050,905.50**	**120,581,249.08**
6. Commission expenses	**(30)**	**– 25,788,537.10**	**– 24,713,252.38**
7. Net trading revenues		**0.00**	**0.00**
8. Other operating income	**(31)**	**44,644,411.63**	**15,103,650.23**
Including: from discounting		(604,311.35)	(118,240.64)
9. ---		0.00	0.00
10. General administrative expenses		**– 332,644,953.22**	**– 356,656,343.00**
a) Personnel expenses		– 130,812,267.31	– 135,467,335.97
aa) Wages and salaries		– 106,607,631.98	– 106,314,084.54
ab) Social security contributions and expenses for pensions and benefits		– 24,204,635.33	– 29,153,251.43
Including: for pensions		(– 7,930,346.38)	(– 13,185,106.62)
b) Other administrative expenses		– 201,832,685.91	– 221,189,007.03
11. Depreciation, amortisation and write-downs in respect of intangible and tangible assets		**– 14,107,926.94**	**– 13,538,638.50**
12. Other operating expenses	**(31)**	**– 21,736,983.55**	**– 12,817,642.29**
Including: from discounting		(– 2,604,500.00)	(– 2,490,500.00)
13. Write-downs and value adjustments in respect of receivables and specific securities and allocations to provisions for credit risks		**– 33,877,595.70**	**– 23,807,276.52**
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		**0.00**	**– 5,205,204.53**
16. Income from write-ups in respect of investments, shares in affiliates and securities treated as fixed assets		**916,020.63**	**0.00**
17. Expenses from the assumption of losses		**0.00**	**0.00**
18. ---		**0.00**	**0.00**
19. Operating surplus		**229,654,399.31**	**182,897,379.46**
20. Extraordinary income		**0.00**	**0.00**
21. Extraordinary expenses		**0.00**	**0.00**
22. Extraordinary result		**0.00**	**0.00**
23. Taxes on income	**(32)**	**– 97,311,034.30**	**– 73,095,404.13**
24. Other taxes not reported in item 12		**– 200,850.04**	**– 72,448.11**
24a. Allocations to the fund for general banking risks		**84,390,000.00**	**76,746,000.00**
25. Net profit		**47,752,514.97**	**32,983,527.22**
26. Profit carried forward from the previous year		**5,432.10**	**7,864.54**
27. Withdrawals from revenue reserves		**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		**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		**47,757,947.07**	**32,991,391.76**

Condensed Notes

A. General information

1. Framework for the preparation of the interim financial statements

The interim financial statements of Deutsche Apotheker- und Ärztebank eG (apoBank), Dusseldorf (Dusseldorf Local Court, GnR 410), as at 30 June 2024 were prepared according to the rules and 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 interim 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 interim 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 reserve

The cash reserve denominated in euros was carried at nominal value. Foreign currencies were valued at the spot exchange rate at 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 default 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 by 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 credit-worthiness 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 was 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. Generally, 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.

Securities that are transferred as part of securities lending continue to be recognised in the balance sheet item "Debt securities and other fixed-interest securities", as the significant opportunities and risks that result from the securities remain with apoBank. The book value of the securities accordingly labelled and lent amounts to €150.7 million (31 December 2023: no lending transactions for securities). Throughout the lending period of the securities the lending fee agreed upon for the borrowed securities will be periodically collected within commission income and will be stated in other assets until it matures.

The amortized cost valuation has been applied to all interest-bearing securities in compliance with the effective interest method. Existing premiums and discounts that are similar in nature to interest are amortized and recognized in interest income in the same way as effective interest.

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 controlled 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, with the fair value method being applied for some of the portfolio valuation units. Prospective and retrospective effectiveness tests are 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, a specific write-down with respect to the underlying transaction is made in this amount, if the excess loss is considered permanent.

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 several 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 swaps as well as syndicated loans in foreign currencies. A portfolio is formed for each currency and each underlying transaction, in which both the sums of 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 may occur over time is recognised in profit or loss as a provision for the valuation units.

As at the reporting date, the total volume of the hedged risks amounted to €617.9 million (31 December 2023: €581 million). These risks arise 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 changes in value and payment flows are expected to balance out over a period of up to ten years.

As at the reporting date, apoBank had designated a total of 269 micro hedges with a nominal value of €6,267.3 million:

- 243 hedges on the Bank's own issuances against the interest rate risk with a nominal value of €5,867.3 million, including
  - 11 caps with a nominal value of €165.7 million,
  - 13 floors with a nominal value of €175.7 million,
  - 87 swaptions with a nominal value of €1,163.2 million,
  - 132 swaps with a nominal value of €4,362.7 million,
- 26 asset swaps to hedge against the interest rate risk of 20 acquired securities with a nominal value of €400.0 million.

As at 30 June 2024, a volume of foreign-currency swaps from FX trading in the amount of €3.9 million had been used within the scope of valuation units, none of which had the purpose of hedging offsetting FX swaps. The FX swaps can be broken down based on their currency as follows:

- €3.9 million in Swiss francs.

7. Investments and shares in affiliated companies

Investments and capital shares in cooperatives as well as shares in affiliated companies are 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 ("Bilanzsteuerrechtliche Beurteilung von Aufwendungen zur Einführung eines betriebswirtschaftlichen Softwaresystems" [ERP software]). With the exception of the useful life of the software license for our core banking system, the underlying useful life of the intangible assets is three to five years. The average useful life of the software license for the core banking system was derived based on the ten-year minimum term of the associated maintenance contracts and is therefore 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 tax 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 ("AV"). With the exception of the useful lives of buildings, the underlying useful life of tangible assets is between three and 25 years.

In deviation from this, buildings are written down throughout their useful life on a straight-line basis or using declining-balance rates in accordance with Section 7 para. 4 (2) of the German Income Tax Act (EStG). Their useful life is between 25 and 50 years. Assets within the meaning of Section 6 para. 2 EstG were fully depreciated. Art objects were classified as non-depreciating assets at amortised cost.

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 issuance price plus accrued interest.

12. Provisions

The provisions for pension liabilities as at 30 June 2024 were calculated in line with the actuarial tables “Richttafeln 2018 G” (Heubeck) using the projected unit credit method. The calculation is based on an updated forecast derived from the report as at 30 June 2024 using an interest rate of 1.91% (average over the past ten financial years), a wage increase trend of 3.00% and a pension increase trend of 2.40%. As at 30 June 2024, the difference pursuant to Section 253 para. 6 of the HGB not avaliable for distribution was zero.

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 sentence 2 of the HGB. The fair value amounting to €16.8 million is equivalent to the acquisition costs of the plan assets. In connection with IDW RH FAB 1.021, the reinsurance asset figures are adjusted to match the corresponding provisions for the pension obligations (liabilities side takes primacy). The remaining figure of €13.0 million was offset against the corresponding pension provisions.

There were no provisions for part-time retirement at the reporting date. Provisions for anniversary payments are calculated using the projected unit credit method. They were made on the basis of an interest rate of 1.98% and a wage increase trend of 3.00% in line with the actuarial tables “Richttafeln 2018 G” (Heubeck). On this basis, the provisions as at 30 June 2024 were extrapolated accordingly for the interim financial statements. Provisions for early retirement are calculated based on the legal regulations and considering agreements made in 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 generally 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 remaining 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.

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

Pursuant to the latest version of IDW RS BFA 3, apoBank is required to provide proof of a loss-free valuation of interest-bearing banking book transactions. For all interest-bearing financial 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 rates. 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 as long as the total item is financially balanced for each foreign currency as at the reporting date. To the extent that special coverage was in place, income and expenditure from currency translation were 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. Securities portfolio by purpose

The securities portfolio is divided into the following categories according to its purpose (figures including accrued interest):

Securities portfolio by purpose

	30 June 2024 €thous	31 Dec 2023 €thous
Debt securities and other fixed-interest securities		
Fixed assets	4,678,881	5,085,898
Liquidity reserve	298,580	97,385
Total	**4,977,461**	**5,183,283**

	30 June 2024 €thous	31 Dec 2023 €thous
Shares and other non-fixed-interest securities		
Fixed assets	3,214,274	3,212,367
Liquidity reserve	0	0
Total	**3,214,274**	**3,212,367**

17. Shares in special investment funds

apoBank holds more than 10% of shares in 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 (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	2,886,975	193,359	0	no
APO 2 Union	Domestic and international bonds	517,347	12,347	0	no
BlackRock apo Global Healthcare Private Equity Fund, S.C.A., SICAV-RAIF	Shareholdings in unquoted companies, domestic and international funds	14,561	865	0	no

18. Financial instruments classified as fixed assets

Financial instruments classified as fixed assets[1]

Issuer	Book value as at 30 June 2024 €thous	Fair value as at 30 June 2024 €thous	Omitted depreciation €thous
Banks	2,291,604	2,189,801	101,803
Public debtors	2,075,177	1,883,695	191,482
Companies	56,538	53,186	3,353
Total	**4,423,319**	**4,126,682**	**296,638**

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

In the first half of the year, hidden burdens in securities classified as fixed assets increased by €13,685 thousand to €296,638 thousand (31 December 2023: €282,953 thousand). As at the reporting date, a creditworthiness audit was carried out on all securities with hidden burdens. The audit did not identify any creditworthiness-induced decreases in value. There are no lasting decreases in value.

19. List of holdings

The following list includes significant investments pursuant to Section 285 no. 11 of the HGB. Investments that are of minor importance for apoBank's net assets, financial position and earnings situation are not listed, pursuant to Section 286 para. 3 of the HGB:

List of holdings

Company	Share in company capital on 30 June 2024 %	Year	Capital and reserves of the company €thous	Result of the past financial year €thous
aik Immobilien-Investmentgesellschaft mbH, Dusseldorf	64	2023	10,907	2,485
aik Management GmbH, Dusseldorf[1]	100	2022	55	30
Apo Asset Management GmbH, Dusseldorf	70	2023	30,935	3,318
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	2023	66,775	4,915
Deutsche Ärzte Finanz Beratungs- und Vermittlungs-Aktiengesellschaft, Cologne	25	2023	23,713	10,561
DZR Deutsches Zahnärztliches Rechenzentrum GmbH, Stuttgart	16	2023	30,673	18,906
Finanz-Service GmbH der APO-Bank, Dusseldorf	50	2023	6,440	1,405
HCL Technologies gbs GmbH, Ratingen	49	2023	1,575	– 213
medisign GmbH, Dusseldorf	50	2022	2,665	1,576
PROFI Erste Projektfinanzierungs- und Beteiligungsgesellschaft AG, Zurich[3]	50	2024	17,154	7,389
RiOsMa GmbH, Dusseldorf	90	2023	1,193	827
Treuhand Hannover Steuerberatung und Wirtschaftsberatung für Heilberufe GmbH, Hanover	26	2023	45,145	5,834
WGZ Beteiligungs GmbH & Co. KG, Dusseldorf	5	2023	3,190,220	95,752
ZA Zahnärztliche Abrechnungsgesellschaft Düsseldorf AG, Dusseldorf	25	2023	9,118	2,479
ZPdZ – Zahnpraxis der Zukunft GmbH, Dusseldorf	50	2023	630	100

1) Indirect investment.
2) Result before profit transfer or loss absorption.
3) Fiscal year ending as at 30 June.

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 Steuerberatung und Wirtschaftsberatung für Heilberufe GmbH, Hanover, Deutsche Ärzte Finanz Beratungs- und Vermittlungs-Aktiengesellschaft, Cologne, and DZR Deutsches Zahnärztliches Rechenzentrum GmbH, Stuttgart.

apoBank sold its stake in aik Immobilien-Investmentgesellschaft mbH, Düsseldorf, and the associated indirect investment in aik Management GmbH, Düsseldorf, in the first half of 2024, subject to a condition precedent. The cancellation of the condition precedent and the transfer of the stake to the co-owners of the company are expected to take place in the second half of 2024.

apoBank has not prepared consolidated financial statements in accordance with Section 290 para. 5 of the HGB in conjunction with Section 296 para. 1 no. 1 and para. 2 of the HGB, as either significant and lasting constraints limit apoBank's ability to exercise its rights with regard to the net assets or the management of the subsidiaries, 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.

20. Tangible assets

The item "Tangible assets" (assets, 12) includes:

Tangible assets

	30 June 2024	31 Dec 2023
	€thous	€thous
Land and buildings used within the scope of apoBank's own operations	83,339	84,151
Office furniture and equipment	20,775	21,466

21. Other assets

The item "Other assets" includes the following larger amounts:

Other assets

	30 June 2024	31 Dec 2023
	€thous	€thous
Receivables from asset management	39,162	61,268
Capitalised premiums from options and caps	15,618	17,981
Receivables from the custody business	8,372	16,745
Receivables from assets sold	6,069	0
Tax receivables	2,426	13,938

22. Deferred tax assets

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

As at 30 June 2024, a net deferred tax asset was identified. This was essentially due to differences between the valuations in the trading and the tax accounts for shares and other non-fixed-interest securities, loans and advances to customers, provisions for pensions and other provisions as well as other assets.

The total net surplus of deferred tax assets amounted to €255,895 thousand on balance, including deferred tax assets of €260,150 thousand and deferred tax liabilities of €4,255 thousand.

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

23. Subordinated assets

Subordinated assets are included in the following items:

Subordinated assets

	30 June 2024	31 Dec 2023
	€thous	€thous
Loans and advances to customers	154,034	157,157
Debt securities and other fixed-interest securities	69,266	67,323
Total	**223,300**	**224,480**

Notes to liabilities

24. Other liabilities

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

Other liabilities

	30 June 2024 €thous	31 Dec 2023 €thous
Liabilities of members who have died	22,308	0
Tax liabilities	13,605	23,304
Trade payables	3,347	9,206
Premiums from options and caps carried as liabilities	2,897	3,449
Liabilities from variation margins	0	10,433

€12,927 thousand of the liabilities of members who have died apply to shares of members who died before 31 December 2022. Please refer to our statements on capital (see also note 25).

25. Capital and reserves

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

Subscribed capital

	30 June 2024 €thous	31 Dec 2023 €thous
Members’ capital	**1,268,422**	**1,278,229**
Of remaining members	1,255,642	1,255,337
Of departing members	11,259	19,350
Of terminated cooperative shares	1,521	3,542
Compulsory contributions due on shares in arrears	332	271

As at 31 December 2023, the shares of a total of 1,262 members who had died before 31 December 2022 were incorrectly reported as equity. As a result, equity was overstated by €16,152 thousand as at 31 December 2023 and other liabilities were understated by the same amount. We have corrected this in the current account and are now recognising these membership shares – taking into account repayments in the first half of 2024 – as other liabilities.

The revenue reserves (liabilities, 12.c)) have so far developed as follows in the current financial year:

Revenue reserves

	Legal reserves €thous	Other revenue reserves €thous
As at 1 Jan 2024	462,230	210,922
Transfers		
from balance sheet profit of the previous year	9,500	9,500
from net profit of the financial year	0	0
Withdrawals	0	0
As at 30 June 2024	**471,730**	**220,422**

26. 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 and warranty agreements for 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 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 the case of open loan commitments, we assume that the majority of these will be utilised.

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

27. 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 €25,849 million as at 30 June 2024 (31 December 2023: €26,980 million). As at 30 June 2024, they included the following types of transactions:

Distribution of traded derivatives/types of transactions

Interest rate-related transactions	Currency-related transactions
▪ Interest rate swaps	▪ FX swaps
▪ Swaptions	
▪ Caps/floors	

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. In the following table, the existing derivatives contracts are broken down according to their risk structure. In accordance with international practice, the nominal volumes are stated, but these are not to be equated 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 reporting date. The variable interest payment flows were calculated based on forward rates – derived from the current yield curve – and these, as well as the fixed payment flows, were discounted using the swap curve.

Interest limit agreements were measured on the basis of the Bachelier model and swaptions on the basis of the Hull-White model.

The fair value of the FX swaps was calculated from the 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	
	30 June 2024	**31 Dec 2023**	**30 June 2024**	**31 Dec 2023**
Interest rate-related transactions[2]				
Time to maturity up to 1 year	3,201	2,459	19	24
more than 1 year to 5 years	13,177	14,027	140	187
more than 5 years	9,467	10,226	143	187
Subtotal	**25,845**	**26,712**	**302**	**398**
Currency-related transactions				
Time to maturity up to 1 year	4	268	0	1
more than 1 year to 5 years	0	0	0	0
more than 5 years	0	0	0	0
Subtotal	**4**	**268**	**0**	**1**
Total	**25,849**	**26,980**	**302**	**399**

1) Netted, taking into account pro rata interest, where applicable.
2) Interest-related transactions are reported under the items “Other assets” (€15.6 million), “Prepayments and accrued income (assets)” (€5.5 million) and “Prepayments and accrued income (liabilities)” (€6.4 million).

The vast majority of derivative financial instruments is 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

28. Interest income

The “Interest income” item includes €7 thousand (1 January to 30 June 2023: €34 thousand) in negative interest income from deposits with other banks and borrowings from customers.

29. Interest expenses

The item “Interest expenses” includes €1,547 thousand (1 January to 30 June 2023: €1,798 thousand) in positive interest expenses from borrowings from other banks and specific customer groups.

30. Commission income and commission expenses

Commission income for management and brokerage services rendered for third parties, in particular for the securities and deposit business, asset management and advisory services as well as for insurance brokerage amount to around 0.2% of the average balance sheet total.

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

Other operating income of €44,644 thousand (1 January to 30 June 2023: €15,104 thousand) includes, among other things:

Other operating income

	1 Jan – 30 June 2024 €thous	1 Jan – 30 June 2023 €thous
Settlement payment of a potential indemnity debtor	16,000	0
Release of reserves (related to other periods)	12,584	7,961
Income from assets sold	8,830	0
Rental income	2,489	2,253
Income from currency translation	1,239	2,437

Other operating expenses of €21,737 thousand (1 January to 30 June 2023: €12,818 thousand) result primarily from the following items:

Other operating expenses

	1 Jan – 30 June 2024 €thous	1 Jan – 30 June 2023 €thous
Provisions for service provider transition	10,558	0
Expenses from compounding	2,605	2,491
Provisions for litigation costs	2,117	3,588
Expenses from currency translation	834	2,054

32. Taxes on income

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

E. Other notes

33. Events after the reporting date

No events took place that were subject to reporting requirements between 30 June 2024 and when the interim financial statements were prepared by the Board of Directors on 30 July 2024.

34. Disclosures according to Section 28 of the PfandBG

Please refer to apoBank's quarterly report as at 30 June 2024, prepared pursuant to the German Pfandbrief Act (PfandBG), for information with respect to the mortgage covered bonds included in the items “Liabilities to banks”, “Liabilities to customers” and “Securitised liabilities”.

35. Board of Directors

Members of the Board of Directors
- Matthias Schellenberg, Chair; responsible for Legal, Committee Service and Data Privacy, Corporate Development, Communications & Brand, HR, Internal Auditing, Health Market & Shareholdings, Professional Associations, Treasury, Institutional & Asset Management, apoAsset and aik Immobilieninvestmentgesellschaft
- Heiko Drews, responsible for Sales
- Thomas Runge, responsible for Products, Processes & IT
- Dr. Christian Wiermann, responsible for Finance, Controlling & Bank Operations
- Sylvia Wilhelm, responsible for Risk

36. 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, owner of the 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. Andreas Gassen, Chair of the Board of the National Association of Statutory Health Insurance Physicians KdöR
- Günther Haardt[1], General Manager of the Vermögensverwaltung der Vereinte Dienstleistungsgewerkschaft (ver.di) GmbH
- Dr. med. Torsten Hemker, Chair of the Administrative Committee of the Versorgungswerk der Ärztekammer Hamburg KdöR
- Gerhard Hofmann, Member of the Board of the Bundesverband der Deutschen Volksbanken und Raiffeisenbanken e. V. (BVR) (retired) and Director of Bundesbank (retired)
- Lukas Kaster[1], bank employee
- Walter Kollbach (until 26 April 2024), tax consultant/auditor (retired)
- Carsten Padrok[2] (since 7 March 2024), bank employee
- Ulrich Pukropski (since 26 April 2024), auditor
- 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, dentist and Chair of the Leitenden Ausschuss des Altersversorgungswerk der Zahnärztekammer Niedersachsen KdöR
- Susanne Wegner, General Manager of the Verwaltungsgesellschaft Deutscher Apotheker mbH

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

37. Name and address of the responsible auditing association

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

Dusseldorf, 30 July 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

Deutsche Apotheker- und Ärztebank eG, 40547 Dusseldorf

Country-by-country reporting pursuant to Section 26a of the KWG as at 30 June 2024

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 2024.

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	609.4	2,114	229.7	97.3	-

3

Certifications

Review Report

to Deutsche Apotheker- und Ärztebank eG, Dusseldorf

We have reviewed the condensed interim financial statements (comprising the condensed balance sheet, the condensed income statement as well as the condensed notes) and the interim management report of Deutsche Apotheker- und Ärztebank eG for the period from 1 January 2024 to 30 July 2024, which are components of the interim report pursuant to Section 115 of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG). The preparation of the condensed interim financial statements in accordance with German commercial law and of the interim management report in accordance with the provisions of the German Securities Trading Act applicable to interim management reports is the responsibility of the Board of Directors of the cooperative. Our responsibility is to issue a report on the condensed interim financial statements and the interim management report based on our review.

We conducted our review of the condensed interim financial statements and the interim management report in accordance with generally accepted German standards for the review of financial statements published by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer, IDW). Those standards require that we plan and conduct the review to obtain a certain level of assurance in our critical appraisal in order to ensure that the interim condensed financial statements have been prepared, in all material respects, in accordance with German commercial law and that the interim management report has been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim management reports. A review is limited primarily to interrogating the cooperative's personnel and applying analytical procedures and thus does not provide the assurance that we would obtain from an audit. As we were not asked to perform an audit, we cannot provide an auditor's certificate.

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim financial statements are not prepared, in all material respects, in accordance with the provisions of German commercial law and that the interim management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim management reports.

Dusseldorf, 30 July 2024
Genoverband e. V.

Dirk Berkau	Karsten Ernstberger
Auditor	Auditor

Responsibility Statement by the Legal Representatives

To the best of our knowledge, we assure that the interim 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 for interim reporting, and that the interim management report gives a true and fair account of the development of the business, including the company's performance and position, as well as describing the material opportunities and risks associated with the company's expected development in the remaining business year.

Dusseldorf, 30 July 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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