Annual Financial Report

2022

apoBank

The Health Care Bank

Content

Overview of Business Development

Overview of Business Development

Bank data	31 Dec 2022	31 Dec 2021	Change[1] %
Members	113,543	115,239	– 1.5
Customers	498,474	–[2]	–
Employees	2,269	2,246	1.0
Locations	80	83	– 3.6

Balance sheet	€m	€m	%
Balance sheet total	54,184	67,372	– 19.6
Customer loans	37,008	37,787	– 2.1
Customer deposits	33,934	37,140	– 8.6

Income statement	€m	€m	%
Net interest income[3]	766.4	685·0	11.9
Net commission income	184.1	193.0	– 4.6
General administrative expenses	– 737.3	– 715.0	3.1
Operating profit before risk provisioning	241.1	188.1	28.2
Risk provisioning from the operating business[4]	– 43.1	– 14.3	> 100
Risk provisioning with reserve character[5]	– 46.5	– 49.5	–6.1
Operating result	151.5	124.3	21.9
Taxes	– 85.7	– 58.9	45.6
Net profit after tax	65.8	65.4	0.5

Key figures	%	%	ppts
Equity ratio (according to CRR)	17.6	17.3	0.3
Common equity tier 1 capital ratio (according to CRR)	15.8	15.9	– 0.1
Cost-income ratio[6]	75.9	79.8	– 3.9

Ratings[7]	Standard & Poor's	Fitch Ratings (group rating)
Cost-income ratio	A+	AA–
Short-term rating	A–1	F 1+
Outlook	stable	stable
Covered bond rating	AAA	–

1) Deviations possible due to rounding differences.
2) Value as at 31 Dec 2021 not available due to change in calculation method.
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 December 2022.

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To our Members and Clients

Dusseldorf, 27 January 2023

Dear Members, Customers and Business Partners,

For all of us, last year was extraordinary in so many ways. On top of the pandemic, new issues emerged that affect and impact us all, such as the war in Ukraine, rising energy prices, and high inflation rates in many areas. The health care sector faced growing challenges, too, with many of you directly affected by rising costs and supply bottlenecks.

For apoBank itself, the market environment has also remained difficult. As in the previous years, regulation, digitalisation and changing customer behaviour played a role here, added to which there was a historic turnaround in interest rates and a very volatile capital market. In spite of these conditions, we managed to increase operating income, which enables us to propose an appropriate dividend to the Annual General Meeting. This would not have been possible without the strong commitment of the entire apoBank team, who reliably supported our customers in pursuing their projects in a very challenging environment, thus helping apoBank to move forward. All members of the Board would therefore like to express our thanks to the entire apoBank workforce.

Agenda 2025 – back to our roots

I have been Chair of the Board of Directors of apoBank since March 2022. My task is to give the Bank a clear focus and structure again. During a review of the status quo last year, all of the important topics for apoBank, both today and going forward, were brought to the table. The resulting key realisation was that apoBank's historically evolved business model is strong and fit for the future, but that we must set the right course to continue as an efficient and powerful market player in the future. Based on this analysis, we made key strategic decisions and defined measures to achieve our goals. We combined these measures in our Agenda 2025.

One key point was that we will return to focusing more on our traditional customers, i.e. academic health care professionals as well as their organisations. We will concentrate even more consistently on the needs of health care professionals in order to give them financial and creative room for manoeuvre. We aim to be a reliable partner to the organisations of all groups of health care professionals. We have to focus on the activities that will enable us to create added value – for our customers and thus also for our bank.

Focusing on customer satisfaction

At the same time, we plan to significantly reinforce our core by improving our performance capacity. We will adapt our products, processes and IT to become faster and more efficient in order to meet the expectations that are placed on banks today. Our aim in everything we do must be to strengthen customer and member satisfaction with their bank once again. Although our customers became somewhat more satisfied with us last year, we are well aware that we still have a long way to go in this regard. That is why we are continuing to work hard on optimising our digital applications, and in particular our online banking, as well as on more customer-friendly processes and access channels.

Spotlight remains on business start-ups

The particular needs of our retail clients in carrying out their professions and building their assets remain the central pillar of our business model. Our core expertise lies in financing business start-ups. Over the many decades of our existence, we have been able to provide financing to a good 200,000 practices and pharmacies, thus creating livelihoods for a large number of people. We were very successful in this once again in 2022, supporting several thousand business start-ups in their endeavours. New business rose significantly to €1.7 billion and the loan portfolio passed the €8 billion mark for the first time. Our market share in business start-up financing for health care professionals is around 60 percent. Besides financing, we offer additional services to facilitate the work of self-employed professionals, e.g. business management advisory services for practices and our online practice and pharmacy platform, where we connect buyers and sellers.

Another focus of the retail client business is asset management, which we aim to grow and move closer to the centre of our advisory activities. Our new customer support model plays a special role here as it will ensure more effective interplay between our specialists in financing and asset advisory services. In the coming five years, we plan to double the deposit volume in the investment business with clients from €10 billion to over €20 billion.

Focus on companies related to the health care professions

We also continue to count institutional investors and companies in the health care market among our key customers. In the corporate clients business, we plan to focus in future on companies with a close connection to the health care professions. These include outpatient and inpatient care providers, clearing centres, operators of health care real estate, pharmaceutical wholesalers and health companies that are either SMEs or owner-operated. We intend to continue growing in the customer segments mentioned above. At the same time, apoBank will strengthen its collaboration with the professional associations in the different regions, and it will intensify its advisory services for institutional investors.

Becoming more profitable

With more efficient processes and optimised structures, we will save costs in the long run and thus strengthen apoBank's financial base. The aim is to bring our cost-income ratio to below 70 percent by the end of 2025. In combination with our margin-oriented growth strategy in the lending and assets business, we are thus creating the basis to be able to pay you, our members, a stable dividend and to continue to build reserves using our own resources. We will use the resulting room for manoeuvre to invest in our workforce and technology.

Transforming – creating – moving forward together

In the past 120 years, apoBank has transformed many times over. The aim has always been to adapt its activities to the market environment of the time. That continues to be true today, and with Agenda 2025 we set ourselves a clear course. We know we have several milestones to pass along the way to our destination. And we also know that we can build on our tried and tested cooperative community and the strengths we have developed over our 120-year history. The goal is clear: to have a strong apoBank that is equally attractive to its members, customers and employees. We would be delighted to enjoy your continued trust on our road to this destination.

Yours sincerely

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

Report of the Supervisory Board

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

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

At regular meetings, the Board of Directors informed the Supervisory Board as well as the committees of the Supervisory Board about apoBank's business performance, risk, net assets and financial position, its earnings situation as well as about special events. At its four regular meetings in the year under review, the Supervisory Board gained an insight into the Bank's current state of affairs, as well as the status of the strategy programme "Alles auf den Tisch" (All facts on the table)/"Agenda 2025" and of IT. In addition, it also closely supervised the conclusion of a new IT service and maintenance contract with the operator of the core banking system. The Supervisory Board realigned the remuneration system of the Board of Directors in order to account more strongly for ESG factors. Assisted by a law firm, the Supervisory Board also addressed apoBank's function as a cum-ex transactions deposit bank as of 2010. In addition to its regular meetings, the Supervisory Board also held six extraordinary meetings, at which the main topic was staffing of the Board of Directors.

The Supervisory Board discussed further details at 19 ordinary and ten extraordinary meetings of the Loan and Risk Committee, the Nomination and Presiding Committee, the Personnel Committee, the Audit Committee and the Remuneration Control Committee. At these meetings, the Nomination and Presiding Committee addressed the changes on the Board of Directors in particular. The Remuneration Control Committee addressed the realignment of the remuneration system for the Board of Directors. The Supervisory Board received comprehensive reports from the meetings of its respective committees. Outside of these meetings, too, the Chair of the Supervisory Board regularly exchanged information and ideas with the Supervisory Board as well as the Board of Directors.

In the year under review, the Nomination and Presiding Committee addressed potential conflicts of interest on the part of members of the Supervisory Board and Board of Directors that could influence their objectivity. At its meetings, the committee assessed the potential conflicts in detail. It concluded that there was only one actual conflict of interest, which was solved by taking appropriate measures. Furthermore, to investigate a potential conflict of interest on the part of the Chair of the Board of Directors, the Committee commissioned a law firm to conduct an independent inquiry into the subject matter. It was concluded that no conflict of interest had occurred.

These 2022 annual financial statements, including the management report, were audited by the Genossenschaftsverband. The Genossenschaftsverband confirmed the objectivity of the employees involved in the audit to the Audit Committee and the Supervisory Board. The results of this audit will be reported on in the Annual General Meeting on 28 April 2023. According to the unqualified audit certificate issued by the Genossenschaftsverband, the annual financial statements and the management report are in keeping with the law and the Articles of Association. The Supervisory Board received and critically examined the report on the statutory audit. At its joint session with the Board of Directors and the auditors, the Supervisory Board acknowledged the results of the audit and scrutinised the audit findings. The Supervisory Board concluded that the annual financial statements were prepared and audited correctly and therefore contributed towards correct accounting. The Supervisory Board was supported by the Audit Committee in monitoring the audit. The Supervisory Board examined and verified the annual financial statements, the management report and the Board of Directors' proposal on the allocation of net profit. The audit did not give rise to objections. The proposal on the allocation of net profit – including profit carried forward – is in accordance with the Articles of Association. The Supervisory Board recommends that the Annual General Meeting approve the financial statements as at 31 December 2022, which were presented by the Board of Directors, and that it pass a resolution on the proposed appropriation of net profit.

The following changes to the composition of the Supervisory Board took place in fiscal 2022: At the end of the Annual General Meeting, the shareholder representatives Prof. Dr. med. Frank Ulrich Montgomery and Dr. med. dent. Helmut Pfeffer left the Supervisory Board. Gerhard Hofmann and Dr. Thomas Siekmann were voted onto the Supervisory Board as new members, and Susanne Wegner was reelected. Subsequently, the Supervisory Board unanimously elected Dr. med. dent. Karl-Georg Pochhammer to the office of Chair of the Supervisory Board at its constitutive meeting. Employee representative Bettina Krings became a member of the Supervisory Board as of 1 June 2022. Previously, she had been appointed as deputy member to succeed Ralf Baumann, who left the Supervisory Board on 31 May 2022 to start his retirement. Shareholder representatives Dr. med. Torsten Hemker, Dr. med. dent. Karl-Georg Pochhammer and Friedemann Schmidt, pharmacist, will finish their terms of office at the end of this year's Annual General Meeting. They are entitled to stand for re-election. Dr. med. dent. Peter Engel will finish his term of office as at the end of the Annual General Meeting 2023. Shareholder representatives Steffen Kalkbrenner and Bettina Krings will leave at the same time. Their successors on the Supervisory Board will be the newly elected members Lukas Kaster and Daniel Valo.

Matthias Schellenberg became a member of the Board and Chair of the Board on 1 March 2022. Jenny Friese resigned from the Board of Directors as of 12 September 2022, Eckhard Lüdering as of 30 September 2022. Sylvia Wilhelm and Thomas Runge joined the Board of Directors of apoBank as ordinary members on 1 January 2023. Holger Wessling resigned from his office on the Board of Directors as of 31 March 2023, Alexander Müller as of 30 June 2023. The search for successors is already at an advanced stage.

The Supervisory Board would like to thank the members of the Board of Directors and the entire workforce of apoBank for their good work, their trusting cooperation and their considerable personal commitment in 2022.

Dusseldorf, 24 March 2023

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

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About apoBank

Board Departments

Organisational chart of Deutsche Apotheker- und Ärztebank eG

Board Department 1

Matthias Schellenberg
Chair

- **Health Market and Shareholdings** – Daniel Zehnich
- **Communications & Brand** – Ina Quilling
- **Legal** – Sebastian Graf
- **Internal Auditing** – Wolfgang Freudenmann
- **Professional Associations** – Peter Schlögell
- **Corporate Development** – Dr. Carsten Gubelt

Branch Sales
Heiko Drews
Divisional Director

- **Sales North and East** – Martin Evers
- **Sales West** – Stephanie Köhne
- **Sales South** – Dominik Hanisch

Board Department 2
Retail Clients

Matthias Schellenberg[1]
Chair

- **Partner Sales** – Carsten Padrok
  - apoFinanz
- **Transformations-management RC**[2] – Christian Dorschner
- **Sales Management PK** – Jasper Jan Meijerink
  - apoDirect
- **Omnichannel Management** – Linda Mende

Board Department 3
Large Customers and Markets

Alexander Müller
Member of the Board of Directors

- **Corporate Clients** – Sandro von Korff
- **Institut. Customers & Asset Management** – Dr. Hanno Kühn
  - apoAsset
  - aik Immobilien-Investment-gesellschaft
- **Treasury** – Alexander van Echelpoel
- Principles of Large Customers and Markets

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

1) Provisional manager
2) Limited until December 2024

Board Department 4
IT and Products

Thomas Runge
Member of the Board of Directors

- **IT Operations** – Andreas Teischl
- **IT and Operations** – Johannes Kermer, Divisional Director
  - **Information and Technology** – Lutz Schirmacher
  - apoData

Board Department 5
Risk

Sylvia Wilhelm
Member of the Board of Directors

- **Compliance** – Matthias Schmedt auf der Günne
- **Loan Management** – Ines Hochstetter
- **Risk Controlling** – Michael Kaiser

Board Department 6
Controlling and Bank Operations

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- **Finance** – Steffen Kalkbrenner
- **Overall Bank Controlling** – Dr. Christian Wiermann
- **Group Service** – Dominic Toplak
- **Human Resources** – Dr. Joachim Goldbeck

Unit reporting directly to the Board of Directors
Subsidiary

As at 1 April 2023

Board of Directors

Matthias Schellenberg
Chair

Alexander Müller
Member of the Board of Directors

Supervisory Board

Prof. Dr. med. Frank Ulrich Montgomery
Chair (until 29 April 2022)
Berlin

Dr. med. dent. Karl-Georg Pochhammer
Chair (since 29 April 2022)
Berlin

Sven Franke[1]
Deputy Chair
Hanover

Ralf Baumann[1] (until 31 May 2022)
Langenfeld

Fritz Becker, pharmacist
Remchingen

Marcus Bodden[1]
Essen

Martina Burkard[1]
Würzburg

Mechthild Coordt[1]
Berlin

Stephanie Drachsler[1]
Munich

Dr. med. dent. Peter Engel
Bergisch-Gladbach

Thomas Runge
Member of the Board
of Directors

Holger Wessling
Member of the Board
of Directors

Sylvia Wilhelm
Member of the Board
of Directors

Dr. med. Andreas Gassen
Berlin

Günter Haardt[1]
Leubsdorf

Dr. med. Torsten Hemker
Hamburg

Gerhard Hofmann (since 29 April 2022)
Berlin

Steffen Kalkbrenner[1]
Dusseldorf

WP/StB Walter Kollbach
Bonn

Bettina Krings[1] (since 1 June 2022)
Dusseldorf

Dr. med. dent. Helmut Pfeffer (until 29 April 2022)
Wohltorf

Christian Scherer[1]
Deidesheim

Friedemann Schmidt, pharmacist
Leipzig

Dietke Schneider[1]
Hanover

Dr. Thomas Siekmann (since 29 April 2022)
Neuss

Susanne Wegner
Obertshausen

1) Employee representative.

Advisory Board

John Afful

Dr. med. Matthias Albrecht

Stephan Allroggen, dentist

Ass. Jur. Nico Appelt

Dipl.-Kfm. Peter Asché

Dr./RO Eric Banthien

Mark Barjenbruch

Dr. med. Andreas Bartels

Dr. med. dent. Gert Beger

Prof. Dr. Andréa Belliger

Thomas Benkert, pharmacist

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

Christian Berger, dentist

Dr. med. Frank Bergmann

Dr. med. Jörg Berling

Dipl.-Vw. Christoph Besters

Marc Beushausen

Ulrich Böger

Mark Böhm

Dr. med. dent. Cornel Böhringer

Dr. rer. nat. Roswitha Borchert-Bremer

Dr. med. dent. Kay Christensen

Frank Dastych

Prof. Dr. med. Harry Derouet

Dr. med. dent. Michael Diercks

Thomas Dittrich, pharmacist

Antje Dunkel

Dipl.-Kfm. Armin Ehl

Prof. Dr. med. Axel Ekkernkamp

Dr. med. Brigitte Ende

Dr. rer. nat. Ralph Ennenbach

Dr. med. dent. Romy Ermler

Felix Esser

Dr. med. dent. Wolfgang Eßer

Michael Evelt

Dr. med. Johannes Fechner

Ass. jur. Christian Finster

Prof. Dr. med. Ingo Flenker

Dr. Jan-Niklas Francke, pharmacist

Bernd Franken

Ursula Funke, pharmacist

Christiaan Johannes Gabrielse, veterinarian

Dr. Gerald Gaß

Prof. Dr. med. Ferdinand M. Gerlach

Meike Gorski-Goebel

Dr. rer. nat. Doerte Grahlmann, pharmacist

Dr. med. vet. Karl-Ernst Grau

Dr. phil. Jörn Graue, pharmacist

Dr. med. Christiane Groß

Dr. med. Holger Grüning

Dr. med. dent. Jürgen Hadenfeldt

RA Bernd J. Hammer

Dipl.-Stom. Dieter Hanisch

RA Peter Hartmann

SR Dr. med. Gunter Hauptmann

Dr. med. Klaus Heckemann

Dr. med. Dirk Heinrich

Dr. med. Peter Heinz

SR Dr. med. dent. Ulrich Hell

Martin Hendges, dentist

Rudolf Henke

Sarah Heynen

Andreas Hilder

Dr. rer. nat. Reinhard Hoferichter, pharmacist

Dr. med. Stephan Hofmeister

Dr. med. dent. Mathias Höschel

Dr. med. dent. Bernd Hübenthal

Dr. med. dent. Jörg-Peter Husemann

Dr. med. Klaus-Ludwig Jahn

Stephan Janko

Dr. med. Susanne Johna

Peter Kurt Josenhans

RA Peter Klotzki

Franz Knieps

Marcus Koller, dentist

Dr. med. Carsten Dieter König

Dr. rer. soc. Thomas Kriedel

Dr. med. Wolfgang Krombholz

Dr. med. Sylvia Krug

Andreas Kruschwitz, dentist

Dipl.-Med. Andrea Kruse

Dr. Michael P. Kuck

Dr. rer. pol. Herbert Lang

Dipl.-Kfm. Wolfgang Leischner

RA Florian Lemor

Dr. med. dent. Gunnar Letzner

Rainer Linke

Dipl.-Kfm. Thomas Löhning

Dipl.-Betriebsw. Dieter Ludwigl

Dr. med. Ellen Lundershausen

Dr. med. dent. Ute Maier

Claudia Mairle, veterinarian

Lothar Marquardt, dentist

Dr. med. Günther Matheis

Dipl.-Betriebsw. Gerald Matthies

Dr. Kathleen Menzel

Dr. med. dent. Jörg Meyer

Dipl.-Oec. WP/StB Tobias Meyer

SR Dr. med. Josef Mischo

Dr. med. Christoph Mittmann

Dr. phil. Marc-Pierre Möll

Dr. Hans-Georg Möller, pharmacist

Karl-Heinz Müller

Lutz Müller

Thomas Müller

MPH Dr. med. Markus Müschenich

Dr. med. Katharina Nebel

Dipl.-Vw. Marco Neisen

Christian Neubarth, dentist

MUDr. Peter Noack

Dr. med. dent. Hans-Jürgen Nonnweiler

Peter Oleownik, dentist

Dr. Christian Öttl

Gabriele Overwiening, pharmacist

Dr. med. dent. Jens Palluch

Dr. med. dent. Klaus-Dieter Panzner

Dr. med. dent. Helmut Pfeffer

Thomas Preis, pharmacist

Dr. med. Klaus Reinhardt

RA Martin Reiss

Dr. med. dent. Ingo Rellermeier

Dr. med. Claudia Ritter-Rupp

Dr. med. Bernhard Rochell

Dr. med. Annette Rommel

Dr. med. Karl-Friedrich Rommel

Caroline Roos

RA Dr. jur. Helmut Roth

Anke Rüdinger, pharmacist

Dr. med. Burkhard Ruppert

Dr. med. habil. Thomas Schang

Dr. Dr. med. dent. Josef Schardt

Freiherr Dr. med. Titus Schenck zu Schweinsberg

Günter Scherer

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

Dr. med. Pedro Schmelz

Dr. med. dent. Jochen Schmidt

Thorsten Schmidt

Dr. jur. Sebastian Schmitz

Robert Schneider

Dr. med. Rüdiger Schneider

Dr. med. dent. Ursula von Schönberg

Dr. med. dent. Rüdiger Schott

Harald Schrader, dentist

Dr. med. Volker Schrage

Dr. med. Thomas Schröter

RA Joachim Schütz

Dipl.-Med. Angelika von Schütz

Dipl.-Med. Andreas Schwark

Dr. med. dent. Holger Seib

Dr. Philipp Siebelt

Dirck Smolka, dentist

Dr. med. Dirk Spelmeyer

RA Harald Spiegel

Miriam Sprafke

Dr. med. Philipp Stachwitz

Dr. med. Eckhard Starke

Dr. med. Eberhard Steglich

Frank Steimel

Dr. Sibylle Steiner

Dipl.-Vw. Helmut Steinmetz

Dipl.-Betriebsw. Joachim Stöbener

Martin Sztraka, dentist

Dr. med. vet. Uwe Tiedemann

Stefan Tilgner

Max Tischler

Dr. med. Christoph Titz

Dr. Thomas Treptow

Dipl.-Ing. Ernst Uhing

Dr. med. dent. Reinhard Urbach

Axel Uttenreuther

Dr. med. Peter Velling

Dr. Claudia Vogt, pharmacist

Dr. med. Michael Vogt

Dr. med. vet. Guntram Wagner

Ralf Wagner, dentist

Miriam Wawra

Ulrich Weigeldt

Dr. med. dent. Holger Weißig

Amelie Wetter

Anne Wiesner

Dr. med. Lothar Wittek

Ralf Wohltmann

Dipl.-Oec. Oliver Woitke

Prof. Dr. Christiane Woopen

StB. Ulrike Zethoff

Jürgen Ziehl, dentist

Honorary Position Holders and Honorary Members

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

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

Berthold Bisping
Honorary member of apoBank

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

Jürgen Helf
Honorary member of apoBank

Dr. med. Ulrich Oesingmann
Honorary member of apoBank

Dipl.-Betriebswirt Werner Wimmer
Honorary member of apoBank

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Management Report

Fundamental Features of the Bank

Business model

Aligned with the health care market

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

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

Servicing customers in two business segments

We provide service to our customers in two business segments. In the Retail Clients business segment, 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. In the Professional Associations and Large Customers business segment, we advise associations of panel doctors/dentists, chambers and associations, institutional organisations in the health care sector, professional capital investors as well as larger companies and care structures in the health care market. These include operators of pharmaceutical, medical, veterinary, dental, inpatient and nursing care structures.

We offer our customers a wide range of financial and advisory services in payment transactions, in the lending, deposit and investment business, as well as in asset management. We round off our offering with additional services for our customers' various needs in their professional and 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 as well as their organisations. We aim to further strengthen the core of our business model. To achieve this, we will focus even more on creating financial and creative room for manoeuvre. The Bank must be structured to be financially stable in the long run and to continuously enhance its competitiveness.

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

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

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

We support people in academic health care professions with services and products around the topics of career and business start-ups as well as asset management and retirement provision. We plan to significantly expand the asset management business, primarily by considerably growing our asset-building advisory services for retail clients. 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 from the health care sector. In addition, our associated company aik Immobilien-Investmentgesellschaft mbH supports occupational pension funds and pension plans. As a real estate investment company, it pursues an integrated approach that covers all stages of the real estate investment value chain.

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

In the corporate clients business, apoBank acts as a strategic partner to the operators of outpatient and inpatient care, to companies in the health care market, such as those in the pharmacy wholesale and medicine/dental trade, and to clearing centres.

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

In addition to economic sustainability, questions of environmental and social sustainability are becoming increasingly important when it comes to generating value. We see ourselves as a company that is aware of the responsibility it bears towards society. Our sustainability strategy includes a range of measures we intend to implement to create climate-neutral business operations. We will reduce our CO_2 emissions on an ongoing basis and in yearly compensation projects we will balance out further emissions. Our goal is to be climate-neutral across all of our business activities by 2045.

Management system

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

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

Profitability

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

Liquidity adequacy

- Normative perspective: The key parameter here is the liquidity coverage ratio. To calculate this key figure, highly liquid assets are placed in relation to net cash outflows under stress. In addition, longer-term refinancing capability is monitored using the net stable funding ratio.
- Economic perspective: The liquidity gap analysis is used to measure the economic insolvency risk. It maps all short-term liquidity inflows and outflows for a period of twelve months. Intra-day liquidity analyses complement the short-term risk analysis. We apply the refinancing analysis to monitor long-term solvency based on an observation period of more than one year. In the economic perspective, the key figure "non-liquidity-related encumbered assets" has been added to the monitoring process. This key figure limits securities pledging and thus serves to secure the liquidity stock.

Capital adequacy

- Normative perspective: Compliance with the regulatory key equity figures, e.g. total capital ratio and common equity tier 1 (capital) ratio, is monitored over a rolling period of at least three years. We set a strategic target for the total capital ratio of at least 16.5%.
- Economic perspective: The economic capital ratio sets the risk cover potential (in essence the common equity tier 1 (capital) ratio as well as economic evaluation reserves) against the economic risks (confidence level of 99.9%).

Further performance indicators are defined in the management system. These are also derived from the Bank's strategy and refer to market-specific indicators such as customer satisfaction as well as structural key indicators such as quotas for women. In addition, the degree to which employees identify with apoBank is monitored here (Organisational Commitment Index, OCI). The OCI rose to 61 in 2022 (2021: 57). The medium-term target here is 75. apoBank has developed measures to achieve this target in the medium term. Retail client satisfaction was 55% in the year under review (2021: 54%); it reached 73% among professional associations and large customers (2021: 66%). The Bank is developing measures on an ongoing basis to further increase overall satisfaction. Process optimisation is among these measures. We regularly track their success using surveys.

Family-friendly measures, promotion of women and young talent

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

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

Since 2008, apoBank has been participating in the "audit berufundfamilie", which examines to what degree our personnel policy takes into account family needs, and has continued to set itself new goals for a healthy work-life balance of the Bank's employees. apoBank most recently received this certificate in December 2020 for a period of three years.

We offer seminars and programmes for women to help them define where they are at professionally and to plan their careers. This offering was extended in 2022. apoBank's internal mentoring programme to develop leadership skills in women "Frauen fit für Führung – F4" is to be launched in 2023.

In our career pool, we include apprentices of all genders who have potential. We have a special programme to foster young talents in their career development.

Strategic objective “Increase the proportion of women in management”

It is important to apoBank to recruit people with different talents, competencies and social skills. In particular, this includes finding women for management positions and promoting their development. Increasing the proportion of women in the two upper management levels is one of our strategic goals.

The Board of Directors has established the following targets staggered over time for this.

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

Deadline to reach the target	Proportion of women 1st management level	Proportion of women 2nd management level
By 30 June 2022	20%	25%
By 30 June 2027	25%	30%

The first management level includes the divisional directors, the division managers at head office and the sales region managers.

The second management level encompasses the department managers at head office, the Corporate Finance manager, the market region managers, the regional managers Sales Partner Liaison and Support and Corporate Clients as well as the managers of the specialists in portfolio management and of regional loan management.

The share of women as at 31 December 2022 was 14.8% at the first management level (2021: 4.3%) and 19.5% at the second level (2021: 19.3%).

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

The share of women on the Supervisory Board of apoBank was 30% in the year under review. In 2020, the target was set at 20% for the next five years. In the same year, the Supervisory Board did not change the target share of 0% women on the Board of Directors. Following the withdrawal of two members of the Board of Directors as at October 2022, there were no women on the Board of Directors of the Bank as at the balance sheet date of 31 December 2022. Since 1 January 2023, a woman has been in charge of the Risk Board Department.

In line with the requirements of the European Banking Supervision Authority (EBA), the Board of Directors has adopted a diversity guideline to strengthen the diversity of the workforce and increase the diversity of the pool of successor candidates for Board positions. The EBA specifically assesses diversity according to the criteria of age, education and professional background, geographical origin and gender.

The diversity guideline provides references to offerings around various aspects of career planning as well as measures we can implement to ensure equal treatment and equality of opportunity for all employees.

Measures aiming to achieve equal pay for women and men

apoBank provides a transparent description of its remuneration system and remuneration principles in its internal organisation guidelines. This document is available internally to the employees. Furthermore, apoBank publishes a remuneration report with qualitative and quantitative data on remuneration (disclosure in accordance with article 450 of the European Union Regulation No. 575/2013 in combination with Section 16 Institutsvergütungsverordnung – Remuneration Ordinance for Institutions). This report is publicly accessible.

Equal pay for women and men is based on collective bargaining regulations. apoBank is subject to the regulations on collective agreements for the German cooperative banks and the cooperative central bank.

Fixed remuneration

The fixed remuneration for the employees is based in particular on the stipulations of the general wages agreement contract and the collective agreement on remuneration. The employees are classified in wage groups according to the tasks they perform, without gender-specific differentiation.

Non-tariff remuneration is also determined according to function. As a regulatory framework, apoBank has been using a criteria-based system for the evaluation of non-tariff jobs and corresponding salary brackets since 2016. The system to be used for non-tariff job evaluation including the non-tariff salary brackets has been agreed with the employee representatives and laid down in collective agreements. None of the criteria relevant for the evaluation allows for a gender-specific differentiation.

Variable remuneration

The variable remuneration of an employee depends on the provisions of the collective agreements with the employee representatives. It takes criteria such as the employee's function and individual performance into consideration. The assessment of work performance is also subject to the provisions set out in collective agreements. In no system is a gender-specific differentiation envisaged as part of the assessment bases.

Information pursuant to Section 21 para. 2 of the German Remuneration Transparency Act

	2022	2017
Average number of employees during the year[1]	**2,159**	**2,563**
of which male	1,169	1,290
of which female	989	1,272
Average number of full-time employees[1]	**1,741**	**2,111**
of which male	1,131	1,257
of which female	610	854
Average number of part-time employees[1]	**418**	**452**
of which male	39	34
of which female	379	418

1) Deviations possible due to rounding differences.

Economic Report

General economic conditions

Global growth stalls

Global economic growth slowed down in 2022. This was due to the war between Russia and Ukraine as well as tighter monetary policy at many central banks. While the war impacted the raw materials markets, which led to higher natural gas prices in particular, rising interest rates weakened consumer demand. The central banks began to tighten monetary policy to counteract persistently high inflation rates. The significant increase in energy and food prices was the main reason for the high inflation rates, while core inflation excluding energy and food also rose significantly in 2022 as high energy costs were passed on to consumers, supply chain issues continued and labour markets came under strain. In addition, the Chinese economy continues to be strongly impacted by the Covid pandemic. The consequences of China's zero-Covid policy were felt around the world, as lower Chinese demand means companies in other countries export less. As an export-oriented economy, Germany struggled particularly strongly in 2022 with weaker foreign demand (not just from China) as well as with supply bottlenecks and high inflation. However, in the summer months, German economic activity recovered somewhat. The manufacturing industry profited in particular from high contract volumes and the fact that there were fewer acute supply bottlenecks. The services industry benefited from the removal of most of the Covid restrictions.

Central banks tighten monetary policy faster than ever before

In the course of last year, the ECB raised its key interest rates, i.e. the deposit rate, refinancing operations rate and marginal lending facility rate, to 2.00, 2.50 and finally 2.75. Because the inflation rates are dropping only slowly, the Governing Council of the ECB expects further interest rate rises in 2023. The ECB already decided to increase each of its three key interest rates by 50 basis points in February 2023, and a further increase is to be expected in March 2023. Furthermore, the ECB will only fully reinvest the redemption payments from its Asset Purchase Program (APP) until the end of February 2023, after which it will gradually reduce its holdings. The ECB halted the net purchases made by its Pandemic Emergency Purchase Program (PEPP) at the end of March 2022. However, it plans to reinvest the redemption payments of the securities purchased within the PEPP until at least the end of 2024.

The US Federal Reserve (Fed) is even further advanced with its monetary policy tightening measures than the ECB. It has already started to reduce its bond holdings and during the course of last year it raised the target corridor for the key interest rate to 4.25 to 4.5%. Further interest hikes are in the pipeline to reach the inflation target of 2%. In December 2022, the inflation rate was at 6.5% p. a. in the US and 9.2% in the euro area.

GDP growth in % compared to the previous year

	2022	2023[1]
	%	%
Germany	1,9[2]	– 0,1
Euro area	3,5[1]	0,7
USA	2,1[2]	1,4
Emerging markets	3,9[1]	4,0
World economy	3,4[1]	2,7

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

Financial market burdened by many factors

Share prices were dropping significantly until summer 2022. This was due to uncertainty around economic trends as a result of the Ukraine war as well as the higher interest rates. After a recovery between mid-July and mid-August, global key indices continued to decline. The second clear recovery phase that started at the end of October flattened out from the middle of November onwards. Both the MSCI Germany as well as the MSCI All Countries World Index finished the year down just under 20%. The high inflation rates and increasing key interest rates made an essential contribution to the strong global increases in yields on government bonds. As at the end of the year, yields on 10-year German bonds climbed to around 2.6%, after having started the year at just under 0%. Interest on 10-year US government bonds rose in the course of last year from around 1.5 to 3.8%. The prices of investment grade and high-interest corporate bonds decreased by around 15% during the course of the year in the euro area; in the US, the decline in both segments was somewhat greater. By the end of October, the euro had dropped in value significantly against the US dollar. The main reason for this was the fact that the ECB raised its interest rates more slowly than the Fed. In addition, Europe's regional proximity to Russia and its dependence on Russian energy imports impacted the common currency. Although the euro was able to gain ground again from the beginning of November, it still dropped in value from 1.14 to 1.07 US dollars over the course of the year.

Real estate market also impacted by difficult market conditions

In the course of 2022, prices for residential real estate in Germany increased by 2.1%. In this period, detached houses and duplexes in particular rose in price. However, rising interest on loans, costs of living and construction costs led to lower demand for owner-occupied residential property. Prices of apartment buildings, on the other hand, increased only slightly and dropped noticeably from the middle of the year onwards. The commercial real estate market was more heavily impacted by the combination of the pandemic, the Ukraine war, supply bottlenecks, high inflation rates and rising interest rates, with prices sinking by 4.4% in the course of the year. A transition towards online trading driven by the pandemic as well as high energy costs led to significant price declines in the same time span, especially in the retail real estate segment (– 9.1%); by contrast, prices for office real estate decreased only slightly.

Health care market

Health policy remains in crisis mode

In the first half of 2022 in particular, both the ongoing Covid pandemic and the consequences of the Ukraine war led to a crisis-related standstill in the large-scale health policy projects sketched out in the coalition agreement (hospital reform, cross-sectoral care and compensation, "health care kiosks", etc.). In addition, the consistently high inflation rates in energy, HR and material costs as well as the competitive labour market for skilled medical and care workers are presenting more and more of an economic challenge to practices, pharmacies and health care companies. With the electricity and gas price brakes decided upon in mid-December, the German government is utilising a total of €200 billion to buffer the impact of the high energy prices on private households, SMEs as well as care, research and education facilities. Implementation of the additional financial hardship fund for hospitals, care and rehabilitation facilities is also regulated in the legislation on gas and heat price brakes (Erdgas-Wärme-Preisbremsengesetz, EWPBG).

In the last quarter of 2022, the legislator took initial steps to counteract the historical deficit in statutory health insurance and the growing scarcity of skilled workers by passing legislation on the financial stabilisation of the statutory health insurance (GKV-Finanzstabilisierungsgesetz, GKV-FinStG) and a Hospital Care Relief Act (Krankenhauspflegeentlastungsgesetz, KHPflEG). The Hospital Care Relief Act also makes additional funds available for children's clinics and maternity wards. Furthermore, the Federal Minister of Health intends to accelerate the transition from what are currently inpatient services to outpatient arrangements by introducing daily rates at hospitals and compensating certain services with a fixed fee, regardless of whether these are carried out as outpatient services at a practice or at a hospital (in the form of "hybrid DRGs").

In collaboration with representatives of the leading organisations in the health care sector, the federal states and the leading municipal associations, the Federal Ministry of Health negotiated the "Klimapakt Gesundheit" (Climate Pact for Health) in mid-December. Thus, key players in the health care sector are jointly addressing the challenges posed by climate change and are committing to pooling already existing initiatives and activities and actively dealing with the many challenges in terms of climate change and climate protection.

Heterogeneous financial situation of health care professionals

Pharmacies can expect to have had a significant drop in profits in 2022 due to the reduction in Covid-related special effects. While profit increases are unlikely in the classical medication sales business, additional burdens on the cost side are to be anticipated with respect to personnel expenses in particular, due to the new collective agreement. The pharmaceutical services introduced in June 2022 are a positive development as they open up additional revenue potential for pharmacies.

Expenditure by statutory health insurance on panel doctors and psychotherapists increased by 3.5% in the first three quarters of 2022. The individual changes in revenue depend on the respective association of panel doctors and their speciality.

The elimination of the remuneration limit enabled dentists to leverage potential catch-up effects from the Covid pandemic in 2021 and 2022. Furthermore, in 2021 and 2022 the associations of panel dentists were in a position to provide financial support to dentists' practices that had been founded between 2019 and 2021.

The new fee schedule for veterinarians came into force in November 2022. Most items on the fee schedule were significantly increased. This revaluation gives veterinarians more funds to run their practices.

Inpatient providers and companies caught between pandemic fighting and inflation risks

2022 was a challenging year for inpatient health care since the pandemic wave continued until the end of March. This once again led to declining case numbers. The Covid rescue package for hospitals, rehabilitation and special clinics was terminated during the course of the year. In the second half of the year, the focus was on the increased costs as a consequence of the energy crisis. To buffer the resulting burdens, a fast-tracked process ultimately led to the passing both of energy price brakes and an additional hardship fund amounting to €12 billion. For hospitals, care homes and university clinics alone, the government has earmarked €8 billion. Rehabilitation clinics are also considered. At the end of the year, sick leave due to the pandemic, the wave of infections and the RS virus further intensified the already precarious personnel situation. Children's clinics in particular reached their limits because of overburdening and a lack of medication.

In elder care too, the pandemic left its mark. With a few exceptions, the rescue package for care facilities was phased out at the end of June 2022. Legislation requiring compliance with collective wage agreements (Tariftreuegesetz) came into force in September for nursing care. Since then, care facilities are only permitted to operate if they pay their employees at least the collectively agreed wages. This led to increases in the amounts care home residents had to pay out of their own pockets as early as November.

The pharma industry has so far been less economically impacted by the pandemic than other sectors. The medical technology industry remains on a growth path. Business performance was, however, negatively affected by the economic consequences of the Ukraine war and the sanctions on Russia in the form of rapidly rising material, energy and logistics costs. In addition, the EU's Medical Device Regulation (MDR), in place since May 2021, is causing excess costs and delays with respect to the approval of medical products. One main problem in implementing the MDR is capacity bottlenecks at the notified bodies. Innovation in the medical technology sector has begun to show signs of weakening and many medical products are also being removed from the market. To avoid potential supply bottlenecks, the EU Commission plans to extend the MDR's transition periods.

Business performance

Banking sector remains under pressure to change

In the banking sector, 2022 was dominated by sharply rising interest rates, high inflation, massively increasing energy prices as well as the war of aggression by Russia on Ukraine and its global economic consequences. In the real estate business in particular, the higher interest rates led to a collapse in demand for financing. Furthermore, topics such as continuing digital transformation, changing customer requirements and regulatory changes continued to impact the year under review (1 January 2022 to 31 December 2022). The banks are meeting these challenges by making structural adaptations to their balance sheets as well as investing more in process improvements and cost programmes.

The Covid pandemic had not yet come to an end in the year under review, and it continued to partially determine economic conditions for the financial industry. Towards the end of 2022, participating banks began to pay back the funds from the ECB's targeted longer-term refinancing operations (TLTROs), which had supported bank lending in the euro area. The full extent of the financial consequences for banks – including with respect to potential loan defaults – still cannot be predicted.

Business performance satisfactory under challenging conditions

With regard to the earnings situation – in terms of operating profit before risk provisioning – and against the backdrop of challenging conditions, we rate our business performance in the year under review as satisfactory overall. However, in terms of how the relevant items in the income statement performed, a more differentiated analysis is necessary here.

In accordance with our statutory purpose, we supported our members and customers in achieving their professional and private goals by offering our specialised banking services. The number of members decreased to 113,543 (31 December 2021: 115,239 members), and we had 498,474 customers. We continued to work hard in the year under review to successively adapt process and technology-related functionalities of our IT systems. In this environment, apoBank generated a net profit (after tax) of €65.8 million (31 December 2021: €65.4 million).

The balance sheet total sank to €54.2 billion as at the balance sheet date (31 December 2021: €67.4 billion). This decrease is due to a variety of factors, in particular the full repayment of the long-term refinancing funds we had borrowed from the ECB. Loans and advances to customers were at €37.0 billion (31 December 2021: €37.8 billion). The securities portfolio declined to €7.2 billion (31 December 2021: €10.2 billion). The main reason for this is the repayment of our liquidity reserve after the termination of the long-term refinancing transactions with the ECB.

We continue to primarily finance our lending business via liabilities to customers. In the year under review, this item sank to €33.9 billion (31 December 2021: 37.1 billion). Securitised liabilities decreased to €5.5 billion (31 December 2021: €8.9 billion). Liabilities to banks were down to €11.1 billion (31 December 2021: €17.8 billion). The main reason for this was the full repayment of our funds from the ECB's long-term tender.

Retail clients

In the Retail Clients business segment, we support the professional and private endeavours of pharmacists, physicians, dentists, veterinarians and psychotherapists.

Loan portfolio stable

The loan portfolio was stable at €30.7 billion in the year under review (31 December 2021: €31.2 billion). The volume of business start-up financing increased to €8.2 billion as at 31 December 2022 (31 December 2021: €7.6 billion). Real estate financing rose to €18.3 billion (31 December 2021: €18.1 billion). Investment and private financing decreased to €4.2 billion (31 December 2021: €5.5 billion), which we think was due to the high level of liquidity held by our customers.

Rise in average deposit volume

The average deposit volume of our retail clients rose to €26.4 billion (2021: €25.8 billion). Inflows were thus lower than in previous years. This is probably a result of the fact that apoBank temporarily collected custodian fees from its retail clients in early summer 2022. No further custodian fees were charged once the ECB made its interest rate decision in July.

Difficult conditions in securities business

In spite of new funds procured, market conditions led to a decline in our customers' deposit volume to €10.3 billion (31 December 2021: €11.9 billion).

Although prices declined on the financial markets, the volume managed by our asset management unit remained almost stable at €4.8 billion (31 December 2021: €4.9 billion).

Growth in insurance and building society business

We continued to expand the life insurance business with a brokerage volume of €449.6 million (31 December 2021: €436.9 million). This increase was driven in particular by higher demand for insurance products as redemption replacement for financing.

In the building society business, the total contract volume rose to €327.4 million and thus by 60% as against the previous year (31 December 2021: €203.8 million).

Professional associations and large customers

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. These include the associations of panel doctors and panel dentists, the chambers as well as professional organisations.

In the year under review, the average deposit volume amounted to €4.7 billion (2021: €4.8 billion). Deposits remained at this high level due to additional funds temporarily flowing through clearing centres in connection with the Covid pandemic, as had been the case in the previous year.

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

Besides banking services, we offer our pension funds and other long-term investors tailor-made products and services such as asset/liability management studies, helping them manage and monitor their capital investments as well as comply with their own regulatory requirements. In addition, we support our customers in optimising strategic capital investments and investment plans.

Direct portfolio management continued to focus on the creditworthiness of bond debtors when managing mandates. Here, in addition to a large number of quantitative and qualitative aspects, we also increasingly take sustainability factors into consideration. We round off our advisory approach by offering investment plans and solutions for implementing capital investment strategies. Our depository unit for securities and real estate special assets managed 192 funds as at the end of the year (31 December 2021: 236) with a volume of €21.4 billion (31 December 2021: €25.2 billion).

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

Demand for financing remained constant across almost all customer segments throughout the year under review. In spite of continued intense competition, the volume of loans to corporate clients rose to €5.3 billion (31 December 2021: €5.0 billion), with higher margins being achieved in new business.

Net assets, financial position and results

Significant rise in net interest income

Our interest-bearing business considerably exceeded the level of the previous year. Net interest income was €766.4 million (31 December 2021: €685.0 million). Here, we benefited extensively from the fact that interest rates increased during the course of the year, and that refinancing costs in the customer business were moderate.

Income statement

	1 Jan - 31 Dec 2022 €m	1 Jan - 31 Dec 2021 €m	Change %[1]
Net interest income[2]	766.4	685.0	11.9
Net commission income	184.1	193.0	– 4.6
General administrative expenses	– 737.3	– 715.0	3.1
Balance of other operating income/expenses	27.8	25.1	10.6
Operating profit before risk provisioning	241.1	188.1	28.2
Risk provisioning from the operating business[3]	– 43.1	– 14.3	> 100
Risk provisioning with reserve character[4]	– 46.5	– 49.5	– 6.1
Operating result	151.5	124.3	21.9
Taxes	– 85.7	– 58.9	45.6
Net profit after tax	65.8	65.4	0.5

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.

New loans in the lending business amounted to €5.2 billion and were thus 13% higher than in the previous year (31 December 2021: €4.6 billion).[1]

On the liability side, the growth in short-term demand deposits seen in the previous years did not continue. After the ECB's interest rate decision in the summer, we immediately stopped charging custodian fees to our retail clients, which we had introduced in April 2022.

Participation in the ECB's TLTRO measures had a positive effect on net interest income in the year under review. In total, we generated an amount in the mid-double-digit millions here.

Mainly owing to the factors mentioned above, we significantly exceeded the budgeted net interest income level.

Due to the positive trend overall, we made no distributions from our special funds.

The net interest margin was 1.3% (2021: 1.1%).

1) Since 30 June 2022, the net new lending business has been itemised. The previous year's figure was adjusted accordingly.

Net commission income down slightly

At €184.1 million, net commission income was below the previous year's level (31 December 2021: €193.0 million). The significant growth in revenues from payment transactions and brokerage commissions was not able to compensate for the burdens caused by the challenging capital market environment. Due to the difficult capital market environment, the securities business was significantly down on the previous year and also below our expectations. It was this trend in particular that contributed to the commission-based business closing considerably short of budget overall.

Slight increase in general administrative expenses

General administrative expenses amounted to €737.3 million in the period under review (31 December 2021: €715.0 million), and were thus slightly higher than expected.

Personnel expenses increased to €282.0 million (31 December 2021: €260.9 million). The main reasons for this were higher pension provisions as a result of interest rates guaranteed by the Bank having to be adjusted due to the higher interest level, as well as special payments and inflation compensation payments to employees. As a consequence, personnel expenses rose markedly more than expected.

Operating expenditure including depreciation was stable at €455.3 million (31 December 2021: €454.0 million). There were some counteracting effects here: Higher expenditure on IT operations and the bank levy was compensated for by lower project costs and spending on services. Overall, operating expenditure including depreciation was in line with our plans.

The cost-income ratio was 75.9% (2021: 79.8%). Due to the positive earnings performance, it was slightly lower than anticipated.

Higher operating result

The operating result, i.e. profit before risk provisioning, at €241.4 million, was very significantly higher than the previous year's level (31 December 2021: €188.1 million) and higher than planned. The main reason for this was the trend in net interest income, which saw a marked increase. The rise was, however, not as dynamic as we had expected. This more than compensated for the rises in adminstrative expenses. In addition, the other operating income and expenses played a significant role in this trend. In addition to higher revenues from the release of reserves as well as tax rebates, lower costs for legal cases also played a role in the balance of other operating income and expenses closing higher than planned.

Risk provisioning for the operating business lower than expected

Risk provisioning for the operating business was at -€43.1 million (31 December 2021: -€14.3 million). This increase was primarily due to higher write-downs on receivables. In spite of the rise, this item was markedly lower than we had expected, as the allocations to loan loss provisions were lower than planned. To date, there have still been no significant burdens resulting from the Covid pandemic. In addition, we carried out value adjustments on liquidity reserve securities in a low-single-digit million euro amount; these had become necessary as a result of the increase in interest rates. Furthermore, the hidden burdens of our financial instruments classified as fixed assets rose compared to the end of 2021. They reached an amount in the mid-triple-digit million range. We do not expect long-term decreases in value.

Risk provisioning with reserve character amounted to -€46.5 million (31 December 2021: -€49.5 million) and was thus almost three times higher than the budgeted amount.

Stable net profit

The bottom line operating result before tax, at €151.5 million (31 December 2021: €124.3 million), was markedly higher than expected.

Net profit after tax was at €65.8 million (31 December 2021: €65.4 million), and was thus slightly below target. This enables us to make the necessary provisions in line with the planned appropriation of profits and to pay a fair dividend.

The return on equity after taxes amounted to 3.4% (2021: 3.5%); the return on investment was 0.1% (2021: 0.1%).

Decline in balance sheet total, comfortable liquidity situation

The balance sheet total sank by 19.6% to €54.2 billion as at 31 December 2022 (31 December 2021: €67.4 billion). Loans and advances to customers remained almost stable at €37.0 billion (31 December 2021: €37.8 billion). The securities portfolio amounted to €7.2 billion (31 December 2021: €10.2 billion); the decrease was due to the reduction in our liquidity reserves.

apoBank's liquidity situation remained comfortable throughout 2022. During the past financial year, the internal and external minimum requirements for our liquidity position were fulfilled at all times. As a well-established market participant with good credit ratings, we secure 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 period under review, they nevertheless decreased to €33.9 billion (31 December 2021: €37.1 billion) for the first time after years of increasing deposits. This figure also includes the promissory note funds and registered bonds placed with our customers totalling €2.0 billion (31 December 2021: €2.1 billion).

To secure its liquidity, apoBank draws on a broad refinancing mix by issuing 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. Against the backdrop of our comfortable liquidity situation and the change in the interest rate environment, in 2022 we fully repaid the €7.75 billion in funds we had drawn from the ECB's long-term tender. This was the main reason why our liabilities to banks decreased to €11.1 billion (31 December 2021: €17.8 billion). In connection with this, the volume of our ECB-compliant securities sank to €6.2 billion as at the balance sheet date (31 December 2021: €8.9 billion); one reason for this was the early redemption of €3.4 billion of our retained own covered bonds.[1] These effects were the primary reason for the lower balance sheet total.

The total volume of the covered bond portfolio outstanding as at the balance sheet date of 31 December 2022 amounted to €4.9 billion (31 December 2021: €8.2 billion).

In addition, we utilise refinancing options offered by the Kreditanstalt für Wiederaufbau (KfW) and state development banks.

The equity capital item is described in the section "Overall capital situation" in the risk management report. Member numbers are stated inside the front cover of the annual financial report.

1) The portfolio of our own retained covered bonds decreased to zero after repayment of the TLTRO funds.

Assessment by external rating agencies

apoBank's creditworthiness, in other words its ability and willingness to fulfil all of its financial obligations fully and in a timely manner, is rated by Standard & Poor's. In December 2022, the agency confirmed apoBank's issuer credit rating as A+ with a stable outlook. apoBank's senior unsecured bonds have an A+ rating, senior subordinated bonds have 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.

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).

Summary

The conditions for the banking business were dominated in particular by the war of aggression on Ukraine, the jumps in interest rates, high inflation and the resulting difficult capital market environment. In addition, apoBank continued to work on refining the procedural and technical functionalities of its IT systems and customer applications.

Net interest income rose considerably, mainly as a result of the higher interest rates; net commission income was below the previous year's level. General administrative expenses were slightly higher than in 2021. Although risk provisioning from the operating business increased, it remained below expectations. With lower allocations to reserves, net profit was more or less stable after markedly higher taxes than in the previous year. This will enable us to make the necessary provisions in line with the planned appropriation of profits and to pay a dividend.

We view the liquidity situation as comfortable in the period under review. We benefited here from a widely diversified refinancing base.

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 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 option of retaining earnings beyond this that can be used to help finance planned business growth.

Risk management at apoBank includes the following essential elements that contribute to achieving the objectives outlined above:
- the risk inventory,
- the business and risk strategy,
- the capital adequacy monitoring process including the stress test framework,
- the liquidity adequacy monitoring process including the stress test framework,
- risk measurement, limitation and control,
- risk reporting,
- recovery governance and the resolution plan, as well as
- organisation of risk management.

We discuss each of these items in more detail below. We then provide an overview of the development of the risk situation in 2022 and present the details of our risk management objectives and policy. apoBank's risk management system does not assess opportunities; it deals exclusively with risks.

Risk inventory

The full identification of all risks relevant to the Bank forms the basis for an adequately functioning risk management system. Here, the risk inventory, which has to be carried out annually or as events demand, and the New Products Process (NPP), complement each other.

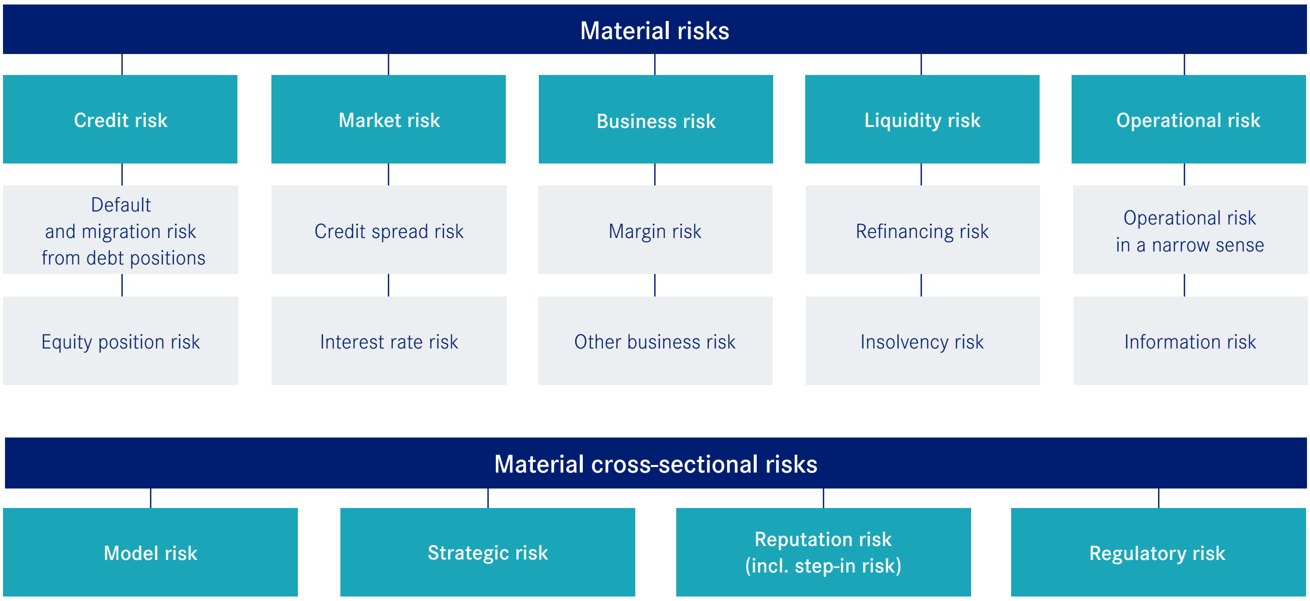
In the risk inventory, we determine the risk profile of apoBank including its shareholdings and outsourced business operations, taking risk concentrations into account. To complement this, independently of the risk inventory we also analyse risk drivers from environment, social, and governance (ESG) risks.

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

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

In addition to the material risks, apoBank also examines risks that can have an indirect impact on material risks; these are also shown in the diagram. These risks are considered material cross-sectional risks and are thus included in the risk-measuring and control procedures of the material risks. In this context, apoBank has identified model risk, strategic risk, reputation risk (incl. step-in risk) as well as regulatory risk as being material cross-sectional risks.

Types of risks at apoBank



Credit risk

Credit risk refers to the risk of deteriorating credit-worthiness of business partners in the customer business or in the Bank's own business, which may even lead to a default event.

Market risk

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

Liquidity risk

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

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

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

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

Business risk

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

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

Other business risk is defined by the Bank as unexpected developments in material and personnel costs, as well as in other operating expenses and income that are not already included in operational risk.

Operational risk

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

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

Model risk

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

Strategic risk

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

Reputation risk including step-in risk

apoBank defines reputation risk as the risk of potential financial burdens due to a negative perception of the Bank among stakeholders (e.g. customers, members, employees, banking supervision authority). Step-in risk is the risk of potential burdens emerging out of apoBank's providing financial support independent of existing contractual obligations to a natural or legal person in a situation of stress. This is an implicit component of reputation risk.

Regulatory risk

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

Sustainability risk

ESG risks encompass climate and environmental risks as well as social and governance risks. In principle, ESG risks are not a separate risk type for apoBank. They can, however, raise the potential threat in the existing (material) risk categories.

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

Business and risk strategy

apoBank's (risk-related) strategic objectives and measures to ensure its long-term success are defined in the business and risk strategy. The content of this strategy is the outcome of the strategy process, which is carried out annually and additionally as required.

The overarching parameters for apoBank's risk appetite are defined in the risk strategy. Specific risk guidelines have been defined for each of the Bank's business segments. Compliance with these guidelines is monitored as part of overall bank management. The responsible decision-making bodies are informed by way of ongoing reporting about compliance with the risk guidelines and the quantitative and qualitative specifications resulting from the risk appetite, such as minimum requirements for ratings and restrictions on maturities or limits.

With regard to dealing with risks, the risk culture is a key part of corporate culture for apoBank. In addition to guidelines on risk culture in the business and risk strategy as well as its code of conduct, the Bank also has a framework for risk culture. It conveys a common understanding of the term "risk culture" and of the target risk culture desired by the Board of Directors.

Capital adequacy monitoring process including the stress test framework

Capital adequacy monitoring process

The capital adequacy monitoring process helps us to assess and monitor the adequacy of our internal capital (ICAAP). It serves to monitor the capital adequacy of the Bank on an ongoing basis.

The capital adequacy monitoring process encompasses the monitoring of key capital parameters, limits and threshold value criteria for the material risks as well as the corresponding reporting with the relevant information and escalation mechanisms.

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

The starting point for ongoing capital adequacy monitoring in the normative perspective is the annual capital planning. Building on this, the development of the capital performance indicators is monitored over a rolling period of at least three years. In addition to the original planning data, key realisations from regulatory and/or supervisory developments, the current business performance as well as other measures and matters that impact capital are taken into account.

The economic perspective complements the normative consideration of capital adequacy. It accounts for all material risks to the Bank – regardless of regulatory requirements – according to economic benchmarks. Here, the risks are quantified with reference to certain points in time.

Internal capital encompasses capital positions that are available to the Bank for compensation of future losses. This primarily comprises the parts of the regulatory capital that can be used for loss compensation. The economic risks are measured at a confidence level of 99.9% on a quarterly basis and assuming a holding period of one year. When measuring the economic risks, diversification effects are taken into account within certain risk types, but not between the risk types. The capital adequacy calculation results in the economic capital ratio. This is the ratio of internal capital to the measured economic risks.

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

Stress test framework

In addition to the basic scenario, the capital adequacy monitoring process also includes quarterly scenario calculations that take account of the effects of unplanned developments on apoBank's capital adequacy.

In the normative perspective, three adverse scenarios are considered that calculate the effects of unusual but plausible developments over several years.

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

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

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

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

Potential structural changes on the German health care market and the resulting impact on apoBank's business model are considered in the "health care market crisis" stress scenario.

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

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

In addition to the established scenarios described above, the Bank addresses current changes in internal and external conditions in the economic and the normative perspective in the ICAAP and uses ad hoc scenario calculations as well as quarterly reviews and fine-tuning of the premises of the existing scenarios to consider potential risks. As of 2020, this included an ad hoc stress scenario for the Covid pandemic, and as of 2022 a separate stress scenario around the Russia-Ukraine war. These scenarios consider unexpected escalations of current developments and potential consequences for the Bank and its customers.

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

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

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

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

Liquidity adequacy monitoring process including the stress test framework

Liquidity adequacy monitoring process

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

The normative perspective takes account of the regulations of the CRR and the national specifications of the Capital Requirements Directive IV (CRD IV), and is based in particular on the liquidity ratios LCR (liquidity coverage ratio) and NSFR (net stable funding ratio). They provide information as to whether the minimum requirements under supervisory law (plus a management buffer set internally by the Bank) can be fulfilled, both from a current-state perspective as well as in future scenarios.

The LCR specifications determine apoBank’s liquidity stock. This is why, in accordance with the regulatory specifications, the actual key figure is monitored and the future LCR is forecast. The NSFR is also calculated quarterly in order to ensure that minimum requirements are fulfilled.

An internal limit system reflecting apoBank’s risk appetite ensures that the actual figures of the LCR and the NSFR as well as the LCR forecasts are adequately monitored.

Both key figures are part of the annual business and mid-term planning.

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

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

Stress test framework

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

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

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

In addition, reverse stress tests analyse liquidity adequacy.

Risk measurement, limitation and control

Credit risk

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

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

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

Credit risk is measured based on sophisticated internal and external rating systems, the results of which are rendered comparable using a master scale. The quality of the internal rating systems is constantly monitored; they are validated on an annual basis and improved, if required. The validation results are documented annually for each rating model.

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

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

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

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

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

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

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

Professional Associations and Large Customers business segment

apoBank allocates to the Professional Associations and Large Customers business segment loans it makes to institutional health care organisations, larger medical care structures, health care companies and to other institutional clients.

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

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

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

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

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

Treasury business segment

apoBank invests available funds in the money and capital markets to manage its liquidity and balance sheet structure. These money and capital market investments as well as derivative transactions are combined in the financial instruments portfolio. In addition to classical securities and money market instruments for liquidity management, it also and in particular includes derivatives to manage the Bank's interest rate risk.

The issuers and counterparties of the financial instruments portfolio are almost exclusively allocatable to the central governments and banks exposure classes. Accordingly, it is primarily external ratings and the VR bank rating of DZ Bank that are used to assess creditworthiness. apoBank also uses various early risk detection tools and processes and makes risk provisions, if needed.

Shareholdings and Corporate Centers business segment

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

The Corporate Centers support the Board of Directors in managing the Bank by advising and supporting it in the areas of strategy, risk management and control. In addition, they assist the business segments in their activities.

Market risk

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

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

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

Interest rate risk

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

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

Another key indicator for monitoring the present-value interest rate risk from a regulatory perspective is the supervisory early warning indicator. This provides information on the relationship between the loss of present value in the event of an ad hoc shock of +/– 200 basis points and the Bank's core capital.

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

Credit spread risk of the financial instruments

We also calculate a value at risk based on a historical simulation to measure the credit spread risk of the financial instruments. The parameters measured here are the credit spreads of the securities. We differentiate between operational and strategic control within the economic capital adequacy framework. Risk measurement within operational control is based on 250 historical scenarios with a holding period of 21 trading days and a confidence level of 99.0%. As is the case with interest rate risk parameters, risk contribution of the credit spread risk in strategic controlling is calculated based on a longer history, which also includes the financial market crisis.

Liquidity risk

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

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

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

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

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

The costs of the liquidity reserve to be held by apoBank are to be borne by the business areas where the costs originate.

To assign the liquidity risks and costs according to their source and offset them, apoBank uses an internal liquidity price allocation system.

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

Business risk

Generally, it is not possible to limit business risks via financial instruments that can be traded on the market. However, the risk measurement shows by way of low historical plan/actual deviations that the planning process is based on solid premises.

Other business risks are assessed by means of a value-at-risk approach (variance-covariance method) based on historical deviations from targets. The cost risks included in this are constantly monitored and controlled using defined cost management processes.

The margin risk is quantified using a value-at-risk approach based on a historic simulation which is calculated by considering a large number of possible interest scenarios over a long period of time.

Operational risk

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

Risk Controlling verifies the plausibility of the self-assessment results, compiles and analyses them, and then presents them to the Board of Directors. The key data on the losses incurred from operational risks are recorded in the central risk event database.

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

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

Concentrations

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

Risk concentrations are analysed and monitored both within the material risks (intra-risk concentrations) and between the material risks (inter-risk concentrations). We analyse earnings concentrations via apoBank’s earnings structure. To analyse capital concentrations, the individual components of capital are examined.

Risk reporting

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

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

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

As monitoring bodies, the Supervisory Board and its Loan and Risk Committee are informed regularly about the current economic situation and risk position of the Bank as well as about risk control and limitation measures. The Loan and Risk Committee advises on the granting of loans and also discusses significant investment decisions, the sale and purchase of properties as well as new investments and divestments. The committee held a total of four ordinary meetings and one extraordinary meeting in the 2022 financial year.

Recovery governance and resolution plan

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

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

Organisation of risk management

Organisational principles

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

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

The front-office functions at apoBank are responsible for operational management. Together with the back-office function, these constitute the first line of defence. They monitor business operations and contribute by means of their original (control) tasks to recognising, evaluating and reducing risks. In addition, the back-office function monitors credit risk in the customer as well as the financial instruments and investment portfolios at the levels of individual borrower, issuer and counterparty.

The risk control function is responsible for the methods and models used to identify, measure and limit risks, as well as for compliance with further specifications, independent monitoring and risk reporting at portfolio level and for the Bank as a whole. Together with the compliance functions, it constitutes the second line of defence.

The Internal Auditing division is an essential component of the Bank's independent monitoring system and constitutes the third line of defence. It conducts downstream audits of the organisational units involved in the risk management process to check their compliance with the agreed regulations and controls.

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

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

Accounting management and control

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

Details on the development of the risk position in 2022

Overall capital situation

Both in the normative perspective and in the economic perspective, the capital ratios were above the respective target ratios on each reporting date. The Bank-wide limit and applicability criteria for the various risks and monitoring parameters were complied with at all times.

Capital situation – normative perspective

In 2022, apoBank's capital ratios were above the respective capital requirements and recommendations as well as above the internal target ratios both on each reporting date and in the rolling three-year capital forecast carried out on the same date.

Compared to the previous year, the common equity tier 1 capital ratio declined marginally as at 31 December 2022, while the total capital ratio increased. As at the balance sheet date, the total capital ratio of apoBank pursuant to the CRR amounted to 17.6% (31 December 2021: 17.3%) and the common equity tier 1 capital ratio was at 15.8% (31 December 2021: 15.9%). The tier 1 capital ratio is identical to the common equity tier 1 capital ratio, as apoBank did not issue any additional tier 1 capital.

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

As at 31 December 2022, regulatory capital totalled €2,595 million, which was slightly below the previous year's figure (31 December 2021: €2,676 million). This is due to a decline in common equity tier 1 capital of €115 million to €2,331 million (31 December 2021: €2,446 million), as well as an increase in tier 2 capital of €35 million to €264 million (31 December 2021: €229 million).

ICAAP – normative perspective

as at 31 December 2022	€m	Total capital ratio %
Regulatory capital	2,594.5	
Risk-weighted assets (RWA)	14,751.7	17.6

Risk-weighted assets	Actual risk €m	Utilisation of threshold value criteria[1] %
Retail business	7,921.0	85.2
Corporates	3,765.6	87.6
Sovereign states	2.2	./.
Institutes	642.3	80.3
Investments	762.7	95.3
Other RWA[2]	1,658.0	79.0

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

The decline in common equity tier 1 capital primarily results from significantly higher regulatory deduction items. These burdens were partially compensated for by the slight increase in offsetable members' capital contributions in the period under review from €1,166 million to €1,192 million as well as allocations to the fund for general bank risks and to the revenue reserves from the 2021 annual result.

Tier 2 capital increased in the year under review to €264 million (31 December 2021: €229 million). This was because apoBank issued subordinated capital to strengthen its total capital ratio.

The backdrop to this was the decision of the German Financial Supervisory Authority (BaFin) to activate an anti-cyclical capital buffer and to introduce the sectoral systemic risk buffer for residential real estate financing.

Risk-weighted assets amounted to €14,752 million as at 31 December 2022 (31 December 2021: €15,427 million). The utilisation rate of the normative Bank-wide limit of €17,300 million was 85.3% as at 31 December 2022.

The decline in risk-weighted assets (RWA) is primarily due to lower overall risk weightings of the weighted assets in different regulatory exposures.

The leverage ratio amounted to 4.3%; it was thus above the regulatory minimum requirement of 3.0%, but below the previous year's level (31 December 2021: 5.0%). This is due to the fact that during the Covid pandemic the ECB decided not to offset central bank exposures when determining the leverage ratio. When this relief measure came to an end, the exposure leverage ratio increased accordingly.

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

The economic capital ratio, which represents the relation between the risk cover potential and the economic risks, was at 152.9%. This is below the level in the previous year (31 December 2021: 164.7%).

ICAAP – economic perspective

as at 31 December 2022	€m	Economic capital ratio %
Risk cover potential	2,586.3	
Bank-wide risk position	1,691.0	152.9

Material risks	Actual risk €m	Limit utilisation[1] %
Credit risk	791.0	71.3
Market risk	391.7	87.1
Liquidity risk	47.3	59.1
Business risk	321.7	91.9
Operational risk	139.2	99.4

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

As at the reporting date, risk cover potential amounted to €2,586 million; it thus dropped compared to the end of 2021 (31 December 2021: €2,971 million). This development is due in particular to the fact that the unrealised losses of the securities in the direct portfolio rose by an amount in the mid-triple-digit millions due to the significantly higher interest rates. The counteracting increases in hidden reserves from the interest rate hedges cannot be offset based on the current method of determining risk cover potential in the economic perspective. This trend was partially compensated for by allocations to reserves from the 2021 annual result, as well as the growth in offsetable members' capital contributions.

The economic risks, which are measured at a confidence level of 99.9%, decreased. Details on the development of the individual economic risks are presented in the following paragraphs. As at 31 December 2022, the utilisation rate of the economic Bank-wide limit of €2,130 million decided upon by the Board of Directors was 79.4% (31 December 2021: 83.9%).

Credit risk

The UEL from credit risks faced by apoBank was €791 million as at the end of December 2022 (31 December 2021: €990 million). The threshold value criterion for credit risk derived from the Bank-wide limit of the economic capital adequacy calculation was complied with on all reporting dates.

The decline in the UEL results both from the customer business and from the financial instruments portfolio, in which matured securities were not replaced, which was in line with the Bank's plans.

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

The rating system of apoBank

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

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

Retail Clients business segment
In the retail clients portfolio, drawdowns dropped in the year under review to €32.0 billion (31 December 2021: €32.2 billion).

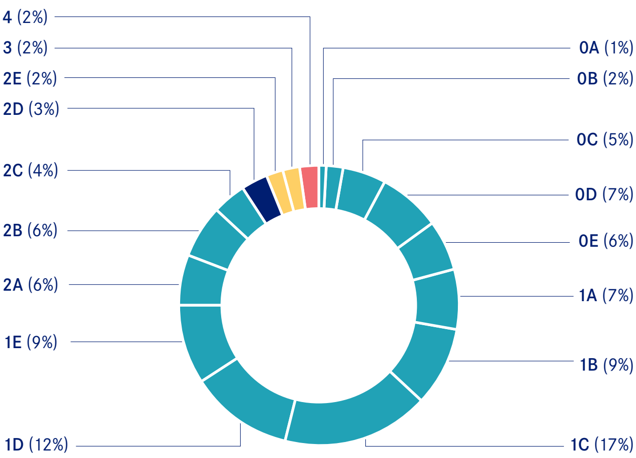
The rating structure shows a rating distribution with an emphasis on good and average rating classes, which is typical of this customer group. The rating coverage is 100%. The portfolio is highly diversified: With around 237,000 borrowers, the largest individual risk accounts for only around 0.1% of the total drawdowns in this portfolio.

After offsetting new and no longer necessary precautionary measures, value adjustments to the amount of €22.6 million were made in the last financial year (31 December 2021: €11.7 million). Thus the value adjustments in this portfolio were just under two thirds of the model-based budgeted figure.

Professional Associations and Large Customers business segment
Drawdowns in the professional associations and large customers portfolio decreased by €0.4 billion to €5.8 billion as at 31 December 2022 (31 December 2021: €6.2 billion). The rating distribution of the portfolio is balanced. The rating coverage is 100%.

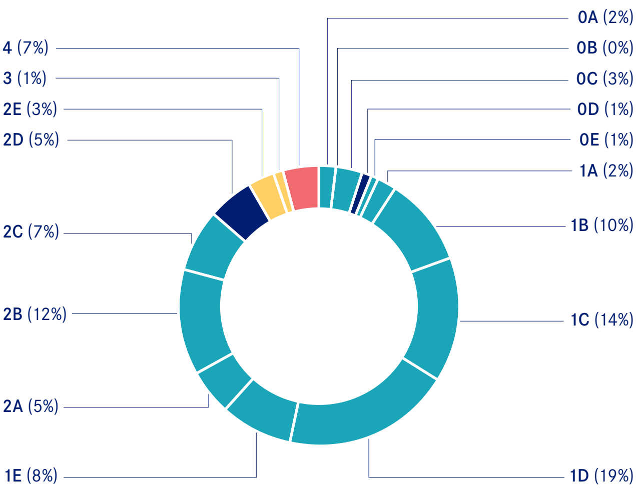
After offsetting the new and the no longer required provisioning measures, value adjustments were made for the professional associations and large customers portfolio to the amount of €19.6 million in the year under review (31 December 2021: €0.3 million). This was significantly higher than planned, mainly due to a one-off case in the Corporate Clients segment.

Rating class distribution in the retail clients portfolio
Volume distribution based on drawdowns
Total of €31,986 million[1]



1) Percentages rounded.

Rating class distribution in the professional associations and large customers portfolio
Volume distribution based on drawdowns
Total of €5,799 million[1]



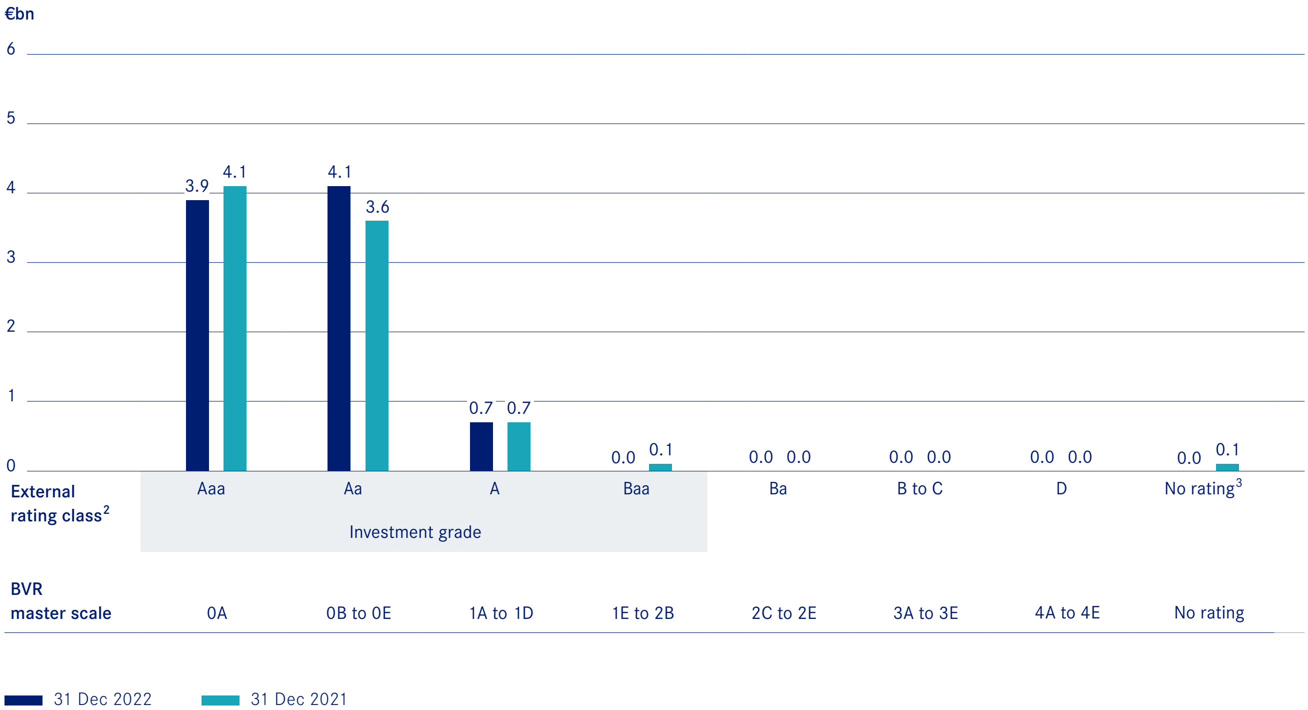
1) Percentages rounded.

Treasury business segment

The risk volume of the financial instruments portfolio managed by the Treasury business segment amounted to €8.8 billion as at the balance sheet date (31 December 2021: €8.5 billion). This growth results from higher holdings of money market products and commercial papers. By contrast, securities holdings in the liquidity management portfolio were lower than in the previous year.

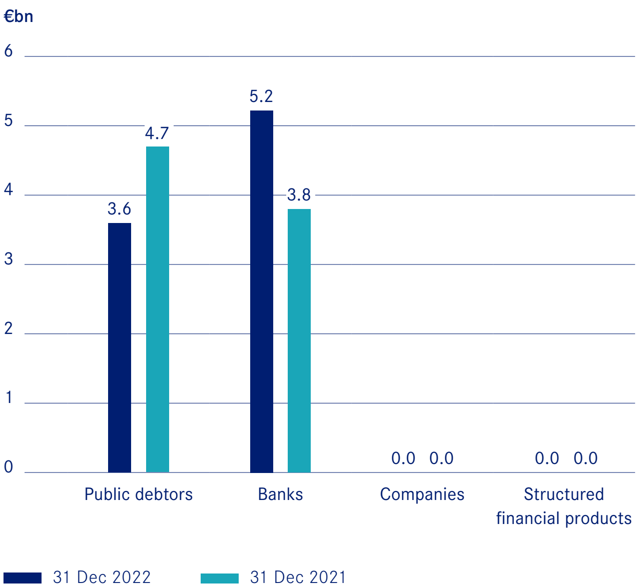
The risk volume of the derivatives in the financial instruments portfolio decreased to €0.1 billion (31 December 2021: €0.2 billion). apoBank uses derivatives primarily to hedge against interest rate risks stemming from the customer business. As at the balance sheet date, the nominal volume amounted to €24.5 billion (31 December 2021: €22.4 billion).

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



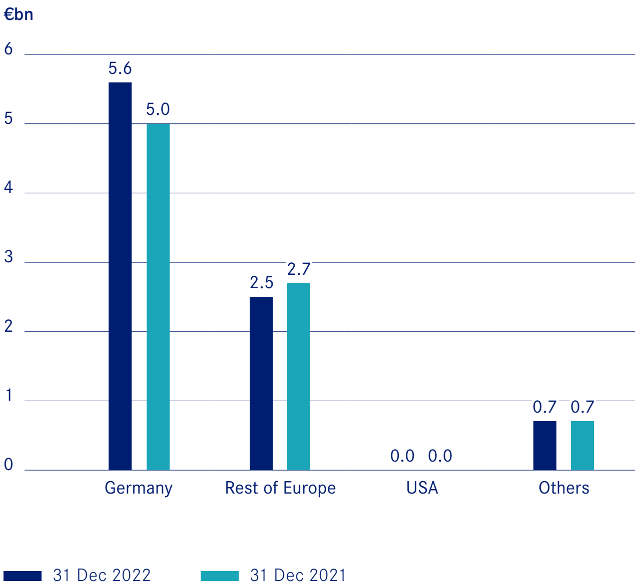
1) Total exposure is generally the book value (loan drawdowns or credit equivalent amount). The exposure for the INKA funds is determined by looking at the underlying assets; the exposure is accounted for on a cost value basis.
2) The letter ratings shown here comprise all rating classes of the respective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

Total exposure of financial instruments portfolio by sector[1]



1) Deviations possible due to rounding differences.

Total exposure of financial instruments portfolio by country[1]



1) Deviations possible due to rounding differences.

As in the previous year, around 99% of the financial instruments portfolio was rated in the investment grade range as at 31 December 2022. After offsetting of risk provisioning, we made risk provisions amounting to €5.2 million as at 31 December 2022 (31 December 2021: release of €1.7 million). We had expected value adjustments to this portfolio of €2 to €3 million.

Shareholdings business segment

The book values of the shareholdings were stable at €0.2 billion as at the balance sheet date (31 December 2021: €0.2 billion).

We released risk provisions in the shareholdings portfolio amounting to around €2.8 million as at the balance sheet date (31 December 2021: €3.9 million). This is due to the sale of a shareholding for significantly more than its book value; neither releases nor value adjustments had been planned.

Market risk

The UEL from market risks faced by apoBank was at €392 million as at 31 December 2022 (31 December 2021: €364 million). This trend was mainly due to the jumps in interest rates throughout the course of the year.

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

The results of the present-value regulatory stress calculations, which are carried out monthly, confirm a moderate interest rate risk at Bank-wide level. apoBank remained below the regulatory reporting limit of 20% of regulatory capital (Basel II interest risk coefficient) throughout 2022. The Basel II interest rate risk coefficient was 9.2% as at 31 December 2022 (31 December 2021: 12.4%).

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

Changes in present value in the banking book

	Ad hoc interest scenario		
	Interest increase (+ 200 bp)	Interest decrease (– 200 BP)	Basel II interest rate risk coefficient
	€m	€m	%
31 Dec 2020	– 284	+55	10.4
31 Dec 2021	– 331	+116	12.4
31 Dec 2022	– 239	+235	9.2

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

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

Liquidity risk

The UEL from refinancing risks faced by apoBank was €47 million as at 31 December 2022 (31 December 2021: €34 million). The threshold value criterion derived from the Bank-wide economic capital adequacy calculation limit for the refinancing risk was complied with on all reporting dates.

The rise in risk compared to the end of the previous year mainly results from the earlier-than-planned repayment of the TLTRO in December 2022. This means that fewer refinancing funds are available.

Business risk

The UEL from apoBank’s business risk was €322 million as at 31 December 2022 (31 December 2021: €296 million). The threshold value criterion for business risk derived from the Bank-wide limit of the economic capital adequacy calculation was complied with on all reporting dates.

Overall, the measured risks fluctuated only moderately.

Operational risk

The UEL from apoBank’s operational risk was at €139 million as at 31 December 2022 (31 December 2021: €121 million). The threshold value criterion for operational risk derived from the Bank-wide limit of the economic capital adequacy calculation was complied with on all reporting dates.

Gross losses from operational risks dropped markedly by 35% compared to the previous year. However, net losses rose by 5%, which was slightly higher than the previous year’s figure. As in the previous years, the main drivers here were legal risks.

Overall liquidity situation

The liquidity situation remained comfortable throughout the year under review. As at the end of the year, all long-term refinancing transactions with the ECB had been repaid.

Liquidity situation – normative perspective
As at 31 December 2022, apoBank's LCR was 206.3% (31 December 2021: 270.8%). The minimum requirement of 100% was met in full at all times in 2022. The LCR forecast also shows that the internal and external minimum limits for the observation periods defined will be complied with at all times.

The net stable funding ratio (NSFR), at 126.8% (31 December 2021: 133.3%), was above the minimum level of 100%.

Liquidity situation – economic perspective
The economic analyses centre around the liquidity forecasts of the liquidity gap analysis. Here, the expected liquidity development in the planned scenario as well as the expected liquidity development in the combined stress scenario are analysed and limited. In the 2022 reporting period, the limits of the liquidity gap analysis were complied with each day.

Compliance with the cover pool limits for German covered bonds (Pfandbriefe) was also assured each day throughout 2022.

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

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

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

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

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

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

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

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

The members of the Board of Directors do not hold any further executive mandates apart from their tasks on the Board. However, they hold four supervisory board mandates (as at 31 December 2022). In addition to their membership on the Supervisory Board of apoBank, the members of the Supervisory Board hold five executive mandates and two supervisory board mandates (as at 31 December 2022). This information was determined based on the application of the simplification provisions pursuant to Sections 25c para. 2 sentence 3 et seqq. and 25d para. 3 sentence 3 et seqq. of the KWG (German Banking Act).

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

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

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

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

The professional careers of the members of the Board of Directors are presented in detail on the apoBank website. Pursuant to Section 25c of the KWG, the executives of an institution must be professionally competent for managing it, suitably reliable and are required to dedicate a sufficient amount of time to their responsibilities. Professional competence implies that they have sufficient theoretical and practical knowledge in the relevant businesses, as well as management experience. With the approval of the members of the Board of Directors, the responsible supervisory authority confirmed their professional competence and reliability.

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

Diversity is a key prerequisite for apoBank’s successful management and future viability. Based on its diversity policy for the Board of Directors and Supervisory Board, apoBank supports diversity in education and professional background, gender as well as age in its selection of suitable candidates. Due to the domestic character of its customer and market structure, internationality is not a target criterion for the selection of members of the Board of Directors and the Supervisory Board.

When defining its diversity goals, apoBank draws upon relevant benchmark results, such as those published by the EBA. In the annual suitability evaluation, apoBank assesses and documents the fulfilment of the defined qualitative and quantitative goals. The external reporting takes place pursuant to the statutory regulations with respect to the targeted proportion of women on the Board of Directors and Supervisory Board.

Forecast Report

The economy and the health care market

Global economy remains subject to uncertainties in current year

The International Monetary Fund (IMF) estimates that global gross domestic product (GDP) grew by 3.2% in 2022 and will increase by 2.7% in 2023. These forecasts are based on the assumption that Russia will not further reduce its gas supplies to Europe and that long-term inflation rates develop as forecast. Growth in the three largest economic areas, i.e. the euro area, China and the US, will slow down noticeably.

The Bundesbank expects economic activity in Germany to have shrunk significantly in the fourth quarter of 2022. According to its forecasts, this decline will continue in the first two quarters of 2023. Recovery is not expected until the second half of 2023 onwards, says the Bundesbank. The high demand for labour is likely to have dropped again somewhat in the period between October 2022 and March 2023. Nevertheless, unemployment will probably increase only minimally, so the labour market will remain robust in 2023. Although the inflation rate in Germany is expected to stay high initially, it is likely to decrease considerably during the further course of the year. Based on the rate of around 7.9% last year, the Bundesbank anticipates that the inflation rate will be around 7% in 2023.

Economic prospects for health care professionals

The structural trends that have been observed for some years now in the health care market (salaried employment, part-time work, cooperation models, networking and dovetailing of sectors) continue to be relevant.

The legislation on the financial stabilisation of statutory health insurance (GKV-Finanzstabilisierungsgesetz, GKV-FinStG) stipulates that pharmacy fees should be cut for 2022 and 2023. The discount that pharmacies must grant to statutory health insurance on each prescription drug is to increase from €1.77 to €2.00. For pharmacies, this law reform means taking a financial hit. Raising the pharmacy discount will lead to a direct net burden on earnings for the around 18,000 pharmacies nationwide of €120 million per year.

The 2023 fee agreement for doctors is likely to lead to additional income in the area of statutory health insurance of a total of approximately €1.4 billion. On average, this can add up to a fee increase per doctor/psychotherapist of €11,000.

The limit on fee growth set down in the GKV-FinStG for 2023 and 2024 is accompanied by a reintroduction of budgeting of dentists' overall remuneration. As a result, the just recently approved funds that care providers would have received for new, prevention-focused periodontitis therapy are being retracted.

Although the current impact of inflation and higher energy costs was not accounted for in the current amendment to the fee schedule for veterinarians, the fee items that were increased in November 2022 will have their full impact in 2023 for the first time and will thus have a tangibly positive effect on practices' income.

Medical care and health care companies in transition

In 2023, strategic questions are moving into the foreground for hospitals in particular, with stronger dovetailing of outpatient and inpatient services taking centre stage. In December 2022, the Government Commission for Modernisation and Needs-Based Provision of Hospital Care presented a proposal to reform hospital remuneration that also includes new stipulations with regard to how hospitals are formally structured. It is now Federal Minister of Health Karl Lauterbach's task to convince the federal states of the reform, as the proposal will affect their hospital budgeting. The Hospital Relief Act (Krankenhauspflegeentlastungsgesetz, KHPflEG) will be initiating changes in remuneration as early as this year. In addition to the introduction of daily rates in clinics, the relevant self-governing bodies were asked to present a proposal for hybrid DRGs by the end of March. Furthermore, a new method for calculating the minimum number of nursing staff required on hospital wards will gradually be introduced as of 2023. A new staff calculation method will apply to care homes, too, as of July 2023, which must be implemented in the facilities by 2025 at the latest. The aim is to introduce a standard nationwide method that will create more transparency and certainty with regard to the quality of care.

Health care companies will continue to face supply chain disruptions, high wage growth, persistent inflation and the resulting price risks for energy and raw materials. Manufacturers of prescription drugs, however, can only raise their prices to a limited extent due to legal regulations, in spite of the huge increases in energy and raw material costs. The measures set down in the GKV-FinStG (manufacturer discount, price moratorium, reform of the German Law on the Realignment of the German Pharmaceutical Market "AMNOG") will place additional burdens on the pharmaceutical industry in 2023. The medical technology sector is still feeling the impact of the Covid pandemic, with shipments to customers declining, reticent new investment by customers as well as fewer tenders by hospitals. Geopolitical shifts and the pressure to localise make access to foreign markets more difficult. Far-sighted supply chain management therefore has top priority.

Health care companies are focusing more and more on both the hospital reform and advancing outpatient care, as the trend towards more outpatient and at-home care will have an effect on manufacturers of products and services in the long term and will thus influence investment decisions.

Large number of health policy reforms planned

The Federal Ministry of Health has a full agenda for 2023: hospital reform, expansion of outpatient care, restructuring of emergency care, "health care kiosks", community health nurses, partial academisation of the health care professions, digital transformation strategy and reducing red tape.

The GKV-FinStG already addressed some initial financing deficits at the end of 2022. The health ministry aims to present recommendations for a long-term financing reform of statutory health insurance and social long-term care insurance by May.

The digital transformation strategy and the federal government's results report are scheduled for finalisation in early 2023. Gematik is to move towards becoming a digital agency in 2023.

The long anticipated structural reform of the hospital sector that goes above and beyond the Hospital Relief Act is scheduled to take place in 2023. This project includes elimination of the flat rates, the option when budgeting to structure hospitals according to services instead of departments, and improvement in treatment. Emergency care is also to be reformed in 2023.

In addition, two medical care acts are planned for 2023. The first mainly addresses primary care provision. Among other things, it is to contain regulations around “health care kiosks”, municipal medical care centres and primary medical care centres. The second medical care act may cover regulations around improving psychotherapeutic care as well as the topics of health regions, regional care centres and direct access to the professional group of physiotherapists, podiatrists, nutrition therapists, speech therapists and ergotherapists.

Besides the preparation of the medical care acts, the following two additional projects are in the pipeline: The main cornerstones of a patients’ rights act are to be presented as soon as possible, whereas the Government Commission on Reproductive Self-Determination and Reproductive Medicine has not yet begun its work. As yet, there is no definitive timeline as to when this commission will be set up.

Finally, the ministry is also planning a draft bill in the first half of 2023 on the license to practise medicine as well as to set down the cornerstones of a health data utilisation act. The legislator also plans to take steps in 2023 in the area of community health nurses; a job definition as well as a needs analysis are being developed for this purpose.

According to its schedule of work, the Ministry of Health considers it realistic that a government draft on the legalisation of Cannabis will be presented in the second half of the year. The prerequisite for this is that the talks with the EU Commission are successful. And finally, legislation to reduce red tape (Bürokratieentlastungsgesetz) is to be introduced in 2023 for the health care sector.

Step by step towards a digital health care sector

To drive forward the digital transformation of the health care sector in 2023, the health ministry is preparing a digital transformation strategy. The results are to be presented in spring and will contain specific conditions for successful implementation in addition to a new vision and accompanying goals. Here, the ministry will focus on data protection in particular. Accordingly, new regulations are to be expected that will grant patients rights of co-determination. The continuation of the large-scale projects around the electronic patient records (ePA) and electronic prescriptions (E-Rezept) is also high on the ministry’s agenda.

The final expansion stage of the ePA, the “ePA 2.0”, was kicked off at the beginning of 2022. In 2023, the adjustments to data protection are to lay the foundation stone for the next expansion phase. This year, Gematik will prepare a concept for the opt-out version of the electronic patient records in addition to the possibility to donate data to research as well as for data storage from the use of digital health care applications (DiGAs). This would mean that health insurers would automatically set up patient records for their insurance holders unless they actively opt out. It is not yet clear when the change might take place – it should, however, happen before the end of the current legislative period.

The planned roll-out of the e-prescription was put on ice last year due to concerns around data protection. To get the e-prescription off to a good start this year, technical changes are first being made in the pharmacy management systems and to the connectors to the telemedicine infrastructure. From the middle of the year onwards, insurance holders should be able to fill their e-prescription at pharmacies by presenting their electronic health card. After the launch, access is to be opened up to private insurance holders once they have received a digital identity.

In 2023, the second expansion phase of the electronic certificate of incapacity to work (eAU) will also start. Health insurers will then be able to send the eAU data to employers digitally.

The first telemedicine infrastructure messengers (TI-Messengers), which are designed to enable fast and secure communications between service providers in the health care sector, can be expected from mid-2023. The roll-out will take place in three stages: The basic cross-sectoral ad-hoc communications between health care professionals will be included in the first expansion stage. In the second stage, insurance holders and insurance companies will be added as communication partners, and video chats are to be used that will be further expanded in the third stage.

The further evolution of TI to TI 2.0 is planned for 2025. But until then, all connectors that are to be discontinued by August 2023 will have to be replaced. Health care professionals who have a connector with a due date from September 2023 onwards will probably be able to choose between an extension of the lifetime of the TI device card and linking up to a data centre connector.

Business performance

The banking sector will continue to face a wide variety of challenges in 2023. Although the unforeseen jump in interest rates last year might lead to an increase in margins on the liabilities side in particular, at the same time the value of many securities portfolios is under pressure. In addition, the Covid pandemic is having a catalysing effect in terms of customer demand for digital offerings. The current economic challenges are placing burdens of varying degrees on the banks, depending on their refinancing profile, geographical target markets, business model and scaling opportunities. In particular banks whose customers are highly exposed to macroeconomic shocks will have to intensify their measures to reduce risk. Many therefore rely on achieving higher commission income via their asset management and pension planning business, on scaling in areas such as payment transactions and on offering more and more digital and non-banking products. Wherever there are limitations to tapping into new sources of earnings, cost reduction programmes will play a larger role. Therefore, banks will have to continue to focus on making optimum use of their resources, tidying up their balance sheets, fine-tuning their business models and driving forward their digital transformation strategies. This is all the more important since global economic uncertainty is likely to remain high in 2023. Securing long-term profitability and adequate capitalisation continue to be the decisive factors in banks' future success.

Continuous fine-tuning of apoBank's business model

We will work on further refining our business model this year, and will continue to pursue our strategy to selectively 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 their retirement provision.

At the same time, we intend to continue to further optimise the Bank's structures and processes and improve our operating performance. We have combined the measures developed in this regard in our Agenda 2025. The aim is to bring long-lasting improvement to our earnings and capital situation, as well as to reduce our expenditure to become more profitable overall.

In 2023, we will continue to work on improving the technical functionalities of our IT systems and applications for our customers. It is our top priority here to rebuild customer satisfaction, which is currently lower than we would like it to be.

Due to the special nature of apoBank's business model, we still do not expect any significant burdens as a consequence of the Covid pandemic. The impact of increased energy prices as well as inflation is also likely to remain moderate, both in terms of the creditworthiness of our customers in the health care professions and of apoBank's administrative expenses.

Stable performance in a challenging environment

For fiscal 2023, we expect the overall earnings situation to be stable, as measured against operating profit before risk provisioning. In the retail clients business, we anticipate a stable new lending business overall. Our focus remains on business start-up financing, our core area of expertise. In real estate financing, we take a margin-oriented approach, and we work with selected partners if needed. We aim to further expand the assets and pension planning business with our retail customers. Our focus here is on private asset management.

In the Professional Associations and Large Customers business segment, we aim for selective growth. Here, we focus more on enterprises in the health care market, hospitals, care facilities and medical care structures. Our goal is to expand our status as the business bank of choice with more and more companies. Financing solutions will remain at the heart of the corporate clients business. In particular, we aim to leverage cross-selling potential.

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 will be on independent advice based on a comprehensive range of solutions.

The balance sheet total is expected to remain stable at around €55 billion.

Earnings situation in 2023 to benefit from interest rate trends

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

Net interest income will rise slightly, which is in line with our expectations. In spite of the increased interest rates, we anticipate a stable new lending business overall.

In the commission-based business, we expect new net funds in our customers' accounts to increase in 2023. However, the ongoing market volatility is likely to negatively impact performance. We anticipate additional profit contributions from advisory services for institutional customers. Overall, however, net commission income will probably remain stable due to the challenging conditions in the securities business.

We are planning with another operating expenses item that is almost balanced, after having brought in €27.7 million in fiscal 2022.

Administrative expenses are dominated by project and investment costs, in particular for Agenda 2025, a higher bank levy as well as by rising inflation; they will, however, remain stable overall. Personnel expenses will drop significantly compared to 2022, in particular due to lower expenditure on company pension plans. However, operating expenditure including depreciation will see a marked increase.

Taking the development of all earnings and expenditure into consideration, the cost-income ratio will remain stable compared to the previous year.

On balance, the operating result, i.e. profit before risk provisioning, is also likely to increase noticeably overall in 2023 as a whole.

According to model-based figures, risk provisioning for the operating business will rise very significantly compared with the previous year.

The Bank again plans to make considerably higher risk provisioning with reserve character for fiscal 2023.

We expect a stable net profit in 2023 compared to 2022.

Capital and liquidity situation

According to our internal forecasting, the total capital ratio will be slightly higher at the end of 2023 than our internal target ratio of 16.5%. We will therefore comply with the external capital requirements and recommendations. Here, higher members' capital contributions as well as higher reserves will partially compensate for the increasing risk assets.

Based on our LCR forecast, we expect apoBank's liquidity situation to remain comfortable because the forecast indicates that both the internal and the external minimum limits for the observation periods defined will be complied with at all times. Here, the solid liquidity reserves apoBank holds play an essential role, alongside its widely diversified customer and investor base.

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. In addition, further improvements in technical customer applications are likely to make a key contribution towards further increasing our customers' satisfaction – which is a key goal of apoBank. The consistent implementation of our Agenda 2025 with a return to focusing on the needs of health care professionals and their organisations is also expected to bolster our market position.

Securing apoBank's reputation, which had suffered as a consequence of the IT migration in 2020, remains pertinent in 2023. We continue to work on improving the technology and process-related functionalities of the Bank. Nevertheless, there are further uncertainties as we move into the current year, in particular in connection with upcoming technical adjustments.

Intense competition continues to impact the Bank's sources of income. In addition to the possible future consequences of the Covid pandemic, economic uncertainty is likely to remain high due to Russia's war on Ukraine, the high energy prices as well as ongoing inflation. The further development of the real estate financing business is also characterised by uncertainties. The resulting difficult market environment may lead to retail clients as well as corporate clients and institutional customers requiring more advisory services with regard to investing their assets and to their financing wishes. As apoBank's business model focuses on the German health care market, we are currently seeing only moderate consequences for our net assets, financial position and results and our risk situation. However, no clear forecast can be made at this point in time as to how this will look in the future, in particular with regard to possible second and third-round effects.

With its Agenda 2025, the Bank will optimise its processes and structures, thus 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. This could create opportunities for higher profitability and improved 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 a slower improvement of the cost-income ratio than planned in subsequent years.

After the finalisation of Basel III and as a consequence of the expected coming into force of the output floor rule, calculation of capital requirements is likely to become highly 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 future specifications of the European Banking Package (CRR III/CRD VI), which have been to a great extent finalised, provide for a multi-year transition period beginning in 2025. Countermeasures to buffer the regulation-driven increase in capital requirements are analysed on an ongoing basis, with some of them already being implemented. apoBank will make comprehensive preparations to comply with the CRR III/CRD VI-regulations as of 2025.

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

Climate change also presents potential risks. These would be both physical risks to assets in the bank balance sheets as a direct result of climate change, as well as transitory risks, i.e. potential financial consequences due to economies having to adapt to the changing climate. In addition, the banking supervision authority expects banks to provide more information and advice to customers about the impact of their activities and products with respect to sustainability and to take account of any negative consequences when granting loans. These requirements can have an influence on banks' reputation as well as generating considerable implementation costs.

Fulfilling the requirements should have a positive impact on consumer and data protection. As a result, customer trust in apoBank could increase significantly.

Additional uncertainties arise from the opportunities and risks associated with the ongoing digital transformation of the banking business, and banking processes in particular, as well as the resulting opportunities for future-proof business models. These new technical advances may lead to increasing disintermediation in the financial industry, i.e. certain steps in its value chains could disappear. On the one hand, this leads 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.

More and more, customers are using applications on the internet and mobile devices for their banking transactions and increasingly only turn to their banks for reassurance when making important decisions. More and more customers prefer to use digital and hybrid channels for advice – even for more challenging requirements. Corporate clients are also increasingly using digital channels, especially to obtain information, sign up for simple products and process their payment transactions. Banks must therefore offer access to their products via various channels with as little media discontinuity as possible.

The internet and digital applications provide users with a huge wealth of information, thereby creating transparency and opportunities to compare the prices, conditions and performance of banking products and services. In addition, users of digital applications are accustomed to the ease of purchasing products, flights etc. in real time. Customers increasingly expect the same from banks. The effects described contribute towards even tougher competition.

This trend brings with it both opportunities and risks. Banks can reduce the degree of vertical integration in their value chain by outsourcing areas that are not relevant to their competitive position and focus on customer-adjacent activities and processes or on specific parts of their value chain, such as the production process, thus creating scale effects. 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.

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

The greater use of customer data opens up the opportunity to satisfy customer needs by employing new business models, but it also entails data protection risks. However, by implementing regulatory requirements around guaranteeing deposits and data protection, for example, banks fulfil customers' high expectations regarding security and protection. For banks, this is a potential competitive advantage over less regulated providers.

Changes in the health care market as an opportunity

Opportunities and risks can also result from changes in the health care market, which is apoBank's core market.

While the number of self-employed health care professionals is continuously declining, new opportunities are emerging around setting up a practice or pharmacy as well as branch and cooperation models. Outpatient and inpatient care are merging more and more, with the rigid sector boundaries slowly softening and synergies likely to be leveraged as a result.

Health care corporations and financial investors are increasingly discovering outpatient medical care. However, there are also a large number of doctors who initiate interdisciplinary or cross-sectoral cooperation arrangements and whom we advise and accompany in founding and growing their health enterprises.

Policy-makers have a lot on their health agenda in 2023, including two extensive medical care acts and a hospital reform act that will both focus on ensuring care that is centred on patients' needs. The trend is towards more patient-centred medicine and away from increasing focus on profits. Going forward, stronger networks will be created between the different stages of care, and patient services in municipalities and in individual areas of health care will be improved. There will be a drive towards more and more inpatient services transitioning to outpatient arrangements, in a first step by aligning outpatient and inpatient remuneration structures. Health policy makers also plan to introduce a digital transformation strategy for the health care sector and nursing care in 2023. The main content of this strategy will be the development of conditions and prerequisites for successful implementation of the electronic patient records (ePA) and the e-prescription (E-Rezept).

Our specialised advisory services counteract the downward trend in the numbers of self-employed health care professionals by helping to reduce reservations about opening their own practice. We work closely with the professional associations here. We also carry out studies, for example to find out what doctors and therapists consider are the pros and cons of opening their own practice. From the results of these studies, we derive strategies around how to best convince customers of the attractiveness of having their own practice and support them on their way to implementing this.

By expanding our advisory services for practices, we support and advise practice owners intensively on all aspects of 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. Practice or company governance that considers not only economic but also environmental and social aspects will be a challenge to health market players, but will also offer opportunities to realign individual practice and business models accordingly. apoBank has recognised this potential and put corresponding measures into place. By training advisors to become qualified sustainability officers, we have laid the foundation to support and advise our customers in the challenges they face around sustainability against the backdrop of changing conditions. Here, we aim to create clear added value to offer support and guidance in this still very nascent area.

From the point of view of apoBank, the health care market offers more opportunities than risks.

Our business model and our specialisation in the health care market give us the opportunity to develop in a changing environment and thus position ourselves successfully and competitively.

4

Annual Financial Statements

Balance Sheet

Assets

	(Notes)	31 Dec 2022 €	31 Dec 2021 €
1. Cash reserves	**(2)**	**352,506,171.15**	**17,259,851,907.51**
a) Cash on hand		26,665,506.25	23,755,431.44
b) Cash in central banks		325,840,664.90	17,236,096,476.07
Including: in the German Federal Bank (Bundesbank)		(325,840,664.90)	(17,236,096,476.07)
c) Cash in post office giro accounts		0.00	0.00
2. Debt instruments of public agencies and bills of exchange, eligible for refinancing with central banks		**0.00**	**0.00**
3. Loans and advances to banks	**(3, 16, 17)**	**9,003,802,243.56**	**1,453,960,551.17**
a) Mortgage loans		0.00	0.00
b) Local authority loans		0.00	0.00
c) Other receivables		9,003,802,243.56	1,453,960,551.17
Including: due on demand		(7,906,586,166.75)	(1,045,839,445.90)
Including: lending against securities		(0.00)	(0.00)
4. Loans and advances to customers	**(3, 16, 17, 20, 25, 26, 29, 50, 51)**	**37,008,337,606.63**	**37,787,208,472.40**
a) Mortgage loans		9,858,834,800.45	10,078,465,250.32
b) Local authority loans		143,579,732.06	131,272,179.08
c) Other receivables		27,005,923,074.12	27,577,471,043.00
Including: lending against securities		(0.00)	(0.00)
5. Debt securities and other fixed-interest securities	**(4, 6, 17, 18, 19, 20, 22, 25, 29, 50, 51)**	**6,212,599,031.81**	**8,997,263,368.03**
a) Money market instruments		416,952,200.70	0.00
aa) of public issuers		0.00	0.00
Including: acceptable as collateral by the Bundesbank		(0.00)	(0.00)
ab) of other issuers		416,952,200.70	0.00
Including: acceptable as collateral by the Bundesbank		(392,546,902.00)	(0.00)
b) Bonds and debt securities		5,795,616,237.53	6,500,434,773.94
ba) of public issuers		2,797,096,593.35	3,535,230,919.04
Including: acceptable as collateral by the Bundesbank		(2,797,096,593.35)	(3,535,230,919.04)
bb) of other issuers		2,998,519,644.18	2,965,203,854.90
Including: acceptable as collateral by the Bundesbank		(2,982,506,985.24)	(2,949,295,061.32)
c) Own debt securities		30,593.58	2,496,828,594.09
Nominal amount		(31,500.00)	(2,460,033,300.00)
6. Shares and other non-fixed-interest securities	**(4, 6, 19, 20, 21, 22, 25)**	**953,107,678.63**	**1,169,129,045.49**
6a. Trading assets	**(5, 19)**	**0.00**	**0.00**
7. Investments and capital shares in cooperatives	**(7, 17, 19, 23, 25, 33)**	**227,947,006.15**	**227,266,356.77**
a) Investments		227,775,608.76	227,094,909.38
Including: in banks		(113,185.48)	(113,185.48)
Including: in financial services institutions		(13,944,583.39)	(13,292,807.39)
Including: in securities institutions		(0.00)	(0.00)
b) Capital shares in cooperatives		171,397.39	171,447.39
Including: in cooperative banks		(0.00)	(0.00)
Including: in financial services institutions		(0.00)	(0.00)
Including: in securities institutions		(0.00)	(0.00)
8. Shares in affiliated companies	**(7, 17, 19, 23, 25, 33)**	**9,501,475.77**	**9,501,477.77**
Including: in banks		(0.00)	(0.00)
Including: in financial services institutions		(0.00)	(0.00)
Including: in securities institutions		(1,292,236.21)	(1,292,236.21)
9. Trust assets	**(24)**	**51,130.18**	**51,130.18**
Including: fiduciary loans		(0.00)	(0.00)
10. Compensation claims against the public sector including debt securities from their exchange		**0.00**	**0.00**
11. Intangible assets	**(8, 25)**	**132,327,460.89**	**151,676,403.23**
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		132,327,460.89	151,676,403.23
c) Goodwill		0.00	0.00
d) Payments in advance		0.00	0.00
12. Tangible assets	**(9, 25, 51)**	**110,989,854.44**	**119,478,726.21**
13. Other assets	**(26)**	**152,832,323.26**	**173,059,295.94**
14. Prepayments and accrued income	**(10, 27)**	**20,307,696.29**	**24,045,390.57**
a) from issuing and loan transactions		9,768,944.30	12,217,059.48
b) Others		10,538,751.99	11,828,331.09
15. Deferred tax assets	**(28)**	**0.00**	**0.00**
Total assets		**54,184,309,678.76**	**67,372,492,125.27**

Liabilities

	(Notes)	31 Dec 2022 €	31 Dec 2021 €
1. Liabilities to banks	**(11, 32, 33, 50)**	**11,065,957,774.49**	**17,812,660,339.65**
a) Registered mortgage bonds issued		155,891,396.86	167,982,457.54
b) Registered public covered bonds issued		0.00	0.00
c) Other liabilities		10,910,066,377.63	17,644,677,882.11
Including: due on demand		(587,349,954.82)	(79,614,019.29)
Including: mortgage bonds and registered public covered bonds delivered to the lender as collateral		(0.00)	(0.00)
2. Liabilities to customers	**(11, 32, 33, 50)**	**33,933,739,088.53**	**37,140,211,637.99**
a) Registered mortgage bonds issued		1,039,693,316.76	1,078,149,196.59
b) Registered public covered bonds issued		0.00	0.00
c) Savings deposits		103,436,178.80	95,141,865.77
ca) with an agreed notice period of three months		103,267,925.35	94,934,328.14
cb) with an agreed notice period of more than three months		168,253.45	207,537.63
d) Other liabilities		32,790,609,592.97	35,966,920,575.63
Including: due on demand		(30,897,962,449.22)	(34,161,637,215.84)
Including: mortgage bonds and registered public covered bonds delivered to the lender as collateral		(0.00)	(0.00)
3. Securitised liabilities	**(11, 32, 33, 50)**	**5,500,406,515.60**	**8,925,792,275.73**
a) Debt securities issued		5,500,406,515.60	8,925,792,275.73
aa) Mortgage bonds		3,770,370,215.74	6,950,720,782.01
ab) Public covered bonds		0.00	0.00
ac) Other debt securities		1,730,036,299.86	1,975,071,493.72
b) Other securitised liabilities		0.00	0.00
Including: money market instruments		(0.00)	(0.00)
Including: own acceptances and promissory notes outstanding		(0.00)	(0.00)
3a. Trading liabilities	**(5)**	**0.00**	**0.00**
4. Trust liabilities	**(34)**	**51,130.18**	**51,130.18**
Including: fiduciary loans		(0.00)	(0.00)
5. Other liabilities	**(11, 35)**	**83,142,419.89**	**44,180,088.39**
6. Prepayments and accrued income	**(13, 36)**	**18,335,876.57**	**60,191,701.29**
a) from issuing and loan transactions		8,783,041.98	48,896,545.54
b) Others		9,552,834.59	11,295,155.75
6a. Deferred tax liabilities		**0.00**	**0.00**
7. Provisions	**(12)**	**449,342,071.14**	**384,737,271.38**
a) Provisions for pensions and similar obligations		261,380,552.74	236,589,093.51
b) Tax provisions		35,096,609.24	3,335,401.29
c) Other provisions		152,864,909.16	144,812,776.58
8. ---		**0.00**	**0.00**
9. Subordinated liabilities	**(11, 33, 37)**	**190,233,098.95**	**118,176,657.86**
10. Participating certificate capital		**0.00**	**0.00**
Including: due within two years		(0.00)	(0.00)
11. Fund for general banking risks		**959,159,460.27**	**905,450,408.74**
Including: special items pursuant to Section 340e para. 4 of the HGB		(0.00)	(0.00)
11a. Special items from currency translation		**0.00**	**0.00**
12. Capital and reserves	**(38, 48, 54, 55)**	**1,983,942,243.14**	**1,981,040,614.06**
a) Subscribed capital		1,261,028,183.58	1,237,756,183.58
b) Capital reserves		0.00	0.00
c) Revenue reserves		657,151,787.67	628,555,705.05
ca) Legal reserves		454,230,000.00	442,750,000.00
cb) Other revenue reserves		202,921,787.67	185,805,705.05
d) Balance sheet profit		65,762,271.89	114,728,725.43
Total liabilities		**54,184,309,678.76**	**67,372,492,125.27**

1. Contingent liabilities	**(39, 40)**	**387,338,316.98**	**507,907,102.94**
a) Contingent liabilities from rediscounted, settled bills		0.00	0.00
b) Liabilities from guarantees and indemnity agreements		387,338,316.98	507,907,102.94
c) Liabilities arising from the provision of collateral for third-party liabilities		0.00	0.00
2. Other obligations	**(39)**	**3,002,975,455.31**	**2,981,652,156.59**
a) Obligations under optional repurchasing agreements		0.00	0.00
b) Placement and underwriting obligations		0.00	0.00
c) Irrevocable loan commitments		3,002,975,455.31	2,981,652,156.59

Income Statement

Income statement

	(Notes)	1 Jan – 31 Dec 2022 €	1 Jan – 31 Dec .2021 €
1. Interest income from	**(42)**	**821,168,769.79**	**722,968,679.22**
a) lending and money market transactions		790,302,045.29	730,112,706.88
b) fixed-interest securities and debt register claims		30,866,724.50	– 7,144,027.66
Including: from negative interest rates		(–48,666,960.14)	(–72,214,235.09)
2. Interest expenses	**(43)**	**– 74,094,405.52**	**– 64,615,848.71**
Including: from positive interest rates		(71,159,076.51)	(117,599,794.97)
3. Current income from		**18,705,244.16**	**26,307,681.12**
a) shares and other non-fixed-interest securities		253,996.47	8,000,000.00
b) participating interests and capital shares in cooperatives		13,881,364.23	13,891,942.11
c) shares in affiliated companies		4,569,883.46	4,415,739.01
4. Income from profit pooling, profit transfer agreements and partial profit transfer agreements		**658,236.25**	**350,967.43**
5. Commission income	**(44)**	**250,570,831.79**	**264,070,617.95**
6. Commission expenses	**(44)**	**– 66,437,189.43**	**–71,109,182.04**
7. Net trading revenues		**0.00**	**0.00**
8. Other operating income	**(45)**	**50,439,884.00**	**54,653,181.03**
Including: from discounting		(16,414.79)	(62,759.23)
9. - - -		**0.00**	**0.00**
10. General administrative expenses		**– 708,030,250.79**	**– 686,613,483.13**
a) Personnel expenses		– 281,953,674.56	– 260,916,194.49
aa) Wages and salaries		– 217,941,851.24	– 211,451,199.80
ab) Social security contributions and expenses for pensions and benefits		– 64,011,823.32	– 49,464,994.69
Including: for pensions		(– 34,569,478.75)	(– 17,230,803.01)
b) Other administrative expenses		– 426,076,576.23	– 425,697,288.64
11. Depreciation, amortisation and write-downs in respect of intangible and tangible assets		**– 29,223,924.91**	**– 28,347,850.86**
12. Other operating expenses	**(45)**	**–22,693,231.73**	**– 29,560,155.14**
Including: from discounting		(– 4,776,106.09)	(– 6,061,735.17)
13. Write-downs and value adjustments in respect of receivables and specific securities and allocations to provisions for credit risks		**– 35,912,651.62**	**– 1,991,539.84**
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**	**– 2,204,170.75**
16. Income from write-ups in respect of investments, shares in affiliates and securities treated as fixed assets		**46,950.84**	**0.00**
17. Expenses from the assumption of losses		**0.00**	**0.00**
18. - - -		**0.00**	**0.00**
19. Operating surplus	**(59)**	**205,198,262.83**	**183,908,896.28**
20. Extraordinary income	**(46)**	**0.00**	**0.00**
21. Extraordinary expenses	**(46)**	**0.00**	**0.00**
22. Extraordinary result	**(46)**	**0.00**	**0.00**
23. Taxes on income	**(47)**	**– 85,334,246.70**	**– 58,479,404.64**
24. Other taxes not reported in item 12		**– 397,713.52**	**– 405,662.83**
24a. Allocations to the fund for general banking risks		**53,709,051.53**	**59,618,358.00**
25. Net profit	**(48)**	**65,757,251.08**	**65,405,470.81**
26. Profit carried forward from the previous year	**(48)**	**5,020.81**	**49,323,254.62**
27. Withdrawals from revenue reserves	**(48)**	**0.00**	**0.00**
a) From legal reserves		0.00	0.00
b) From other revenue reserves		0.00	0.00
28. Allocations to revenue reserves	**(48)**	**0.00**	**0.00**
a) To legal reserves		0.00	0.00
b) To other revenue reserves		0.00	0.00
29. Balance sheet profit	**(48)**	**65,762,271.89**	**114,728,725.43**

Statement of Changes in Equity

Development of capital and reserves

In the reporting year 2022, the amounts shown under liability item 12, “Capital and reserves”, developed as follows:

Capital development

	Subscribed capital		Capital reserves	Revenue reserves		Balance sheet profit/loss
	Members' capital contributions[1]	Contributions of silent partners		Legal reserves	Other revenue reserves	
	€thous	€thous	€thous	€thous	€thous	€thous
31 Dec 2021	1,237,757	0	0	442,750	185,805	114,729
Withdrawals	24,751	0	0	0	0	28,596
Additions	48,022	0	0	11,480	17,116	65,757
Distribution of annual result	0	0	0	0	0	86,128
31 Dec 2022	**1,261,028**	**0**	**0**	**454,230**	**202,921**	**65,762**

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

Cash Flow Statement

Cash flow statement

	31 Dec 2022 €m	31 Dec 2021 €m
Result for the period (net profit/loss)	**65.8**	**65.4**
Write-downs, value adjustments and write-ups in respect of receivables and fixed assets	80.8	46.9
Increase/decrease in provisions	64.6	– 44.8
Other non-cash expenses/income	53.3	58.8
Profit/loss from the sale of fixed assets	2.5	– 4.1
Other adjustments (on balance)	– 0.1	0.3
Increase/decrease in loans and advances to banks	– 7,555.4	– 191.8
Increase/decrease in loans and advances to customers	781.9	441.6
Increase/decrease in securities (unless financial assets)	2,079.6	– 2,111.2
Increase/decrease in other assets from operating activities	72.1	96.2
Increase/decrease in liabilities to banks	– 6,832.0	2,531.1
Increase/decrease in liabilities to customers	– 3,206.6	3,900.9
Increase/decrease in securitised liabilities	– 3,426.7	1,528.5
Increase/decrease in other liabilities from operating activities	– 146.6	– 59.1
Interest expenses/interest income	– 747.1	– 658.4
Current income from shares, non-fixed-interest securities, investments, capital shares in cooperatives and shares in affiliated companies	– 18.7	– 26.3
Expenses/income from extraordinary items	0.0	0.0
Income tax expense/income	85.3	58.5
Interest payments and dividend payments received	855.9	757.9
Interest paid	21.2	– 139.0
Extraordinary deposits	0.0	0.0
Extraordinary payments	0.0	0.0
Income tax payments	– 53.4	– 59.8
Cash flow from operating activities	**– 17,823.6**	**6,191.6**
Deposits from the sale of financial assets	1,864.8	1,298.8
Payments for investments in financial assets	– 954.8	– 1,393.3
Deposits from the sale of tangible assets	0.7	0.4
Payments for investments in tangible assets	– 2.1	– 2.3
Deposits from the sale of intangible assets	0.0	0.0
Payments for investments in intangible assets	0.0	–4.1
Deposits from the sale of consolidated companies	0.0	0.0
Payments for additions to the scope of consolidation	0.0	0.0
Fund changes from other investment activities (on balance)	0.0	0.0
Deposits from extraordinary items	0.0	0.0
Payments for extraordinary items	0.0	0.0
Cash flow from investment activities	**908.6**	**– 100.5**
Payments from increases in equity capital by partners	48.0	26.3
Payments for decreases in equity capital to partners	– 24.8	– 26.0
Deposits from extraordinary items	0.0	0.0
Payments for extraordinary items	0.0	0.0
Dividends paid to partners	– 86.1	– 24.1
Fund changes from other capital (on balance)	70.5	– 1.0
Cash flow from financing activities	**7.6**	**– 24.8**
Cash changes in liquid assets	– 16,907.4	6,066.3
Changes to liquid assets due to foreign currency and valuation	0.0	0.0
Changes in liquid assets due to the scope of consolidation	0.0	0.0
Liquid funds at the start of the reporting period	17,259.9	11,193.6
Liquid funds at the end of the reporting period	**352.5**	**17,259.9**

Notes

A. General information

1. Framework for the preparation of the annual financial statements

The annual financial statements of Deutsche Apotheker- und Ärztebank eG (apoBank), Dusseldorf (Local Court of Dusseldorf, GnR 410), as at 31 December 2022 were prepared according to the regulations of the German Commercial Code (HGB), the Accounting Ordinance for Banks and Financial Services Institutions (RechKredV) as well as the Securities Trading Act (WpHG). At the same time, the annual financial statements meet the requirements of the Cooperative Societies Act (GenG), the German Pfandbrief Act (PfandBG) and the Articles of Association of apoBank.

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

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

B. Accounting, valuation and translation methods

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

2. Cash reserves

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

3. Loans, advances and risk provisioning

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

For the first time, apoBank applied the IDW RS BFA 7 to determine general value adjustments in the year under review. The application of the new IDW statement guidelines involves a change from a loss-determination procedure based on experience (modified taxation procedure) to a procedure based on expected losses. Here, apoBank applies a simplified procedure at portfolio level, by which 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 procedure is based on the assumption that there is a balance between credit risk and creditworthiness premiums considered when designing the conditions. The existence of balance is checked at regular intervals. Should there no longer be balance at portfolio level, a lifetime expected loss would be applied for the portfolio.

As a result of the new calculation method, an income of €3.3 million resulted as at 31 December 2022 compared to the previous method. This figure is reported in the item “Income from write-ups in respect of receivables and specific securities and a release of provisions for credit risks” (income statement, 14). The change in valuation means that the item “Loans and advances to banks” (assets, 3) decreased by €0.5 million, the item “Loans and advances to customers” (assets, 4) increased by €12.4 million. The item “Liabilities from guarantees and indemnity agreements" (liabilities, 1.b) under the bottom line) decreased by €0.1 million and the item “Irrevocable loan commitments” (liabilities, 2.c) under the bottom line) by €2.9 million. The item “Other provisions” (liabilities, 7.c)) increased by €8.6 million.

The effects on the net assets, financial position and earnings situation are thus of subordinate significance.

4. Securities

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

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

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

5. Trading assets and liabilities

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

6. Valuation units

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

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

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

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

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

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

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

As at the balance sheet date, the total volume of the risks hedged amounted to €880 million (31 December 2021: €338 million). These risks result from an omitted depreciation of assets, an omitted appreciation of debt or omitted provisions for contingent losses, and are quantified based on the gross net present values of the derivative transactions. The major part of the changes in value and of the payment flows will probably be balanced over a period of ten years. As at the reporting date, apoBank had designated a total of 349 micro hedges with a nominal value of €7,678 million:

- 269 hedges on the Bank's own issuances against the interest rate risk with a nominal value of €6,099 million, including
  - 12 caps with a nominal value of €171 million,
  - 14 floors with a nominal value of €181 million,
  - 87 swaptions with a nominal value of €1,163 million,
  - 156 swaps with a nominal value of €4,584 million.
- 80 asset swaps to hedge against the interest rate risk of 50 acquired securities with a nominal value of €1,579 million.

As at 31 December 2022, a volume of foreign currency swaps from FX trading had been used in the amount of €218 million within the scope of valuation units, including €215 million to hedge offsetting FX swaps and €3 million to hedge several loans in a foreign currency.

The FX swaps can be broken down based on their currency as follows:
- €93 million in British pounds,
- €79 million in US dollars,
- €37 million in Danish kroner,
- €6 million in Swedish krona,
- €3 million in Swiss francs.

As at the balance sheet date, apoBank had a volume of foreign-currency FX forward transactions of €54 million as valuation units, including €54 million to hedge offsetting FX forward transactions. The FX forward transactions can be broken down based on their currency as follows:
- €53 million in British pounds,
- €1 million in Danish kroner.

7. Investments and shares in affiliated companies

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

8. Fixed assets/intangible assets

Intangible assets were valued at acquisition cost and depreciated on a straight-line basis as planned. The underlying useful life is between three and ten years,

9. Fixed assets/tangible assets

Tangible assets were carried at acquisition cost and – in case they are depreciable – less scheduled depreciation.

Buildings were written down on a straight-line basis or using declining-balance rates throughout their useful life; movable assets were depreciated on a straight-line basis throughout their useful life. Low-value assets within the meaning of Section 6 para. 2 of the German Income Tax Act (EStG) were fully depreciated. Art objects were classified as non-depreciating assets and carried at amortized costs.

10. Prepayments and accrued income (assets)

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

11. Liabilities

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

12. Provisions

The provisions for pension liabilities as at 31 December 2022 were calculated based on the actuarial tables “Richttafeln 2018 G” (Heubeck) using the projected unit credit method. The calculation was based on an interest rate of 1.79% (average over the past ten financial years), a wage increase trend of 3.00% and a pension increase trend of 2.25%. As at 31 December 2022, the difference pursuant to Section 253 para. 6 of the HGB subject to a bar on distribution amounted to €11.4 million on an accounting basis.

apoBank recorded the releases and allocations to the balance sheet item “Provisions for pensions and similar obligations” in relation to the interest effects under other operating income and otherwise as a net item under “Personnel expenses”. Pension provisions and the provision for deferred compensation were netted with the corresponding plan assets (initially under “Other assets”) pursuant to Section 246 para. 2 sentence 2 of the HGB. The fair value amounting to €16.6 million is equivalent to the acquisition costs of the plan assets. apoBank had already exercised the option to apply IDW RH FAB 1.021 in the previous year. In this context, the capitalisation values of the reinsurance for pension obligations are aligned with the corresponding provision amounts for these pension obligations (primacy of the liabilities side). The remaining amount of €13.1 million was offset with the corresponding pension obligations.

The balance of income amounting to €1.1 million and expenses of €0.4 million in connection with the reinsurance for pension obligations was netted with the expenses from the compounded interest of pension provisions amounting to €4.6 million.

The provisions for part-time retirement and for anniversary payments were calculated based on the projected unit credit method. Both types of provisions were made on the basis of an interest rate of 1.45%, a wage increase trend of 3.00% as well as the actuarial tables “Richttafeln 2018 G” (Heubeck). The provisions for part-time retirement are calculated in accordance with the law and under consideration of the agreements made in the individual contracts.

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

apoBank also made adequate provisions for the other uncertain liabilities.

13. Prepayments and accrued income (liabilities)

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

14. Derivative financial instruments

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

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

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

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

Pursuant to the new version of IDW RS BFA 3 n.F., apoBank is required to provide proof of a loss-free valuation of interest-bearing banking book transactions. For all interest-bearing 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 when the total item is financially balanced for each foreign currency as at the balance sheet date. Since special coverage existed in all cases, income and expenditure from currency translation are shown in the income statement under the items “Other operating income” or “Other operating expenses”.

C. Notes to the balance sheet

Notes to assets

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

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

Breakdown of loans and advances by residual terms

	Loans and advances to banks (A3) €thous		Loans and advances to customers (A4) €thous	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Accrued interest	34,868	40,384	3,536	4,743
Up to 3 months	8,059,595	1,119,457	1,434,311	1,027,226
More than 3 months to 1 year	909,339	294,120	3,223,151	3,666,684
More than 1 year to 5 years	0	0	16,213,783	15,477,741
More than 5 years	0	0	14,484,260	15,639,032

Loans and advances to banks (assets, 3) include receivables from the relevant central cooperative bank (DZ BANK AG) of €1,706,938 thousand (31 December 2021: €957,934 thousand).

Loans and advances to customers (assets, 4) include receivables with unspecified maturities of €1,649,295 thousand (31 December 2021: €1,971,783 thousand).

17. Affiliated and associated companies

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

Affiliated and associated companies

	Loans and advances to banks (A3) €thous		Loans and advances to customers (A4) €thous		Debt securities and other fixed-interest securities (A5) €thous	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Loans and advances to affiliated companies	0	0	13,756	13,753	0	0
Loans and advances to associated companies	1,706,938	957,934	346,604	275,261	16,013	15,909

18. Debt securities and other fixed-interest securities

Of the debt securities and other fixed-interest securities (assets, 5) reported in the balance sheet, €1,166,952 thousand (31 December 2021: €1,769,748 thousand) will mature during the financial year following the balance sheet date. These amounts do not include accrued interest.

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

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

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

	Debt securities and other fixed-interest securities (A5) €thous		Shares and other non-fixed-interest securities (A6) €thous		Trading assets (A6a) €thous	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Non-negotiable	0	0	953,108	1,169,129	0	0
Negotiable	6,212,599	8,997,263	0	0	0	0
Quoted	5,701,520	8,935,080	0	0	0	0
Unquoted	511,079	62,183	0	0	0	0
Negotiable securities not valued at the lower of cost or market	4,422,223	2,078,925	0	0	n/a	n/a

	Participating interest and capital shares in cooperatives (A7) €thous		Shares in affiliated companies (A8) €thous	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Non-negotiable	227,834	227,153	9,501	9,501
Negotiable	113	113	0	0
Quoted	0	0	0	0
Unquoted	113	113	0	0

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

20. Securities portfolio/receivables by purpose

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

Securities portfolio/receivables by purpose

	31 Dec 2022 €thous	31 Dec 2021 €thous
Loans and advances to customers		
Fixed assets	0	607

	31. Dec 2022 €thous	31 Dec 2021 €thous
Debt securities and other fixed-interest securities		
Fixed assets	5,795,616	6,500,435
Liquidity reserve	416,983	2,496,829
Total	**6,212,599**	**8,997,264**

	31 Dec 2022 €thous	31 Dec 2021 €thous
Shares and other non-fixed-interest securities		
Fixed assets	953,108	1,169,129
Liquidity reserve	0	0
Total	**953,108**	**1,169,129**

21. Shares in special investment funds

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

Shares in special investment funds

Name of fund	Investment objective	Value in accordance with Sections 168, 278 or 286 para. 1 KAGB or comparable international regulations (fair value) €thous	Difference to book value €thous	Distributions made for the total financial year €thous	Restriction of daily redemption
APO 1 INKA	Domestic and international bonds	1,004,431	60,816	0	no
BlackRock apo Global Healthcare Private Equity Fund, S.C.A., SICAV-RAIF	Investments in unquoted companies, domestic and international funds	8,114	415	104	no

APO 2 INKA was liquidated in the first half of 2022.

22. Financial instruments classified as fixed assets

Financial instruments classified as fixed assets[1]

	Book value as at 31 Dec 2022 €thous	Fair value as at 31 Dec 2022 €thous	Omitted depreciation €thous
Banks	2,158,465	1,995,793	162,672
Public debtors	2,100,498	1,816,750	283,748
Companies	38,383	34,053	4,330
Total	**4,297,346**	**3,846,596**	**450,750**

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

In fiscal 2022, the hidden burdens in fixed-asset securities rose to €450,750 thousand (31 December 2021: €12,137 thousand). On the balance sheet date, a creditworthiness audit was therefore carried out on all securities with hidden burdens. The audit determined no creditworthiness-induced value reductions. The rise in hidden burdens is due to interest-induced factors. There are no permanent value reductions.

23. List of holdings

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

List of holdings

Company	Share in company capital on 31 Dec 2022 %	Year	Capital and reserves of the company €thous	Result of the past financial year €thous
aik Immobilien-Investmentgesellschaft mbH, Dusseldorf	64	2021	12,111	3,998
aik Management GmbH, Dusseldorf [1]	100	2021	67	42
APO Asset Management GmbH, Dusseldorf	70	2021	24,447	8,665
APO Data-Service GmbH, Dusseldorf [2]	100	2022	4,031	253
apoDirect GmbH, Dusseldorf [2]	100	2022	1,525	405
ARZ Haan AG, Haan	38	2021	62,533	7,687
Deutsche Ärzte Finanz Beratungs- und Vermittlungs-Aktiengesellschaft, Cologne	25	2021	25,604	11,049
DZR Deutsches Zahnärztliches Rechenzentrum GmbH, Stuttgart	16	2021	29,253	21,504
Finanz-Service GmbH der APO-Bank, Dusseldorf	50	2021	4,690	1,802
HCL Technologies gbs GmbH, Ratingen [3]	49	2021	1,641	– 3,430
medisign GmbH, Dusseldorf	50	2021	1,889	1,445
PROFI Erste Projektfinanzierungs- und Beteiligungsgesellschaft AG, Zurich [4]	50	2022	7,467	4,513
RiOsMa GmbH, Dusseldorf	90	2021	99	20
Treuhand Hannover GmbH Steuerberatungsgesellschaft, Hanover	26	2021	39,141	762
WGZ Beteiligungs GmbH & Co. KG, Dusseldorf	5	2021	3,169,789	75,496
ZA Zahnärztliche Abrechnungsgesellschaft Düsseldorf AG, Dusseldorf	25	2021	7,482	1,797
ZPdZ – Zahnpraxis der Zukunft GmbH, Dusseldorf	50	2021	544	– 124

1) Indirect investment.
2) Before profit transfer or loss absorption.
3) Formerly gbs – Gesellschaft für Banksysteme GmbH, Münster.
4) The financial year ends on 30 June of the respective year.

As at 3 January 2022, the share in company capital in gbs – Gesellschaft für Banksysteme GmbH, Münster, was increased from 10 to 49%. This company was renamed HCL Technologies gbs GmbH on 29 August 2022 and is headquartered in Ratingen, Germany.

apoBank no longer intends to permanently hold naontek AG. It was therefore reported as a financial shareholding under current assets as at 30 June 2022 for the first time.

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

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

24. Trust assets

The trust transactions shown on the assets side of the balance sheet are fiduciary loans (investments) totalling €51 thousand (31 December 2021: €51 thousand).

apoBank holds in trust almost exclusively limited partnership shares for the holders of share certificates in various Medico funds.

25. Development of fixed assets

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

Tangible assets

	31 Dec 2022 €thous	31 Dec 2021 €thous
Land and buildings used within the scope of apoBank’s own operations	87,293	91,354
Office furniture and equipment	22,525	26,925

Development of fixed assets

	Acquisition/ production costs as at 1 Jan 2022	Changes in the reporting period: Additions	Disposals	Transfers	Acquisition/ production costs as at 31 Dec 2022
	€thous	€thous	€thous	€thous	€thous
Intangible assets	218,061	8	0	0	218,069
Tangible assets					
Land and buildings[1]	210,143	476	189	0	210,430
Office furniture and equipment[1]	117,609	1,633	6,470	0	112,772
Loans and advances to customers	600	0	600	0	0
Fixed-asset securities	7,649,852	954,110	1,868,934	0	6,735,028
Participating interests and capital shares in cooperatives	227,733	691	10	0	228,414
Shares in affiliated companies	23,563	0	14,062	0	9,501
Total	**8,447,561**	**956,918**	**1,890,265**	**0**	**7,514,214**

1) In the reporting year, acquisition/production costs as at 1 January 2022 and amortisation/depreciation (accumulated) as at 1 January 2022 were adjusted.

Amortisation/ depreciation (accumulated) as at 1 Jan 2022	Amortisation/ depreciation	Write-ups	Changes in total amortisation/depreciation as a result of			Amortisation/ depreciation (accumulated) as at 31 Dec 2022	Book values at the balance sheet date
			additions	disposals	transfers		
€thous	€thous	€thous	€thous	€thous	€thous	€thous	€thous
– 66,385	– 19,357	0	0	0	0	– 85,742	132,327
–117,590	– 4,375	0	0	0	0	–121,965	88,465
– 90,684	– 5,492	0	0	5,929	0	– 90,247	22,525
0	0	0	0	0	0	0	0
– 5,358	0	0	0	0	0	– 5,358	6,729,670
– 467	0	0	0	0	0	– 467	227,947
–14,062	0	0	0	14,062	0	0	9,501
– 294,546	**– 29,224**	**0**	**0**	**19,991**	**0**	**– 303,779**	**7,210,435**

26. Other assets

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

Other assets

	31 Dec 2022	31 Dec 2021
	€thous	€thous
Capitalised premiums from options and caps	31,458	36,841
Receivables from asset management	56,940	53,369
Tax receivables	14,089	27,661
Receivables from the distributions of the mutual funds APO 1 and APO 2 INKA	0	5,000
Receivables from the custody business	19,007	20,506

27. Prepayments and accrued income (assets)

The prepayments and accrued income items include discount amounts from assumed liabilities of €9,769 thousand (31 December 2021: €12,217 thousand) and upfront payments of €8,497 thousand (31 December 2021: €9,535 thousand).

28. 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 31 December 2022, a net deferred tax asset existed. This was essentially due to differences between the valuations in the trading and tax accounts for shares and other non-fixed-interest securities, loans and advances to customers, provisions for pensions, intangible assets as well as other assets.

The total net surplus of deferred tax assets amounted to €203,169 thousand, including deferred tax assets of €207,396 thousand and deferred tax liabilities of €4,227 thousand.

A tax rate of 31.8% was applied for calculating deferred taxes.

29. Subordinated assets

Subordinated assets are included in the following items:

Subordinated assets

	31 Dec 2022 €thous	31 Dec 2021 €thous
Loans and advances to customers	178,164	66,768
Debt securities and other fixed-interest securities	16,013	15,909
Total	**194,177**	**82,677**

30. Repurchase agreements

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

31. Foreign currency items

Assets include foreign currency items with a value of €338,266 thousand (31 December 2021: €358,142 thousand).

Notes to liabilities

32. Breakdown of liabilities by residual terms and other items

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

Breakdown of liabilities by residual term

	Liabilities to banks (P 1) €thous		Savings deposits (P 2c) €thous		Liabilities to customers without savings deposits (P 2a, 2b, 2d) €thous		Securitised liabilities (P 3) €thous	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Accrued interest	33,003	– 52,256	0	0	18,444	18,305	15,502	14,149
Up to 3 months	722,338	161,703	101,648	92,822	31,116,650	34,222,492	525,905	530,905
More than 3 months to 1 year	230,870	284,560	572	355	390,733	246,188	308,699	590,739
More than 1 year to 5 years	3,067,068	10,509,173	1,201	1,936	1,417,156	831,407	2,850,300	4,740,199
More than 5 years	7,012,679	6,909,480	16	29	887,320	1,726,678	1,800,000	3,049,800

Liabilities to banks include €620,943 thousand (31 December 2021: €59,082 thousand) of liabilities to the relevant central cooperative bank (DZ BANK AG).

Of the liabilities to banks, €9,898,732 thousand (31 December 2021: €17,154,245 thousand) are secured by transfer of assets of at least the same amount. These liabilities are mainly publicly refinanced loans.

At the balance sheet date, no long-term refinancing transactions with the ECB existed, no securities were pledged. In the previous year, securities amounting to €8,284,477 thousand had been pledged as collateral for the TLTROs. Irrespective of liabilities to be assigned, apoBank deposited cash collaterals of €228,765 thousand (31 December 2021: €93,735 thousand) within the framework of our collateral management for interest rate derivatives. Moreover, securities with a book value of €319,001 thousand (31 December 2021: €150,218 thousand) were pledged as collateral for margin obligations at futures and options exchanges and to secure payment obligations from securities transactions.

Of the debt securities issued (liabilities, 3.a)), €833,699 thousand (31 December 2021: €1,120,739 thousand) will mature in the year following the balance sheet date.

33. Liabilities due from affiliated or associated companies

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

Liabilities due from affiliated or associated companies

	Liabilities to affiliated companies €thous		Liabilities to associated companies €thous	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Liabilities to banks (P 1)	0	0	620,943	59,082
Liabilities to customers (P 2)	54,398	35,943	36,956	49,764
Securitised liabilities (P 3)	0	0	0	0
Subordinated liabilities (P 9)	0	0	0	0

34. Trust liabilities

The trust transactions shown on the liabilities side of the balance sheet are liabilities for contributions (investments) held in trust of €51 thousand (31 December 2021: €51 thousand).

apoBank holds in trust almost exclusively limited partnership shares for the holders of share certificates in various Medico funds.

35. Other liabilities

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

Other liabilities

	31 Dec 2022 €thous	31 Dec 2021 €thous
Trade payables	3,933	6,976
Tax liabilities	6,058	10,255
Premiums from options and caps	5,006	6,792

36. Prepayments and accrued income (liabilities)

“Prepayments and accrued income (liabilities)” includes:

Prepayments and accrued income (liabilities)

	31 Dec 2022 €thous	31 Dec 2021 €thous
Premium from liabilities (securitised or unsecuritised)	6,768	46,293
Discount from claims	2,015	2,603
Other prepayments and accrued income	9,553	11,295

The decline in premiums from liabilities is mainly due to the collection of covered bonds.

37. Subordinated liabilities

Expenses of €3,568 thousand were incurred in the past financial year (31 December 2021: €1,973 thousand). Early redemption of the subordinated liabilities is excluded in the case of four subordinated promissory note bonds.

Subordination has been arranged as follows: In the event of the insolvency or liquidation of apoBank, these liabilities are repayable only after all higher-ranking creditors have been satisfied. The liabilities have a residual term of five to 21 years.

Subordinated liabilities with a nominal value of €188,500 thousand (31 December 2021: €118,000 thousand) carry the following interest rates:
- one subordinated bearer bond with a 6-month Euribor variable rate plus 1.00%,
- 15 subordinated promissory note bonds with fixed interest rates of 1.60 to 4.96%.

As at the balance sheet date, borrowings exceeding 10% of the balance sheet item amounted to €120,000 thousand (31 December 2021: €112,000 thousand); their interest rates and maturities were as follows:
- subordinated promissory note bond with a nominal value of €35,000 thousand, due on 26 November 2030, interest rate of 1.60%,
- subordinated promissory note bond with a nominal value of €30,000 thousand, due on 30 November 2037 (early repayment as at 30 November 2032 possible), interest rate of 1.84%,
- subordinated promissory note bond with a nominal value of €35,000 thousand, due on 30 November 2037, interest rate of 1.82%,
- subordinated promissory note bond with a nominal value of €20,000, due on 23 February 2042 (early repayment as at 23 February 2038 possible), interest rate of 2.63%.

38. Capital and reserves

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

Subscribed capital

	31 Dec 2022 €thous	31 Dec 2021 €thous
Members’ capital	**1,261,028**	**1,237,757**
Of remaining members	1,230,726	1,231,219
Of departing members	25,682	6,053
Of terminated cooperative shares	4,620	485
Compulsory contributions due on shares in arrears	1,994	286

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

Revenue reserves

	Legal reserves €thous	Other revenue reserves €thous
As at 1 Jan 2022	442,750	185,806
Transfers		
from balance sheet profit of the previous year	11,480	17,116
from net profit of the financial year	0	0
Withdrawals	0	0
As at 31 Dec 2022	**454,230**	**202,922**

39. Foreign currency items

Foreign currency items are included in liabilities with an equivalent value of €323,117 thousand (31 December 2021: €310,181 thousand) and in off-balance-sheet contingent liabilities and other obligations with an equivalent value of €77,016 thousand (31 December 2021: €61,578 thousand).

40. Contingent liabilities

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

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

Derivative financial instruments

41. Derivative financial instruments

The volume of unsettled forward transactions affected by a settlement risk or currency, interest rate and/or other market risks arising from open positions, and in the event of counterparty default also from closed positions, amounted to €24,498 million as at 31 December 2022 (31 December 2021: €22,432 million). As at 31 December 2022, the following types of transactions were included therein:

Distribution of traded derivatives/types of transactions

Interest rate-related transactions

- Interest rate swaps
- Swaptions
- Caps/floors

Currency-related transactions

- FX forward transactions
- FX swaps

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

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

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

Risk structure

		Nominal value €m		Fair value[1] €m
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Interest rate-related transactions[2]				
Time to maturity up to 1 year	1,777	1,469	5	– 5
more than 1 year to 5 years	11,888	8,952	281	– 40
more than 5 years	10,560	11,030	68	33
Subtotal	**24,225**	**21,451**	**354**	**– 12**
Currency-related transactions				
Time to maturity up to 1 year	273	826	0	0
more than 1 year to 5 years	0	155	0	0
more than 5 years	0	0	0	0
Subtotal	**273**	**981**	**0**	**0**
Total	**24,498**	**22,432**	**354**	**– 12**

1) Netted, taking into account pro rata interest, where applicable.
2) Interest- and stock-related transactions are reported under the items “Other assets” (€31.5 million), “Prepayments and accrued income (assets)” (€8.5 million), and “Prepayments and accrued income (liabilities)” (€9.3 million).

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

D. Notes to the income statement

42. Interest income

The “Interest income” item includes €48,667 thousand in negative interest income from deposits with the ECB and other banks, from collateral management, as well as from fixed-interest securities (1 January to 31 December 2021: €72,214 thousand).

43. Interest expenses

The item “Interest expenses” includes €71,159 thousand in positive interest expenses from borrowings from the ECB, other banks and specific customer groups, from collateral management as well as from securitised liabilities (1 January to 31 December 2021: €117,600 thousand).

44. Commission income and commission expenses

Commission income includes insurance brokerage services rendered for third parties amounting to €24,267 thousand (1 January to 31 December 2021: €21,512 thousand).

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

Other operating income of €50,440 thousand (1 January to 31 December 2021: €54,653 thousand) includes, among other things:

Other operating income

	1 Jan – 31 Dec 2022	1 Jan – 31 Dec 2021
	€thous	€thous
Rental income	4,329	4,109
Release of reserves (related to other periods)	21,824	31,935
Income from currency translation	5,731	7,401

Other operating expenses of €22,693 thousand (1 January to 31 December 2021: €29,560 thousand) result primarily from the following items:

Other operating expenses

	1 Jan – 31 Dec 2022	1 Jan – 31 Dec 2021
	€thous	€thous
Provisions for litigation costs	2,282	4,216
Expenses from compounding	4,776	6,062
Expenses from currency translation	4,768	5,438

46. Extraordinary income and expenses

As in the previous year, no extraordinary income or extraordinary expenses were incurred in 2022.

47. Taxes on income

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

The item “Taxes on income” includes other material income related to other periods of €924 thousand from tax refunds for previous years (1 January to 31 December 2021: €1,245 thousand), and expenses related to other periods of €946 thousand from tax arrears for previous years (1 January to 31 December 2021: €1,862 thousand).

48. Proposal for the appropriation of the balance sheet profit

In 2022, apoBank recorded a net profit of €65,757,251, the profit carried forward from the previous year amounted to €5,021. The Supervisory Board and the Board of Directors will propose the following appropriation of profit at the Annual General Meeting:

Appropriation of balance sheet profit

	31 Dec 2022	31 Dec 2021
	€	€
Net profit	65,757,251.08	65,405,470.81
Profit carried forward from the previous year	5,020.81	49,323,254.62
Balance sheet profit	65,762,271.89	114,728,725.43
Allocations to legal reserves	8,000,000.00	11,480,000.00
Allocations to other revenue reserves	8,000,000.00	17,116,082.62
Dividends (4,0%/in the previous year 7,0%)	49,754,407.35	86,127,622.00
Carried forward to new account	7,864.54	5,020.81

E. Other notes

49. Events after the reporting date

No events took place that were subject to reporting requirements between 31 December 2022 and 7 March 2023 when the Annual Financial Statements were prepared by the Board of Directors.

50. Disclosures according to Section 28 of the PfandBG

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

Total amount and maturity structure

	Nominal value		Net present value		Risk net present value[2]	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Total amount of outstanding covered bonds (€m)	4,949	8.179	4,408	8,503	3,434	9,091
Total amount of cover pool (€m)	9,243	9.159	8,842	9,994	7,460	10,505
Overcollateralisation (€m)	4,294	980	4,434	1,491	4,026	1,414
Overcollateralisation in % of outstanding covered bonds	87	12	101	18	117	16
Statutory overcollateralisation[1] (€m)	197	–	88	–	n/a	n/a
Contractual overcollateralisation[1] (€m)	–	–	–	–	n/a	n/a
Voluntary overcollateralisation[1] (€m)	4,097	–	4,346	–	n/a	n/a

	Maturity structure of outstanding covered bonds		Maturity profile of cover pool		Postponement of maturity[1] (12 months)	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
	€m	€m	€m	€m	€m	€m
Up to 6 months	548	500	647	426	0	–
More than 6 months to 12 months	74	545	497	567	0	–
More than 12 months to 18 months	115	548	649	536	548	–
More than 18 months to 2 years	50	574	608	457	74	–
More than 2 years to 3 years	608	1,165	1,066	1,160	165	–
More than 3 years to 4 years	10	1,018	920	927	608	–
More than 4 years to 5 years	1,033	260	982	864	10	–
More than 5 years to 10 years	1,685	2,718	3,039	3,300	2,718	–
More than 10 years	826	851	835	922	826	–

1) The amendment to the PfandBG came into force on 8 July 2022. The statement is only made for the fiscal year 2022.
2) The risk net present value is calculated on the basis of the dynamic method in accordance with the Pfandbrief Net Present Value Regulation (PfandBarwertV).

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

	31 Dec 2022	31 Dec 2021[2]
Prerequisites for the postponement of the maturity of covered bonds pursuant to Section 30 para. 2a PfandBG	The postponement of maturity is necessary to avoid the insolvency of the Pfandbrief bank with limited activity (prevention of insolvency), the Pfandbrief bank with limited activity is not over-indebted (no existing over-indebtedness) and there is reason to believe that the Pfandbrief bank with limited activity will be able to meet its liabilities then due at any rate after the expiry of the maximum possible postponement period, taking into account further postponement possibilities (positive fulfilment forecast). See also Section 30 para. 2b PfandBG.	–
Powers of the cover pool administrator in the event of postponement of the maturity of the covered bonds under Section 30 para. 2a PfandBG	The cover pool administrator may postpone the due dates of the redemption payments if the relevant requirements under Section 30 para. 2b PfandBG are met. The period of postponement, which may not exceed twelve months, shall be determined by the cover pool administrator as needed.	–
	The cover pool administrator may postpone the due dates of redemption and interest payments, which become due within one month after their appointment, to the end of this monthly period. If the cover pool administrator decides to make such a postponement, it shall be irrefutably presumed that the requirements of Section 30 para. 2b PfandBG have been met. Such a postponement shall be taken into account within the framework of the maximum postponement period of 12 months.	–
	The cover pool administrator may only exercise their authority uniformly for all covered bonds of an issue. In this context, the maturities may be postponed in full or on a pro rata basis. The cover pool administrator must postpone the maturity of a covered bond issue in such a way that the original sequence of servicing of the covered bonds which could be overtaken by the postponement is not changed (prohibition of overtaking). This may mean that the maturities of issues falling due at a later date must also be postponed in order to comply with the prohibition on overtaking. See also Section 30 para. 2a and 2b PfandBG.	–

1) Effects of a postponement of maturity on the maturity structure of the covered bonds/shift scenario: 12 months. This is an extremely unlikely scenario which could only come into effect after the appointment of a cover pool administrator.
2) The amendment to the PfandBG came into force on 8 July 2022. Information on the postponement of maturity is only provided for the fiscal year 2022.

There are neither derivatives nor foreign currencies in the cover pool.

Composition of the cover pool

Total amount of receivables used as cover	31 Dec 2022 €m	31 Dec 2021 €m	Share in the total amount of cover pool 31 Dec 2022 %	31 Dec 2021[1] %
By size class				
Up to €300 thousand	6,127	6,261	66	68
More than €300 thousand to €1 million	1,286	1,243	14	14
More than €1 million to €10 million	796	773	9	8
More than €10 million	404	372	4	4
By type of use (I) in Germany				
Residential	6,990	7,056	76	77
Commercial	1,623	1,593	18	17
By type of use (II) in Germany				
Flats	2,073	2,105	22	23
Single- and two-family homes	4,047	4,125	44	45
Multi-family homes	870	825	9	9
Office buildings	713	465	8	5
Retail buildings	57	46	1	1
Industrial buildings	0	0	0	0
Other commercially used buildings	853	1,083	9	12
Unfinished new buildings not yet ready to generate a return as well as building sites	0	0	0	0
of which: building sites	0	0	0	0

1) Previous year's values adjusted.

There are no mortgage cover assets outside Germany.

Other cover assets

	31 Dec 2022	31 Dec 2021[1]
	€m	€m
Receivables pursuant to Section 19 para.1 sentence 1 no. 2a) and b)	0	–
of which covered bonds pursuant to article 129 Regulation (EU) No. 575/2013	0	–
Receivables pursuant to Section 19 para. 1 sentence 1 no. 3a) to c)	0	–
of which covered bonds pursuant to article 129 Regulation (EU) No. 575/2013	0	–
Receivables pursuant to Section 19 para. 1 sentence 1 no. 4	630[2]	–

1) The amendment to the PfandBG came into force on 8 July 2022. The statement is only made for the fiscal year 2022.
2) All debtors have their headquarters in Germany.

Key figures for covered bonds outstanding

		31 Dec 2022	31 Dec 2021
Covered bonds outstanding	(€m)	4.949	8.179
of which share of fixed-interest covered bonds Section 28 para. 1 no. 13 PfandBG (weighted average)	(%)	98	66
Cover pool	(€m)	9.243	9.159
of which total amount of claims pursuant to Section 12 para. 1 which exceed the limits pursuant to Section 13 para. 1 sentence 2, 2nd half-sentence[1]	(€m)	0	–
of which total amount of values according to Section 19 para. 1 exceeding the limits under Section 19 para. 1 sentence 6[1]	(€m)	0	–
Receivables exceeding the limit according to Section 19 para. 1 no. 2[1]	(€m)	0	–
Receivables exceeding the limit according to Section 19 para. 1 no. 3[1]	(€m)	0	–
Receivables exceeding the limit under Section 19 para. 1 no. 4[1]	(€m)	0	–
of which share of fixed-interest cover assets	(%)	93	93
Volume-weighted average age of receivables (elapsed term since granting of loan, “seasoning”)	(years)	6	6
Average weighted loan-to-value ratio	(%)	55	55

1) The amendment to the PfandBG came into force on 8 July 2022. The statement is only made for the fiscal year 2022.

Key liquidity figures

		31 Dec 2022	31 Dec 2021[1]
Largest negative sum arising within the next 180 days within the meaning of Section 4 para. 1a sentence 3 PfandBG for covered bonds (liquidity requirement)	(€m)	367	–
Day on which the largest negative sum arises	Day (1-180)	88	–
Total amount of cover assets that meet the requirements of Section 4 para. 1a sentence 3 PfandBG (liquidity cover)	(€m)	570	–
Proportion of cover assets in the cover pool for which or in respect of whose debtor is deemed to have defaulted in accordance with article 178 (1) CRR	(%)	–	–

1) The amendment to the PfandBG came into force on 8 July 2022. The statement is only made for the fiscal year 2022.

Overview of overdue receivables

	31 Dec 2022	31 Dec 2021
	€m	€m
Total amount of receivables more than 90 days in arrears	0	0
Total amount of receivables in arrears if the respective arrears amount to at least 5% of the receivable	0	0

Other information

		Residential		Commercial
	2022	2021	2022	2021
Number of foreclosure and receivership proceedings pending on the closing date	0	0	0	0
Number of foreclosures carried out during the financial year	0	0	0	0
Number of properties taken over during the financial year to prevent losses	0	0	0	0
Total amount of interest in arrears (€m)	0	0	0	0

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

	31 Dec 2022	31 Dec 2021[1]
ISIN	XS0916966731, XS1043552345, XS1109753175, XS1119335534, XS1123870641, XS1195587941, XS1376323652, XS1535054891, XS1693853944, XS1760108198, XS1763163067, XS1766992058, XS1770021860, XS1852086211, XS1869455490, XS1957516252, XS2022175249, XS2079126467, XS2113737097	–

1) The amendment to the PfandBG came into force on 8 July 2022. The statement is only made for the fiscal year 2022.

51. Cover statement mortgage bonds

Cover statement mortgage bonds

	31 Dec 2022 €thous	31 Dec 2021 €thous
Loans and advances to customers		
Mortgage loans	8,612,924	8,649,008
Tangible fixed assets (land charges on the Bank’s own property)	0	0
Debt securities and other fixed-interest securities (book value as at 31 Dec 2022: €630,000 thousand, 31 Dec 2021: €510,000 thousand)	630,000	510,000
Total cover assets	9,242,924	9,159,008
Total mortgage bonds requiring cover	4,949,100	8,179,100
Overcollateralisation	4,293,824	979,908

52. Other financial obligations

Other financial obligations amounted to €118,020 thousand at the end of 2022 (31 December 2021: €118,020 thousand) and result from an optional obligation to purchase shares in a company within the scope of the lending business. This obligation does not currently pose a risk.

apoBank is a member of the protection scheme with a guarantee fund and a guarantee network operated by the National Association of German Cooperative Banks (Deutsche Volksbanken und Raffeisenbanken e. V., BVR). Within the scope of the guarantee network, apoBank has assumed a guarantee obligation that amounted to €57,183 thousand as at the end of the past financial year (31 December 2021: €63,022 thousand).

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

53. Average number of employees

The average number of employees in 2022 was 1,741 (2021: 1,762) full-time and 417 (2021: 428) part-time employees. In addition, apoBank also employed an average of 89 apprentices (2021: 88).

54. Changes in membership

Changes in membership

	Number of members	Number of cooperative shares	Uncalled liabilities €thous
Beginning of 2022	115,239	821,037	1,231,556
Additions 2022	1,108	33,120	49,680
Departures 2022	2,804	32,344	48,516
End of 2022	113,543	821,813	1,232,720

55. Capital contributions and uncalled liabilities of members

Capital contributions and uncalled liabilities of members

	1 Jan – 31 Dec 2022 €thous	1 Jan – 31 Dec 2021 €thous
The capital contributions of the remaining members decreased in the year under review (previous year: increased) by	493	2,095
Uncalled liabilities decreased in the year under review (previous year: increased) by	1,164	1,914

The value of the company share and the value of the uncalled liabilities amount to €1,500 each.

By amendment to the Articles of Association on 29 April 2022, the obligation of members to make additional contributions was excluded (entered in the register of cooperatives on 15 August 2022).

56. Auditor's fee

The expenses for the audit of the annual financial statements, other certification services, tax advice and other services of the auditor, GV (Genossenschaftsverband – Verband der Regionen e. V.), were €2,832 thousand in the year under review (2021: €2,579 thousand).

The expenses can be broken down as follows:

Auditor’s fee

	2022 €thous	2021 €thous
Audit of the annual financial statements	2,261[1]	2,140
Other assurance services	511[2]	364
Tax advice	8	0
Other services	52	75

1) Of which release of provisions from 2021 in the amount of €89 thousand.
2) Of which concerning WpHG audit relating to previous years in the amount of €134 thousand.

57. Board compensation

According to Section 285 sentence 1 no. 9a of the HGB, the total remuneration granted to the Board of Directors amounted to €5,625 thousand in 2022 (2021: €6,294 thousand); the performance-related share of this total remuneration was 43.7% (2021: 44.1%). The total remuneration paid to Board members in 2022 amounted to €5,281 thousand (2021: €5,385 thousand).

According to the remuneration structure for members of the Board of Directors agreed upon by the Board of Directors and the Supervisory Board, variable remuneration is paid to Board members on top of the basic salary. This amounts to 35.0% of the aggregate salary if all goals are achieved. If the agreed goals are exceeded or not met, the variable payment for the year is increased or decreased accordingly. However, if the results fall short of the goals by more than 50%, no variable remuneration will be paid, and if the goals are exceeded by more than 50%, the variable remuneration will not increase further.

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

The total remuneration for former members of the Board of Directors and their surviving dependants amounted to €4,546 thousand (2021: €2,775 thousand). Pension provisions for this group of persons as at the balance sheet date amounted to €56,004 thousand (2021: €53,181 thousand).

The total remuneration for members of the Supervisory Board was €1,352 thousand (2021: €1,269 thousand), which was divided up as follows: annual remuneration €612 thousand (2021: €611 thousand), attendance fees €659 thousand (2021: €584 thousand) and other benefits €81 thousand (2021: €74 thousand).

58. Amounts due from Board members

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

Amounts due from Board members

	31 Dec 2022 €thous	31 Dec 2021 €thous
Members of the Board of Directors	1	2
Members of the Supervisory Board	4,373	4,699

59. Additional notes pursuant to Section 26a of the German Banking Act (KWG) and breakdown of income by geographic market

Deutsche Apotheker- und Ärztebank eG, 40547 Dusseldorf, Germany

The purpose of the cooperative is to provide economic and professional support to its members and especially members of the health care professions, their organisations and associations. 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.

The turnover of €978.3 million resulted from the operating result, excluding risk provisioning, write-downs in respect of intangible and tangible assets and general administrative expenses. Deutsche Apotheker- und Ärztebank's operating result amounted to €205.2 million based on HGB accounting.

The average number of employees (excluding members of the Board of Directors) in 2022 was 2,048 (full-time equivalents).

The profit before tax of €205.2 million as at 31 December 2022 was largely generated in Germany. Income tax on this amount was €85.3 million.

apoBank does not receive any public aid.

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

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

61. Board of Directors

Members of the Board of Directors
- Matthias Schellenberg (since 1 March 2022), Chair, responsible for Group Strategy and Health Care Market, Human Resources, Legal, Internal Auditing, Professional Organisations (all until 30 September 2022); since 1 October 2022 responsible for Health Care Market and Shareholdings, Human Resources (until 31 December 2022), Legal, Internal Auditing, Professional Organisations, Corporate Development, Corporate Communications (until 31 December 2022); since 1 January 2023 responsible for Communications and Brand; since 13 September 2022 additionally responsible for Retail Clients (temporary)
- Eckhard Lüdering (until 30 September 2022), responsible for Risk Management
- Alexander Müller, responsible for Large Customers and Markets
- Thomas Runge (since 1 January 2023), responsible for IT and Products
- Holger Wessling, responsible for Finance and IT (until 31 December 2022), since 1 January 2023 responsible for Controlling and Bank Operations
- Sylvia Wilhelm (since 1 January 2023), responsible for Risk Management

62. Supervisory Board

Members of the Supervisory Board
- Prof. Dr. med. Frank Ulrich Montgomery (until 29 April 2022), Chair, Chair of the Board of the World Medical Association Inc.
- Dr. med. dent. Karl-Georg Pochhammer, Chair (since 29 April 2022), deputy chair of the National Association of Statutory Health Insurance Dentists KdöR
- Sven Franke[1], Deputy Chair, bank employee
- Ralf Baumann[1] (until 31 April 2022), bank employee
- Fritz Becker, owner of Nordstadt-Apotheke Pforzheim
- Marcus Bodden[1], bank employee
- Martina Burkard[1], bank employee
- Mechthild Coordt[1], bank employee
- Stephanie Drachsler[1], bank employee
- Dr. med. dent. Peter Engel, dentist (retired)
- Dr. med. Andreas Gassen, Chair of the Board of the German National Association of Statutory Health Insurance Dentists KdöR
- Günter Haardt[1], General Manager Asset Management at Vereinte Dienstleistungsgewerkschaft (ver.di) GmbH
- Dr. med. Torsten Hemker, Chair of the Administrative Committee of the Versorgungswerk der Ärztekammer Hamburg KdöR
- Gerhard Hofmann (since 29 April 2022), Member of the Board of the Federal Association of German Cooperative Banks (Bundesverband der Deutschen Volksbanken und Raiffeisenbanken e. V. (BVR)) (retired) and Director of Deutsche Bundesbank (retired)
- Steffen Kalkbrenner[2], bank employee
- Walter Kollbach, tax consultant/auditor (retired)
- Bettina Krings[1] (since 1 June 2022), bank employee
- Dr. med. dent. Helmut Pfeffer (until 29 April 2022), Chair of the Pension Committee of the Versorgungswerk der Zahnärztekammer Hamburg KdöR
- Christian Scherer[1], bank employee
- Friedemann Schmidt, President of the Sächsische Landesapothekerkammer KdöR
- Dietke Schneider[1], bank employee
- Dr. Thomas Siekmann (since 29 April 2022), former deputy chair of the Board of Deutsche Apotheker- und Ärztebank eG
- Susanne Wegner, General Manager of the Verwaltungsgesellschaft Deutscher Apotheker mbH

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

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

In 2022, members of the Board of Directors and employees of the Bank held seats on the supervisory boards or comparable boards of the following joint-stock companies pursuant to Section 267 para. 3 of the HGB or comparable organisations:

Name	Company	Function
Matthias Schellenberg	aik Immobilien-Investmentgesellschaft mbH, Dusseldorf	First Deputy Chair of the Supervisory Board since 1 May 2022
	Apo Asset Management GmbH, Dusseldorf	Member of the Supervisory Board since 1 May 2022, Deputy Chair of the Supervisory Board since 1 January 2023
	Deutsche Ärzteversicherung AG, Cologne	Second Deputy Chair of the Supervisory Board and Member of the Audit Committee since 23 March 2022
Jenny Friese	Deutsche Ärzte Finanz Beratungs- und Vermittlungs-AG, Cologne	Deputy Chair of the Supervisory Board until 11 October 2022
	ZA Zahnärztliche Abrechnungsgesellschaft Düsseldorf Aktiengesellschaft, Dusseldorf	Member of the Supervisory Board until 11 October 2022
Eckhard Lüdering	PROFI Erste Projektfinanzierungs- und Beteiligungsgesellschaft AG, Zurich	Member of the Administrative Board until 18 October 2022
	Treuhand Hannover Steuerberatung und Wirtschaftsberatung für Heilberufe GmbH, Hanover	Deputy Chair of the Supervisory Board until 31 July 2022
Alexander Müller	aik Immobilien-Investmentgesellschaft mbH, Dusseldorf	Member of the Supervisory Board since 1 November 2022
	Apo Asset Management GmbH, Dusseldorf	Chair of the Supervisory Board until 31 December 2022 Member of the Supervisory Board since 1 January 2023
	naontek AG, Dusseldorf	Chair of the Supervisory Board until 31 July 2022
	PROFI Erste Projektfinanzierungs- und Beteiligungsgesellschaft AG, Zurich	Member of the Administrative Board
Thomas Runge	PROFI Erste Projektfinanzierungs- und Beteiligungsgesellschaft AG, Zurich	Member of the Administrative Board since 9 January 2023
Holger Wessling	Internationale Kapitalanlagegesellschaft mbH, Dusseldorf	Member of the Supervisory Board
Heiko Drews	Finanz-Service GmbH der APO-Bank, Dusseldorf	Member of the Supervisory Board since 1 January 2023
Mirko Engels	aik Immobilien-Investmentgesellschaft mbH, Dusseldorf	Member of the Supervisory Board until 31 July 2022
Steffen Kalkbrenner	ARZ Haan AG, Haan	Deputy Chair of the Supervisory Board until 31 July 2022
	Treuhand Hannover Steuerberatung und Wirtschaftsberatung für Heilberufe GmbH, Hanover	Deputy Chair of the Supervisory Board since 1 August 2022
Dr. Hanno Kühn	aik Immobilien-Investmentgesellschaft mbH, Dusseldorf	Member of the Supervisory Board
	Apo Asset Management GmbH, Dusseldorf	Member of the Supervisory Board
Jasper Jan Meijerink	Finanz-Service GmbH der APO-Bank, Dusseldorf	Member of the Supervisory Board
Carsten Padrok	Deutsche Ärzte Finanz Beratungs- und Vermittlungs-AG, Cologne	Deputy Chair of the Supervisory Board since 12 October 2022
	Finanz-Service GmbH der APO-Bank, Dusseldorf	Member of the Supervisory Board
Dr. Klaus Poggemann	ARZ Haan AG, Haan	Member of the Supervisory Board
Peter Schlögell	Apotheken-Rechen-Zentrum GmbH, Darmstadt	Chair of the Administrative Board
	naontek AG, Dusseldorf	Member of the Supervisory Board since 1 August 2022

Martin Steinkühler	Finanz-Service GmbH der APO-Bank, Dusseldorf	Member of the Supervisory Board until 31 December 2022
Dr. Christian Wiermann	naontek AG, Dusseldorf	Deputy Chair of the Supervisory Board since 1 August 2022
Daniel Zehnich	ARZ Haan AG, Haan	Deputy Chair of the Supervisory Board since 1 August 2022
	naontek AG, Dusseldorf	Chair of the Supervisory Board since 1 August 2022
	ZA Zahnärztliche Abrechnungsgesellschaft Dusseldorf Aktiengesellschaft, Dusseldorf	Member of the Supervisory Board since 12 October 2022

64. Name and address of the responsible auditing association

Genossenschaftsverband – Verband der Regionen e. V.
Ludwig-Erhard-Allee 20
40227 Dusseldorf, Germany

Dusseldorf, 7 March 2023
Deutsche Apotheker- und Ärztebank eG
The Board of Directors

Matthias Schellenberg   Alexander Müller   Thomas Runge   Holger Wessling   Sylvia Wilhelm

5

Certifications

Report of the Independent Auditor

to Deutsche Apotheker- und Ärztebank eG, Dusseldorf

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

Audit opinions

We have audited the annual financial statements of Deutsche Apotheker- und Ärztebank eG, Dusseldorf (hereinafter referred to as the "Cooperative"), comprising the balance sheet as at 31 December 2022, the income statement, the cash flow statement and the statement of changes in equity for the fiscal year from 1 January to 31 December 2022, as well as the notes to the financial statements, including the accounting and valuation methods. We also audited the management report of the Cooperative for the fiscal year from 1 January to 31 December 2022. In accordance with German legal requirements, we did not audit the content of the parts of the management report referred to in its "Other information" section. The management report makes reference to the publication of the separate non-financial report pursuant to Sections 289b to 289e HGB on the Cooperative's website. In line with German legal requirements, our audit does not cover this separate non-financial report.

According to the findings obtained within the scope of our audit

- the attached annual financial statements comply with applicable German commercial law requirements for cooperative banks in all key aspects and, in consideration of German standard accounting practice, give a true and fair view of the net assets and financial position of the Cooperative as at 31 December 2022 as well as of the results of operations for the fiscal year from 1 January to 31 December 2022 and
- the attached management report as a whole gives an accurate picture of the Cooperative's position. This management report is consistent with the annual financial statements in all key aspects, complies with German legal requirements and gives a true and fair view of the opportunities and risks associated with future developments. Our audit opinion on the management report does not cover the content of the parts of the management report referred to in its "Other information" section. Nor does our audit opinion cover the content of the above-mentioned separate non-financial report.

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

Basis for the audit opinions

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

Key audit matters in auditing the annual financial statements

Key audit matters are matters that, after due consideration, we found to be the most important in our audit of the annual financial statements in the fiscal year from 1 January to 31 December 2022. These matters were taken into account in our audit of the annual financial statements as a whole and in the formation of our audit opinion; we do not issue any separate audit opinions on these matters.

In the following, we present the audit matters we consider as key:

1. Valuation of other provisions
2. Valuation of loans and advances to customers
3. Changed market interest rate environment and impact on the annual financial statements

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

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

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

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

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

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

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

on 2.a)
Loans and advances to customers amount to €37.0 billion when netted with the risk provisions made; this corresponds to 68.3% of the balance sheet total. In addition, contingent liabilities exist in the amount of €0.4 billion and irrevocable loan commitments in the amount of €3.0 billion.

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

on 2.b)
We initially assessed whether the Cooperative's systems and processes relevant for the valuation of loans and advances to customers are designed so that acute risks are recognized with reasonable assurance in good time, and risk provisions are formed in a sufficient amount, if needed. We then verified the functionality of the regulations and processes by auditing selected individual cases. This audit process was based on the relevant controls put in place by the Cooperative.

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

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

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

on 3.a)
The market interest rates, which increased in the year under review, impact in particular the future interest margin of the Cooperative as well as the market prices of the securities.

With the loans and advances to banks and to customers, the debt securities and other fixed-interest securities as well as the shares and other non-fixed-interest securities on the asset side (together amounting to €53.2 billion and 98.1% of the balance sheet total) and the liabilities to banks and customers, the securitised liabilities as well as subordinated liabilities on the liability side (together amounting to €50.7 billion and 93.6% of the balance sheet total), essential elements of the balance sheet as well as the interest derivatives with a nominal value of €16.5 billion are part of the financial instruments of the Cooperative's banking book.

The Cooperative must valuate the financial instruments of the banking book loss-free as part of an overall consideration of all interest-bearing on-balance sheet and off-balance sheet items of the banking book in accordance with IDW RS BFA 3 n.F. In this process, the net present values attributable to interest rates are set against the book values and the risk and portfolio management costs are deducted from the positive surplus. A provision for contingent losses must be made for the eventuality of subsequent remaining excess loss, which would have to be reported under other provisions. Based on the results of the calculations as at 31 December 2022, no provision needed to be made.

Securities (asset items 5 and 6) amount to €7.2 billion. This corresponds to 13.2% of the balance sheet total. €6.7 billion of this (12.4% of the balance sheet total) were valued in the 2022 annual financial statements in the same manner as fixed assets. As a result, €0.5 billion in unplanned write-downs due to what were probably only temporary decreases in value were avoided.

Both the approach and the subsequent valuation of provisions as well as the assessment of a likely long-term decrease in value of fixed-asset securities including the assumptions and parameters they are based on are founded to a great extent on estimations and assumptions and the scope of discretion of the legal representatives. The risk for the annual financial statements is that key assumptions and parameters are not considered properly and/or the scope of discretion is not used appropriately. For this reason, these matters were key with regard to the annual financial statements and in particular for the earnings situation, and were from our perspective of particular importance in our audit.

on 3.b)
In our audit of the loss-free valuation of the banking book, we addressed, among other things, the assumptions and parameters the valuation was based on as well as the banking book accruals and deferrals. The focus was on honouring the assumptions around estimating the commission income directly resulting from the interest-rate-related banking book transactions, the underlying cost assumptions, in particular in the area of administrative costs, the standard risk costs in the Bank's own business and the customer business as well as the underlying assumptions for transactions with unspecified fixed interest rates and/or capital commitment. Furthermore, we gained an understanding of the proper derivation of the maturity-compliant interest rates from market data and verified that the methods, management instruments and parameters used for internal risk management were congruent.

We gained an understanding of and plausibilised the loss-free valuation of the banking book based on the main assumptions and parameters used, including discounting. In this process, we carried out an individual audit of certain assumptions and parameters applied by the legal representatives.

In our audit, we furthermore analysed the portfolios of securities which are subject to valuations based on a broader scope of discretion. We gained an understanding of how the legal representatives identified the accounting and valuation methods, assumptions and data sources that are relevant for estimating values. Using selected individual cases, we gained a risk-oriented understanding with regard to increased valuation uncertainties of the appropriateness of the discretionary decisions made and valuation voting rights used by the legal representatives. In cases of non-implementation of write-downs on the lower fair value of fixed-asset securities, we assessed whether the decrease in value is only of a temporary nature and whether holding them to maturity is intended and possible.

on 3.c)
Further disclosures by the Cooperative on the accounting and valuation of provisions, receivables, securities and banking book derivatives are included in notes 3, 4, 6, 12, 14,18, 20, 37 and 41 of the notes to the annual financial statements.

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

Other information comprises the following parts of the management report, the content of which is not audited:

- the corporate governance statement pursuant to Section 289f para. 4 of the HGB (disclosures concerning the proportion of women),
- the remuneration transparency report.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Other statutory and legal requirements

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

Audit opinion (subject matter of the audit and audit opinion)
In accordance with Section 317 para. 3a of the HGB, we reviewed with reasonable assurance whether the rendering of the annual financial statements and the management report contained in the attached file "Jahresfinanzbericht_apoBank_2022_ESEF.xhtml" and prepared for the purposes of disclosure (called "ESEF documents" in the following) is in all key aspects in compliance with the specifications of Section 328 para. 1 of the HGB regarding the electronic format of reporting ("ESEF format"). In line with German legislation, this review extends solely to the transfer of information from the annual financial statements and the management report to the ESEF format. Thus it does not extend to either the information contained in these renderings nor to other information contained in the above-mentioned file. In our opinion, the rendering of the annual financial statements and the management report contained in the above-mentioned attached file and prepared for purposes of disclosure complies in all key aspects with the specifications of Section 328 para. 1 of the HGB regarding the electronic format of reporting. Beyond this audit opinion as well as our audit opinions contained in the above "Report on the audit of the annual financial statements and the management report" on the attached annual financial statements and the attached management report for the financial year from 1 January to 31 December 2022, we provide no audit opinion on the information contained in these renderings nor on the other information contained in the above-mentioned file.

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

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

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

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

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

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

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

Other disclosures pursuant to Article 10 EU AR

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

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

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

- audit of the securities services and custody business pursuant to Section 89 para. 1 sentence 1 and 2 of the German Securities Trading Act (WpHG) as well as its custodian function pursuant to Section 68 para. 7 of the German Capital Investment Code (KAGB),
- review of the non-financial declaration pursuant to Section 340a para. 1 of the HGB in conjunction with 289b and c of the HGB,
- audit of the report concerning the third series of targeted longer-term refinancing operations of the euro system (GLRG-III),
- issuance of a letter of comfort,
- review of the abridged interim financial statements and the interim management report as at 30 June 2022 pursuant to Section 115 para. 5 of the WpHG,
- audit of reporting obligations to the settlement authority to calculate the contributions to the settlement fund (bank levy),
- other separate certification services to the banking supervisory authority and/or the Federal Association of German Cooperative Banks (Bundesverband der Deutschen Volksbanken und Raiffeisenbanken e. V.).

Other matters – use of the auditor's report

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

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

Dusseldorf, 24 March 2023
Genossenschaftsverband – Verband der Regionen e. V.

Dirk Berkau	Karsten Ernstberger
Auditor	Auditor

Responsibility Statement by the Legal Representatives

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

Dusseldorf, 7 March 2023
Deutsche Apotheker- und Ärztebank eG
The Board of Directors

Matthias Schellenberg	Alexander Müller	Thomas Runge	Holger Wessling	Sylvia Wilhelm

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In Memoriam

Sanitätsrat Peter Sauermann

The deceased actively supported the development of the Bank for many years as member of the Supervisory Board. After that, he continued to serve the Bank as member of the Honorary Senate.

Prof. Dr. med. Heinz Diettrich

Bernd Godglück, pharmacist

Dr. med. habil. Hans-Jürgen Hommel

Dr. med. Carl-Heinz Müller

Dr. rer. nat. Paul Peter

Dr. med. dent. Karl Horst Schirbort

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

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

We will cherish our memories of the deceased.

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

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

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Deutsche Apotheker- und Ärztebank eG
Richard-Oskar-Mattern-Straße 6 | 40547 Dusseldorf

T 0211 5998 0 | **F** 0211 5938 77
M info@apobank.de | apobank.de