

Interim Report

2021

Overview of Business Development

Overview of business development

	30 June 2021	31 Dec 2020	Change ¹ %
Bank data			
Members	115,646	116,055	-0.4
Customers ²	482,000	481,000	0.2
Employees	2,300	2,354	-2.3
Locations	82	84	-2.4

	€m	€m	%
Balance sheet			
Balance sheet total	65,791	59,440	10.7
Customer loans	38,209	38,240	-0.1
Customer deposits	35,585	33,241	7.1

	1 Jan – 30 June 2021 €m	1 Jan – 30 June 2020 €m	%
Income statement			
Net interest income ³	358.9	382.3	-6.1
Net commission income	102.0	103.2	-1.2
Other operating income and expenses	13.2	-7.3	-
General administrative expenses	-371.2	-374.6	-0.9
Operating profit before risk provisioning	103.0	103.6	-0.6
Risk provisioning from the operating business ⁴	-6.1	-43.4	-85.9
Risk provisioning with reserve character ⁵	-24.1	-4.6	>100
Operating result	72.7	55.6	30.8
Net profit after tax	37.0	32.7	13.2

	30 June 2021 %	31 Dec 2020 %	%-ppts
Key figures			
Total capital ratio (according to CRR)	17.8	18.0	-0.2
Common equity tier 1 capital ratio (according to CRR)	16.3	16.3	-
Cost/income ratio ⁶	79.0	81.2	-2.2

	Standard & Poor's	Fitch Ratings (group ratings)
Ratings		
Long-term rating	A+ ⁷	AA- ⁸
Short-term rating	A-1	F 1+
Outlook	stable	stable
Pfandbrief rating	AAA	-

1) Deviations possible due to rounding differences.

2) Indicative value.

3) Including current income from shares, fixed-interest securities, participations 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 June 2021.

8) Issuer default rating as at July 2021.

Contents

1	Interim Management Report	
	Fundamental Features of the Bank	5
	Economic Report	7
	Risk Management Report	15
	Forecast Report	24

2	Interim Financial Statements	
	Condensed Balance Sheet	32
	Condensed Income Statement	34
	Condensed Notes	35

3	Certifications	
	Review Report	59
	Responsibility Statement by the Legal Representatives	61

1

Interim Management Report

Fundamental Features of the Bank	5
Economic Report	7
Risk Management Report	15
Forecast Report	24

Fundamental Features of the Bank

Business model

Aligned to the growing health care market

apoBank is a cooperative full-service bank. Its business policy is geared towards the specific needs of people in the medical professions and the requirements of 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 thriving health care market. As the health care bank (“Bank der Gesundheit”), we want to make it easy for academic health care professionals to follow their calling – this is in line with our mission to enable health. Thanks to our position at the interface to the health care market, we are able to support our customers on two levels: in banking and in the health care sector.

Services in two business segments

We provide services to our customers in two business segments. In the Retail Clients business segment, we help academic health care professionals during training, throughout their careers and in retirement to implement their professional and private projects, as well as supporting other selected customers, small companies and medical care structures. In the Professional Associations and Large Customers business segment, we support associations of panel doctors/dentists, chambers and associations, institutional organisations in the health care sector, professional capital investors as well as larger companies in the health care market and medical care structures. The latter 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, in asset management

as well as in the custodian business. We round off our offering with additional services for our customers’ various needs in their professional and private lives. In addition, through our subsidiary naontek AG and its digital platform univiva we support our target group by offering services specifically geared to their requirements.

Strategy and goals

apoBank wants to be a financial partner of preference to its customers and to take on responsibility in the health care market. To do this, it must be financially stable in the long run and strengthen its competitiveness.

To ensure that we are successful in this, we consistently focus on our customers’ goals and needs. We believe that a trusting and stable relationship is the precondition for working together successfully.

We organise our support services based on our customers’ specific needs. We provide intensive and personal support to those with complex requirements. In less complex cases, we give them fast, direct and simple access to our banking services. With this in mind, we are continuing to expand our digital channels and our apoDirect customer centre.

We offer integrated advisory services as well as solutions to the challenges faced in health care professions and in the health care market. Here, we take the lifelong needs of our customers into consideration. By adopting this holistic, long-term perspective, we aim to deliver to our customers the right solution at any time 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 want to significantly expand the asset management business, primarily by considerably growing our asset management advisory services for retail clients. Here, we will focus on contributing our expertise relating to the health care market.

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 subsidiary aik Immobilien-Investment-gesellschaft 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 want to further consolidate our activities around financing and supporting new businesses. Here, we will leverage our expertise in the financial and health care market even more and will develop and offer more services that complement our product portfolio and which support practices and pharmacies.

We also want to continue expanding in our corporate clients business. apoBank acts as a strategic partner for the operators of outpatient and inpatient care and for companies in the health care market, such as those in the pharmacy wholesale and dental trade as well as in the pharmaceutical and medical technology industries, and for 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.

This includes ensuring 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.

Due to regulatory specifications, capital requirements will increase significantly going forward, especially with regard to our lending business. We will therefore be able to add sustainable value by managing profitability and risk in a balanced manner.

Further details on the fundamental features of the Bank can be found in the Annual Financial Report 2020 (pages 25 to 27). The statements made there continue to apply.

Economic Report

Overall economic and industry-specific conditions

Economic recovery picks up pace again in second quarter

The global economy began to recover at the beginning of 2021 in spite of the difficult infection situation. However, as the increasing numbers of new infections led to a tightening of restrictions aiming to contain the pandemic, the recovery slowed down significantly in the first quarter. While the fast pace of vaccinations took pressure off the UK and US economies, the economic situation in the euro area continued to deteriorate at first.

In Germany, too, economic growth suffered a blow in the first quarter. By contrast, in the second quarter Germany's economic performance is likely to have improved strongly. Thanks to the vaccination progress made and the effect of the anti-coronavirus measures, it was possible to ease many restrictions in May, with the services sector benefiting in particular. Economic growth indicators suggest a strong uptick in global economic activity.

GDP growth in % compared to the previous year

	2021 (expected) %	2020 %
Germany	3.7	-4.8
Euro area	4.4	-6.5
USA	6.4	-3.5
Emerging markets	6.7	-2.2
World economy	6.0	-3.3

Source: Bundesbank, IMF

Central banks continue with expansionary monetary policy

The central banks of the industrial nations continued with their expansionary monetary policy during the phase of economic recovery. In the first half of 2021, the European Central Bank (ECB) left its depository facility rate unchanged at -0.5%. It also expects the key interest rates to remain low until a long-term increase in the inflation rate becomes likely. The pandemic emergency purchase programme (PEPP) will continue until at least the end of March 2022. The ECB's TLTRO (targeted longer-term refinancing operations) facilities for longer-term refinancing of banks and to maintain lending are also to continue.

The US Federal Reserve left its interest rate corridor of 0.00 to 0.25% unchanged in the first half of 2021. The increases in inflation rates in the euro area and in the US in the second quarter are categorised as temporary by the respective central banks.

Many financial market prices above pre-crisis levels

In the course of the economic recovery, share indices continued to rise in most industrial nations as well as in emerging nations. Since the beginning of the year, the indices in Europe have even been above pre-crisis levels. On the bond markets, including Germany's, there was a moderate rise in the yields of government bonds in the euro area in the first half of 2021. Yields in the euro area nevertheless continue to remain low – the ten-year yield on German government bonds was -0.17% as at the end of the first half of the year. In the US, there was a strong and rapid rise in longer-term yields at the beginning of the first quarter; however, this did not continue in the second quarter. Ten year-yields on US government bonds were 1.48% at the end of the first half of the year. Due to the greater increase in bond yields in the US, the US dollar gained in value against the euro in the course of the first six months of 2021.

Stable situation on real estate market

Prices on the German real estate market continued to rise during the coronavirus crisis. According to data from the vdp real estate price index (vdp-Immobilienpreisindex), prices for residential real estate in the first quarter of 2021 increased by 8.4% compared to the same quarter in the previous year. Metropolitan regions made gains in terms of attractiveness, as did regions outside the cities in particular. According to the German Federal Bank (Bundesbank), the price level for residential properties in cities in 2020 was above what would be justifiable when taking economic and demographic influencing factors into account. By contrast to residential properties, commercial property prices decreased as a result of the pandemic. This trend in prices continued in the first quarter of 2021; it applies in particular to retail and to a lesser extent to office real estate.

Health care market: Legislation focuses on digitalisation

In the first half of 2021, in addition to constant changes to coronavirus regulations, progress was made on draft legislation aiming to promote digitalisation in the German health care sector and to improve the general conditions for nursing care.

The Digital Care and Nursing Modernisation Act (Digitale-Versorgung-und-Pflege-Modernisierungs-Gesetz – DVPMG), which came into force at the beginning of June 2021, is designed to promote the expansion of digital medical services and the use of digital care applications, which are to become part of standard collective health care provision. The act also provides for the further development of electronic patient records, the expansion of the use of video consultations and integration of nursing care into the digital (telemedicine) infrastructure. Doctors were able to prescribe the first digital health care apps that could be charged to the statutory health insurers as of October 2020.

In the Health Care Development Act (Gesundheits-versorgungsweiterentwicklungsgesetz – GVWG), which was passed in mid-June 2021, several conditions around nursing care were improved; however, the original plan to introduce an extensive nursing care reform was not implemented.

Economic impact of the coronavirus pandemic on the health care professions

Depending on their location and range of services, pharmacies were affected to different degrees by the pandemic. In retrospect, they came through the first year of the pandemic well overall. Turnover and profit increased significantly, by 5% and 13% respectively. In addition to special effects from the German government's mask distribution programme, this positive trend was also driven by the increase in the standard emergency service rate and the introduction of courier service remuneration. Mail-order pharmacies gained market shares with over-the-counter medicines. Their turnover of non-prescription products rose by 13.5%.

Thanks to the rescue package included in the COVID-19 Hospital Relief Act (COVID-19-Krankenhausentlastungsgesetz) and the "EpiLage-Fortgeltungsgesetz", an act that is regularly updated depending on the epidemiological situation, the coronavirus crisis has so far had only a moderate impact on the financial situation of panel doctors and psychotherapists in the area of statutory health insurance. Compensatory payments generally limited total fee losses to 10%. By contrast, there was no compensation for fee losses on services provided in the area of private health insurance.

Last year, panel dentists were paid liquidity assistance of 90% of their total remuneration from 2019 to compensate for the decline in patient numbers. In the Health and Long-Term Care Improvement Act (GPVG), this financial assistance, which remains purely in the form of a loan, has been extended to cover 2021. Excess payments by the health insurance companies to the association of panel dentists for services not rendered will have to be fully reimbursed in 2022 and 2023.

While veterinary practices recorded a decline in revenue of around 20% in March 2020, their financial situation started to recover in April. The majority of veterinarians achieved a higher or at least similar profit in 2020 compared to the previous year.

Return to more normality in the inpatient sector and at health care companies

After months of many different challenges, a measure of normality is returning again to day-to-day clinic life. Due to the low incidence rates, the government ended the rescue packages for hospitals, rehabilitation clinics and specialist clinics as at 15 June 2021. Many hospitals closed the pandemic year 2021 with an increase in revenues.

With respect to care for the elderly, the ebbing pandemic and progress on vaccinations are leading to a slight easing of the situation for the sector. Nevertheless, capacity issues continue at the care facilities and the additional costs for hygiene and protective measures are high. Furthermore, new virus variants entail risks for high-risk groups. The rescue package will therefore continue to be available until 30 September 2021.

In the medical technology sector, the focus was on the coming into force of the EU's "Medical Device Regulation" in May 2021. This new regulation means stricter rules for the sector's products. For established products with certificates issued in line with former legislation, there will continue to be a transition period of three years. There are now two hurdles for new products: higher quality and safety requirements as well as a smaller number of "notified bodies" for approval of medicinal products, so that the approval process is likely to become much slower.

Business performance

Banks in transformation

The persisting low-interest environment, technological innovations, changes in customer behaviour due to digitalisation as well as regulatory requirements continue to determine conditions for the banking sector in the reporting period (1 January to 30 June 2021). Against this backdrop, the banks are continuing to optimise their processes and implement their cost reduction programmes.

The coronavirus pandemic has ebbed as increasing numbers of people have become vaccinated. Nevertheless, uncertainty remains as to how the pandemic will progress and what downstream consequences can be expected. Accordingly, the long-term consequences of the pandemic for banks cannot be predicted either – especially with regard to loan defaults.

Business performance satisfactory under challenging conditions

With regard to the earnings situation and against the backdrop of challenging conditions, we rate our business performance in the first half of 2021 as satisfactory overall. In the reporting period, apoBank remained impacted by a succession of modifications to the procedural and technical functionalities of its IT systems. The result was that net profit after tax rose to €37.0 million (30 June 2020: €32.7 million).

In accordance with our statutory purpose, we support our members and customers in achieving their professional and private goals by offering specialised banking services. The number of remaining members was more or less stable at 115,646 (31 December 2020: 116,055 members).

Under challenging conditions, loans and advances to customers remained constant at €38.2 billion (31 December 2020: €38.2 billion). The securities portfolio rose to €10.4 billion due to the expansion of the liquidity reserve (31 December 2020: €8.0 billion).

On the liability side, loans and advances to customers rose by 7.1% to €35.6 billion (31 December 2020: €33.2 billion) due to the strong inflow of deposits. Securitised liabilities also increased very significantly to €8.7 billion (31 December 2020: €7.4 billion). Liabilities to banks reached €18.0 billion, a rise of 17.0%. The background to this was the participation in long-term tenders of the ECB. As a result, the balance sheet total was €65.8 billion as at the reporting date 30 June 2021 (31 December 2020: €59.4 billion).

Retail clients

In the Retail Clients business segment, we support the professional and private endeavours of pharmacists, physicians, dentists, veterinarians and psychotherapists. The challenges resulting from the coronavirus pandemic continued during the first half of 2021.

Loan portfolio slightly lower

The loan portfolio¹ in this business segment decreased slightly to €31.6 billion in the reporting period (31 December 2020: €31.8 billion). This portfolio also includes liquidity assistance and loans provided to practices and pharmacies to mitigate the impact of the coronavirus pandemic.

The volume of business start-up financing rose to €7.4 billion as at 30 June 2021 (31 December 2020: €7.2 billion). Real estate financing decreased to €18.0 billion (31 December 2020: €18.4 billion). Investment and private financing remained stable at €6.1 billion (31 December 2020: €6.2 billion).

Growth in retail clients' deposits

In the period under review, the average volume of demand, savings and term deposits of our retail clients rose to €24.2 billion (2020: €21.8 billion). This was due in particular to a reduced private consumption during the coronavirus pandemic.

Total deposit volume picking up

The first half of 2021 was characterised by marked increases in stock market prices. Due to this positive market performance, the deposit volume rose to €11.4 billion (31 December 2020: €10.4 billion).

For the same reason, the volume of assets managed by us rose to €4.8 billion (31 December 2020: €4.4 billion).

Decline in insurance and building society business

The life insurance business shrank compared to the previous year's level, with the brokerage volume amounting to €281 million (30 June 2020: €301 million²).

As a result of continuing low interest rates, the attractiveness of building society contracts decreased further for our customers, so that the total contract value was below that of the previous year, at €135 million (30 June 2020: €217 million²).

1) Due to the migration of the IT system, disclosure of start-up, construction, investment and private financing has shifted so that a comparison with the previous year is only comparable to a limited extent. Some of the figures are indicative.

2) Previous year's figure adjusted.

Professional associations, institutional customers and corporate clients

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 reporting period, the average deposit volume amounted to €4.6 billion (2020: €3.6 billion). The background for the increase is additional funds temporarily flowing through fee billers as part of the coronavirus pandemic.

Individually tailored advisory concept for institutional investors

In the institutional investors segment, we include the occupational pension funds for the health care and other liberal professions, as well as other financial intermediaries. These can be for example pension funds, insurance companies and foundations as well as church or municipal health care facilities.

Our range of products and services extends from advice to designing the actual investment solution and, finally, custody of the product.

Investment consulting services remain in demand

We provide advice to our professional capital investors in managing their risk and earnings situation. Some of the main areas we focus on are asset liability management, the development of strategic asset allocations as well as investment planning. In addition, we offer ongoing risk monitoring and reporting that is appropriate to the target group. Demand for our advisory services remained stable in the reporting period.

We support our customers in their search for the right asset managers. For this purpose, we developed an asset manager selection process based on quantitative and qualitative criteria. To complement this, we offer credit-worthiness analyses and direct portfolio management. apoBank also acts as a custodian for securities and real estate special assets as well as direct investments.

Depository business is core business

The depository business is one of the key competencies offered by apoBank. As at 30 June 2021, we managed 243 funds (31 December 2020: 231); the depository volume amounted to €24.5 billion (31 December 2020: €22.5 billion).

Corporate clients business stable

In its corporate clients business segment, apoBank pools its integrated strategic advisory services for companies in the health care market. These are primarily pharmaceutical wholesalers and companies in the dental trade, pharmaceutical and medical technology corporations as well as private clearing centres. In addition, we support providers of inpatient care such as clinics, rehabilitation facilities and nursing homes and offer them our financing solutions. We accompany complex (real estate) projects from the conceptualisation phase through to implementation.

Demand for financing was restrained across almost all segments throughout the first half of 2021. In spite of continued intense competition, the loan volume in the Corporate Clients business segment remained stable at €4.9 billion (31 December 2020: €4.9 billion). This included small volumes of liquidity assistance for companies in difficulty due to the lockdown.

Net assets, financial position and results

Decrease in net interest income

In the interest-bearing business, we did not achieve the level of the previous year. Net interest income decreased by 6.1% to €358.9 million (30 June 2020: €382.3 million). The low level of interest rates and our participation in the ECB's long-term tenders had a positive effect on interest expense. This compensated for strategic measures in the interest book that had a negative impact on net interest income. Interest income was down overall due to the fact that lending business was subdued as planned, especially in real estate financing. New loans in the lending business decreased overall to €2.3 billion and were thus below the previous year's figure as at 30 June 2020 (€2.9 billion).

On the liabilities side, the trend toward short-term demand deposits continued. We still do not charge any custodial fees for retail clients' deposits.

Overall, however, we are almost at the budgeted level with regard to net interest income.

Net commission income held at previous year's level

At €102.0 million, net commission income remained at the level of the previous year overall (30 June 2020: €103.2 million). We saw a positive trend in earnings in our asset management business as well as in our securities business with retail clients. Brokerage commission in the lending business decreased. Earnings from payment transactions were below the previous year's levels. As a result, the commission-based business was within the budget thanks to a very good market performance from which our customers' securities business benefited.

General administrative expenses stable

General administrative expenses reached €371.2 million in the reporting period (30 June 2020: €374.6 million), and were thus slightly below our expectations. Personnel expenses decreased to €125.0 million (30 June 2020: €134.2 million), in particular due to lower employee numbers and lower allocations to pension provisions. Personnel expenses thus remained considerably below the budgeted amount. Operating expenditure including

Income statement

	1 Jan – 30 June 2021	1 Jan – 30 June 2020	Change ¹
	€m	€m	%
Net interest income ²	358.9	382.3	- 6.1
Net commission income	102.0	103.2	- 1.2
General administrative expenses	- 371.2	- 374.6	- 0.9
Balance of other operating income/expenses	13.2	- 7.3	-
Operating profit before risk provisioning	103.0	103.6	- 0.6
Risk provisioning from the operating business ³	- 6.1	- 43.4	- 85.9
Risk provisioning with reserve character ⁴	- 24.1	- 4.6	> 100
Operating result	72.7	55.6	30.8
Tax	- 35.7	- 22.9	55.9
Net profit after tax	37.0	32.7	13.2

1) Deviations possible due to rounding differences.

2) Including current income from shares, fixed-interest securities, participations and shares in affiliated companies as well as income from profit transfer agreements.

3) This includes individual risk provisioning measures for the customer lending business as well as for financial instruments and participations.

4) This includes risk provisioning measures which do not concern individual risks, as well as allocations to the fund for general banking risks and general banking reserves.

depreciation rose to €246.1 million (30 June 2020: €240.4 million), mainly as a result of higher depreciation. Operating expenditure overall was slightly below the budgeted amount. The cost-income ratio was 79.0% (30 June 2020: 79.3%) and thus significantly better than expected.

Operating result at previous year's level

The operating result, i.e. profit before risk provisioning, was at the previous year's level, at €103.0 million (30 June 2020: €103.6 million). We had been expecting a very significant decline. In addition to the favourable development in general administrative expenses, the positive balance of our other operating income and expenses was primarily responsible for this result. Higher releases of provisions were carried out here.

Drop in risk provisioning for the operating business

Risk provisioning for the operating business was at -€6.1 million (30 June 2020: -€43.4 million); this was primarily due to lower net allocations to loan loss provisions. So far it has not been necessary to carry out special risk provisioning related to consequences of the coronavirus pandemic. Thus risk provisioning made was lower than planned. We had expected a decrease by one fourth compared to the previous year.

Risk provisioning with reserve character amounted to -€24.1 million (30 June 2020: -€4.6 million).

Increase in net profit

The bottom line operating result before tax, at €72.7 million, was markedly higher than expected (30 June 2020: €55.6 million).

Net profit after tax amounts to €37.0 million (30 June 2020: €32.7 million), which is considerably higher than our target performance. This will enable us to make the necessary provisions in line with the planned appropriation of profits and to pay an appropriate dividend.

Higher balance sheet total and comfortable liquidity situation

The balance sheet total rose by 10.7% to €65.8 billion as at 30 June 2021 (31 December 2020: €59.4 billion). Loans and advances to customers remained stable at €38.2 billion (30 June 2020: €38.2 billion). In connection with the coronavirus pandemic, we provided liquidity assistance for retail clients and for corporate clients in the mid- and low-double-digit million range respectively. The securities portfolio reached €10.4 billion (31 December 2020: €8.0 billion). This was due to the expansion of our liquidity reserve.

apoBank's liquidity situation remained comfortable throughout the first half of 2021. In the past financial year, we were also comfortably within the internal and external minimum requirements for our liquidity position. 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. The largest source of refinancing comes from liabilities to customers. In the period under review, these rose considerably to €35.6 billion (30 June 2020: €33.2 billion). This figure also includes the promissory note funds and registered bonds placed with our customers totalling €2.2 billion (30 June 2020: €2.3 billion).

We also issue covered bonds (Pfandbriefe), unsecured bonds (preferred and non-preferred), as well as subordinated issuances which we placed with our institutional clients, members of the cooperative FinanzGruppe and on the capital market. Given the uncertain overall economic situation, in the first half of 2021 we once again drew down funds from the long-term tender offered by the ECB. This was the main reason why our liabilities to banks increased further to €18.0 billion (31 December 2020: €15.4 billion). In connection with this, our ECB-eligible securities rose to €9.1 billion (31 December 2020: €6.4 billion). The main

reason for the significant rise is the investment of existing excess liquidity. These effects were the primary drivers of the considerable increase in the balance sheet total.

The total volume of the Pfandbrief portfolio outstanding as at the reporting date of 30 June 2021 rose to €8.0 billion (31 December 2020: €6.7 billion).

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

Details on the numbers of members can be found in the “Business performance” section. The equity capital item is described in the section “Overall capital situation” in the risk management report.

S&P reassesses banking environment

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 June 2021, the agency modified its assessment of the economic and sector-specific conditions of German banks. According to the ratings analysts, the risks on the German banking market have increased. As a result, the ratings of several banks, including apoBank, were downgraded. The issuer credit rating of apoBank has since been A+, with a stable outlook. apoBank’s senior unsecured bonds have been rated A+, senior subordinated bonds have received an A rating.

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

Summary

The intense competition persisted in the customer business. The optimisation of the procedural and technical functionalities of our IT systems as well as the coronavirus pandemic influenced the conditions under which the Bank carries out its business activities. Net interest income, for example, decreased compared to the same period in the previous year; nevertheless, we kept our net commission income stable.

General administrative expenses also remained at the previous year’s level. By contrast, the burden on risk provisioning from the operating business eased. In spite of higher allocations to reserves, net profit after tax rose considerably.

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

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

Sustainability report

The Bank complies with the legal obligation to publish a non-financial report in accordance with Section 289b HGB by issuing a separate report 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 to be able to finance its planned business growth.

Risk management at apoBank includes the following essential elements that contribute to achieving the objectives outlined above:

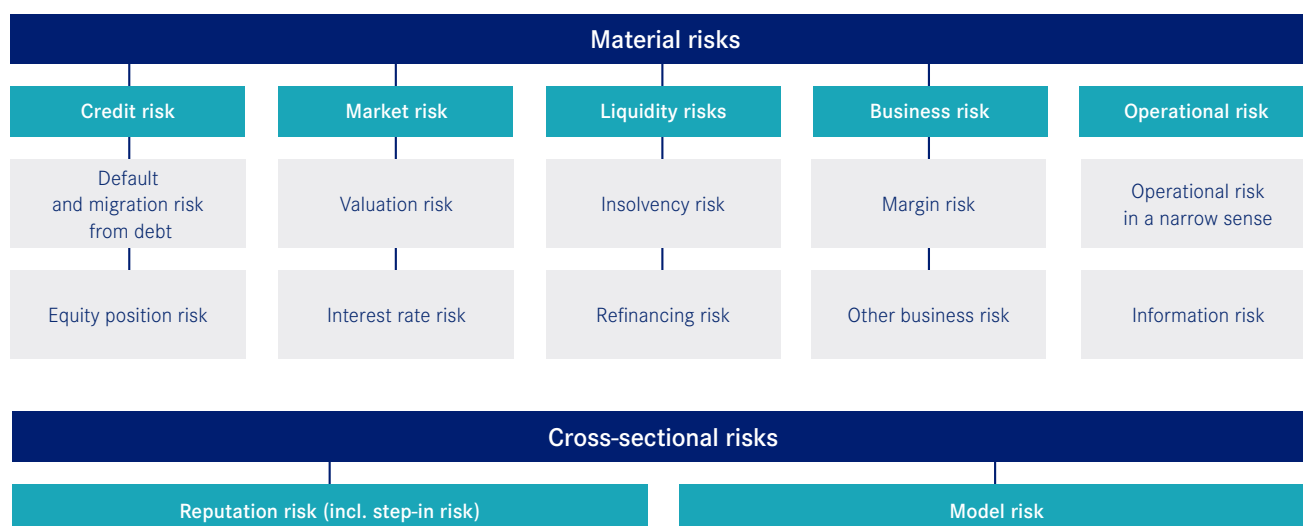
- risk inventory,
- business and risk strategy,
- organisation of risk management,
- the risk-bearing capacity concept including the stress test framework,
- the "Liquiditätstragfähigkeit concept" including the stress test framework,
- risk measurement, limitation and control,
- risk reporting as well as
- recovery governance and the resolution plan.

For a detailed description of risk management including the essential elements listed above, please refer to the risk management report published in our Annual Financial Report 2020 (pages 39 to 60).

The risk culture is a key part of corporate culture for apoBank with regard to addressing risks. For this reason, the Bank has added a framework to its already existing guidelines on risk culture in the business and risk strategy and its code of conduct. With this framework, the Bank communicates a uniform understanding of the defined target risk culture.

The following diagram provides an overview of the risk types at apoBank.

Classification of apoBank's types of risk



Development of the risk position in the first half of 2021

Overall capital situation

In the Internal Capital Adequacy Assessment Process (ICAAP), a sophisticated approach is taken towards monitoring and controlling the capital situation from both a normative and an economic perspective. In order to comprehensively monitor the capital adequacy, the interdependencies between these two perspectives are taken into account.

Capital situation – normative perspective

As at 30 June 2021, as well as in the rolling three-year capital forecast also carried out on the same date, apoBank's capital ratios were above the binding and recommended minimum capital requirements. Thus, the Bank rates its capital situation as good overall.

As at the reporting date, the total capital ratio of apoBank pursuant to the Capital Requirements Regulation (CRR) amounted to 17.8% (31 December 2020: 18.0%) and the common equity tier 1 capital ratio was at 16.3% (31 December 2020: 16.3%).

As at 30 June 2021, regulatory capital totalled €2,777 million (31 December 2020: €2,720 million).

Common equity tier 1 capital rose from €2,459 million as at the end of 2020 to €2,547 million. The main drivers of this increase were allocations to reserves from the annual result generated in 2020 – including profit carried forward – as well as lower regulatory capital deduction items.

Tier 2 capital declined significantly to €230 million (31 December 2020: €261 million). This drop primarily results from the regulatory changes that led to decreased assignability of uncalled liabilities to capital.

Risk-weighted assets (RWA) amounted to €15,646 million as at 30 June 2021, a slight increase compared to the end of 2020 (31 December 2020: €15,095 million). The utilisation rate of the Bank-wide limit of €17,300 million was 90.4% as at 30 June 2021.

The leverage ratio pursuant to transitional arrangements amounted to 5.1% (31 December 2020: 4.7%); therefore it was about two thirds above the regulatory minimum requirement of 3.0%.

Risk-bearing capacity (normative perspective)

	€m	Total capital ratio %
as at 30 June 2021		
Regulatory capital	2,777.3	
Risk-weighted assets (RWA)	15,645.8	17.8

	Actual risk €m	Utilisation of applicability criteria ¹ %
Risk-weighted assets		
Retail business	8,255.0	87.8
Companies	3,992.6	92.9
Sovereign states	-	-
Institutes	732.4	97.7
Participations	734.7	91.8
Other assets	353.1	100.9 ²
Other RWA ³	1,577.9	92.8

1) The applicability criteria serve as an internal instrument to monitor the development of risk in the individual risk-weighted assets.

2) Temporary overshoot as at reporting date.

3) RWA for operational risks, market risks, CVA and settlement risk.

Capital situation – economic perspective

The economic capital ratio, which represents the relation between the risk cover potential and the measured economic risks, was at 168.4%. This is significantly above the level on the balance sheet date in 2020 (31 December 2020: 146.5%) and comfortably above the internal target ratio of 135.0%.

As at the reporting date, the risk cover potential was €2,957 million (31 December 2020: €2,944 million).

The economic risks measured at a confidence level of 99.9% and a holding period of 250 days amounted to €1,756 million as at the reporting date (31 December 2020: €2,009 million). The main drivers of this decrease were the low credit spread in the financial instruments portfolio on the one hand and, on the other, the aggregated calculation of the valuation and interest risk introduced at the beginning of this year, which leads to diversification effects in the portfolio being considered as reducing risk. The utilisation rate of the Bank-wide limit of €2,150 million was 81.7% as at 30 June 2021.

Credit risk

The unexpected loss (UEL) from credit risks faced by apoBank was €1,051 million as at 30 June 2021 (31 December 2020: €1,111 million). The applicability criterion for credit risk derived from the Bank-wide risk-bearing capacity limit was thus complied with as at 30 June 2021.

The decline in UEL is mainly due to lower credit spreads in the financial instruments portfolio; the portfolio development was stable.

The key developments in credit risks for the individual business segments are presented on the following pages.

Risk-bearing capacity (economic perspective)

	€m	Economic capital ratio %
as at 30 June 2021		
Risk cover potential	2,956.7	
Bank-wide risk position	1,755.7	168.4

Material risks as at 30 June 2021	Actual risk €m	Utilisation of applicability criteria ¹ %
Credit risk	1,051.1	87.6
Market risk	237.9	62.6
Liquidity risk	58.6	73.2
Business risk	287.3	79.8
Operational risk	120.7	92.9

¹⁾ The applicability criteria serve as an internal instrument to monitor the development of risk in the material risks.

The rating system of apoBank

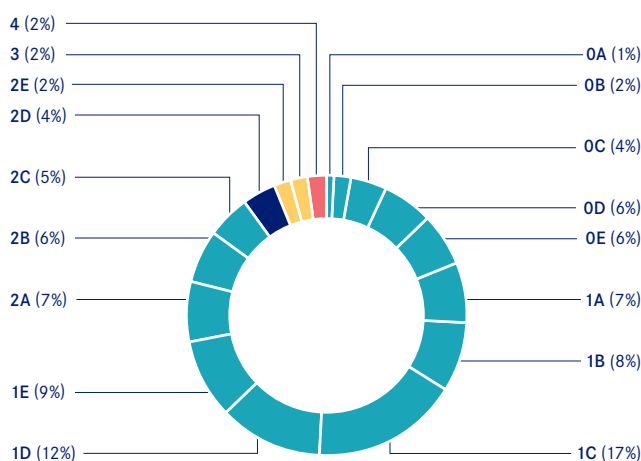
Meaning	Rating class (BVR master scale)	Probability of default %	External rating class ¹
Commitments with excellent creditworthiness, no risk factors (standard loan management)	0A	0.01	Aaa
	0B	0.02	Aa1
	0C	0.03	Aa2
	0D	0.04	
	0E	0.05	Aa3
Commitments with good creditworthiness, individual risk factors (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
High-risk commitments (problem loan management)	3C	9.00	B3
	3D	13.50	
	3E	30.00	Caa1 to C
	4A to 4E 4W	100.00 100.00	D
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)			
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.

Rating class distribution in the retail clients portfolio

Volume distribution based on drawdowns

Total of €32,828 million¹

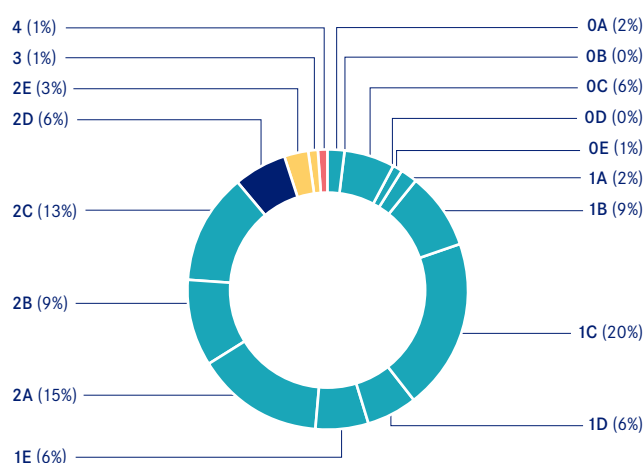


1) Percentages rounded.

Rating class distribution in the professional associations and large customers portfolio

Volume distribution based on drawdowns

Total of €6,080 million¹



1) Percentages rounded.

Retail Clients business segment

Drawdowns decreased marginally in the retail clients portfolio, to €32.8 billion (31 December 2020: €33.4 billion), mainly due to the focus on high-margin engagement in the construction financing business.

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 243,000 borrowers, the largest individual risk accounts for only around 0.1% of the total drawdowns in this portfolio.

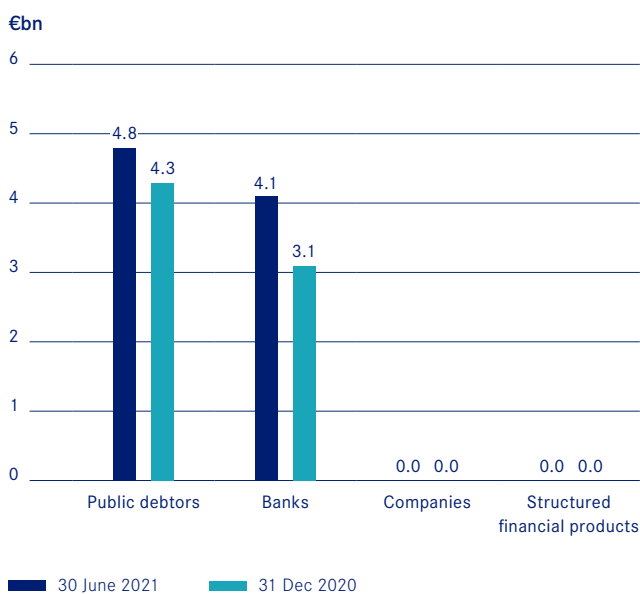
After offsetting new and no longer necessary provisioning measures, net releases to the amount of -€0.1 million were made in the first half of 2021. This amount is thus

around €26.8 million lower than the pro rata net allocations budgeted for the year.

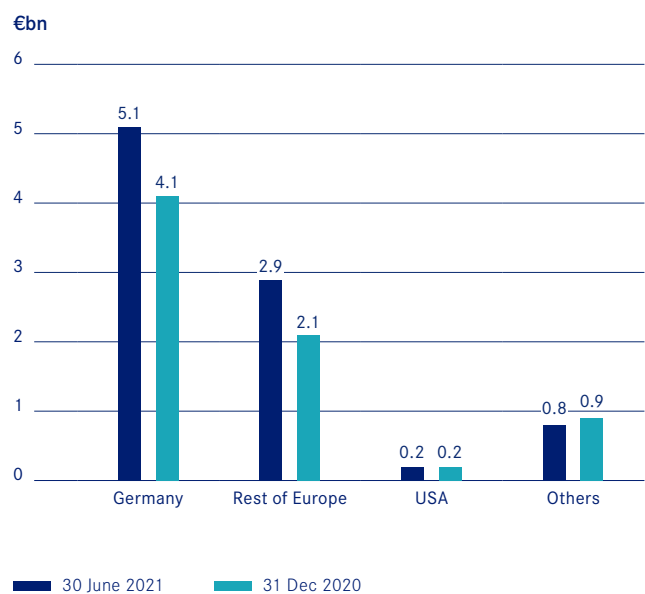
Professional Associations and Large Customers business segment

Drawdowns in the professional associations and large customers portfolio increased by €0.5 billion to €6.1 billion as at 30 June 2021 (31 December 2020: €5.6 billion). The rating distribution of the portfolio is balanced. The rating coverage is almost 100%.

For the professional associations and large customers portfolio, value adjustments were made as at the 30 June 2021 reporting date to the amount of €7.5 million after offsetting. This was marginally below the pro rata budgeted amount for the year.

Total exposure of financial instruments portfolio by sector¹

1) Deviations possible due to rounding differences.

Total exposure of financial instruments portfolio by country¹

1) Deviations possible due to rounding differences.

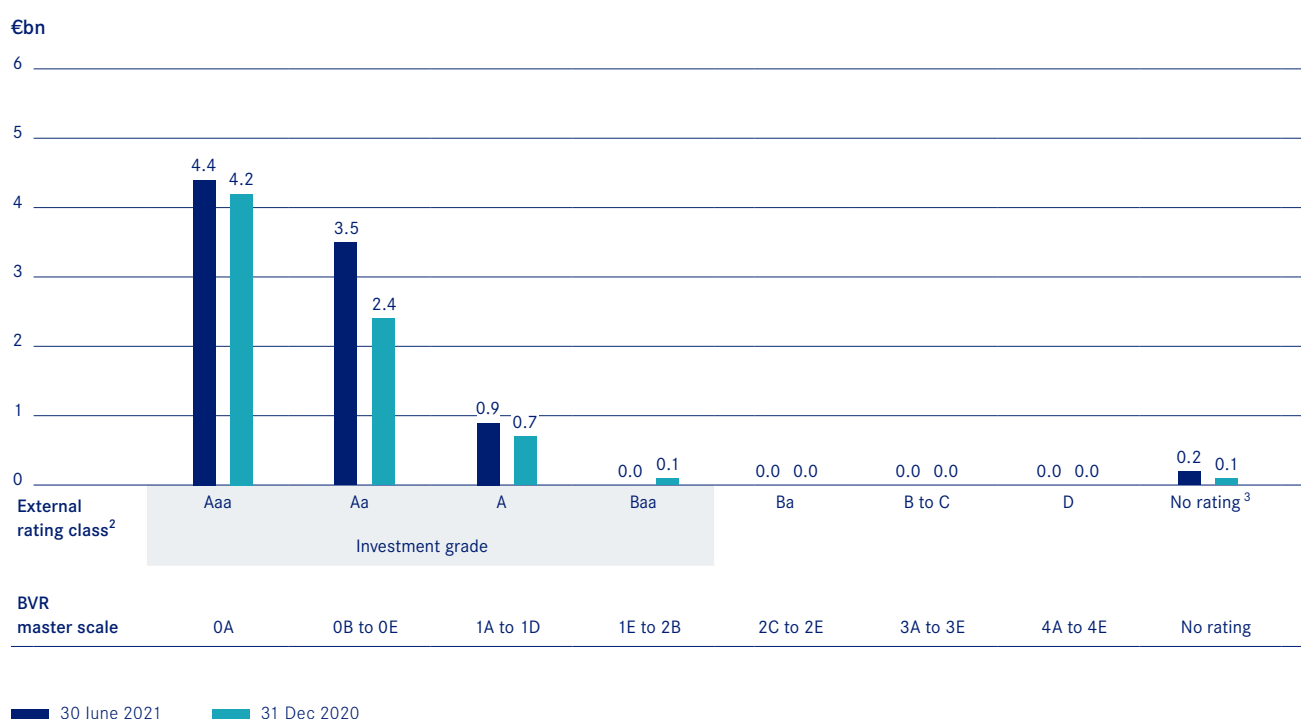
Treasury business segment

The risk volume of the financial instruments portfolio managed by the Treasury business segment amounted to €9.0 billion on the reporting date and was thus very considerably above the figure at the end of 2020 (31 December 2020: €7.4 billion). This rise is mainly the result of larger securities portfolios of public debtors, higher fixed-term deposits and higher balances on inter-bank accounts – corresponding with the strong increase in demand deposits as well as participation in the ECB's long-term tenders.

The risk volume of the derivatives in the financial instruments portfolio was stable at €0.1 billion (31 December 2020: €0.1 billion). apoBank uses derivatives primarily to hedge against interest rate risks stemming from the customer business. As at the current reporting date, the nominal volume amounted to €24.7 billion (31 December 2020: €26.9 billion).

As at 30 June 2021, 98% of the financial instruments portfolio was rated in the investment grade range. After offsetting of the risk provisioning measures, releases amounting to €1.2 million were carried out in the first half of 2021. This amount is therefore around €2.0 million below the pro rata annual budget figure.

Total exposure of financial instruments portfolio by rating class¹



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.

Participations business segment

The book values of the participations were stable as at 30 June 2021 at €0.2 billion (31 December 2020: €0.2 billion).

After offsetting of the risk provisioning measures, releases amounting to €0.1 million were carried out in the reporting period.

Market risk

The UEL from market risks faced by apoBank was at €238 million as at 30 June 2021 (31 December 2020: €430 million). The applicability criterion derived from

the Bank-wide risk-bearing capacity limit for the market risk was thus complied with as at 30 June 2021.

This decrease in risk is due to the aggregated calculation of the valuation and interest risk introduced at the beginning of this year, which leads to diversification effects in the portfolio being considered as reducing risk. Net of this special effect, the market risk decreased by around €40 million in the first half of 2021. This is mainly due to lower interest rate risks.

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 equity (Basel II interest risk coefficient) throughout the first half of 2021. The Basel II interest rate risk coefficient was 7.7% as at 30 June 2021 (31 December 2020: 10.4%).

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		Basel II interest rate risk coefficient %
	Interest increase (+ 200 bp) €m	Interest decrease (- 200 bp) €m	
31 Dec 2019	- 297	+ 89	11.7
31 Dec 2020	- 284	+ 55	10.4
30 June 2021	- 214	+ 41	7.7

Liquidity risk

The UEL from refinancing risks faced by apoBank was €59 million as at 30 June 2021 (31 December 2020: €70 million). The applicability criterion derived from the Bank-wide risk-bearing capacity limit for the refinancing risk was thus complied with as at 30 June 2021.

The refinancing risk considered in the calculation of the risk-bearing capacity decreased compared to the end of the previous year. The main reason for this was the continuing inflow of customer deposits, which reduced the need for, and thus the spread risk of, longer-term refinancing alternatives.

Business risk

The UEL from apoBank's business risk was €287 million as at 30 June 2021 (31 December 2020: €289 million). The applicability criterion derived from the Bank-wide risk-bearing capacity limit for business risk was thus complied with as at 30 June 2021.

Operational risk

The UEL from apoBank's operational risk was at €121 million as at 30 June 2021 (31 December 2020: €110 million). The applicability criterion derived from the Bank-wide risk-bearing capacity limit for operational risk was thus complied with as at 30 June 2021.

The operational losses incurred in the first half of 2021 were significantly below those of the previous year and were also below the budgeted pro rata amount for 2021. As in the first half of 2020, these claims mainly relate to legal risks.

Overall liquidity situation

apoBank uses the Internal Liquidity Adequacy Assessment Process (ILAAP) to analyse and monitor its liquidity position from both a normative and economic perspective. The main aim of the ILAAP is to ensure that apoBank is solvent at all times. In order to guarantee a stable supply of liquidity, both perspectives and their correlations are analysed in detail. Liquidity supply in the first half of 2021 was guaranteed every day, mainly due to the continued growth in deposits.

Liquidity situation – normative perspective

As at 30 June 2021, apoBank's liquidity coverage ratio (LCR) was 217.5% (31 December 2020: 185.7%). Thus, the minimum requirement of 100% was met in full.

The net stable funding ratio (NSFR), at 129.2%, was significantly above the 100% minimum level.

Liquidity situation – economic perspective

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

The legally stipulated Pfandbrief cover pool limits were also complied with every day during the first half of 2021.

Forecast Report

Overall economic outlook

Prospects for the global economy remain uncertain

After the weak start to 2021, the German economy is now on the cusp of strong growth. Under the assumption that the pandemic will be overcome with the aid of the vaccination campaign, the Bundesbank expects growth of 3.7% in 2021. This will mainly be driven by strong catch-up effects in the services sector, which was particularly badly hit by the pandemic. This should lead to the economy returning to pre-crisis levels before the end of this year. The Bundesbank anticipates annual growth of around 5% and 2% for 2022 and 2023 respectively. An increase in the inflation rate to 2.6% is forecast for 2021. However, the main drivers here are special effects such as the return of German VAT to 19% and the strong rises in oil and food prices. Worldwide, the International Monetary Fund (IMF) expects an increase in gross domestic product of 6%. The US, China and India are among the countries for which the IMF forecasts the highest growth rates.

Coronavirus pandemic continues to influence the health care market

The structural trends that have been observed for some years now in the outpatient sector (salaried employment, part-time work, cooperation models, networking and dovetailing of sectors) are continuing. The coronavirus pandemic will, however, continue to have only a moderate impact on new practice or pharmacy projects, as start-up businesses have a lead time of up to two years. The financial situation of self-employed health care professionals will primarily depend on how the pandemic progresses, on the behaviour of customers and patients as well as on any further measures introduced by the government.

The impact of the pandemic will continue to play an important role in the pharmacy sector in 2021. In addition to distributing FFP2 masks in the first quarter, pharmacies are currently strongly involved in supplying doctors' practices and company doctors with vaccines.

Doctors now have an essential function in the coronavirus vaccination drive: They are responsible not just for vaccinating patients, but also for educating and motivating them. In addition, they also issue digital COVID-19 certificates.

We estimate that the impact of the pandemic will also continue to be felt by dentists' practices throughout 2021. The volume of services to be provided in 2021 and 2022 has, however, not been capped, thus enabling dentists to leverage potential catch-up effects. In addition, the associations of panel dentists can draw down money from the structural fund to support recently established practices and dental medical care centres that have fallen into financial difficulty due to the pandemic-related decline in services. Furthermore, all panel dentists receive a one-off amount for special expenses incurred during the pandemic. For this purpose, the health insurers will pay a maximum amount of €275.0 million to the associations of panel dentists in the second half of the year.

In the inpatient sector, sinking incidence rates and increasing vaccination coverage enabled a step-by-step return to normal operations in the first half of 2021. Space and staff capacity will remain further key competitive factors with regard to possible catch-up effects in elective operations in combination with increased case severity.

Ebbing infection situation allows for return to discussions about health care structures

Until the German federal elections in September 2021, we estimate that the organisation of the ongoing vaccination campaign in particular and the continuing refinement of a long-term vaccination strategy under consideration of new virus variants and necessary booster shots will remain in the focus of health policy.

In the next legislative period, it is the structural reforms that were being considered before the start of the pandemic that are most likely to be returned to, for example a long-term reform in nursing care and needs-based hospital planning including a performance-based remuneration system. Here, the focus will be on the further transfer of care services from the inpatient to the outpatient sector, the scarcity of skilled workers and cross-sectoral health care concepts. By the end of 2021, hospitals can also register what they require from the funding programme of the Hospital Future Act (Krankenhauszukunftsgesetz) in order to continue to digitalise their facilities.

Digitalisation as an engine for the health care market

Technological innovations and the process of digitalisation that is being promoted by legislature will further increase the dynamism in the market. Digital connectivity between those involved in the health care sector will be particularly strongly encouraged in 2021. Health insurers introduced electronic patient records for their customers on 1 January 2021. These give service providers a comprehensive insight into the treatment process. Since July 2021, all panel doctors must be able to use and fill out the electronic patient records. Hospitals are required to create the conditions for using the electronic patient records by 1 January 2022 at the latest if they want to avoid being penalised. From October 2021 at the latest,

all panel doctors must have the technical set-up installed to generate electronic certificates of incapacity to work. This means that all service providers will automatically be connected up to the main communications modules in the medical sector and that universal interconnectedness is secured.

With the mandatory introduction of the e-prescription as of 1 January 2022, communications between doctors and pharmacists will also become further digitalised. In combination with video consultation and remuneration of courier services, the entire process can thus take place digitally, from diagnosis, to the writing of the prescription, and right through to delivery of the medication. This has already led to the creation of new business models in the form of health care platforms that aim to become the central digital go-to locations for patients. The mail-order retailers, in particular providers from neighbouring EU countries, hope that the introduction of the e-prescription will bring the desired breakthrough in the area of prescription medication. But there may also be market shifts with regard to local pharmacies. For pharmacies, it is important in 2021 to position themselves strategically, to implement new, digital applications and thus tap into additional sales channels.

Business performance

Competition in the banking sector remains intense. Banks will therefore continue to focus on making optimum use of their resources, fine-tuning their business models and driving forward their digitalisation strategies. This is even more important in view of the fact that the consequences of the pandemic are not yet fully predictable. Securing lasting profitability as well as adequate capitalisation remain the decisive factors in banks' future success.

Continued development of apoBank's business model

Due to the special nature of our business model, we are still not expecting any significant burdens for apoBank as a consequence of the coronavirus pandemic.

At the same time, we continue to develop apoBank's clearly defined business model. We will continue to pursue our strategy to selectively grow the business with members of the health care professions, their organisations and enterprises in the health care market. The Bank supports its customers strategically on two levels: in banking and in the health care market. We want to provide them with integrated services, above and beyond typical banking offerings, with complementary non-banking solutions for their different professional and private requirements, for example in optimising the business administration and organisation of their practices.

Going forward, we also want to further optimise structures and processes in the Bank and make them leaner in order to improve our operating performance. To achieve this, we will develop further measures that will be brought together in a multi-year strategy programme. The aim is to bring long-lasting improvement to our earnings and capital situation, and to reduce our expenditure. This will lead to shifts in our income statement in the coming years.

In the second half of the year, we will continue to work on optimising the technical functionalities of our IT systems. In addition, in the aftermath of the IT issues we had, we want to improve customer satisfaction again.

Moderate growth in the customer business in a challenging environment

Business planning at apoBank is based on selectively growing the customer business and we will strive to achieve this during the rest of the year in both customer segments.

In the retail clients business, we expect positive impetus in the areas of start-up and investment financing. In home loans, we focus on high-margin engagements. We want to further expand the assets and pensions business with our retail customers. Our focus here is on private asset management.

We want to continue to grow in the corporate clients business. Here, we focus on addressing enterprises in the health care market, hospitals, nursing care facilities and medical care structures. We are doing this to expand our status as a house bank. In addition, we plan to offer more specialised consulting services and products for institutional investors. The focus here will be on independent advice based on a comprehensive range of solutions.

Counter to our original forecast, the balance sheet total will remain at the current level at the end of the year. This is due to the fact that we are holding the funds from the long-term ECB tenders for longer than planned on the balance sheet, and further inflows to demand deposits are also possible.

Challenging earnings situation in 2021

We forecast that the key income statement items will develop as follows: Net interest income will remain stable, which is in line with our expectations. Opposing effects play a role here. On the one hand, we are planning an insignificant decline in our loan portfolio compared to the previous year; on the other hand, refinancing costs will remain low, partly due to the participation in the ECB tender programme and the continuing low interest level. In addition, a pay-out from our special fund is also a possibility.

We plan a very slight increase in net commission income. Given challenging conditions, we want to gradually raise the deposit volume and increase revenues in asset management through better customer penetration in the investment business as well as with new customers and mandates. We also want to generate additional profit contributions in the depository business and with advisory services for institutional clients. We expect the payment transactions business to be restrained.

In addition and in contrast to the previous year, the balance of other operating income and expenses will likely make a positive contribution to the Bank's earnings due to the release of provisions.

General administrative expenses are affected by project and investment costs and are therefore likely to rise slightly. Here, the operating expenditure including depreciation will increase moderately in the current financial year, personnel expenses on the other hand will remain stable.

As a result, we expect that the cost-income ratio will be only marginally lower.

On balance, operating income for 2021 as a whole, i.e. profit before risk provisioning, is likely to increase significantly once again.

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

The Bank again plans to make risk provisioning with reserve character for fiscal 2021, although at a significantly lower level than in the previous year.

For the 2021 financial year, we expect net profit to be considerably higher than in 2020. This would enable us to markedly increase retained earnings and to distribute an appropriate dividend to our members, including a retroactive participation in the business success of 2020.

Capital and liquidity situation

We expect that the total capital ratio will be stable at above the internal target of 15.5% at the end of 2021. In addition to a higher capital deduction item as well as the decreased assignability of uncalled liabilities to capital, the expected decline in the ratio results from an increase in capital requirements due to the growing (corporate clients) lending business as well as adjustments to creditworthiness in the retail portfolio.

In our opinion, apoBank's liquidity situation will remain comfortable, since it is supported by a broadly diversified customer and investor base. The LCR forecast also shows that the internal and external minimum limits for the forecast periods defined were complied with at all times.

Opportunities and risk report

The main prerequisites for continuing to consolidate and expand our market position are the success of our advisory activities as well as acceptance among our customers. This means we have an opportunity to achieve our strategic objectives over time, in particular those defined in our selective growth strategy for our customer business, and to hone our business model.

Due to the consequences of the IT migration in 2020, a key focus again in the second half of 2021 will be to reconsolidate apoBank's reputation with our customers and to optimise the applications. Although progress has been made with respect to the technical and procedural functionalities, the consequences for 2021 may involve risks, the impact of which cannot be fully estimated as yet.

In addition, the low interest rates and intense competition continue to have a negative impact on the earnings situation of the Bank – with correspondingly negative effects on the development of margins in the lending, deposits and commission business. The spread of coronavirus and the resulting restrictions on public life are having huge consequences for global economies. So far, we do not see a clearly noticeable impact on our net assets, financial position and results as well as our risk situation. However, no clear forecast can be made at this point in time as to how this will look in the future.

With its strategy programme, the Bank wants to tighten up and optimise its processes and structures and refine its sales approach. This is associated with opportunities for higher profitability or improved cost efficiency going forward. These strategic measures come with investment costs that will temporarily burden our income statement.

In the course of finalising 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 extensively standardised for apoBank and thus less risk-based. Among other things, the capital relief from the application of the internal regulatory risk measuring models will be restricted. However, there is an interim period for the increased capital requirements based on the output floor rule.

The extent of regulatory requirements facing the financial industry in the area of sustainability will further increase. This is likely to result in adaptations to internal bank processes. Compliance with consumer and data protection requirements in particular can impact customers' trust in apoBank. In the future, this could create opportunities to stand out against the competition, for example in investment and lending.

Additional uncertainties arise from the opportunities and risks associated with the ongoing digitalisation of the banking business, as well as banking processes in particular, and the resulting opportunities for future-proof business models. 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. However, with the increasing number of new financial IT companies, fresh business opportunities are also opening up for the financial industry.

Digitalisation leads to higher risk of cybercrime, which both fintechs and banks must protect themselves against. The focus is therefore increasingly on IT security.

The growth in the use of customer data opens up the opportunity to satisfy customer needs by employing new business models, but it may also entail data protection risks.

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 declining, new opportunities are emerging around setting up a practice or pharmacy as well as branch and cooperation models. Outpatient and inpatient care are also converging more and more. Health care corporations and financial investors are increasingly becoming providers in the areas of medicine, dental medicine, nursing care and rehabilitation. Medical care centre models in particular are the focus of the long-term growth and expansion plans of many market participants. There is a general need for advisory services and financing in this area.

Our specialised advisory services counteract the downward trend in the numbers of self-employed health care professionals by helping to reduce reservations about setting up their own practice or pharmacy. We work closely with the professional associations here. In addition, we want to cover the specific advisory and financing requirements of outpatient medical care structures. In the corporate client business, market potential is steadily growing for health care companies that offer outpatient or inpatient nursing care (hospitals, nursing care facilities etc.), as well as for companies in the health care market (e.g. pharmaceuticals, medical technology, diagnostics etc.).

The wide range of areas in which technological innovation is taking place as well as advancing digitalisation are permanently changing the provision and administration processes involved in health care services. In addition, it is leading to new and alternative platforms and health care offerings, for example ordering platforms, telemedicine and video consultations. A growing number of established and new companies are discovering the health care market and its potential for digital business models that are often based on innovative key technologies such as data analysis and artificial intelligence. This opens up new business and cooperation opportunities for us in the retail and corporate clients area.

Long-term opportunities also arise in particular from expanding our offerings at the interface between the health care market and the financial market. This allows us to leverage new sources of income and provide our customers and members with additional benefit based on our expertise in both markets. We develop – also in cooperation with external partners – value-added offerings for our customers, i.e. services that give them greater freedom to work with their patients.

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 in the banking and health care markets.

2

Interim Financial Statements

Condensed Balance Sheet	32
Condensed Income Statement	34
Condensed Notes	35

Condensed Balance Sheet

Assets

	(Notes)	30 June 2021 €	31 Dec 2020 €
1. Cash reserves		15,042,351,449.96	11,193,635,289.19
a) Cash on hand		20,670,137.60	25,486,745.00
b) Cash in central banks		15,021,681,312.36	11,168,148,544.19
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	(2, 13, 20)	1,457,906,118.20	1,264,391,555.55
a) Mortgage loans		0.00	0.00
b) Local authority loans		0.00	0.00
c) Other receivables		1,457,906,118.20	1,264,391,555.55
4. Loans and advances to customers	(2, 13, 20)	38,208,523,206.21	38,240,147,650.60
a) Mortgage loans		10,111,770,272.07	10,090,689,954.21
b) Local authority loans		181,448,729.54	184,605,828.35
c) Other receivables		27,915,304,204.60	27,964,851,868.04
5. Debt securities and other fixed-interest securities	(3, 13, 15, 20)	9,236,453,221.75	6,792,637,588.35
a) Money market papers		0.00	83,514,414.15
aa) of public issuers		0.00	0.00
ab) of other issuers		0.00	83,514,414.15
b) Bonds and debt securities		6,987,512,767.69	6,407,245,456.81
ba) of public issuers		3,631,664,390.54	3,184,382,802.95
bb) of other issuers		3,355,848,377.15	3,222,862,653.86
c) Own debt securities		2,248,940,454.06	301,877,717.39
6. Shares and other non-fixed-interest securities	(3, 13, 14, 15)	1,166,583,904.04	1,172,118,017.51
6a. Trading assets	(4)	0.00	0.00
7. Participating interests and capital shares in cooperatives	(6, 16)	233,347,934.72	233,447,934.72
a) Participations		233,175,887.33	233,275,887.33
b) Capital shares in cooperatives		172,047.39	172,047.39
8. Shares in affiliated companies	(6, 16)	13,501,477.77	9,501,477.77
9. Trust assets		51,130.18	51,130.18
10. Compensation claims against the public sector including debt securities from their exchange		0.00	0.00
11. Intangible assets	(8)	158,240,484.78	167,024,290.95
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		158,240,484.78	167,024,290.95
c) Goodwill		0.00	0.00
d) Payments in advance		0.00	0.00
12. Tangible assets	(7, 17)	123,055,281.09	126,520,497.63
13. Other assets	(18)	126,526,933.93	210,865,014.02
14. Prepayments and accrued income		24,577,057.65	29,411,230.72
a) from the issuing and lending business		11,445,954.91	14,809,358.47
b) Others		13,131,102.74	14,601,872.25
15. Deferred tax assets	(19)	0.00	0.00
Total assets		65,791,118,200.28	59,439,751,677.19

Liabilities

	(Notes)	30 June 2021 €	31 Dec 2020 €
1. Liabilities to banks	(9)	17,999,572,200.24	15,379,310,516.17
a) Registered mortgage Pfandbriefe issued		167,581,504.70	167,967,672.80
b) Registered public Pfandbriefe issued		0.00	0.00
c) Other liabilities		17,831,990,695.54	15,211,342,843.37
2. Liabilities to customers	(9)	35,585,393,383.89	33,240,761,139.37
a) Registered mortgage Pfandbriefe issued		1,126,940,021.03	1,214,570,011.67
b) Registered public Pfandbriefe issued		0.00	0.00
c) Savings deposits		93,807,492.60	94,642,449.62
ca) with an agreed notice period of three months		93,567,287.88	94,428,170.32
cb) with an agreed notice period of more than three months		240,204.72	214,279.30
d) Other liabilities		34,364,645,870.26	31,931,548,678.08
3. Securitised liabilities	(9)	8,733,932,047.36	7,398,228,490.57
a) Debt securities issued		8,733,932,047.36	7,398,228,490.57
aa) Mortgage Pfandbriefe		6,722,695,305.64	5,346,305,462.31
ab) Public Pfandbriefe		0.00	0.00
ac) Other debt securities		2,011,236,741.72	2,051,923,028.26
b) Other securitised liabilities		0.00	0.00
3a. Trading liabilities	(4)	0.00	0.00
4. Trust liabilities		51,130.18	51,130.18
5. Other liabilities	(21)	123,342,090.66	81,784,537.65
6. Prepayments and accrued income		61,506,991.38	29,649,763.20
a) from the issuing and lending business		49,222,550.12	16,204,326.71
b) Others		12,284,441.26	13,445,436.49
6a. Deferred tax liabilities	(19)	0.00	0.00
7. Provisions	(10)	344,809,820.96	429,619,931.70
a) Provisions for pensions and similar obligations		237,717,879.81	238,030,799.31
b) Tax provisions		5,809,746.54	1,469,869.00
c) Other provisions		101,282,194.61	190,119,263.39
8. - - -		0.00	0.00
9. Subordinated liabilities		119,139,955.38	119,179,974.36
10. Participating certificate capital		0.00	0.00
11. Fund for general banking risks		874,935,050.74	845,832,050.74
11a. Special items from currency translation		0.00	0.00
12. Capital and reserves	(22)	1,948,435,529.49	1,915,334,143.25
a) Subscribed capital		1,233,560,183.58	1,237,455,183.58
b) Capital reserves		0.00	0.00
c) Revenue reserves		628,555,705.05	612,555,705.05
ca) Legal reserves		442,750,000.00	434,750,000.00
cb) Other revenue reserves		185,805,705.05	177,805,705.05
d) Balance sheet profit		86,319,640.86	65,323,254.62
Summe der Passiva		65,791,118,200.28	59,439,751,677.19
1. Contingent liabilities		507,321,742.33	550,516,272.62
a) Contingent liabilities from rediscounted, settled bills		0.00	0.00
b) Liabilities from guarantees and indemnity agreements		507,321,742.33	550,516,272.62
c) Liabilities arising from the provision of collateral for third-party liabilities		0.00	0.00
2. Other obligations		2,709,481,223.15	2,786,993,520.11
a) Obligations under optional repurchasing agreements		0.00	0.00
b) Placement and underwriting obligations		0.00	0.00
c) Irrevocable loan commitments		2,709,481,223.15	2,786,993,520.11

Condensed Income Statement

Income statement

	(Notes)	1 Jan – 30 June 2021 €	1 Jan – 30 June 2020 €
1. Interest income from	(24)	373,546,261.73	420,106,431.42
a) lending and money market transactions		379,832,749.63	423,957,692.57
b) fixed-interest securities and debt register claims		- 6,286,487.90	- 3,851,261.15
2. Interest expenses	(25)	- 27,151,813.36	- 57,481,873.41
3. Current income from		12,552,988.29	19,648,668.86
a) shares and other non-fixed-interest securities		3,000,000.00	10,008,507.90
b) participating interests and capital shares in cooperatives		5,783,551.27	6,149,965.04
c) shares in affiliated companies		3,769,437.02	3,490,195.92
4. Income from profit pooling, profit transfer agreements and partial profit transfer agreements		0.00	0.00
5. Commission income	(26)	138,245,764.11	145,310,457.72
6. Commission expenses	(26)	- 36,293,937.14	- 42,129,037.81
7. Net trading result		0.00	0.00
8. Other operating income	(27)	30,177,352.00	13,611,841.03
9. ---		0.00	0.00
10. General administrative expenses		- 357,086,880.28	- 368,082,732.58
a) Personnel expenses		- 125,037,613.45	- 134,181,211.61
aa) Wages and salaries		- 99,221,952.41	- 106,390,861.06
ab) Social security contributions and expenses for pensions and benefits		- 25,815,661.04	- 27,790,350.55
b) Other administrative expenses		- 232,049,266.83	- 233,901,520.97
11. Depreciation, amortisation and write-downs in respect of intangible and tangible assets		- 14,073,945.99	- 6,520,934.33
12. Other operating expenses	(27)	- 16,933,953.50	- 20,906,389.17
13. Write-downs and value adjustments in respect of receivables and specific securities and allocations to provisions for credit risks		- 2,511,088.76	- 48,830,098.07
14. Income from write-ups in respect of receivables and specific securities and 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	0.00
16. Income from write-ups in respect of participations, shares in affiliates and securities treated as fixed assets		1,373,342.13	1,395,463.72
17. Expenses from the assumption of losses		0.00	0.00
18. ---		0.00	0.00
19. Operating surplus	(31)	101,844,089.23	56,121,797.38
20. Extraordinary income		0.00	0.00
21. Extraordinary expenses		0.00	0.00
22. Extraordinary result		0.00	0.00
23. Taxes on income	(28)	- 35,541,871.65	- 22,748,323.20
24. Other taxes not reported in item 12		- 202,831.34	- 173,528.72
24a. Allocations to the fund for general banking risks		29,103,000.00	516,000.00
25. Net profit		36,996,386.24	32,683,945.46
26. Profit carried forward from the previous year		49,323,254.62	8,014.76
27. Withdrawals from revenue reserves		0.00	0.00
a) From legal reserves		0.00	0.00
b) From other revenue reserves		0.00	0.00
28. Allocations to revenue reserves		0.00	0.00
a) To legal reserves		0.00	0.00
b) To other revenue reserves		0.00	0.00
29. Balance sheet profit		86,319,640.86	32,691,960.22

Condensed Notes

A. General information

1. Framework for the preparation of the interim financial statements

The interim financial statements of Deutsche Apotheker- und Ärztebank eG (apoBank), Düsseldorf (Düsseldorf Local Court, GnR 410), as at 30 June 2021, were prepared according to the German Commercial Code (HGB), the Accounting Ordinance for Banks and Financial Services Institutions (RechKredV) and the Securities Trading Act (WpHG). At the same time, the interim financial statements meet the requirements of the Cooperative Societies Act (GenG), the German Pfandbrief Act (PfandBG) and the Articles of Association of apoBank.

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

B. Accounting, valuation and translation methods

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

2. Loans, advances and risk provisioning

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

3. 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.

Structured financial instruments that show significantly higher or additional (different) risks or opportunities compared to the underlying instrument due to the embedded derivative were broken down into their components and reported and valued individually pursuant to relevant regulations. As a result, these instruments were recognised separately in the balance sheet in cases where conditional or unconditional purchase obligations existed for additional financial instruments.

The acquisition costs of the equity components that were reported separately are the result of breaking down the acquisition costs of the structured financial instrument in accordance with the relative fair values of the individual components. In the event that the fair value of the embedded derivative cannot be determined, its value is calculated as the difference between the fair value of the structured financial instrument as a whole and the fair value of the underlying instrument.

Securities loaned within the context of securities lending continue to be posted under the item 'Debt securities and other fixed interest securities', as the significant opportunities and risks arising from them remain with apoBank. Securities lending transactions amounted to €250.0 million as at the reporting date (31 December 2020: €0.0).

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

4. Trading assets and liabilities

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

5. Valuation units

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

In the case of the micro-hedge units, the effective portion of the valuation units formed is presented in the balance sheet according to the cost method, with the fair value method being applied for some of the portfolio valuation units. Prospective and retrospective effectiveness tests are performed.

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

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

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

In the case of portfolio hedges, 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. A portfolio is formed for each currency and each underlying transaction, in which both the sums of the underlying transaction and the hedging transaction in terms of volume, as well as all payment flows or changes in value are balanced as a rule. This way, 100% effectiveness is guaranteed in principle. Any ineffectiveness that may occur over time is recognised in profit or loss as a provision for the valuation units.

As at the reporting date, the total volume of the hedged risks amounted to €434.9 million (31 December 2020: €640.0 million). These risks arise from an omitted depreciation of assets, an omitted appreciation of debt or omitted provisions for contingent losses, and are quantified based on the gross net present values of the derivative transactions. The majority of changes in value and payment flows are expected to balance out over a period of up to ten years.

As at the reporting date, apoBank had designated a total of 433 micro hedges with a nominal value of €8,964.8 million:

- 298 hedges on the Bank's own issuances against the interest rate risk with a nominal value of €6,628.6 million, including
 - 13 caps with a nominal value of €185.7 million,
 - 15 floors with a nominal value of €195.7 million,
 - 95 swaptions with a nominal value of €1,254.2 million,
 - 175 swaps with a nominal value of €4,993.0 million,
- 135 asset swaps to hedge against the interest rate risk of 82 acquired securities with a nominal value of €2,336.3 million.

As at 30 June 2021, a volume of foreign currency swaps from FX trading in the amount of €593.8 million had been used within the scope of valuation units, of which €566.8 million with the purpose of hedging offsetting FX swaps and €27.0 million of hedging several foreign currency loans. The FX swaps can be broken down based on their currency as follows:

- €216.2 million in Danish kroner,
- €170.8 million in US dollars,
- €124.2 million in British pounds,
- €81.6 million in Swedish kroner,
- €1.0 million in other currencies.

As at the reporting date, apoBank had used a volume of foreign-currency FX forward transactions of €193.3 million as part of valuation units, including €180.3 million to hedge offsetting FX forward transactions and €13.0 million to hedge a loan denominated in a foreign currency. The FX forward transactions can be broken down based on their currency as follows:

- €142.3 million in British pounds,
- €18.7 million in US dollars,
- €10.1 million in Danish kroner,
- €6.8 million in Japanese yen,
- €6.7 million in Norwegian kroner,
- €8.7 million in other currencies.

6. Participating interests and shares in affiliated companies

Participating interests 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.

7. Fixed assets/tangible assets

Tangible assets were carried at acquisition cost less scheduled depreciation.

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

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. Liabilities

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

10. Provisions

The provisions for pension liabilities as at 30 June 2021 were calculated in line with the actuarial tables 'Richttafeln 2018 G' (Heubeck) using the projected unit credit method. The calculation is based on an updated forecast derived from the report as at 31 December 2020 using an interest rate of 1.88% (average over the past ten financial years), a wage increase trend of 3.00% and a pension increase trend of 1.75%. As at 30 June 2021, the difference pursuant to Section 253 (6) of the HGB amounted to €15.7 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') at their fair value in the amount of €16.0 million pursuant to Section 246 (2) sentence 2 of the HGB. In this case, the fair value is equivalent to the acquisition costs.

The provisions for part-time retirement and anniversary payments were calculated using the projected unit credit method. Both provisions were made on the basis of an interest rate of 1.35% and a wage increase trend of 3.00% in line with the actuarial tables 'Richttafeln 2018 G' (Heubeck). The provisions as at 31 December 2020 were extrapolated accordingly for the interim financial statements.

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

apoBank also made adequate provisions for the remaining uncertain liabilities.

11. 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 control. They serve to hedge the interest rate risks in the banking book and for controlling P&L.

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

12. 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 to be adequate as long as the total item is financially balanced for each foreign currency as at the reporting date. To the extent that special coverage was in place, income and expenditure from currency translation were shown in the income statement under the items 'Other operating income' or 'Other operating expenses'.

C. Notes to the balance sheet

Notes to assets

13. Securities portfolio/receivables by purpose

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

Securities portfolio/receivables by purpose

	30 June 2021 €thous	31 Dec 2020 €thous
Loans and advances to banks		
Fixed assets	2,644	2,584

	30 June 2021 €thous	31 Dec 2020 €thous
Loans and advances to customers		
Fixed assets	1,011	1,415

	30 June 2021 €thous	31 Dec 2020 €thous
Debt securities and other fixed-interest securities		
Fixed assets	6,987,513	6,407,245
Liquidity reserve	2,248,940	385,392
Total	9,236,453	6,792,637

	30 June 2021 €thous	31 Dec 2020 €thous
Shares and other non-fixed-interest securities		
Fixed assets	1,166,584	1,172,118
Liquidity reserve	0	0
Total	1,166,584	1,172,118

14. Shares in special investment funds

apoBank holds more than 10% of shares in domestic investment funds in accordance with Section 1 (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	Difference to	Distributions	Restriction
		with Section 278 of the KAGB in conjunction with Section 168 of the KAGB or comparable international regulations		book value	
		€thous	€thous	€thous	
APO 1 INKA	Domestic and international bonds	943,615	105,225	0	no
APO 2 INKA	Domestic and international bonds	216,658	4,264	3,000	no
BlackRock apo Global Healthcare Private Equity Fund, S.C.A., SICAV-RAIF	Participations in non-listed companies, domestic and international mutual funds	3,580	- 122	0	no

15. Financial instruments classified as fixed assets

Financial instruments classified as fixed assets¹

	Book value as at 30 June 2021	Book value as at 30 June 2021	Omitted depreciation
	€thous	€thous	€thous
Banks	681,185	679,914	1,271
Public debtors	584,701	579,594	5,107
Corporations	41,705	41,577	128
Total	1,307,591	1,301,085	6,506

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

Impairments of these unstructured securities are not regarded as permanent since they can be attributed to increased market interest rates and a deterioration in market liquidity.

16. List of holdings

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

List of holdings

Gesellschaft	Share in company capital as at 30 June 2021 %	Year	Equity of the company €thous	Result of the last financial year €thous
aik Immobilien-Investmentgesellschaft mbH, Dusseldorf	64	2020	12,056	4,089
aik Management GmbH, Dusseldorf ¹	100	2019	80	55
Apo Asset Management GmbH, Dusseldorf	70	2020	17,582	5,060
APO Data-Service GmbH, Dusseldorf ²	100	2020	4,677	634
apoDirect GmbH, Dusseldorf ²	100	2020	1,345	369
ARZ Haan AG, Haan	38	2020	56,431	2,298
Deutsche Ärzte Finanz Beratungs- und Vermittlungs-Aktiengesellschaft, Cologne	25	2020	21,529	8,530
DZR Deutsches Zahnärztliches Rechenzentrum GmbH, Stuttgart	16	2020	28,772	21,022
Finanz-Service GmbH der APO-Bank, Dusseldorf	50	2020	2,888	1,205
GAD Beteiligungs GmbH & Co. KG, Münster	5	2020	119,597	3,020
gbs - Gesellschaft für Bankensysteme mbH, Münster	10	2020	5,071	1,508
medisign GmbH, Dusseldorf	50	2020	854	692
naontek AG, Dusseldorf	91	2020	4,588	-3,340
PROFI Erste Projektfinanzierungs- und Beteiligungsgesellschaft AG, Zurich ^{3, 4}	100	2020	1,736	1,352
RiOsMa GmbH, Dusseldorf	90	2020	80	-132
Treuhand Hannover GmbH Steuerberatungsgesellschaft, Hanover	26	2020	38,563	2,375
WGZ Beteiligungs GmbH & Co. KG, Dusseldorf	5	2020	3,093,444	-159
ZA Zahnärztliche Abrechnungsgesellschaft Dusseldorf AG, Dusseldorf	25	2020	6,185	553
ZPdZ - Zahnpraxis der Zukunft GmbH, Dusseldorf	50	2020	669	-198

1) Indirect participation.

2) Before profit transfer or loss absorption.

3) Including indirect participation of almost 50% via RiOsMa GmbH.

4) Financial year ending as at 30 June.

In the first six months of 2021, apoBank concluded a control and profit transfer agreement with the apoDirect GmbH, Dusseldorf, effective as of 1 January 2021.

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

apoBank has not prepared consolidated financial statements in accordance with Section 290 (5) of the HGB in conjunction with Section 296 (1) and (2) of the HGB, as either significant and lasting constraints limit apoBank's ability to exercise its rights with regard to the net assets or the management of the subsidiaries, or the relevant companies are of minor importance overall in terms of presenting a realistic picture of the net assets, financial position and earnings situation.

17. Tangible assets

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

Tangible assets

	30 June 2021	31 Dec 2020
	€thous	€thous
Land and buildings used for the Bank's own business activities	93,068	94,810
Office furniture and equipment	28,774	30,485

18. Other assets

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

Other assets

	30 June 2021	31 Dec 2020
	€thous	€thous
Capitalised premiums from options and caps	41,213	59,059
Receivables from asset management	26,420	43,732
Tax receivables	26,339	46,253
Receivable from distribution of APO 2 INKA fund	3,000	21,000

19. Deferred tax assets

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

As at 30 June 2021, a net deferred tax asset was identified. 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 as well as other assets.

The total net surplus of deferred tax assets amounted to €187,971 thousand on balance, including deferred tax assets of €192,989 thousand and deferred tax liabilities of €5,018 thousand.

A tax rate of 31.3% was applied for calculating deferred taxes.

20. Subordinated assets

Subordinated assets are included in the following items:

Subordinated assets	30 June 2021	31 Dec 2020
	€thous	€thous
Loans and advances to banks	2,644	2,584
Loans and advances to customers	66,908	66,674
Debt securities and other fixed-interest securities	21,243	21,037
Total	90,795	90,295

Notes to liabilities

21. Other liabilities

The item 'Other liabilities' includes the following larger amounts:

Other liabilities

	30 June 2021	31 Dec 2020
	€thous	€thous
Trade payables	56,333	14,918
Tax liabilities	17,546	6,799
Premiums from options and caps carried as liabilities	8,460	9,866
Dividend liability 2019	0	24,064

22. Capital and reserves

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

Subscribed capital

	30 June 2021	331 Dec 2020
	€thous	€thous
Capital contributions	1,233,561	1,237,455
of remaining members	1,228,052	1,233,313
of departing members	4,919	3,893
of terminated cooperative shares	590	249
Compulsory contributions due on shares in arrears	109	104

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

Revenue reserves

	Legal reserves	Other revenue reserves
	€thous	€thous
As at 1 Jan 2021	434,750	177,806
Transfers		
from the balance sheet profit of the previous year	8,000	8,000
from the net profit of the current financial year	0	0
Withdrawals	0	0
As at 30 June 2021	442,750	185,806

Derivative financial instruments

23. 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 €24,710 million as at 30 June 2021 (31 December 2020: €26,905 million). As at 30 June 2021, they included the following types of transactions:

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

Stock-related transactions

- Stock options

apoBank enters into these forward transactions, which are subject to fluctuations in interest rates, exchange rates and market prices, to hedge positions, for asset liability management as well as for strategic reasons within the scope of its participation management. Existing derivatives contracts are broken down according to their risk structure in the following table. 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 reporting date. To this end, 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, and swaptions were valued based on 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.

apoBank measures stock options from structured financial instruments by comparing them with unstructured bonds of the same issuer and with the same terms. The difference between the two financial instruments corresponds to the implied value of the option.

Risk structure

	Nominal value €m		Fair value €m	
	30 June 2021	31 Dec 2020	30 June 2021	31 Dec 2020
Interest rate-related transactions¹				
Time to maturity up to 1 year	1,587	2,350	-12	-19
more than 1 year to 5 years	10,345	10,527	-105	-121
more than 5 years	11,988	12,843	-27	-31
Subtotal	23,920	25,720	-144	-171
Currency-related transactions				
Time to maturity up to 1 year	636	1,070	-1	1
more than 1 year to 5 years	151	112	0	0
more than 5 years	0	0	0	0
Subtotal	787	1,182	-1	1
Stock-related transactions¹				
Time to maturity up to 1 year	3	3	0	0
more than 1 year to 5 years	0	0	0	0
more than 5 years	0	0	0	0
Subtotal	3	3	0	0
Total	24,710	26,905	-145	-170

1) Interest rate- and stock-related transactions are reported under the items "Other assets" (€41.2 million), "Prepayments and accrued income (assets)" (€10.1 million) as well as under the items "Other liabilities" (€0.8 million) and "Prepayments and accrued income (liabilities)" (€12.3 million).

The vast majority of derivative financial instruments is used to hedge interest rate and/or currency fluctuations as part of valuation units (see note 5) as well as within the scope of asset liability management.

D. Notes to the income statement

24. Interest income

The 'Interest income' item includes €29,574 thousand (1 January to 30 June 2020: €10,135 thousand) in negative interest income from deposits with the ECB and other banks, from collateral management, as well as from fixed-interest securities.

25. Interest expenses

The item 'Interest expenses' includes €56,543 thousand (1 January to 30 June 2020: €15,245 thousand) in positive interest expenses from borrowings from the ECB, from other banks and specific customer groups, from collateral management as well as from securitised liabilities.

26. Commission income and commission expenses

Commission income includes insurance brokerage services rendered for third parties amounting to €11,031 thousand (1 January to 30 June 2020: €13,729 thousand).

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

Other operating income of €30,177 thousand (1 January to 30 June 2020: €13,612 thousand) includes, among other things:

Other operating income

	1 Jan – 30 June 2021	1 Jan – 30 June 2020
	€thous	€thous
Rental income	2,100	2,066
Release of provisions (related to other periods)	18,372	4,216
Income from currency translation	3,889	3,896

Other operating expenses of €16,934 thousand (1 January to 30 June 2020: €20,906 thousand) result primarily from the following items::

Other operating expenses

	1 Jan – 30 June 2021	1 Jan – 30 June 2020
	€thous	€thous
Provisions for litigation costs	3,056	11,861
Expenses from compounding	2,939	3,397
Expenses from currency translation	3,217	2,273
Direct depreciation of other assets	3,400	0

28. Taxes on income

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

E. Other notes

29. Events after the reporting date

No events took place that were subject to reporting requirements between 30 June 2021 and when the interim financial statements were prepared by the Board of Directors on 24 August 2021.

30. Disclosures according to Section 28 of the PfandBG

Please refer to apoBank's quarterly report as at 30 June 2021, prepared pursuant to the German Pfandbrief Act (PfandBG), for information with respect to the mortgage Pfandbriefe included in the items 'Liabilities to banks', 'Liabilities to customers' and 'Securitised liabilities'.

31. 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 €474.1 million results from the operating result, excluding risk provisioning and general administrative expenses. Deutsche Apotheker- und Ärztebank's operating result amounted to €101.8 million based on HGB accounting.

The number of employees (excluding members of the Board of Directors) as at 30 June 2021 was 2,091 (full-time equivalents).

The profit before tax of €101.8 million as at 30 June 2021 was largely generated in Germany. Income tax on this amount was €35.5 million.

apoBank does not receive any public aid.

32. Board of Directors

Members of the Board of Directors

- Ulrich Sommer, Chairman, responsible for Corporate Development, Corporate Communications, HR, Legal, Professional Associations, Health Care Markets and Policy, Internal Auditing, since 1 May 2021 also Large Customers and Markets (temporary)
- Dr. Thomas Siekmann, Deputy Chairman, responsible for Finance and IT (until 30 April 2021)
- Jenny Friese, responsible for Retail Clients (since 1 May 2021; from 1 January to 30 April 2021 responsible for Large Customers and Markets)
- Eckhard Lüdering, responsible for Risk
- Holger Wessling, responsible for Finance and IT (since 1 May 2021; from 1 January to 30 April 2021 responsible for Retail Clients)

33. Supervisory Board

Members of the Supervisory Board

- Prof. Dr. med. Frank Ulrich Montgomery, Chair, Chair of the Board of the World Medical Association Inc.
- Sven Franke¹, Deputy Chair, bank employee
- Ralf Baumann¹, bank employee
- Fritz Becker, owner of the Nordstadt-Apotheke Pforzheim
- Marcus Bodden¹, bank employee
- Martina Burkard¹, bank employee
- Mechthild Coordt¹, bank employee
- Stephanie Drachsler¹ (since 30 April 2021), bank employee
- Dr. med. dent. Peter Engel, member of the Supervisory Board of Deutsche Ärzteversicherung AG
- Dr. med. Andreas Gassen, Chair of the Board of the National Association of Statutory Health Insurance Physicians (Kassenärztliche Bundesvereinigung KdöR)
- Günter Haardt¹, General Manager of the Vermögensverwaltung der ver.di GmbH
- Dr. med. Torsten Hemker, Chair of the Administrative Committee of the Versorgungswerk der Ärztekammer Hamburg KdöR
- Steffen Kalkbrenner², bank employee
- Walter Kollbach, tax consultant/auditor (retired)
- Dr. med. dent. Helmut Pfeffer, Chair of the Pension Committee (Versorgungsausschuss) of the Versorgungswerk der Zahnärztekammer Hamburg KdöR
- Robert Piasta¹(until 30 April 2021), bank employee
- Dr. med. dent. Karl-Georg Pochhammer, Deputy Chair of the National Association of Statutory Health Insurance Dentists (Kassenzahnärztliche Bundesvereinigung KdöR)
- Christian Scherer¹, bank employee
- Friedemann Schmidt, President of the Sächsische Landesapothekerkammer KdöR
- Dietke Schneider¹, bank employee
- Susanne Wegner, General Manager of the Verwaltungsgesellschaft Deutscher Apotheker mbH

1) Employee representative.

2) Representative of the executive staff.

34. Name and address of the responsible auditing association

Genossenschaftsverband – Verband der Regionen e.V.
Peter-Müller-Str. 26
40468 Dusseldorf, Germany

Dusseldorf, 24 August 2021
Deutsche Apotheker- und Ärztebank eG
The Board of Directors



Ulrich Sommer



Jenny Friese



Eckhard Lüdering



Holger Wessling

3

Certifications

Review Report

59

Responsibility Statement by the Legal Representatives

61

Review Report

to Deutsche Apotheker- und Ärztebank eG, Dusseldorf

We have reviewed the condensed interim financial statements (comprising the condensed balance sheet, the condensed income statement as well as the condensed notes) and the interim management report of Deutsche Apotheker- und Ärztebank eG for the period from 1 January 2021 to 30 June 2021, which are components of the interim report pursuant to Section 115 of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG). The preparation of the condensed interim financial statements in accordance with German commercial law and of the interim management report in accordance with the provisions of the German Securities Trading Act applicable to interim management reports is the responsibility of the Board of Directors of the cooperative. Our responsibility is to issue a report on the condensed interim financial statements and the interim management report based on our review.

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

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

Dusseldorf, 24 August 2021

Genossenschaftsverband – Verband der Regionen e. V.

Dieter Schulz
Auditor

Arndt Schumacher
Auditor

Responsibility Statement by the Legal Representatives

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

Dusseldorf, 24 August 2021
Deutsche Apotheker- und Ärztebank eG
The Board of Directors



Ulrich Sommer



Jenny Friese

Eckhard Lüdering



Holger Wessling

Imprint

Published by

Deutsche Apotheker- und Ärztebank eG
Richard-Oskar-Mattern-Straße 6
40547 Dusseldorf
Germany
www.apobank.de
Phone +49 (0)211-59 98-0
Fax +49 (0)211-59 38 77
E-mail info@apobank.de

Concept and layout

Lesmo, Galeriehaus, Poststraße 3, 40213 Dusseldorf

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

