

# Annual Financial Report

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# 2021

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115,239  
members



2,246  
employees



67,372  
balance sheet total (€m)

# Overview of Business Development

## Overview of Business Development

	31 Dec 2021	31 Dec 2020	Change <sup>1</sup> %
<b>Bank data</b>			
Members	115,239	116,055	-0.7
Customers	2,246	2,354	-4.6
Locations	83	85 <sup>2</sup>	-2.4

<b>Balance sheet</b>	€m	€m	%
Balance sheet total	67,372	59,440	13.3
Customer loans	37,787	38,240	-1.2
Customer deposits	37,140	33,241	11.7

<b>Income statement</b>	€m	€m	%
Net interest income <sup>3</sup>	685.0	750.4	-8.7
Net commission income	193.0	184.3	4.7
General administrative expenses	-715.0	-720.9	-0.8
Operating profit before risk provisioning	188.1	184.7	1.8
Risk provisioning from the operating business <sup>4</sup>	-14.3	-40.1	-64.3
Risk provisioning with reserve character <sup>5</sup>	-49.5	-33.4	48.1
Operating result	124.3	111.2	11.8
Taxes	-58.9	-45.9	28.3
Net profit after tax	65.4	65.3	0.1

<b>Key figures</b>	%	%	ppts
Equity ratio (according to CRR)	17.3	18.0	-0.7
Common equity tier 1 ratio (according to CRR)	15.9	16.3	-0.4
Cost-income ratio <sup>6</sup>	79.8	81.2	-1.4

<b>Ratings<sup>7</sup></b>	<b>Standard &amp; Poor's</b>	<b>Fitch Ratings (group rating)</b>
Long-term rating	A+	AA-
Short-term rating	A-1	F 1+
Outlook	stable	stable
Pfandbrief rating	AAA	-

1) Deviations possible due to rounding differences.

2) Value adjusted.

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

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

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

6) Ratio of operating expenses and operating income. Operating expenses include general administrative expenses as well as other operating expenses. Operating income includes net interest income, net commission income and other operating income.

7) Issuer credit rating as at January 2022.

# 1

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## To our Members and Clients

Letter of the Chair of the Board of Directors

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Report of the Supervisory Board

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Dusseldorf, 28 January 2022

## Dear Members, Customers and Business Partners,

“2020 was an exceptional year, and one that also brought unexpected challenges. The coronavirus pandemic confirmed how important our health care system is, with the new pressures and responsibilities it faced in the past and still faces today.” These were the first lines of last year’s letter to you – and they are just as relevant and on-point today as they were twelve months ago. In March 2020, not many of us would have expected the pandemic to remain the dominant topic at all levels of society for another year.

We know how hard you, our customers, have been working, both in 2020 and 2021. For you remain a central force in overcoming the pandemic. That’s all the more remarkable in view of the fact that many of you have been impacted in several ways – professionally, personally, and some of you financially as well. We thank you wholeheartedly for your tireless efforts, your dedication and your stamina.

### **Dividends – all lights are green**

Conditions remained challenging for us too in 2021: the ever-increasing regulation, competition in the banking industry – sometimes involving new market entrants – and digitalisation. Our financial results also reflect these prevailing conditions. In addition, interest rates have been very low for over a decade. This, in combination with the European Central Bank’s negative interest rates as well as a continuing inflow of customer deposits, has resulted in net interest income increasingly melting away. This is a trend we, like others, cannot avoid.

On the other hand, developments on the stock markets were very satisfactory. This had a positive effect on our customers’ assets and our net commission income. In terms of costs, we were able to maintain the level of the previous year. Overall, we generated sufficient net profit to pay out an appropriate dividend.

### **Strategy – the roadmap is ready**

Banks will continue to face many challenges in the years to come. To maintain our good market position in spite of this, we are continuing to evolve and invest in our future. As the “health care bank” (Bank der Gesundheit), it is essential that we tailor our support even more precisely to our customers’ needs. A further key component of our strategy is to become much more efficient by establishing leaner structures and making our processes even more customer-friendly – we see potential for optimisation in this area. This includes reducing our costs.

In the customer business, we are continuing to focus on new practices, pharmacies and start-ups, health care professionals' investments, real estate financing as well as loans to companies in the health care market. As a reliable partner to our customers, we want to offer both investment and insurance solutions as well as retirement planning based on our expertise in the securities business. We therefore continue to refine our products and services, tailoring them to the needs of our retail and institutional investors.

### **Your satisfaction – full speed ahead on improvements**

Last year, particular focus was placed on increasing customer satisfaction, which has been significantly below its traditionally high level since the IT migration in 2020. Extensive process-related and technical measures are being taken to help us improve our performance. We would like to express our heartfelt thanks to you, our customers who loyally remained with us in spite of recent difficulties. And for the same reason, our thanks also go out to our employees. This year again, they have put all their energy into supporting our customers and continuing to evolve apoBank.

We have now left the most difficult stretch behind us – the introduction of a new core banking system into a completely new IT architecture and the initial adaptations that followed. However, we are continuing to work on adapting business processes to the IT system. In addition, we are working to improve functionality and user-friendliness, even if in some areas like online banking we need a little more time to do that. In the coming years, we will put all our energy into continuing on the path of further refining our services for you.

### **Sustainability – the course has been set**

As a company, we are aware of our responsibility to society and we orient our actions along ethical and moral principles, which are documented in our code of conduct. But our sense of responsibility goes even further than that: We want to contribute towards creating a sustainable society. That is why, in autumn 2021, we signed off on a sustainability strategy. It encompasses the three dimensions of environment, society and good corporate governance.

One of our goals is to become climate-neutral by 2030. In the customer business, our securities services will be aligned with sustainable strategies, and an HR policy will be implemented that is in line with family life and people's different life phases. At our headquarters, in our branches and via the apoBank Foundation, we work for the good of society worldwide, for example by participating in medical and social aid projects.

At the same time, we support our customers in their efforts to bring more sustainability to their practices and pharmacies. A survey we carried out in summer 2021 demonstrated how important this topic is to them. It showed that over 60 percent of respondents highly value sustainability. They prioritised such areas as waste disposal management and energy consumption, the question of how health care professionals can motivate patients and clients to live more sustainable lives, as well as delivering health care products and services that are viable in the long run. As the “health care bank”, we aim to support people working in health care in their desire to run their businesses more sustainably and, in collaboration with our partners, to offer them tailored advisory services.

#### Together in one direction

apoBank celebrates its 120th anniversary this year. We look back on a long history during which the Bank has gone through many transformations to adapt to the ever-changing market environment. Our multifaceted history has proven one thing: Together, we can achieve so much more than alone. The cooperative principle has more than proven its worth and will carry us all into the future.

We would like to thank you for your trust in our community in the past year and look forward to continuing our connection in 2022.

## With all our best wishes



Jenny Friese



Eckhard Lüdering



Alexander Müller



Holger Wessling

Board of Directors, Deutsche Apotheker- und Ärztebank

## Report of the Supervisory Board

The Supervisory Board of apoBank fulfilled its duties in accordance with the law, the Articles of Association and the internal rules of procedure in 2021. Due to the industry and specialist expertise of its members, as well as their experience, the Supervisory Board as a whole has sufficient competence to fulfil its purpose; this also includes the areas of accounting and auditing of annual financial statements. The Supervisory Board reviewed these requirements as part of a self-assessment in accordance with Section 25d (11) nos. 3 and 4 of the KWG (German Banking Act). The statutory requirements in accordance with Section 36 (4) of the Cooperative Societies Act (Genossenschaftsgesetz, GenG) were also fulfilled.

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

At regular meetings, the Board of Directors informed the Supervisory Board as well as the committees of the Supervisory Board about apoBank's business performance, risk, net assets and financial position, its earnings situation as well as about special events. At its four regular meetings in the year under review, the Supervisory Board gained an insight into the Bank's current state of affairs, the status of the strategy programme "Oscar" and the progress of the IT stabilisation measures. In addition to this, it held three extraordinary meetings, at which it addressed in detail the analysis, the current status and the planned strategic refinement of the IT system, as well as the staffing of the Board of Directors and the preliminary results of the supervisory review and evaluation process (SREP) 2021 for apoBank. It discussed further details at 18 ordinary and 11 extraordinary meetings of the Loan and Risk Committee, the Nomination and Presiding Committee, the Personnel Committee, the Audit Committee and the Remuneration Control Committee. The Nomination and Presiding Committee in particular addressed the changes on the Board of Directors. The full Supervisory

Board received comprehensive reports from the meetings of its respective committees. Also outside of these meetings, the Chair of the Supervisory Board regularly exchanged information and ideas in close consultation with all members of the Supervisory Board and the Board of Directors.

In the year under review, the Nomination and Presiding Committee also addressed potential conflicts of interest on the part of members of the Supervisory Board and Board of Directors that could influence their objectivity. At its meetings, the committee assessed the potential conflicts in detail and came to the conclusion that there was only one case of a conflict of interest. The appropriate action was taken to solve this.

The 2021 annual financial statements, including the management report, were audited by the Genossenschaftsverband. The Genossenschaftsverband confirmed the objectivity of the employees involved in the audit to the Audit Committee and the Supervisory Board. The results of this audit will be reported on in the Annual General Meeting on 29 April 2022. According to the unqualified audit certificate issued by the Genossenschaftsverband, the annual financial statements and the management report are in keeping with the law and the Articles of Association. The Supervisory Board received and critically examined the report on the statutory audit. At its joint session with the Board of Directors and the auditors, the Supervisory Board acknowledged the results of the audit and scrutinised the statements made in the auditing report. The Supervisory Board concluded that the annual financial statements were prepared and audited correctly and therefore contributed towards correct accounting. The Supervisory Board was supported by the Audit Committee in monitoring the audit. The Supervisory Board examined and verified the annual financial statements, the management report and the Board of Directors' proposal on the allocation of net profit. The audit did not give rise to objections. The proposal on the allocation of net profit – including profit carried forward – is in accordance with the Articles of Association. The Supervisory



Board recommends that the Annual General Meeting approve the financial statements as at 31 December 2021, which were presented by the Board of Directors, and that it pass a resolution on the proposed appropriation of net profit.

The following change was made to the composition of the Supervisory Board in fiscal 2021: With effect from 30 April 2021, Stephanie Drachslar became a member of the Supervisory Board. She had previously already been appointed as a substitute member and succeeded Robert Piasta when his period in office as an employee representative on the Supervisory Board terminated with his resignation at the end of the Annual General Meeting on 30 April 2021. Shareholder representatives Fritz Becker, pharmacist, Dr. med. dent. Peter Engel and Dr. med. Andreas Gassen were re-elected. Following this, the Supervisory Board unanimously confirmed Prof. Dr. med. Frank Ulrich Montgomery as Chair of the Supervisory Board at its constitutive meeting. At the end of this year's Annual General Meeting, the shareholder representatives Prof. Dr. med. Frank Ulrich Montgomery, Dr. med. dent. Helmut Pfeffer, and Susanne Wegner will leave the Supervisory Board. They are entitled to stand for re-election.

Jenny Friese took up her appointment as a member of the Board of Directors of apoBank on 1 January 2021. With effect from midnight on 30 April 2021, Dr. Thomas Siekmann left the Board of Directors on his own wishes. At its extraordinary meeting on 29 April 2021, the Supervisory Board rearranged the responsibilities of the members of the Board of Directors for the Board Departments with effect from 1 May 2021 in connection with the resignation of Dr. Thomas Siekmann: Holger Wessling took over the Finance and IT Board Department, Jenny Friese the Retail Clients Board Department and Ulrich Sommer temporarily took charge of the Large Customers and Markets Board Department in addition to his responsibility as Chair of the Board of Directors. Also at its extraordinary meeting on 29 April 2021, the Supervisory Board appointed Alexander Müller as a full member of the Board of Directors. This appointment was

made under the condition precedent that the responsible authority had no objections. After the ECB had declared this to apoBank, Alexander Müller took up his appointment as a member of the Board of Directors of apoBank on 1 September 2021, with responsibility for the Large Customers Board Department. With effect from midnight on 10 December 2021, Chairman Ulrich Sommer left the Board of Directors. Proxy responsibility arrangements took effect within the Board of Directors until the appointment of a new Chair. In this transitional phase, Holger Wessling took over executive coordination of the work of the Board of Directors. At its extraordinary meeting on 21 January 2022, the Supervisory Board then appointed Matthias Schellenberg to the Board of Directors. This appointment was also made under the condition precedent that the responsible authority has no objections. At the same time, the Supervisory Board agreed to appoint Matthias Schellenberg as Chair of apoBank under the condition precedent that his appointment as a member of the Board of Directors becomes effective. Matthias Schellenberg took over as Chair of the Board on 1 March 2022.

In the challenging environment of the reporting year, apoBank fulfilled its purpose of supporting and promoting the economic interests of health care professionals as outlined in its Articles of Association. Net profit after tax rose. This enables the Bank to have its members benefit from its positive business performance in 2021 by paying out an appropriate dividend; a dividend will also be paid out retroactively for 2020.

The dominating influencing factors for banks, such as the low interest environment, technological innovations, changes in customer expectations, regulatory requirements as well as, increasingly, environmental and social goals – remain among the challenges apoBank faces. It will therefore continue to work on its strategy programme in 2022, while at the same time refining its approach to supporting customers. apoBank's long-term goal is to implement efficient and lean structures, allowing it to offer customers solution-based products and services as a strong "health care bank".

The Supervisory Board is convinced that apoBank's business model provides it with a sound basis to complete this process successfully. Due to its good market position, the Bank remains in a position to fulfil the requirements of players in the health care market and step up its economic support for them. The Supervisory Board would like to thank the members of the Board of Directors and the entire workforce of apoBank for their good work, their trusting cooperation and their considerable personal commitment in 2021.

Dusseldorf, 1 April 2022

A handwritten signature in blue ink, appearing to read 'F. U. Montgomery', with a stylized flourish at the end.

On behalf of the Supervisory Board  
Prof. Dr. med. Frank Ulrich Montgomery

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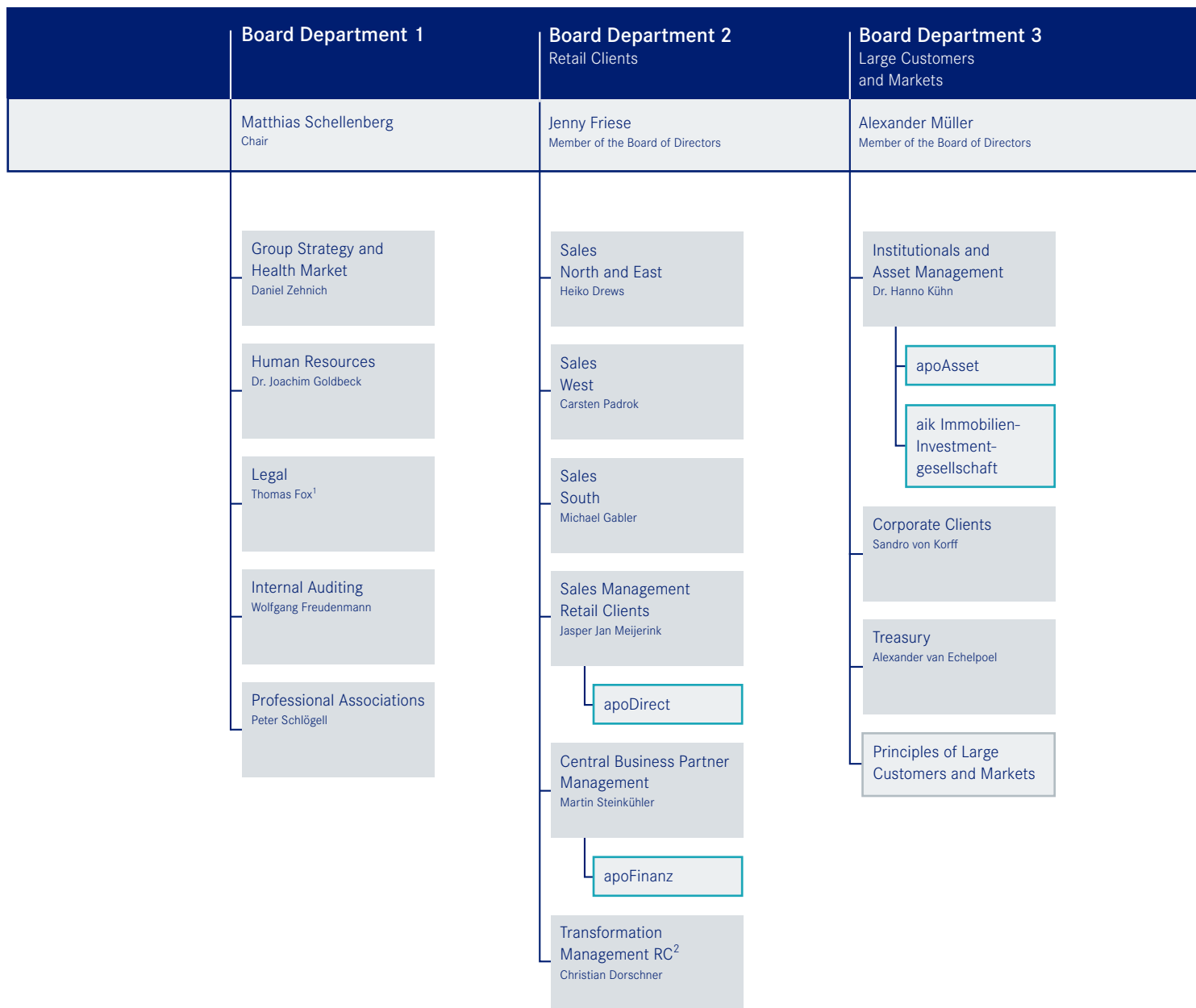
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# Board Departments

## Organisational chart of Deutsche Apotheker- und Ärztebank eG





## Board of Directors



**Matthias Schellenberg**  
Chair



**Jenny Friese**  
Member of the Board  
of Directors

## Supervisory Board

**Prof. Dr. med. Frank Ulrich Montgomery**  
Chair  
Berlin

**Sven Franke<sup>1</sup>**  
Deputy Chair  
Hanover

**Ralf Baumann<sup>1</sup>**  
Langenfeld

**Fritz Becker, pharmacist**  
Remchingen

**Marcus Bodden<sup>1</sup>**  
Essen

**Martina Burkard<sup>1</sup>**  
Würzburg

**Mechthild Coordt<sup>1</sup>**  
Berlin

**Stephanie Drachsler<sup>1</sup> (since 30 April 2021)**  
Munich



**Eckhard Lüdering**  
Member of the Board  
of Directors



**Alexander Müller**  
Member of the Board  
of Directors



**Holger Wessling**  
Member of the Board  
of Directors

**Dr. med. dent. Peter Engel**  
Bergisch-Gladbach

**Dr. med. Andreas Gassen**  
Berlin

**Günter Haardt<sup>1</sup>**  
Leubsdorf

**Dr. med. Torsten Hemker**  
Hamburg

**Steffen Kalkbrenner<sup>1</sup>**  
Dusseldorf

**WP/StB Walter Kollbach**  
Bonn

**Dr. med. dent. Helmut Pfeffer**  
Wohltorf

**Robert Piasta<sup>1</sup> (until 30 April 2021)**  
Niederkassel

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

**Christian Scherer<sup>1</sup>**  
Deidesheim

**Friedemann Schmidt, pharmacist**  
Leipzig

**Dietke Schneider<sup>1</sup>**  
Hanover

**Susanne Wegner**  
Obertshausen

1) Employee representative.

## Advisory Board

Dipl.-Betriebsw. Wolfgang Abeln, Peetsch

Dr. med. Matthias Albrecht, Berlin

Stephan Allroggen, dentist, Kassel

Ass. Jur. Nico Appelt, Dresden

Dipl.-Kfm. Peter Asché, Würselen

Dr./RO Eric Banthien, Hamburg

Mark Barjenbruch, Hanover

Dr. med. Andreas Bartels, Mainz

Dr. med. dent. Gert Beger, Bad Kreuznach

Prof. Dr. Andréa Belliger, Geiss

Thomas Benkert, pharmacist, Grafrath

Prof. Dr. Dr. med. dent. Christoph Benz, Munich

Christian Berger, dentist, Kempten

Dr. med. Frank Bergmann, Roetgen

Dr. med. Jörg Berling, Lüneburg

Dipl.-Vw. Christoph Besters, Waldkirch

Ulrich Böger, Dachau

Dr. med. dent. Cornel Böhringer, Ludwigslust

Dr. rer. nat. Roswitha Borchert-Bremer, Bad Schwartau

Dr. med. dent. Kay Christensen, Lauenburg

Frank Dastych, Bad Arolsen

Prof. Dr. med. Harry Derouet, St. Ingbert

Dr. med. dent. Michael Diercks, Kronshagen

Thomas Dittrich, pharmacist, Steina

Dipl.-Kfm. Armin Ehl, Berlin

Prof. Dr. med. Axel Ekkernkamp, Heidesee

Dr. med. Brigitte Ende, Buseck

Dr. rer. nat. Ralph Ennenbach, Ahrensburg

Dr. med. dent. Romy Ermler, Potsdam

Felix Esser, Berlin

Dr. med. dent. Wolfgang Eßer, Mönchengladbach

Michael Evelt, Senden

Prof. Dr. Wolfgang Ewer, Kiel

Dr. med. Johannes Fechner, Emmendingen

Joscha Feldmann, Dusseldorf

Ass. Jur. Christian Finster, Bad Schönborn

Prof. Dr. med. Ingo Flenker, Sprockhövel

Dr. Jan-Niklas Francke, pharmacist, Emmelshausen



Bernd Franken, Dusseldorf

Ursula Funke, pharmacist, Wiesbaden

Christiaan Johannes Gabrielse, veterinarian, Dinslaken

Dr. Gerald Gaß, Berlin

Prof. Dr. med. Ferdinand M. Gerlach, Marburg

Meike Gorski-Goebel, Dresden

Dr. rer. nat. Doerte Grahlmann, pharmacist,  
Neu Kaliß-Heiddorf

Dr. med. vet. Karl-Ernst Grau, Sendenhorst

Dr. phil. Jörn Graue, pharmacist, Hamburg

Dr. med. Christiane Groß, Wuppertal

Dr. med. Holger Grüning, Wernigerode

Dr. med. dent. Jürgen Hadenfeldt, Bovenden

RA Bernd J. Hammer, Mainz

Dipl.-Stom. Dieter Hanisch, Freyburg

RA Peter Hartmann, Berlin

SR Dr. med. Gunter Hauptmann, Saarbrücken

Dr. med. Klaus Heckemann, Dresden

Dr. med. Dirk Heinrich, Hamburg

Dr. med. Peter Heinz, Wiesbaden

SR Dr. med. dent. Ulrich Hell, Schiffweiler

Dipl. rer. pol. Hanno Helmker, Bremen

Dr. med. dent. Eva Hemberger, Heidelberg

Martin Hendges, dentist, Overath

Rudolf Henke, Aachen

Ralf-Matthias Heyder, Teltow

Sarah Heynen, Munich

Andreas Hilder, Steinfurt

Dr. rer. nat. Reinhard Hoferichter, pharmacist, Limburg

Dr. med. Stephan Hofmeister, Berlin

Dr. med. dent. Mathias Höschel, Meerbusch

Dr. med. dent. Bernd Hübenthal, Sangershausen

Dr. med. dent. Jörg-Peter Husemann, Berlin

Dr. med. Klaus-Ludwig Jahn, Stotel

Stephan Janko, Langenfeld

Dr. Sven Jansen, Munich

Dr. med. Susanne Johna, Kiedrich

Peter Kurt Josenhans, Dusseldorf

RA Peter Klotzki, Berlin

Franz Knieps, Berlin

Marcus Koller, dentist, Lahnstein

Dr. med. Carsten Dieter König, Dusseldorf

Dr. rer. soc. Thomas Kriedel, Dortmund

Dr. med. Wolfgang Krombholz, Isen

Dr. med. Sylvia Krug, Leipzig

Andreas Kruschwitz, dentist, St. Augustin

Dipl.-Med. Andrea Kruse, Forst

Dr. Michael P. Kuck, Wesel

Thorben Kurzbach, Berlin

Dr. rer. pol. Herbert Lang, Germering

Dipl.-Kfm. Wolfgang Leischner, Lübeck

RA Florian Lemor, Berlin

Dr. med. dent. Gunnar Letzner, Rostock

Lars F. Lindemann, Kleinmachnow

Rainer Linke, Kleinmachnow

Dipl.-Kfm. Thomas Löhning, Dusseldorf

Dipl.-Betriebsw. Dieter Ludwig, Wuppertal

Dr. med. Ellen Lundershausen, Erfurt

Dr. med. dent. Ute Maier, Dußlingen

Claudia Mairle, veterinarian, Gießen

Lothar Marquardt, dentist, Essen

Dipl.-Betriebsw. Gerald Matthies, Ahrensburg

Dr. Kathleen Menzel, Hamburg

Bernd Meurer, Girod

Dr. med. dent. Jörg Meyer, Berlin

Dipl.-Oec. WP/StB Tobias Meyer, Hanover

SR Dr. med. Josef Mischo, Saarbrücken

Dr. med. Christoph Mittmann, Münster

Dr. phil. Marc-Pierre Möll, Berlin

Dr. Hans-Georg Möller, pharmacist, Papenburg

Karl-Heinz Müller, Lage

Lutz Müller, Lehrte

Thomas Müller, Münster

MPH Dr. med. Markus Müschenich, Berlin

Dr. med. Katharina Nebel, Vlotho

Dipl.-Vw. Marco Neisen, Berlin

Christian Neubarth, dentist, Hildesheim

MUDr. Peter Noack, Cottbus

Dr. med. dent. Hans-Jürgen Nonnweiler, Kassel

Gabriele Overwiening, pharmacist, Horstmar

Dr. med. dent. Klaus-Dieter Panzner, Bad Berka

Walter Plassmann, Jersbek

Thomas Preis, pharmacist, Dusseldorf

Axel Rambow, Schwerin

Dr. med. Klaus Reinhardt, Bielefeld

RA Martin Reiss, Berlin

Dr. med. dent. Ingo Rellermeier, Berlin

Dr. med. Claudia Ritter-Rupp, Munich

Dr. med. Bernhard Rochell, Berlin

Dr. med. Annette Rommel, Hörsel

Dr. med. Karl-Friedrich Rommel, Hörsel

Caroline Roos, Hamburg

RA Dr. jur. Helmut Roth, Bad Berleburg

Anke Rüdinger, pharmacist, Berlin

Dr. med. Burkhard Ruppert, Berlin

Wolfgang Schaepers, Sassenburg

Dr. med. habil. Thomas Schang, Eutin

Dr. Dr. med. dent. Josef Schardt, Waldbrunn

Freiherr Dr. med. Titus Schenck zu Schweinsberg,  
Stadtallendorf

Günter Scherer, Berlin

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

Dr. med. Pedro Schmelz, Bad Kissingen

Dr. med. dent. Jochen Schmidt, Dessau-Roßlau

Thorsten Schmidt, Braunschweig

Dr. jur. Sebastian Schmitz, Mainz

Dr. med. Rüdiger Schneider, Trier

Dr. med. dent. Ursula von Schönberg, Barntrop

Dr. med. dent. Rüdiger Schott, Sparneck

Harald Schrader, dentist, Schwarzenbek

Dr. med. Volker Schrage, Ledgen

Dr. med. Thomas Schröter, Weimar

RA Joachim Schütz, Bad Honnef

Dipl.-Med. Angelika von Schütz, Grimmen

Dipl.-Med. Andreas Schwark, Bernau

Dr. med. dent. Holger Seib, Schwerte

Dr. Philipp Siebelt, Meerbusch

Dirck Smolka, dentist, Bonn

Dipl.-Ing. Dr. Hermann Sommer, Starnberg

Dr. med. Dirk Spelmeyer, Coesfeld

RA Harald Spiegel, Bad Segeberg

Dr. med. Philipp Stachwitz, Berlin

Dr. med. Eckhard Starke, Offenbach

Dr. med. Eberhard Steglich, Nuthetal

Dipl.-Vw. Helmut Steinmetz, Kiel

Dipl.-Betriebsw. Joachim Stöbener, Hauenstein

Martin Sztraka, dentist, Bremen

Lucas Thieme, Essen

Dr. med. vet. Uwe Tiedemann, Lüneburg

Stefan Tilgner, Kleinmachnow

Max Tischler, Dortmund

Dr. med. Christoph Titz, Ganderkesee

Dipl.-Ing. Ernst Uhing, Lüdenscheid

Dr. med. dent. Reinhard Urbach, Wolfsburg

Axel Uttenreuther, Munich

Dr. med. Peter Velling, Berlin

Dr. Claudia Vogt, pharmacist, Cologne

Dr. med. Michael Vogt, Berlin

Dr. med. vet. Guntram Wagner, Kratzeburg

Ralf Wagner, dentist, Heimbach

Ulrich Weigeldt, Bremen

Dr. med. dent. Holger Weißig, Gaußig

Lotta Westphal, Berlin

Amelie Wetter, Munich

Dr. med. Lothar Wittek, Moosthenning

Ralf Wohltmann, Berlin

Dipl.-Oec. Oliver Voitke, Bremen

Prof. Dr. Christiane Woopen, Cologne

StB. Ulrike Zethoff, Dusseldorf

Jürgen Ziehl, dentist, Wallerfangen

## Honorary Position Holders and Honorary Members

**Hermann S. Keller, pharmacist**

Honorary Chair of the Supervisory Board,  
bearer of apoBank's Karl Winter Medal  
and honorary member of apoBank  
Mainz

**Dr. med. dent. Wilhelm Osing**

Honorary Chair of the Supervisory Board  
and honorary member of apoBank  
Dusseldorf

**Berthold Bisping**

Honorary member of apoBank  
Neuss

**Dr. med. dent. Wolfgang Eßer**

Honorary member of apoBank  
Mönchengladbach

**Jürgen Helf**

Honorary member of apoBank  
Meerbusch

**Dr. med. Ulrich Oesingmann**

Honorary member of apoBank  
Dortmund

**Dipl.-Betriebswirt Werner Wimmer**

Honorary member of apoBank  
Meerbusch

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# 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 focus on the health care market, we are able to support our customers on two levels: in banking and in the health care sector.

## Servicing customers in two business segments

We provide service to our customers in two business segments. In the Retail Clients business segment, we support academic health care professionals during their training, throughout their careers and in retirement, as well as other selected customers to implement their professional and private projects; we also service small companies and medical care structures. In the Professional Associations and Large Customers business segment, we advise associations of panel doctors/dentists, chambers and associations, institutional organisations in the health care sector, professional capital investors as well as larger companies in the health care market and medical care structures. These include operators of pharmaceutical, medical, veterinary, dental, inpatient and nursing care structures.

We offer our customers a wide range of financial and advisory services in payment transactions, in the lending, deposit and investment business, 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 continuously strengthen its competitiveness.

To take on this key role, we consistently focus our activities on our customers' goals and needs. We believe that a trusting and stable customer relationship is the main precondition for working together successfully.

Our support services are based on our customers' specific needs. We provide intensive and personal advice on complex topics and questions. In addition, we offer our customers fast, direct and simple access to our banking services. In this context, we are continuing to expand our digital channels and our apoDirect customer centre.

We offer integrated advisory services as well as solutions to the challenges faced in health care professions and in the health care market. Here, we focus on the lifelong needs of our customers. 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 building advisory services for retail clients. Here, we will focus on contributing our health care market expertise. 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-Investmentgesellschaft mbH supports occupational pension funds and pension plans. As a real estate investment company, it pursues an integrated approach that covers all stages of the real estate investment value chain.

At the same time, we want to further consolidate our core business, including the support of new businesses, construction financing, investment financing and private loans. In doing so, we will leverage our expertise in the financial and health care markets even more rigorously going forward, and we will develop and offer more services that complement our product portfolio and are designed to support practices and pharmacies.

In the 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 plan to further expand our advisory services and thus continue on our growth path.

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. To achieve this, we must ensure long-term, tangible and sustainable cost reductions. A key lever here will be an ongoing increase in efficiency, primarily by optimising processes from end to end and through digital transformation.



The new core banking system we introduced in 2020 is designed to help optimise core processes and interfaces and increase apoBank's performance.

Due to regulatory specifications, capital requirements will increase significantly going forward, especially with regard to our lending business. To achieve sustainable added value, a balance must be maintained between profitability and risk.

In addition to economic sustainability, questions of environmental and social sustainability are becoming increasingly important when it comes to generating value. We see ourselves as a company that is aware of the responsibility it bears towards society. With this in mind, we signed off on a sustainability strategy in 2021. It includes a range of measures we intend to implement to work towards our operational business becoming climate-neutral by 2030. Our goal is to be climate-neutral across all of our business activities by 2045.

### Management system

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

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

#### Profitability

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

#### Liquidity adequacy

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

### Capital adequacy

- Normative perspective: Compliance with the regulatory key equity figures, e.g. total capital ratio and common equity tier 1 (capital) ratio, is monitored over a rolling period of at least three years. We set a strategic target for the total capital ratio of at least 16.0%.
- Economic perspective: The economic capital ratio sets the risk cover potential (in essence the common equity tier 1 (capital) ratio as well as economic evaluation reserves) against the economic risks (confidence level of 99.9%).

Further performance indicators are defined in the management system. These are also derived from the Bank's strategy and refer to market-specific indicators such as customer satisfaction, but also structural key indicators such as quotas for women. In addition, the degree to which employees identify with apoBank is monitored here (Organisational Commitment Index, OCI). In 2021, the OCI was 57 (2020: 56). The targeted medium-term level is 75. apoBank has developed measures to achieve this target in the medium term. In the year under review, the customer satisfaction rating was 54% (2020: 47%). The Bank is engaging in ongoing efforts to implement measures to further increase overall customer satisfaction. Process optimisation is among these measures. Success is regularly monitored using surveys.

### Family-friendly measures, promotion of women and young talent

For apoBank, reconciling work and family life is a central concern. Thanks to our needs-based, practical arrangements, employees at the Bank are able to find a good balance between their work and family obligations. A family service is available to support employees who require childcare.

Additionally, apoBank offers employees places at a childcare facility at its Dusseldorf location. The family service helps employees support family members in need of care.

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

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

The Bank's promotion of women was awarded the "Top for Women" seal in 2020. We offer seminars and programmes for women to help them define where they are at professionally and to plan their careers. apoBank intends to reapply for the seal in 2022.

We include apprentices with potential – regardless of gender – in our career pool. In addition, a special programme fosters young talents in their career development.

## Strategic objective of increasing the proportion of women in management

It is important to apoBank to recruit employees with different talents, competencies and social skills. This includes recruiting women to management positions and promoting their career development. Increasing the proportion of women in the two upper management levels is one of our strategic goals.

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

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

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

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

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

The share of women as at 31 December 2021 was 4% at the first management level (2020: 12%) and 19% at the second level (2020: 21%). The decrease is due to internal reorganisation measures at apoBank.

The Bank is intensifying its efforts to find, qualify and deploy suitable female candidates for management positions and thus to increase the proportion of women at management level again. To this end, the Board of Directors has adopted a binding personnel development plan for women in management positions, which was launched in 2019.

The share of women on the Supervisory Board of apoBank amounted to 25% in the year under review. In 2020, the target was set at 20% for the next five years. In the same year, the Supervisory Board did not change the target share of 0% women on the Board of Directors. As at 31 December 2021, the proportion of women on the Board of Directors rose to 25% (2020: 0%); it should be noted that five percentage points of this increase were due to a temporary Board Department vacancy.

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

The diversity policy includes aspects of career planning and measures to ensure equal treatment and opportunities for all employees.

# Economic Report

## Overall economic and industry-specific conditions

### Global economy on the road to recovery

The global economy continued to recover in 2021, driven among other things by the international vaccination campaign. However, the trend was uneven due to the unequal availability of vaccines in different countries and regions. Ongoing disruptions in global value chains limited production worldwide, while demand significantly increased for certain consumer goods in particular as a result of reduced contact restrictions. This led to significant rises in inflation rates. In December 2021, the inflation rate in Germany reached 5.3%, its highest point in almost 30 years. The German economy recovered considerably in the course of summer 2021, after pandemic restrictions were eased. The services sector in particular benefited greatly as a result. Industrial production, however, was constrained by upstream supply bottlenecks. At the beginning of winter, the economy had to face renewed setbacks.

### Central banks prepare for the end of emergency mode

The European Central Bank (ECB) left the key interest rate unchanged in 2021. Of the €1,850 billion in bond purchases envisaged in the pandemic emergency purchase programme (PEPP), €1,580 billion had been purchased as at 31 December 2021. The ECB decided in December to terminate the PEPP bond purchases at the end of March 2022. In its strategy review published in July, the ECB Council set a new medium-term inflation target of 2%. Both positive and negative deviations from this target are equally undesirable going forward. An action plan to take account of climate risks, for example when the ECB purchases corporate bonds, was also signed off on.

### GDP growth in % compared to the previous year

	2021	2022 <sup>1</sup>
	%	%
Germany	2.8	4.6
Euro area	5.2	4.3
USA	5.7	5.2
Emerging markets	6.4 <sup>1</sup>	5.1
World economy	5.9 <sup>1</sup>	4.9

1) Expected.  
Source: IMF, Refinitiv

In 2021, the US Federal Reserve (Fed) also left its target corridor for its key interest rate unchanged at 0 to 0.25%. In November, the decision was taken to reduce monthly purchases of government bonds and mortgage-backed securities successively over time. In December, the reduction in purchases was further accelerated to 20 billion and 10 billion US dollars respectively per month.

### Financial markets reflect the globally uneven impact of the pandemic

Through to autumn 2021, share prices worldwide increased compared to year-end 2020. At the beginning of September and the beginning of November, the impact of the new virus variants Delta and Omicron led to drops in share prices, but the markets recovered quickly. The benchmark indices of the industrial countries finished the year at significantly higher prices. However, markets in some emerging countries closed the year below their previous year's level.

The yields on government bonds in the euro area and the US rose during the course of the year. In our view, expectations of increasing inflation and key interest rates are one reason for this. Yields on ten-year German federal bonds increased from -0.6 to -0.2% and continued to trend upwards. The risk premiums on corporate bonds decreased in the first half of the year. In the investment grade range, premiums increased in the second half, so that they finished the year at almost the same level as at the beginning of 2021. In the high-interest range, the premiums were lower at year-end than at the beginning of the year. The euro decreased in value over the course of the year, from 1.22 to 1.14 US dollars.

### **Real estate market shows two faces**

According to the vdp-Gesamtindex Wohnen, prices for residential real estate in Germany rose by a record 11.4% between the third quarter of 2020 and the third quarter of 2021. Within the residential segment, prices for owner-occupied residential property climbed by 12.5%. This was due to high demand, one reason for which were the low lending rates. While residential real estate prices rose strongly, the pandemic-related economic restrictions left their mark on the commercial real estate market. Commercial property prices dropped by 0.9%, retail property prices by 3.6%, whereas prices for office buildings showed a slight increase year on year (+0.3%). This rise is attributed to the return of employees to their offices after working from home.

### **Health care market**

#### **Coronavirus pandemic remains dominant theme**

In 2021, overcoming the coronavirus pandemic was once again at the top of the health care policy agenda. Other main areas addressed were further progressing the digital transformation of the German health care sector and improving framework conditions in nursing care. However, the former government coalition did not implement all of its plans related to this before the parliamentary elections in September 2021. In particular, the nursing care reform measures signed off on in July

2021 only represented a fraction of what had been decided upon at the beginning of the legislative period. By contrast, the Digital Care and Nursing Modernisation Act (Digitale-Versorgung-und-Pflege-Modernisierungs-Gesetz, DVPMG) was an important step towards promoting the expansion of digital medical services and the use of digital care applications.

After the parliamentary elections and until the end of November, Germany found itself in an interim phase regarding health policy, where the priority was to counter the increasing incidence and hospitalisation rates of the fourth pandemic wave with a uniform catalogue of measures.

#### **Economic impact of the coronavirus pandemic on the health care professions**

2021 was a challenging year for many pharmacists. However, their contribution to overcoming the pandemic was impressive proof of how essential competent local experts are for the population. As was the case in 2020, the year 2021 will have been impacted financially by a large number of coronavirus-specific effects that will have a positive influence on pharmacists' operating income.

The same is true for panel doctors and psychotherapists. In the area of statutory health insurance (GKV), health care expenditure increased in the first half of 2021. Compensatory payments per doctor generally limited total fee losses to 10 to 15%. By contrast, there was no compensation for fee losses on services provided in the area of private health insurance.

The Health and Long-Term Care Improvement Act (GPVG) provided for liquidity assistance to dentists once again in 2021. As in the previous year, pay-outs were based on 90% of the total remuneration from 2019. Figures referring to the first quarter of 2021 show that patient volumes and health care delivery was significantly higher than in the previous year, partially due to catch-up effects.

The financial situation of veterinarians has recovered overall since the beginning of the pandemic. The number of pets rose, which automatically led to increased demand for veterinary services and will, in our opinion, have had a positive effect on the operating income of veterinarian practices specialising in pets.

Overall, based on the current data available, we continue to expect the pandemic to have only a moderate impact on the economic development of the health care professions.

### **Long-term challenges in the inpatient sector and for health care companies**

Overall, 2021 was a challenging year for inpatient health care. A degree of normality initially returned to day-to-day clinic life during the summer months when coronavirus incidence rates were low. The German government's rescue packages for hospitals as well as rehabilitation and specialist clinics ended in June. However, the number of COVID-19 patients in intensive care began to rise quickly again in autumn. This led to the growing challenge of countering a renewed overburdening of hospital staff as well as dealing with the associated constraints on regular hospital operations. The decline in capacity utilisation of normal wards presented hospitals with economic challenges in 2021. The pandemic also

impacted the financial year in elder care. This was exacerbated by increasing staff shortages and disappointment about the details of the nursing care reform, which had been finalised just before the end of the past legislative period. In particular, the financial relief and improvements for nursing care companies, workers and home residents fell far short of what had been previously announced and therefore expected.

Many health care companies adapted their delivery structures and sales channels to the pandemic situation and pushed ahead with their digital transformation projects. The pharma industry has so far been less economically impacted by the pandemic than other industries and even reported renewed increases in turnover in 2021. The new EU Medical Device Regulation has been mandatory since May 2021. This regulation means stricter rules for the medical technology 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

### Banking sector remains under pressure to change

Increasing digitalisation, the low-interest environment, changes in customer requirements, and new regulatory requirements continued to affect the prevailing conditions in the banking sector in the year under review (1 January 2021 to 31 December 2021). The low-interest rates in particular are burdening net interest income, the main revenue source for most German banks, and are therefore also affecting their profitability. Many banks are trying to compensate for the revenue drops by increasing their commission income. Another method is to expand their own product range beyond traditional banking services. The banks want to reduce costs by implementing strict end-to-end digitalisation of core and supporting processes, and thus increase efficiency. To achieve this, many are beginning to further reduce and standardise their classical product range. At the same time, investments in new information technologies, some of which are required by the regulator, are burdening the administrative expenses of many banks.

The coronavirus pandemic has also had a considerable impact on the economic framework conditions for the financial industry. Many banks participated in the ECB's targeted longer-term refinancing operations (TLTROs), which supported bank lending in the euro zone.

How the pandemic will progress over time and the economic impact it will have remain uncertain – especially in view of new virus variants and the measures taken to control it. Accordingly, the consequences for banks – including with respect to loan defaults – cannot yet be predicted.

### Business performance satisfactory under challenging conditions

With regard to the earnings situation – in terms of operating profit before risk provisioning – and against the backdrop of challenging conditions, we rate our business performance in the year under review as satisfactory overall. In accordance with our statutory purpose, we supported our members and customers in achieving their professional and private goals by offering our specialised banking services. At the same time, we continued to work hard in the year under review to successively adapt process and technology-related functionalities of our IT systems. In this environment, apoBank generated a net profit (after tax) of €65.4 million (31 December 2020: €65.3 million).

The balance sheet total rose to €67.4 billion as at the balance sheet date (31 December 2020: €59.4 billion). Loans and advances to customers were at €37.8 billion (31 December 2020: €38.2 billion). The securities portfolio increased as our liquidity reserve expanded – also in connection with the longer-term refinancing operations with the ECB – to €10.2 billion (31 December 2020: €8.0 billion).

We continue to primarily finance our lending business via liabilities to customers. The inflow of deposits continued in the year under review. This balance sheet item rose by 11.7% to €37.1 billion (31 December 2020: €33.2 billion). Securitised liabilities increased to €8.9 billion (31 December 2020: €7.4 billion). Our liabilities to banks climbed to €17.8 billion (31 December 2020: €15.4 billion). This was above all due to our renewed participation in the long-term ECB tender; the volume for the year as a whole was €7.8 billion.

## Retail clients

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

### Loan portfolio marginally lower

The loan portfolio decreased slightly to €31.2 billion in the year under review (31 December 2020: €31.8 billion<sup>1</sup>). It includes liquidity assistance and loans provided to practices and pharmacies which aim at mitigating the impact of the coronavirus pandemic.

The volume of business start-up financing<sup>2</sup> rose to €7.6 billion as at 31 December 2021 (31 December 2020: €7.2 billion). We had planned a decrease in real estate financing; in the end, it fell slightly to €18.1 billion while at the same time margins rose (31 December 2020: €18.4 billion). Investment and private financing decreased to €5.5 billion (31 December 2020: €6.2 billion).

### Growth in deposits

The average deposit volume of our retail clients rose to €25.8 billion (2020: €21.8 billion). It should be noted here that, unlike many of its competitors, apoBank still did not charge fees on retail clients' deposits in the year under review. This is likely to have further strengthened the growth in deposit volume. In April 2022, we will begin to also charge fees to retail clients to limit the high inflow of funds, starting from certain deposit levels.

## Growth in deposit volume and asset management

In the year under review, our customers' deposit volume rose to €11.9 billion (31 December 2020: €10.4 billion). We thus profited from a positive trend on the stock markets and acquired new funds. As a result, the volume of assets managed by us rose to €4.9 billion (31 December 2020: €4.4 billion).

### Considerable growth in insurance business while building society business declines

The life insurance business grew considerably compared to the previous year's level, with a brokerage volume of €436.9 million (31 December 2020: €382.7 million). This increase was driven by higher demand for pension products as well as insurance products as redemption replacement for financing.

As a result of the 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 €203.8 million (31 December 2020: €339.1 million).

## Professional associations and large 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 year under review, the average deposit volume amounted to €4.8 billion (2020: €3.6 billion). The reason for the increase was that additional funds temporarily flowed through clearing centres in connection with the coronavirus pandemic.

1) Previous year's figures are indicative.

2) Occasionally, shifts can occur when reporting start-up, real estate and investment financing as well as loans to corporate clients. Due to the migration of the IT system in 2020, some figures of that year were indicative.



### **Individually tailored advisory concept for institutional investors**

Institutional investors include occupational pension funds for the health care and other liberal professions, as well as other financial intermediaries. These encompass pension funds, insurance companies and foundations as well as church and municipal pension institutions.

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

### **Investment consulting services remain in demand**

We provide advice to 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 target-group-specific risk monitoring and reporting.

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 apoBank's key competencies. As at 31 December 2021, we managed 236 funds (31 December 2020: 231); the depository volume amounted to €25.2 billion (31 December 2020: €22.5 billion).

### **Lending business with corporate clients remains constant**

In its corporate clients business, apoBank pools its 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, with a focus on offering 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 customer segments throughout the year under review. In spite of continued intense competition, the volume of loans to corporate clients remained stable at €5.0 billion (31 December 2020: €4.9 billion), with higher margins being achieved in new business. This included liquidity assistance in the low double-digit millions of euros for companies in difficulty due to the lockdown.

**Income statement**

	1 Jan - 31 Dec 2021 €m	1 Jan - 31 Dec 2020 €m	Change % <sup>1</sup>
Net interest income <sup>2</sup>	685.0	750.4	- 8.7
Net commission income	193.0	184.3	4.7
General administrative expenses	- 715.0	- 720.9	- 0.8
Balance of other operating income/expenses	25.1	- 29.1	-
Operating profit before risk provisioning	188.1	184.7	1.8
Risk provisioning from the operating business <sup>3</sup>	- 14.3	- 40.1	- 64.3
Risk provisioning with reserve character <sup>4</sup>	- 49.5	- 33.4	48.1
Operating result	124.3	111.2	11.8
Taxes	- 58.9	- 45.9	28.3
Net profit after tax	65.4	65.3	0.1

1) Deviations possible due to rounding differences.

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

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

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

**Net 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 was €685.0 million (31 December 2020: €750.4 million).

It was down in total due to the deliberately selective approach taken in the lending business, especially in real estate financing. New loans in the lending business amounted to €5.2 billion and were thus below the previous year's figure (31 December 2020: €5.8 billion). Measures in the strategic banking book also had a burdening effect. In addition, we paid out significantly lower amounts than planned from our special fund.

On the liabilities side, the trend towards short-term demand deposits, some of which we were able to deposit only at negative interest rates with the ECB, continued. In the year under review, we were still not charging fees on retail clients' deposits; this led to a high inflow of deposits and burdened interest expenses.

While the premium from our participation in the ECB's TLTROs provided some relief, this was insufficient to compensate fully for the burdens in net interest income.

The factors mentioned above are also the reason why we remained significantly below the budgeted net interest income level.

The net interest margin was 1.1% (2020: 1.4%). The decline is mainly due to a decreased net interest income while the balance sheet total increased.

### **Slight increase in net commission income**

Net commission income rose slightly to €193.0 million (31 December 2020: €184.3 million). We saw a positive trend in earnings in our asset management business and in our securities business with retail clients. By contrast, both earnings from payment transactions as well as commissions were down on the previous year's levels. It was these trends in particular that contributed to the commission-based business closing slightly below budget overall.

### **General administrative expenses stable**

General administrative expenses amounted to €715.0 million in the year under review (31 December 2020: €720.9 million), and were thus slightly below our expectations.

Personnel expenses rose to €260.9 million (31 December 2020: 246.9 million), mainly due to burdens from restructuring measures. They were slightly below the budgeted amount.

Operating expenditure including depreciation sank to €454.0 million (31 December 2020: €474.0 million). This decrease was mainly attributable to expenses generated by the IT migration project, which were significantly higher in 2020 than in 2021. Operating expenditure was slightly below the budgeted amount overall.

The cost-income ratio amounted to 79.8% (2020: 81.2%). This was approximately in line with our expectations.

### **Operating result at previous year's level**

The operating result, i.e. the profit before risk provisioning, at €188.1 million, was marginally higher than the previous year's level (31 December 2020: €184.7 million). We had been anticipating a larger increase. The net interest income performance was the main reason for this. By contrast, the balance of other operating expenses and

income had a positive impact compared to 2020. This balance was affected by higher releases of provisions as well as lower legal expenses than in the previous year. The previous year was also marked by a provision made for additional retroactive capital gains tax and solidarity tax. Originally, we had expected a negative balance of other operating income and expenses of between €10 million and €20 million.

### **Drop in risk provisioning for the operating business**

Risk provisioning for the operating business was at -€14.3 million (31 December 2020: -€40.1 million); this was primarily due to lower net allocations to loan loss provisions. So far, no significant burdens have resulted from the coronavirus pandemic. Thus, the risk provisioning carried out was significantly lower than the standard risk costs calculated in our budget.

Risk provisioning with reserve character amounted to -€49.5 million (31 December 2020: -€33.4 million) and thus almost three times as high as the budgeted amount.

### **Stable net profit**

The bottom-line operating result before tax, at €124.3 million, was very markedly higher than expected (31 December 2020: €111.2 million).

Net profit after tax was at €65.4 million (31 December 2020: €65.3 million), and was thus on target level. This puts us in a position to use some of our profits as planned to make the necessary allocations to reserves and to pay out a dividend. The dividend – combined with the existing profit carried forward – is being paid after the fact for the year 2020, and also takes the 2021 business performance into account.

The return on equity after tax amounted to 3.5% (2020: 3.5%); the return on investment was 0.1% (2020: 0.1%).

## Higher balance sheet total and comfortable liquidity situation

The balance sheet total rose by 13.3% to €67.4 billion as at 31 December 2021 (31 December 2020: €59.4 billion). Loans and advances to customers remained almost stable at €37.8 billion (31 December 2020: €38.2 billion). These include coronavirus pandemic-related liquidity assistance for retail clients and corporate clients in the low triple-digit and very low double-digit million range respectively. The securities portfolio reached €10.2 billion (31 December 2020: €8.0 billion). This increase was due to the expansion of our liquidity reserve.

apoBank's liquidity situation remained comfortable throughout 2021. During the past financial year, the internal and external minimum requirements for our liquidity position were fulfilled at all times. As a well-established market participant with good credit ratings, we secure funds for refinancing through various sources based on a broadly diversified customer and investor base. The largest source of refinancing comes from liabilities to customers. In the year under review, these rose considerably to €37.1 billion (31 December 2020: €33.2 billion). This figure also includes the promissory note funds and registered bonds placed with our customers totalling €2.1 billion (31 December 2020: €2.3 billion).

To secure its liquidity, apoBank draws on a broad refinancing mix by issuing covered bonds (Pfandbriefe), unsecured bonds (preferred and non-preferred), as well as subordinated issuances which we place with our institutional clients and on the capital market, among others. Against the backdrop of the uncertain overall economic situation, in 2021 we drew down further funds from the long-term tender offered by the ECB. This was the main reason why our liabilities to banks increased

further to €17.8 billion (31 December 2020: €15.4 billion). In connection with this, our ECB-eligible securities rose to €8.9 billion<sup>1</sup> (31 December 2020: €6.4 billion). The main reason for the significant rise is that we temporarily invested 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 balance sheet date of 31 December 2021 rose to €8.2 billion (31 December 2020: €6.7 billion).

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

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

<sup>1</sup>) This also includes €2.5 billion of apoBank's own Pfandbriefe.

### Assessment by external rating agencies

apoBank's creditworthiness, in other words its ability and willingness to fulfil all of its financial obligations fully and in a timely manner, is rated by Standard & Poor's. In 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 an A+ rating, senior subordinated bonds have an A rating. The agency confirmed this assessment in January 2022.

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 ongoing optimisation of the process and technology-related functionalities of our IT systems and customer applications, the low interest rate environment, as well as the coronavirus pandemic influenced the conditions under which the Bank carries out its business activities.

Net interest income, for example, decreased considerably compared to the previous year, while net commission income increased slightly. General administrative expenses 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 was stable. This will enable us to make the necessary provisions in line with the planned appropriation of profits and to pay a dividend.

We view the liquidity situation as comfortable in the year 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](http://www.apoBank.de/nachhaltigkeit) as well as on the website of the German Sustainability Code ([www.deutscher-nachhaltigkeitskodex.de](http://www.deutscher-nachhaltigkeitskodex.de)).

# Risk Management Report

## Principles of risk management and risk controls

The main objective of apoBank's risk management is to secure the Bank's long-term existence. This includes guaranteeing its ongoing ability to pay out dividends and the option of retaining earnings beyond this that can be used to help finance planned business growth.

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

- the risk inventory,
- the business and risk strategy,
- the capital adequacy concept including the stress test framework,
- the liquidity adequacy concept including the stress test framework,
- risk measurement, limitation and control,
- risk reporting,
- recovery governance and the resolution plan, as well as
- organisation of risk management.

We discuss each of these items in more detail below. We then provide an overview of the development of the risk situation in 2021 and present the details of our risk management objectives and policy. apoBank's risk management system does not assess opportunities; it deals exclusively with risks.

## Risk inventory

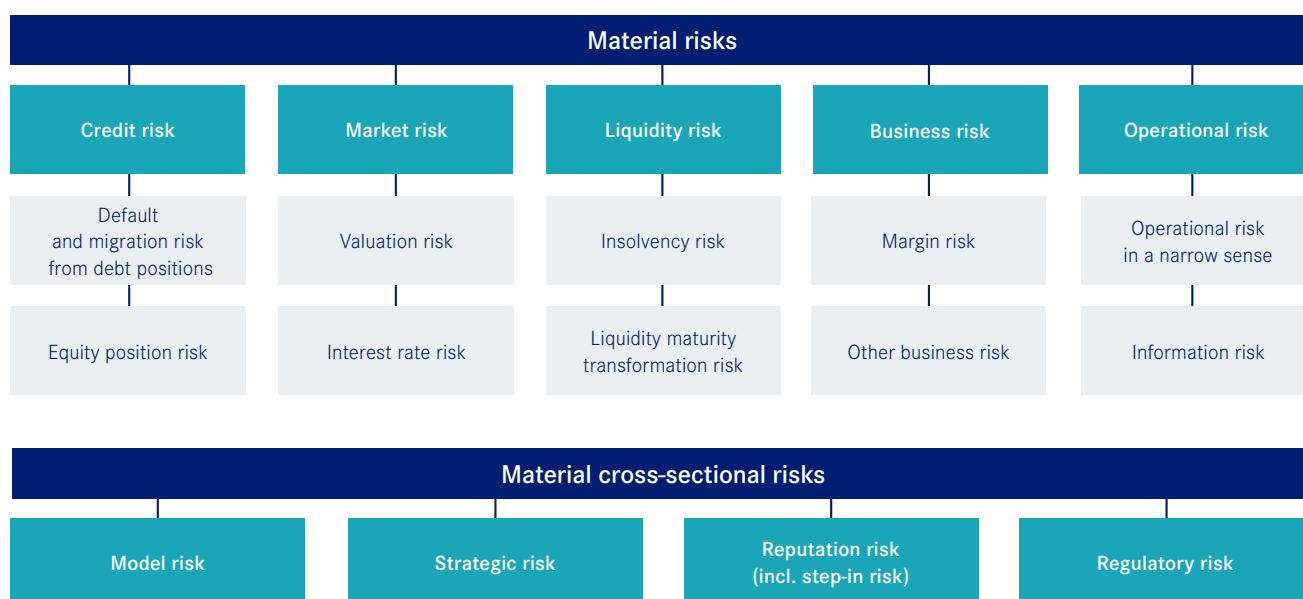
In the annual risk inventory, we determine the risk profile of apoBank with its investments and outsourced business operations, taking risk concentrations into account. The core element of the risk inventory is the identification of material risks for the Bank. apoBank considers risks as material when by virtue of their nature, scope and potentially also their possible interaction, these risks can have significant influence on the Bank's capital and liquidity position. All identified risks are listed in the Bank's risk inventory.

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

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

In 2021, apoBank introduced an ESG risk-driver analysis as part of the risk inventory (ESG = environment, social, governance). This analysis aims to identify ESG risk factors that may constitute a hazard to apoBank's capital and/or liquidity situation.

## Classification of apoBank's types of risk



### Credit risk

Credit risk refers to the risk of deteriorating creditworthiness of business partners in the customer business or in the Bank's own business, which can even lead to a potential default event.

### Market risk

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

### Liquidity risk

With respect to liquidity risk, we distinguish between insolvency risk and liquidity maturity transformation risk.

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

Liquidity maturity transformation risk is the term used to describe the risk of burdens to the Bank as a result of disadvantageous changes in asset or liability spread conditions in combination with a liquidity item that has not been closed in line with its maturity.

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

## Business risk

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

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

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

## Operational risk

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

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

## Model risk

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

## Strategic risk

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

## Reputation risk including step-in risk

apoBank defines reputation risk as the risk of direct or indirect economic disadvantages due to a loss of trust in the Bank on the part of its members, customers, employees, business partners or the general public. Step-in risk, i.e. the risk of having to support strategic investments above and beyond the contractual obligations, for example, is an implicit part of reputation risk.

## Regulatory risk

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

## ESG risk

ESG risks encompass climate and environmental risks as well as social and governance risks. In principle, ESG risks are not a separate risk type for apoBank. They can, however, raise the potential threat in the existing (material) risk categories. Climate and environmental risks are subdivided into physical risks (financial losses due to a changing climate) and transitory risks (financial losses due to the adaptation process towards a lower-carbon and environmentally more sustainable economy). Social risks can occur for example in connection with the violation of labour standards (child and forced labour), discrimination, deficits in occupational health and safety, insufficient wages as well as a lack of diversity. Governance risks encompass topics such as tax evasion, corruption, money laundering and insufficient transparency of information.



## Business and risk strategy

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

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

The risk culture is a key part of corporate culture for apoBank with regard to dealing with risks. For this reason, the Bank has added a framework to its already existing guidelines on risk culture in the business and risk strategy as well as its code of conduct. The framework provides a common understanding of the term "risk culture" and of the target risk culture desired by the Board of Directors.

## The capital adequacy concept including the stress test framework

### Capital adequacy concept

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

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

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

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

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

Internal capital encompasses all capital positions that are available to the Bank for compensation of future losses. This primarily comprises the parts of the regulatory capital that can be used for loss compensation. Internal capital is deliberately more conservatively defined than the internal economic value of the Bank. The latter is the price that an external investor would pay for the Bank under consideration of its future earnings potential and simultaneous expenditure. Nevertheless, when calculating internal capital, economic elements such as hidden reserves and charges in the financial instruments portfolio are considered.

The economic risks are measured at a confidence level of 99.9% on a quarterly basis and assuming a holding period of one year. Diversification effects between the risk types are not taken into account. The capital adequacy calculation results in the economic capital ratio. This is the ratio of internal capital to the measured economic risks.

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

### **Stress test framework**

In addition to the basic scenario, the capital adequacy concept also includes quarterly scenario calculations that take account of the effects of unplanned developments on the capital adequacy of the Bank.

In the normative perspective, this takes place in the form of three adverse scenarios that calculate the effects of unusual but plausible developments on the capital adequacy of the Bank over a multi-year period.

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

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

The “strategy crisis” adverse scenario addresses potential risks in connection with the Bank’s strategic alignment.

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

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

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

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

In addition, the Bank addresses current changes in internal and external conditions and uses both ad hoc scenario calculations as well as quarterly reviews and fine-tuning of the premises of the existing scenarios to consider potential risks.

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

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

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

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

### **The liquidity adequacy concept including stress test framework**

#### **Liquidity adequacy concept**

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

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

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

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

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

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

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

## Stress test framework

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

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

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

In addition, reverse stress tests analyse liquidity adequacy; the ability of apoBank to continue as a going concern is examined from a liquidity-oriented perspective.

In the liquidity perspective it is not possible to continue business operations when the minimum requirements are no longer fulfilled, i.e. when certain levels are not achieved in the LCR, the LCR forecast and the NSFR (in the normative perspective), as well as, in the economic perspective, in the survival period under stress.

## Risk measurement, limitation and control

### Concentrations

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

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

### Credit risk

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

In addition, in the case of credit risk the volume is limited and monitored at individual borrower level and also at portfolio level, depending on the extent of control needed. Here, both individual risk and material risks from group exposures or the risk category are taken into account. In order to monitor the regional distribution of credit exposure at overall portfolio level, apoBank uses a system of country limits. The risks are limited depending on fundamental country-specific macroeconomic data, the current creditworthiness of the respective country and apoBank's equity situation.

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

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

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

#### **Retail Clients business segment**

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

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

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

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

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

#### **Professional Associations and Large Customers business segment**

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

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

According to the CRR, these professional organisations and associations are part of the exposures to institutions and are evaluated using a rating model designed by apoBank. Due to the special characteristics of these customers, the rating procedure focuses on the operator of the respective entity in addition to qualitative aspects.

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

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

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

### **Treasury business segment**

The investment of available funds in the money and capital markets is used for liquidity and balance sheet structure management at apoBank. These money and capital market investments as well as derivative transactions are combined in the financial instruments portfolio. In addition to classical securities and money market instruments for liquidity management, it also and in particular includes derivatives to manage the Bank's interest rate risk. It is also invested to a small extent in start-up financing and/or co-investments in fund products sold to customers.

The VR bank rating of DZ BANK as well as external ratings for public debtors (government bonds, among others) are the primary tools used for assessing creditworthiness in the Treasury business segment. apoBank also uses various early risk detection tools and processes and makes risk provisions, if needed.

### **Investments and Corporate Centers business segment**

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

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

## Market risk

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

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

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

### Interest rate risk

The management of strategic interest rate risk is based on an integrated management approach which includes both periodic and present-value parameters. Our management objective is to achieve a moderate interest rate risk position at Bank-wide level and thus to continuously develop interest income. The level of the interest rate risk position is determined using extensive interest rate simulations across multiple budget years. Within this framework, both the impact on the Bank's future net interest income and the associated present-value risks

are determined. Here, the interest rate risk position, which results primarily from the Bank's customer business, focuses on the long term using derivative management instruments.

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

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

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

### Valuation risk of financial instruments

We also calculate a value at risk based on a historical simulation to measure the valuation risk of the financial instruments. The parameters measured here are the credit spreads of the securities. We differentiate between operational control, by which the value at risk is parameterised based on the market performance of the previous 250 days, and strategic control within the economic capital adequacy framework. As in the case of interest rate risk, the parameters here are based on a longer history, which also includes the financial crisis.

The valuation risk model used is validated by employing backtesting methods (mark-to-model and mark-to-market backtesting).

## Liquidity risk

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

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

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

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

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

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

In addition to the insolvency risk, apoBank regularly calculates the liquidity maturity transformation risk. The calculation is carried out using the liquidity value at risk, with the focus on the long-term continuing operation of the Bank. The liquidity gap analysis is used to calculate the open liquidity gaps that are subject to a possible change in value. The risk is calculated by offsetting the gaps against risk-adjusted spread premiums.

## Business risk

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

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

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



## Operational risk

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

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

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

Unexpected losses from operational risks in the economic capital adequacy calculation are measured based on the standard regulatory approach.

## Risk reporting

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

The Bank's risk management report, which is prepared quarterly, is a key component of risk reporting. It serves to inform the Board of Directors about the ICAAP and ILAAP results in particular, including developments in the material risk types. Further addressees of the risk report are the Supervisory Board of the Bank as well as the Joint

Supervisory Team of the European banking supervision authority. The valuation risk in the financial instruments portfolio is monitored daily and reported to the Board of Directors in the monthly proprietary trading report.

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

As monitoring bodies, the Supervisory Board and its Loan and Risk Committee are informed regularly about the current economic situation and risk position of the Bank as well as about risk control and limitation measures. The Loan and Risk Committee advises on the granting of loans and also discusses significant investment decisions, the sale and purchase of properties as well as new investments and divestments. The committee held a total of four ordinary and two extraordinary meetings in the 2021 financial year.

## Recovery governance and resolution plan

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

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

## Organisation of risk management

### Organisational principles

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

The entire Board of Directors is responsible for the risk inventory, the business and risk strategy, as well as the proper organisation and structure of risk management. It is also responsible for the adequate design of the internal capital and liquidity adequacy process, including limiting the risk appetite with regard to the capital and liquidity position.

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

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

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

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

### Accounting management and control

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

### Issues of particular relevance to risk

apoBank has defined the following aspects related to internal processes as having particular risk relevance:

- outsourcing,
- lending competence,
- new products process as well as
- change of operational processes or structures.

For these topics, the Bank has implemented special procedural and organisational rules, thus accounting for their relevance to risk.

## Details on the development of the risk position in 2021

### Overall capital situation

apoBank aligns its ICAAP with the binding ICAAP guidelines of the ECB. In the ICAAP, a sophisticated approach comprising a normative and an economic perspective is taken towards controlling capital adequacy. In order to comprehensively monitor capital adequacy, the correlations between the two perspectives are taken into account.

#### Capital situation – normative perspective

In 2021, apoBank's capital ratios were above the capital requirements and recommendations as well as above the internal target ratios both on each reporting date and in the rolling three-year capital forecast carried out on the same date. The capital ratios as at 31 December 2021 were down on the previous year. The Bank rates its capital situation as good overall, since the respective target rates in common equity tier 1 capital and in total capital were exceeded.

As at the balance sheet date, apoBank's total capital ratio pursuant to the CRR amounted to 17.3% (31 December 2020: 18.0%) and the common equity tier 1 capital ratio was at 15.9% (31 December 2020: 16.3%). apoBank's equity ratios as at 31 December 2021 thus exceeded the internal targets. The target ratios are also complied with in the rolling three-year capital forecast.

As at 31 December 2021, regulatory capital was below the previous year's level, totalling €2,676 million (31 December 2020: €2,720 million). This is due to a decline in common equity tier 1 capital of €13 million to €2,446 million (31 December 2020: €2,459 million), as well as in tier 2 capital of €32 million to €229 million (31 December 2020: €261 million).

The decline in common equity tier 1 capital was mainly attributable to two effects: On the one hand, the assignable members' capital contributions in the reporting period decreased from €1,197 million to €1,166 million. In addition, the common equity tier 1 capital was burdened by higher deduction items.

By contrast, our equity position was strengthened by allocations to the fund for general banking risks as well as to the revenue reserves from the 2020 earnings.

The drop in tier 2 capital primarily results from the regulatory changes that led to a decreased assignability of uncalled liabilities to capital.

Risk-weighted assets amounted to €15,427 million as at 31 December 2021, a slight increase on the previous year's figure (31 December 2020: €15,095 million). The utilisation rate of the normative Bank-wide limit of €17,300 million was 89.2% as at 31 December 2021.

This stable RWA performance is due to compensating effects. Here, the continuing growth of the lending business with corporate clients in particular, and an increase in the RWA item for operational risk, led to an increase in the RWAs. By contrast, the reduction in equity-binding securities and participation items decreased the burden on the RWAs.

The leverage ratio pursuant to transitional arrangements amounted to 5.0% (31 December 2020: 4.7%); it therefore continued to be above the regulatory minimum requirement of 3.0%.

**ICAAP - normative perspective**

	€m	Total capital ratio
as at 31 December 2021		%
Regulatory capital	2,675.5	17.3
Risk-weighted assets (RWA)	15,427.2	

	Actual risk	Utilisation <sup>1</sup> of threshold value criteria
Risk-weighted assets	€m	%
Retail business	8,517.7	92.6
Corporates	3,913.3	91.0
Sovereign states		
Institutes	563.9	66.3
Investments	713.5	89.2
Other assets	278.3	61.8
Other RWA <sup>2</sup>	1,440.6	84.7

1) In the normative perspective, the threshold value criteria are used as an internal tool to monitor the development in the risk-weighted assets.

2) RWA for operational risk, market risk positions, credit value adjustments (CVA) and settlement risk.

**Capital situation – economic perspective**

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

The economic capital ratio, which represents the relation between the risk cover potential and the economic risks, was at 164.7%. This is significantly above the level in the previous year (31 December 2020: 146.5%).

Risk cover potential amounted to €2,971 million, and was thus marginally above the previous year's level (31 December 2020: €2,944 million).

The economic risks (unexpected losses, UELs), which are measured at a confidence level of 99.9%, declined markedly. As at the end of the year under review, they

**ICAAP - economic perspective**

	€m	Economic capital ratio
as at 31 December 2021		%
Risk cover potential	2,970.6	164.7
Bank-wide risk position	1,804.0	

	Actual risk	Limit <sup>1</sup> utilisation
Material risks	€m	%
Credit risk	989.5	82.5
Market risk	363.8	95.7
Liquidity risk	33.8	42.2
Business risk	296.2	82.3
Operational risk	120.7	92.9

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

amounted to €1,804 million, below the previous year's figure by €205 million. Details on the development of the individual economic risks are presented and explained in the following paragraphs. As at 31 December 2021, the utilisation rate of the economic Bank-wide limit of €2,150 million decided upon by the Board of Directors was 83.9%. Utilisation of the Bank-wide limit was thus slightly lower than in the previous year (31 December 2020: 86.6%).

**Credit risk**

The UEL from credit risks faced by apoBank was €990 million as at the end of December 2021 (31 December 2020: €1,111 million). The threshold value criterion for credit risk derived from the Bank-wide limit of the economic capital adequacy calculation was complied with on all reporting dates.

## The rating system of apoBank

Meaning	Rating class (BVR master scale)	Probability of default %	External rating class <sup>1</sup>
Commitments with <b>excellent</b> 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 <b>good</b> 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 <b>low</b> risks (standard loan management)	2B	0.75	Baa3
	2C	1.10	Ba1
Commitments with <b>greater</b> risks (intensive loan management)	2D	1.70	Ba2
<b>High-risk</b> commitments (problem loan management)	2E	2.60	Ba3
	3A	4.00	B1
	3B	6.00	B2
<b>Higher-risk</b> commitments (problem loan management)	3C	9.00	B3
	3D	13.50	
	3E	30.00	Caa1 to C
Commitments <b>threatened by default</b> (according to CRR definition) – commitments overdue by more than 90 days – commitments with a loss provision from last or this year (problem loan management) – write-offs – insolvency – commitments of customers in the probationary period after all reasons for default have ceased to be valid (4W)	4A to 4E	100.00	D
	4W	100.00	
<b>No rating</b>			

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.

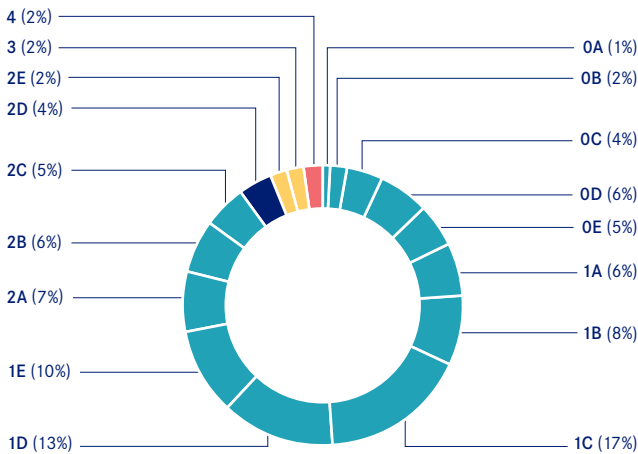
UEL fell by around 11% year on year. Most of the decline was in the financial instruments portfolio and primarily resulted from lower spreads. It is set against a slight increase in UEL in the customer business as well as a very significant rise in UEL in the investments portfolio due to default-related parameter changes.

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

Rating class distribution in the retail clients portfolio

**Volume distribution based on drawdowns**

Total of €32,232 million<sup>1</sup>

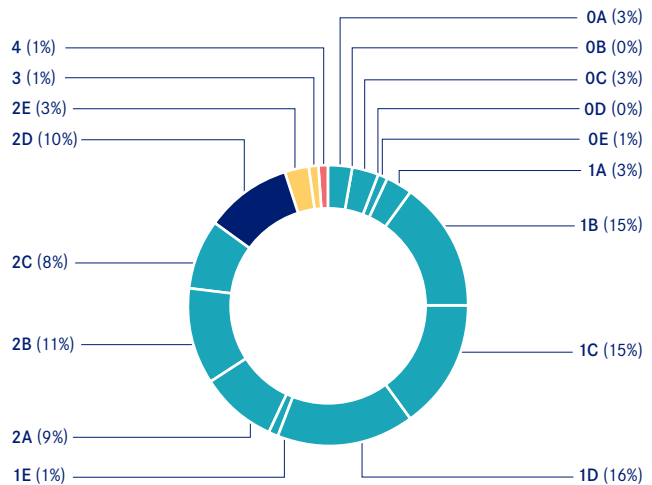


1) Percentages rounded.

Rating class distribution in the professional associations and large customers portfolio

**Volume distribution based on drawdowns**

Total of €6,193 million<sup>1</sup>



1) Percentages rounded.

**Retail Clients business segment**

In the retail clients portfolio, drawdowns dropped to €32.2 billion (31 December 2020: €33.4 billion).

The rating structure shows a rating distribution with an emphasis on good and average rating classes, which is typical of this customer group. The rating coverage is 100%. The portfolio is highly diversified: With around 240,000 borrowers, the largest individual risk accounts for only around 0.1% of the total drawdowns in this portfolio.

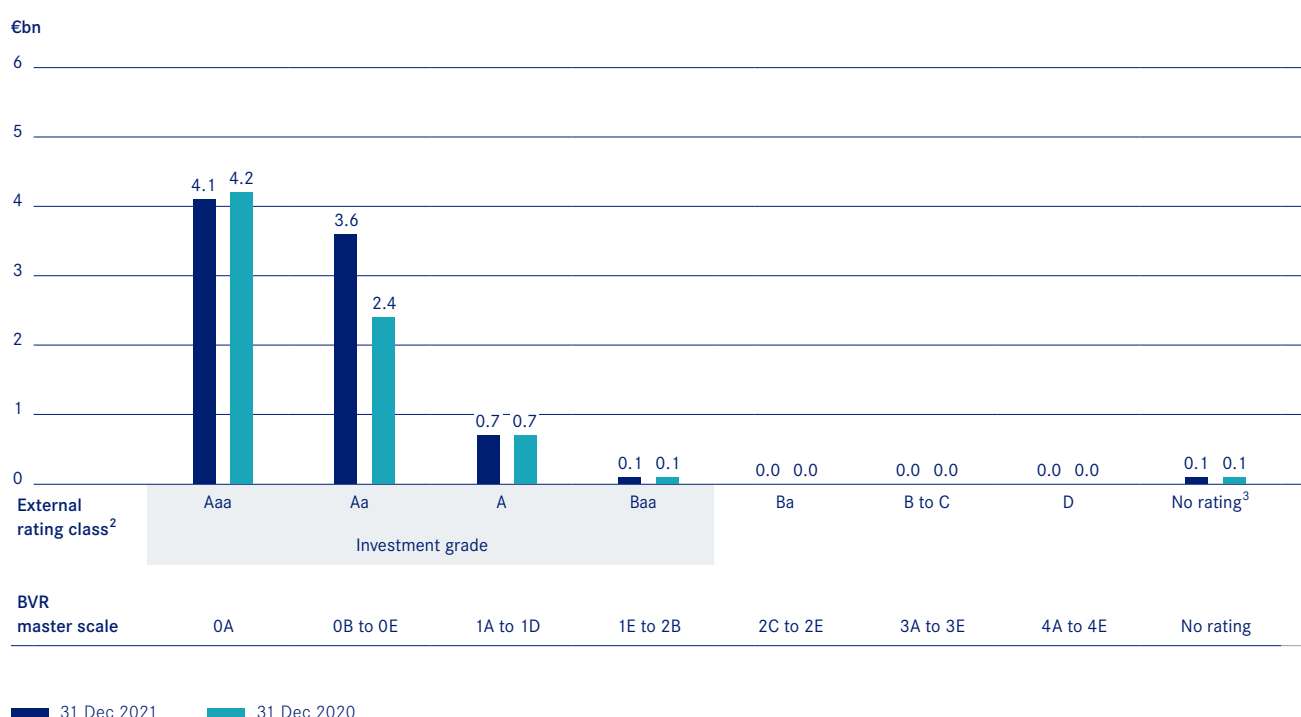
After offsetting new and no longer necessary precautionary measures, value adjustments to the amount of €11.7 million were made in the last financial year (31 December 2020: €19.0 million). The value adjustments to this portfolio were therefore only around a quarter of the level expected.

**Professional Associations and Large Customers business segment**

Drawdowns in the professional associations and large customers portfolio had increased by €0.6 billion to €6.2 billion as at 31 December 2021 (31 December 2020: €5.6 billion). The rating distribution of the portfolio is balanced. The rating coverage is 100%.

After offsetting the new and the no longer required provisioning measures, value adjustments were made for the professional associations and large customers portfolio to the amount of €0.3 million in the year under review (31 December 2020: €27.2 million). We had planned value adjustments for 2021 of between €10 and €20 million.

## Total exposure of financial instruments portfolio by rating class<sup>1</sup>



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.

### Treasury business segment

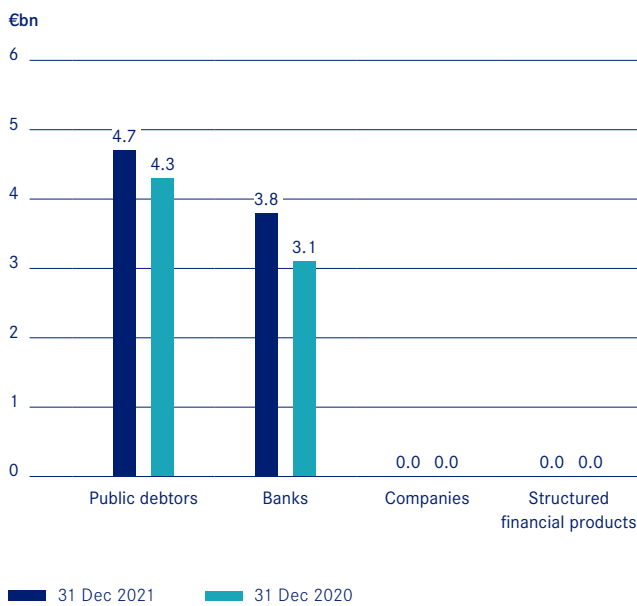
The risk volume of the financial instruments portfolio managed by the Treasury business segment amounted to €8.5 billion on the balance sheet date and was thus considerably above the previous year's figure (31 December 2020: €7.4 billion). The increase results from higher inventories in money market products and on inter-bank accounts as well as from a slight rise in securities in the liquidity management portfolio.

The risk volume of the derivatives in the financial instruments portfolio increased to €0.2 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 balance sheet date, the nominal volume amounted to €22.4 billion (31 December 2020: €26.9 billion).

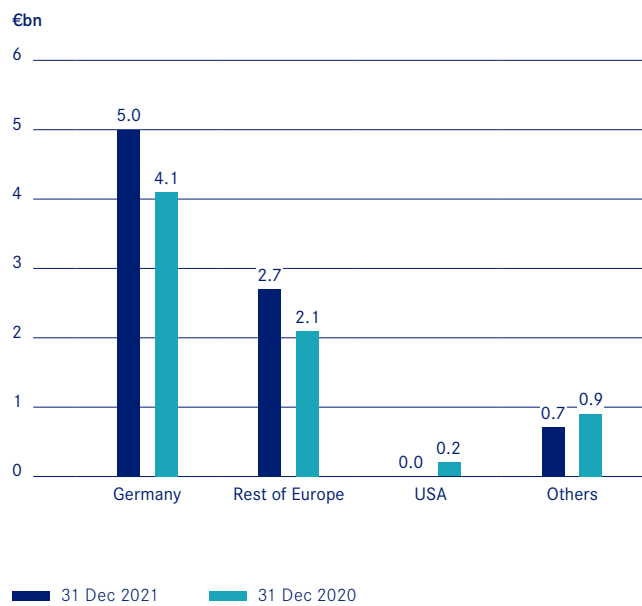
As in the previous year, around 99% of the financial instruments portfolio was rated in the investment grade range as at 31 December 2021. After offsetting of risk provisioning, we released risk provisions amounting to €1.7 million as at 31 December 2021 (31 December 2020: release of €5.8 million). We had expected value adjustments to this portfolio of €1 to €2 million.

**Total exposure of financial instruments portfolio by sector<sup>1</sup>**



1) Deviations possible due to rounding differences.

**Total exposure of financial instruments portfolio by country<sup>1</sup>**



1) Deviations possible due to rounding differences.

**Investments business segment**

The book values of the investments were stable at €0.2 billion as at the balance sheet date (31 December 2020: €0.2 billion).

Risk provisioning after offsetting in the investments portfolio was around €3.9 million as at 31 December 2021 (31 December 2020: release of €0.3 million). This is mainly due to a book value write-down after an impairment test. The actual figure was therefore less than 50% of the budgeted amount.

**Market risk**

The UEL from market risks faced by apoBank was at €364 million as at 31 December 2021 (31 December 2020: €430 million). The threshold value criterion derived from the Bank-wide limit of the economic capital adequacy calculation for market risk was complied with on all reporting dates.

The reduction in risk primarily results from the fact that the calculation of market risk in the year under review was shifted to a model in which the interest and valuation risk are measured together.

The results of the present-value regulatory stress calculations, which are carried out monthly, confirm a moderate interest rate risk at Bank-wide level. apoBank remained below the regulatory reporting limit of 20% of regulatory capital (Basel II interest rate risk coefficient) throughout 2021. The Basel II interest rate risk coefficient was 12.4% as at 31 December 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)	Interest decrease (- 200 bp)	
	€m	€m	
31 Dec 2019	- 297	+89	11.7
31 Dec 2020	- 284	+55	10.4
31 Dec 2021	- 330	+116	12.4

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

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

### Liquidity risk

The UEL for the liquidity maturity transformation risk faced by apoBank was €34 million as at 31 December 2021 (31 December 2020: €70 million). The threshold value criterion derived from the Bank-wide limit of the economic capital adequacy calculation for liquidity maturity transformation risk was complied with on all reporting dates.

The decline in this risk compared to the end of the previous year is due on the one hand to the increase in longer-term refinancing funds and on the other hand to a trend towards shorter liquidity investment, which results from currently higher liquidity holdings on the ECB account.

### Business risk

The UEL from apoBank's business risks was €296 million as at 31 December 2021 (31 December 2020: €289 million). The threshold value criterion for business risk derived from the Bank-wide limit of the economic capital adequacy calculation was complied with on all reporting dates.

Overall, the measured risks fluctuated only slightly.

### Operational risk

The UEL from apoBank's operational risk was at €121 million as at 31 December 2021 (31 December 2020: €110 million). The threshold value criterion for operational risk derived from the Bank-wide limit of the economic capital adequacy calculation was complied with on all reporting dates.

In the reporting period, the operational losses were markedly below those in the previous year. As in the previous years, the main drivers here were legal risks.

**Overall liquidity situation**

apoBank uses the ILAAP to analyse and assess its liquidity position from both a normative and an economic perspective. The main aim of the ILAAP is to ensure that apoBank is solvent at all times. In order to provide a stable supply of liquidity, both perspectives and their correlations are analysed in detail.

Liquidity supply in the year under review was guaranteed at all times, mainly due to the continued growth in deposits, and led to further increases in liquidity ratios.

**Liquidity situation – normative perspective**

As at 31 December 2021, apoBank's LCR was 270.8% (31 December 2020: 185.7%). Thus, the minimum requirement of 100% was very clearly fulfilled. The LCR forecast also shows that the internal and external minimum limits for the observation periods defined will be complied with at all times.

The net stable funding ratio (NSFR), at 133.3% (31 December 2020: 117.9%), was above the minimum level of 100%.

**Liquidity situation – economic perspective**

The economic analyses centre around the liquidity forecasts of the liquidity gap analysis. Here, the expected liquidity development in the planned scenario as well as the expected liquidity development in the combined stress scenario are analysed and limited. In the 2021 reporting period, the limits of the liquidity gap analysis were complied with each day. This is also the case for the internal minimum limits relating to the intraday liquidity as well as the long-term maturities structure.

Compliance with the Pfandbrief cover pool limits was also assured each day throughout 2021.

**Disclosure of risk management objectives and policies pursuant to Article 435 of the CRR****Risk management declaration pursuant to Article 435 (1) (e) of the CRR**

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

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

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

The appropriateness and effectiveness of our risk management system is also reflected in our good ICAAP and ILAAP results of the ECB's supervisory review and evaluation process.

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

## **Disclosure pursuant to Article 435 (2) (a) to (c) of the CRR**

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

The members of the Board of Directors do not hold any further executive mandates apart from their tasks on the Board; however, they hold four supervisory board mandates (as at 31 December 2021). The Supervisory Board members hold an additional five executive mandates and one supervisory mandate (as at 31 December 2021). These figures were determined based on the application of the simplification provisions pursuant to Sections 25c (2) sentence 3 ff and 25d (3) sentence 3 ff of the KWG (German Banking Act).

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

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

According to the legal requirements, the Supervisory Board must be configured such that its members collectively have the necessary knowledge, skills and professional experience for the proper performance of the required duties. The management team must also collectively have an adequately broad spectrum of the knowledge, skills and experience necessary to understand the activities of the Bank. The strategy for selecting the members of the management body aims to ensure, maintain and further develop the individual and collective qualification of the management body. To achieve this,

the Supervisory Board has in particular prepared and approved role and competence profiles for the Board of Directors and the Supervisory Board. These profiles lay out the personal and professional requirements for each board member as well as for the boards overall. A detailed evaluation of the members' professional suitability and a corresponding targeted consolidation of competencies are the subject of the regular suitability evaluation in accordance with the guidelines of the European Banking Authority (EBA), which can also be carried out on an as-needs basis. To ensure that future members of the Supervisory Board and Board of Directors fulfil the requirements placed on them to the greatest extent possible, the role profiles in particular are to be used in the selection process. The relevant documents can be made available to potential Supervisory Board members, the employees and the Annual General Meeting before the election.

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

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

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

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

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

# Forecast Report

## The economy and the health care market

### Global economy still in the grip of the pandemic

The International Monetary Fund (IMF) expects a global gross domestic product (GDP) of 4.9% in 2022. It forecasts that most countries' economies will return to pre-crisis levels this year. The German Bundesbank anticipates that GDP in Germany will fall due to the measures taken to contain the fourth COVID wave in the first quarter of 2022. However, it forecasts a strong upswing in the subsequent quarters. Unemployment is likely to return to its pre-pandemic level by the end of 2022. After the significant rise in the inflation rate in 2021, the Bundesbank expects a decline in consumer price inflation to 3.6% in 2022.

The OECD sees the further progress of the pandemic as well as inflation as the main risks for the global economy. There is a danger that currently existing vaccines and the speed of their distribution will not be sufficient to limit the spread of coronavirus variants of concern. There is also increased uncertainty around how inflation will develop: On the one hand, an easing of supply bottlenecks could lead to the recent strong increases in prices ebbing faster than expected; on the other hand, ongoing high inflation represents a risk, since it could encourage central banks to dial back their expansionary measures earlier and to a greater extent. We see the Ukraine war as posing a special risk for inflation and economic performance in the euro area.

### Economic prospects for the health care professions in times of coronavirus

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

By contrast, the economic situation of health care professionals will primarily depend on how the pandemic progresses, on the behaviour of patients and customers as well as on any further measures introduced by the new German government. For example, in addition to doctors, who took on a key role in the coronavirus vaccination campaigns, the government will in future include pharmacists, dentists and veterinarians in its vaccination strategy, and they will thus make an important contribution to fighting the pandemic going forward.

Apart from the coronavirus pandemic, the introduction of e-prescriptions as well as new pharmaceutical services are likely to be of key significance to pharmacies' business development. In 2022, it is important that they position themselves strategically, implement new, digital applications in their day-to-day work, and thus tap into additional sales channels.

The 2022 fee agreement for doctors is likely to lead to additional income of a total of approximately €1 billion in the area of statutory health insurance. To compensate for increased hygiene expenses, they will also receive a direct-patient-contact premium from January 2022 onwards. The statutory health insurers must make €98 million available for this purpose.

To mitigate the consequences of the coronavirus pandemic, in 2022 once again there will be no cap on the volume of services to be provided by dentists' practices. This will enable dentists to leverage potential catch-up effects. Possible excess liquidity assistance payments by the health insurance companies to the association of panel dentists for services not rendered will, however, have to be fully reimbursed in 2022 and 2023.

A comprehensive revision of the fee schedule for veterinarians is currently being considered. The reasons for this are new discoveries in veterinary medicine as well as changing economic conditions. The fee schedule rates and thus the income of veterinarians should rise as a result.

### **Medical and health care companies continue to be influenced by the pandemic**

In particular against the backdrop of the new Omicron variant and further mutations, it can be assumed that the pandemic will pose challenges to hospitals in 2022, too. Hospitals are again receiving financial compensation for the postponement of plannable operations, initially until March 2022. Until then, clinics will additionally receive a medical care surcharge per COVID-19 case. To secure the short-term liquidity situation, the five-day payment deadline for hospital invoices was extended to 30 June 2022.

In elder care, the current rescue package will also continue until March 2022. Additional expenses remain high in this area, in particular in connection with protecting the very aged in elder care from infection, e.g. by testing staff on a daily basis. The rehabilitation sector sees itself as having been bolstered by the plans of the new federal government. A needs-based structure to the rehabilitation budget of the German pension insurance fund Deutsche Rentenversicherung in particular promises solid long-term financing of rehabilitation services. We expect that both the emergence of new virus mutations as well as the degree of success of pandemic management nationwide will be likely to remain key factors in terms of when the inpatient sector can return to normal operations.

Many health care companies also continue to feel the impact of the coronavirus pandemic. While a large number of operations had to be postponed once again, laboratory diagnostics as well as the integration of data analytics and machine learning into medical devices are booming. In the medical technology sector in particular, supply bottlenecks in semi-conductors, raw materials and upstream products are increasingly leading to interruptions in supply chains. Predictive supply chain management is therefore becoming a top priority.

### **New health policy faces old problems and new challenges**

The coronavirus pandemic has highlighted the weaknesses in the German health care system: Many health authorities have insufficient technical equipment and staff, hospitals are underfunded, medical care is scarce in structurally weak regions, opportunities offered by digital transformation are made insufficient use of and prevention as well as health and fitness programmes are being neglected. This means that the new German government has a lot of work to do.

In the new legislative period, in addition to ongoing pandemic management optimisation, it is likely that there will be a return to addressing structural reforms in particular. Examples could be a long-term reform in nursing care and needs-based hospital budgeting and financing. Here, the focus will be on transferring further services from the inpatient to the outpatient sector, the scarcity of skilled workers and cross-sectoral health care concepts. Some other areas of focus are therefore improving working conditions in the health care professions and for nursing care staff as well as pushing forward innovation and digital transformation in the health care sector. To what extent the pandemic will dominate the health policy plans of the coalition between the social democratic, liberal and green parties remains uncertain.

### **Digital transformation as an engine for the health care market**

Digital connectivity between the players in the health care sector is to be strongly promoted in 2022. At the beginning of the summer, a new channel – the Telematikinfrastruktur-Messenger (TI-Messenger) – will be added to the “Kommunikation im Medizinwesen” (KIM) digital communications service. The TI Messenger is designed to enable remote, secure digital communications in real time in the form of instant messaging in the health care system.

From January onwards, the electronic patient records (ePA) 2.0 will be gradually introduced. Insurance holders will be able to grant or deny individual medical providers

access to certain documents. In the course of the year, it will also become possible to integrate further applications, such as maternity records and vaccination cards, dentist bonus cards and children's medical records.

The binding launch of the e-prescription, which was planned for 1 January 2022, was postponed shortly before the end of the year and the test phase was extended. As yet, no binding launch date has been announced. The gradual introduction of the e-prescription into practices and pharmacies is a key step in the digital transformation of the health care system.

Digital transformation projects will be a priority in 2022 in clinics, too. The registration deadlines for applying for funding from the Hospital Future Fund (Krankenhaus-zukunftsfonds) have passed and the Federal Office for Social Security (Bundesamt für Soziale Sicherung, BAS) is issuing its first notifications.

## Business performance

There is still no indication that competition in the banking sector is letting up. In addition, the low interest environment is increasingly uncovering the weaknesses in banks' business models. At the same time, the ongoing coronavirus pandemic is having a catalysing effect in terms of customer demand for digital offerings. Furthermore, margins in the traditional lending business remain under pressure because of increasing equity capital requirements. This dilutes banks' competitive advantage as financial intermediaries. Many therefore rely on achieving higher commission income via their asset management and pension planning business, on scaling in areas such as payment transactions and on offering more and more digital and non-banking products. Wherever there are limitations to tapping into new sources of earnings, cost reduction programmes will play a larger role. This means that banks will have to continue to focus on making optimum use of their resources, fine-tuning their business models and driving forward their digital transformation strategies. This is even more important in light of the fact that it remains difficult to predict when the coronavirus pandemic will end and thus what consequences it will have. Securing

profitability not only in the short term as well as adequate capitalisation remain the decisive factors in banks' future success.

## Continuous finetuning of apoBank's business model

We will further refine our business model this year and will continue to pursue our strategy to selectively grow the business with members of the health care professions, their organisations as well as enterprises in the health care market. The Bank supports its customers strategically on two levels: in banking and in the health care market. Our focus remains on the financing needs of our customers in the health care professions, as well as on their assets and pension plans. In addition, we want to provide our customers 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.

Furthermore, we will continue to further optimise structures and processes in the Bank and improve our operating performance. We summarise the measures developed in this regard in a multi-year strategy agenda. The aim is to bring long-lasting improvement to our earnings and capital situation, and to reduce our expenditure. The transformation will lead to shifts in our income statement in the coming years.

In 2022, we will continue to work on improving the technical functionalities of our IT systems and applications for our customers. In this process, it is our top priority to rebuild customer satisfaction after the IT migration issues.

Due to the special nature of apoBank's business model, we still do not expect any significant burdens as a consequence of the coronavirus pandemic.

## Stable performance in a challenging environment

For fiscal 2022, we expect the overall earnings situation to develop positively, as measured by operating profit before risk provisioning. In the retail clients business, we anticipate a stable new lending business. Our focus remains on our core area of expertise of business start-up financing. In the construction financing business, we are growing moderately. We want to further expand the assets and pensions business with our retail customers. Our focus here is on private asset management.

In the corporate clients business, we will continue on our growth path. Here, we focus more on enterprises in the health care market, hospitals, nursing care facilities and medical care structures. Our goal is to expand our status as the business bank of choice with more and more companies. Financing solutions will remain at the heart of the corporate clients business. The general aim is to increasingly use our expertise in the health care market to act as an arranger of financing. A further area of focus is to offer additional specialised products for institutional investors that are also grounded in our expertise in the health care market. The emphasis here will be on independent advice based on a comprehensive range of solutions.

The balance sheet total is likely to drop very considerably again to below €60 billion after the funds from the TLTRO participations have been repaid.

## Earnings situation 2022 reflects challenging prevailing conditions

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

Net interest income will rise slightly, which is in line with our expectations. Here, we anticipate a stable new lending business. Refinancing costs are likely to benefit from continuing low interest rates.

We plan a significant 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.

In other operating expenses and income, we plan to have lower releases of reserves; the balance of these items will therefore be slightly negative in 2022 after they made a markedly positive contribution in 2021.

General administrative expenses are impacted by project and investment costs, in particular for our strategy agenda, but all in all they will remain at their previous year's level. Here, both operating expenditure including depreciation as well as personnel expenses will remain stable.

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

On balance, operating income, i.e. profit before risk provisioning, is likely to increase markedly in 2022 as a whole.

According to model-based figures, risk provisioning for the operating business will rise to a multiple of the low 2021 figure.

The Bank again plans to make risk provisioning with reserve character for fiscal 2022, although at a significantly lower level than in the previous year.

We expect a considerable increase in net profit in 2022 compared to 2021.



## Capital and liquidity situation

According to our internal forecasting, the total capital ratio will be slightly higher at the end of 2022 than our internal target ratio of 16%. We will therefore comply with the external capital requirements and recommendations. The expected decrease in the target ratio results from the fact that the uncalled liabilities to capital were discontinued as well as from increased capital requirements due to the growing lending business.

We expect apoBank's liquidity situation to 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. These are essential factors in returning to higher customer satisfaction levels. In addition, they are the key to implementing our strategic targets and further refining our business model.

We will continue in 2022 to work on reconsolidating apoBank's reputation with customers, which had suffered as a consequence of the IT migration. We remain focused on improving the technology and process-related functionalities of the Bank. Nevertheless, 2022 will be unpredictable in other ways, too, in particular with regard to additional process modifications that may be required; the full impact of this on apoBank cannot yet be foreseen.

The low interest rates and intense competition continue to have a negative impact on the earnings situation of the Bank. The ongoing coronavirus pandemic, now in its third year, and the resulting restrictions on public life are likely to result in further consequences for global economies. The effects will probably become clearer when government emergency aid programmes for companies come to an end. The resulting difficult market environment may, however, lead to both retail clients and institutional customers requiring more advisory services with regard to how to invest their assets. Overall, we do not foresee 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.

The Bank's strategy agenda will serve to optimise internal processes and structures. In addition, it will focus its sales activities more strongly on the asset management business. In fiscal 2022, apoBank will also begin to implement cost reduction measures. This could create opportunities for higher profitability or improved cost efficiency going forward. These strategic measures come with investment costs that will temporarily burden our income statement. Delays in implementing the cost reduction measures could lead to a slower improvement of the cost-income ratio than planned.

After the finalisation of Basel III and as a consequence of the expected coming into force of the output floor rule, calculation of capital requirements is likely to become highly standardised for apoBank and thus less risk-based. Among other things, the new regulations put restrictions on capital relief from the application of the internal regulatory risk measuring models. However, the first draft of the European Banking Package (CRR III/CRV V) provides for a longer transition period. This gives apoBank time to prepare for this regulatory-driven increase in capital requirements.

In the area of sustainability, too, regulatory requirements will continue to increase for the financial industry. This is likely to necessitate adaptations to internal bank processes; additional investments are also likely to be required. Furthermore, we expect that increasing statutory sustainability requirements may lead to our large customers also requiring more advisory services and financing.

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

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

Additional uncertainties arise from the opportunities and risks associated with the ongoing digitalisation of the banking business, and banking processes in particular, as well as the resulting opportunities for future-proof business models. These new technical advances may lead to increasing disintermediation in the financial industry, i.e. certain steps in its value chains could disappear. On the one hand, this leads to new access channels for customers that are promising in terms of earnings, but on the other hand, providers from outside the industry ("fintechs" or "BigTechs") are pushing into the market and staking claims on banks' traditional branches of business. At the same time, customers are demanding more availability, speed, quality and transparency from financial services as digital transformation advances.

This trend brings with it both opportunities and risks. Banks can reduce the complexity of their value chain by outsourcing areas that are not relevant to their competitive position and focus on customer-adjacent activities and processes or on specific parts of their value chain, such as the production process, thus creating scale effects. However, competition from the growing number of new IT fintechs is increasing. To avoid any competitive disadvantages as a result of these trends, banks are often forced to invest considerable amounts in digital transformation.

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

The wider 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. However, by implementing regulatory requirements around guaranteeing deposits and data protection, for example, banks fulfil customers' high expectations regarding security and protection. For banks, this is a potential competitive advantage over less regulated providers.

### **Changes in the health care market as an opportunity**

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

While the number of self-employed health care professionals is declining, new opportunities are emerging around setting up a practice or pharmacy as well as branch and cooperation models. In addition, outpatient and inpatient care are converging more and more. Health care corporations and financial investors are increasingly becoming providers in the areas of 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.

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 clients business, potential is steadily growing in the business with 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 coronavirus pandemic currently continues to dominate the health care system to a degree never experienced before. The extent of the long-term burdens on the health care system after the impact of non-rendered medical services and the cost of fighting the pandemic have been taken into account is not yet known. We assume nevertheless that health expenditure in the coming years will continue to rise, partly due to the pandemic; demographics, digital transformation and technological innovation will also drive market dynamics.

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, they are 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, which 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 businesses.

The transformation of the health care system towards more sustainability will provide impetus for further change in the health care market. Practice or company governance that considers not only economic but also environmental and social aspects will be a challenge to health market players, but will also offer opportunities to realign individual practice and business models accordingly.

Opportunities also arise for apoBank in particular since we have started expanding our offerings at the interface between the health care market and the financial market. Patients will increasingly become active health customers and their demand is shifting towards services above and beyond purely curative health care (e.g. prevention, fitness, nutrition); this enables health care professionals to expand their range of products and services. These services will increasingly also be offered by new service providers and health companies. This gives apoBank the opportunity to leverage new sources of income and provide its customers with additional benefit based on its 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 provide care to 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.





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# Balance Sheet

## Assets

	(Notes)	31 Dec 2021 €	31 Dec 2020 €
<b>1. Cash reserves</b>	<b>(2)</b>	<b>17,259,851,907.51</b>	<b>11,193,635,289.19</b>
a) Cash on hand		23,755,431.44	25,486,745.00
b) Cash in central banks		17,236,096,476.07	11,168,148,544.19
Including: in the German Federal Bank (Bundesbank)		(17,236,096,476.07)	(11,168,148,544.19)
c) Cash in post office giro accounts		0.00	0.00
<b>2. Debt instruments of public agencies and bills of exchange, eligible for refinancing with central banks</b>		<b>0.00</b>	<b>0.00</b>
<b>3. Loans and advances to banks</b>	<b>(3, 16, 17, 20, 25, 29)</b>	<b>1,453,960,551.17</b>	<b>1,264,391,555.55</b>
a) Mortgage loans		0.00	0.00
b) Local authority loans		0.00	0.00
c) Other receivables		1,453,960,551.17	1,264,391,555.55
Including: due on demand		(1,045,839,445.90)	(1,109,369,247.81)
Including: lending against securities		(0.00)	(0.00)
<b>4. Loans and advances to customers</b>	<b>(3, 16, 17, 20, 25, 26, 29, 50, 51)</b>	<b>37,787,208,472.40</b>	<b>38,240,147,650.60</b>
a) Mortgage loans		10,078,465,250.32	10,090,689,954.21
b) Local authority loans		131,272,179.08	184,605,828.35
c) Other receivables		27,577,471,043.00	27,964,851,868.04
Including: lending against securities		(0.00)	(0.00)
<b>5. Debt securities and other fixed-interest securities</b>	<b>(4, 6, 17, 18, 19, 20, 22, 25, 29, 50, 51)</b>	<b>8,997,263,368.03</b>	<b>6,792,637,588.35</b>
a) Money market instruments		0.00	83,514,414.15
aa) of public issuers		0.00	0.00
Including: acceptable as collateral by the Bundesbank		(0.00)	(0.00)
ab) of other issuers		0.00	83,514,414.15
Including: acceptable as collateral by the Bundesbank		(0.00)	(83,514,414.15)
b) Bonds and debt securities		6,500,434,773.94	6,407,245,456.81
ba) of public issuers		3,535,230,919.04	3,184,382,802.95
Including: acceptable as collateral by the Bundesbank		(3,535,230,919.04)	(3,184,382,802.95)
bb) of other issuers		2,965,203,854.90	3,222,862,653.86
Including: acceptable as collateral by the Bundesbank		(2,949,295,061.32)	(3,101,652,743.06)
c) Own debt securities		2,496,828,594.09	301,877,717.39
Nominal amount		(2,460,033,300.00)	(300,024,500.00)
<b>6. Shares and other non-fixed-interest securities</b>	<b>(4, 6, 19, 20, 21, 22, 25)</b>	<b>1,169,129,045.49</b>	<b>1,172,118,017.51</b>
<b>6a. Trading assets</b>	<b>(5, 19)</b>	<b>0.00</b>	<b>0.00</b>
<b>7. Investments and capital shares in cooperatives</b>	<b>(7, 17, 19, 23, 25, 33)</b>	<b>227,266,356.77</b>	<b>233,447,934.72</b>
a) Investments		227,094,909.38	233,275,887.33
Including: in banks		(113,185.48)	(113,185.48)
Including: in financial services institutions		(13,292,807.39)	(13,292,807.39)
b) Capital shares in cooperatives		171,447.39	172,047.39
Including: in cooperative banks		(0.00)	(0.00)
Including: in financial services institutions		(0.00)	(0.00)
<b>8. Shares in affiliated companies</b>	<b>(7, 17, 19, 23, 25, 33)</b>	<b>9,501,477.77</b>	<b>9,501,477.77</b>
Including: in banks		(0.00)	(0.00)
Including: in financial services institutions		(1,292,236.21)	(1,292,236.21)
<b>9. Trust assets</b>	<b>(24)</b>	<b>51,130.18</b>	<b>51,130.18</b>
Including: fiduciary loans		(0.00)	(0.00)
<b>10. Compensation claims against the public sector including debt securities from their exchange</b>		<b>0.00</b>	<b>0.00</b>
<b>11. Intangible assets</b>	<b>(8, 25)</b>	<b>151,676,403.23</b>	<b>167,024,290.95</b>
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		151,676,403.23	167,024,290.95
c) Goodwill		0.00	0.00
d) Payments in advance		0.00	0.00
<b>12. Tangible assets</b>	<b>(9, 25, 51)</b>	<b>119,478,726.21</b>	<b>126,520,497.63</b>
<b>13. Other assets</b>	<b>(26)</b>	<b>173,059,295.94</b>	<b>210,865,014.02</b>
<b>14. Prepayments and accrued income</b>	<b>(10, 27)</b>	<b>24,045,390.57</b>	<b>29,411,230.72</b>
a) from issuing and loan transactions		12,217,059.48	14,809,358.47
b) Others		11,828,331.09	14,601,872.25
<b>15. Deferred tax assets</b>	<b>(28)</b>	<b>0.00</b>	<b>0.00</b>
<b>Total assets</b>		<b>67,372,492,125.27</b>	<b>59,439,751,677.19</b>

## Liabilities

	(Notes)	31 Dec 2021 €	31 Dec 2020 €
<b>1. Liabilities to banks</b>	<b>(11, 32, 33, 50)</b>	<b>17,812,660,339.65</b>	<b>15,379,310,516.17</b>
a) Registered mortgage Pfandbriefe issued		167,982,457.54	167,967,672.80
b) Registered public Pfandbriefe issued		0.00	0.00
c) Other liabilities		17,644,677,882.11	15,211,342,843.37
Including: due on demand		(79,614,019.29)	(199,690,757.50)
Including: mortgage Pfandbriefe and registered public Pfandbriefe delivered to the lender as collateral		(0.00)	(0.00)
<b>2. Liabilities to customers</b>	<b>(11, 32, 33, 50)</b>	<b>37,140,211,637.99</b>	<b>33,240,761,139.37</b>
a) Registered mortgage Pfandbriefe issued		1,078,149,196.59	1,214,570,011.67
b) Registered public Pfandbriefe issued		0.00	0.00
c) Savings deposits		95,141,865.77	94,642,449.62
ca) with an agreed notice period of three months		94,934,328.14	94,428,170.32
cb) with an agreed notice period of more than three months		207,537.63	214,279.30
d) Other liabilities		35,966,920,575.63	31,931,548,678.08
Including: due on demand		(34,161,637,215.84)	(29,868,640,534.66)
Including: mortgage Pfandbriefe and registered public Pfandbriefe delivered to the lender as collateral		(0.00)	(0.00)
<b>3. Securitised liabilities</b>	<b>(11, 32, 33, 50)</b>	<b>8,925,792,275.73</b>	<b>7,398,228,490.57</b>
a) Debt securities issued		8,925,792,275.73	7,398,228,490.57
aa) Mortgage Pfandbriefe		6,950,720,782.01	5,346,305,462.31
ab) Public Pfandbriefe		0.00	0.00
ac) Other debt securities		1,975,071,493.72	2,051,923,028.26
b) Other securitised liabilities		0.00	0.00
Including: money market instruments		(0.00)	(0.00)
Including: own acceptances and promissory notes outstanding		(0.00)	(0.00)
<b>3a. Trading liabilities</b>	<b>(5)</b>	<b>0.00</b>	<b>0.00</b>
<b>4. Trust liabilities</b>	<b>(34)</b>	<b>51,130.18</b>	<b>51,130.18</b>
Including: fiduciary loans		(0.00)	(0.00)
<b>5. Other liabilities</b>	<b>(11, 35)</b>	<b>44,180,088.39</b>	<b>81,784,537.65</b>
<b>6. Prepayments and accrued income</b>	<b>(13, 36)</b>	<b>60,191,701.29</b>	<b>29,649,763.20</b>
a) from issuing and loan transactions		48,896,545.54	16,204,326.71
b) Others		11,295,155.75	13,445,436.49
<b>6a. Deferred tax liabilities</b>		<b>0.00</b>	<b>0.00</b>
<b>7. Provisions</b>	<b>(12)</b>	<b>384,737,271.38</b>	<b>429,619,931.70</b>
a) Provisions for pensions and similar obligations		236,589,093.51	238,030,799.31
b) Tax provisions		3,335,401.29	1,469,869.00
c) Other provisions		144,812,776.58	190,119,263.39
<b>8. ---</b>		<b>0.00</b>	<b>0.00</b>
<b>9. Subordinated liabilities</b>	<b>(11, 33, 37)</b>	<b>118,176,657.86</b>	<b>119,179,974.36</b>
<b>10. Participating certificate capital</b>		<b>0.00</b>	<b>0.00</b>
Including: due within two years		(0.00)	(0.00)
<b>11. Fund for general banking risks</b>		<b>905,450,408.74</b>	<b>845,832,050.74</b>
Including: special items pursuant to Section 340e (4) of the HGB		(0.00)	(0.00)
<b>11a. Special items from currency translation</b>		<b>0.00</b>	<b>0.00</b>
<b>12. Capital and reserves</b>	<b>(38, 48, 54, 55)</b>	<b>1,981,040,614.06</b>	<b>1,915,334,143.25</b>
a) Subscribed capital		1,237,756,183.58	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		114,728,725.43	65,323,254.62
<b>Total liabilities</b>		<b>67,372,492,125.27</b>	<b>59,439,751,677.19</b>
<b>1. Contingent liabilities</b>	<b>(40)</b>	<b>507,907,102.94</b>	<b>550,516,272.62</b>
a) Contingent liabilities from rediscounted, settled bills		0.00	0.00
b) Liabilities from guarantees and indemnity agreements		507,907,102.94	550,516,272.62
c) Liabilities arising from the provision of collateral for third-party liabilities		0.00	0.00
<b>2. Other obligations</b>		<b>2,981,652,156.59</b>	<b>2,786,993,520.11</b>
a) Obligations under optional repurchasing agreements		0.00	0.00
b) Placement and underwriting obligations		0.00	0.00
c) Irrevocable loan commitments		2,981,652,156.59	2,786,993,520.11

# Income Statement

## Income statement

	(Notes)	1 Jan – 31 Dec 2021 €	1 Jan – 31 Dec 2020 €
<b>1. Interest income from</b>	<b>(42)</b>	<b>722,968,679.22</b>	<b>815,997,653.58</b>
a) lending and money market transactions		730,112,706.88	820,799,796.19
b) fixed-interest securities and debt register claims		- 7,144,027.66	- 4,802,142.61
Including: from negative interest rates		(- 72,214,235.09)	(- 30,359,061.19)
<b>2. Interest expenses</b>	<b>(43)</b>	<b>- 64,615,848.71</b>	<b>- 107,928,587.74</b>
Including: from positive interest rates		(117,599,794.97)	(39,624,433.88)
<b>3. Current income from</b>		<b>26,307,681.12</b>	<b>41,714,436.22</b>
a) shares and other non-fixed-interest securities		8,000,000.00	31,000,126.71
b) participating interests and capital shares in cooperatives		13,891,942.11	7,224,113.59
c) shares in affiliated companies		4,415,739.01	3,490,195.92
<b>4. Income from profit pooling, profit transfer agreements and partial profit transfer agreements</b>		<b>350,967.43</b>	<b>634,028.83</b>
<b>5. Commission income</b>	<b>(44)</b>	<b>264,070,617.95</b>	<b>273,017,851.35</b>
<b>6. Commission expenses</b>	<b>(44)</b>	<b>- 71,109,182.04</b>	<b>- 88,705,138.11</b>
<b>7. Net trading revenues</b>		<b>0.00</b>	<b>0.00</b>
<b>8. Other operating income</b>	<b>(45)</b>	<b>54,653,181.03</b>	<b>49,259,517.40</b>
Including: from discounting		(62,759.23)	(445,680.33)
<b>9. ---</b>		<b>0.00</b>	<b>0.00</b>
<b>10. General administrative expenses</b>		<b>- 686,613,483.13</b>	<b>- 700,315,241.66</b>
a) Personnel expenses		- 260,916,194.49	- 246,872,547.39
aa) Wages and salaries		- 211,451,199.80	- 202,238,919.34
ab) Social security contributions and expenses for pensions and benefits		- 49,464,994.69	- 44,633,628.05
Including: for pensions		(- 17,230,803.01)	(- 13,993,672.63)
b) Other administrative expenses		- 425,697,288.64	- 453,442,694.27
<b>11. Depreciation, amortisation and write-downs in respect of intangible and tangible assets</b>		<b>- 28,347,850.86</b>	<b>- 20,588,972.53</b>
<b>12. Other operating expenses</b>	<b>(45)</b>	<b>- 29,560,155.14</b>	<b>- 78,356,575.87</b>
Including: from discounting		(- 6,061,735.17)	(- 6,529,394.78)
<b>13. Write-downs and value adjustments in respect of receivables and specific securities and allocations to provisions for credit risks</b>		<b>- 1,991,539.84</b>	<b>- 5,504,422.26</b>
<b>14. Income from write-ups in respect of receivables and specific securities and from the release of provisions for credit risks</b>		<b>0.00</b>	<b>0.00</b>
<b>15. Write-downs and value adjustments in respect of participating interests, shares in affiliates and securities treated as fixed assets</b>		<b>- 2,204,170.75</b>	<b>0.00</b>
<b>16. Income from write-ups in respect of investments, shares in affiliates and securities treated as fixed assets</b>		<b>0.00</b>	<b>6,306,715.06</b>
<b>17. Expenses from the assumption of losses</b>		<b>0.00</b>	<b>0.00</b>
<b>18. ---</b>		<b>0.00</b>	<b>0.00</b>
<b>19. Operating surplus</b>	<b>(59)</b>	<b>183,908,896.28</b>	<b>185,531,264.27</b>
<b>20. Extraordinary income</b>	<b>(46)</b>	<b>0.00</b>	<b>0.00</b>
<b>21. Extraordinary expenses</b>	<b>(46)</b>	<b>0.00</b>	<b>0.00</b>
<b>22. Extraordinary result</b>	<b>(46)</b>	<b>0.00</b>	<b>0.00</b>
<b>23. Taxes on income</b>	<b>(47)</b>	<b>- 58,479,404.64</b>	<b>- 45,492,282.72</b>
<b>24. Other taxes not reported in item 12</b>		<b>- 405,662.83</b>	<b>- 405,591.78</b>
<b>24a. Allocations to the fund for general banking risks</b>		<b>59,618,358.00</b>	<b>74,318,149.74</b>
<b>25. Net profit</b>	<b>(48)</b>	<b>65,405,470.81</b>	<b>65,315,240.03</b>
<b>26. Profit carried forward from the previous year</b>	<b>(48)</b>	<b>49,323,254.62</b>	<b>8,014.59</b>
<b>27. Withdrawals from revenue reserves</b>	<b>(48)</b>	<b>0.00</b>	<b>0.00</b>
a) From legal reserves		0.00	0.00
b) From other revenue reserves		0.00	0.00
<b>28. Allocations to revenue reserves</b>	<b>(48)</b>	<b>0.00</b>	<b>0.00</b>
a) To legal reserves		0.00	0.00
b) To other revenue reserves		0.00	0.00
<b>29. Balance sheet profit</b>	<b>(48)</b>	<b>114,728,725.43</b>	<b>65,323,254.62</b>



# Statement of Changes in Equity

## Development of capital and reserves

In the year under review, the amounts shown under liability item 12, "Capital and reserves", developed as follows:

### Capital development

	Subscribed capital		Capital reserves	Revenue reserves		Balance sheet profit/loss
	Members' capital contributions <sup>1</sup>	Contributions of silent partners		Legal reserves	Other revenue reserves	
	€thous	€thous	€thous	€thous	€thous	€thous
31 Dec 2020	1,237,456	0	0	434,750	177,805	65,323
Withdrawals	25,976	0	0	0	0	16,000
Additions	26,277	0	0	8,000	8,000	65,405
Distribution of annual result	0	0	0	0	0	0
<b>31 Dec 2021</b>	<b>1,237,757</b>	<b>0</b>	<b>0</b>	<b>442,750</b>	<b>185,805</b>	<b>114,729</b>

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

# Cash Flow Statement

## Cash flow statement

	31 Dec 2021	31 Dec 2020
	€m	€m
<b>Result for the period (net profit/loss)</b>	<b>65.4</b>	<b>65.3</b>
Write-downs, value adjustments and write-ups in respect of receivables and fixed assets	46.9	31.7
Increase/decrease in provisions	- 44.8	34.8
Other non-cash expenses/income	58.8	66.1
Profit/loss from the sale of fixed assets	- 4.1	- 7.2
Other adjustments (on balance)	0.3	0.3
Increase/decrease in loans and advances to banks	- 191.8	- 32.7
Increase/decrease in loans and advances to customers	441.6	- 946.3
Increase/decrease in securities (unless financial assets)	- 2,111.2	- 32.0
Increase/decrease in other assets from operating activities	96.2	17.8
Increase/decrease in liabilities to banks	2,531.1	5,748.3
Increase/decrease in liabilities to customers	3,900.9	4,008.0
Increase/decrease in securitised liabilities	1,528.5	2.8
Increase/decrease in other liabilities from operating activities	- 59.1	- 250.3
Interest expenses/interest income	- 658.4	- 708.1
Current income from shares, non-fixed-interest securities, investments, capital shares in cooperatives and shares in affiliated companies	- 26.3	- 41.7
Expenses/income from extraordinary items	0.0	0.0
Income tax expense/income	58.5	45.5
Interest payments and dividend payments received	757.9	845.5
Interest paid	- 139.0	- 101.2
Extraordinary deposits	0.0	0.0
Extraordinary payments	0.0	0.0
Income tax payments	- 59.8	- 66.7
<b>Cash flow from operating activities</b>	<b>6,191.6</b>	<b>8,679.9</b>
Deposits from the sale of financial assets	1,298.8	1,304.7
Payments for investments in financial assets	- 1,393.3	- 3,436.0
Deposits from the sale of tangible assets	0.4	1.1
Payments for investments in tangible assets	- 2.3	- 3.3
Deposits from the sale of intangible assets	0.0	0.3
Payments for investments in intangible assets	- 4.1	- 39.2
Deposits from the sale of consolidated companies	0.0	0.0
Payments for additions to the scope of consolidation	0.0	0.0
Fund changes from other investment activities (on balance)	0.0	0.0
Deposits from extraordinary items	0.0	0.0
Payments for extraordinary items	0.0	0.0
<b>Cash flow from investment activities</b>	<b>- 100.5</b>	<b>- 2,172.4</b>
Payments from increases in equity capital by partners	26.3	24.7
Payments for decreases in equity capital to partners	- 26.0	- 18.6
Deposits from extraordinary items	0.0	0.0
Payments for extraordinary items	0.0	0.0
Dividends paid to partners	- 24.1	0.0
Fund changes from other capital (on balance)	- 1.0	109.5
<b>Cash flow from financing activities</b>	<b>- 24.8</b>	<b>115.6</b>
Cash changes in liquid assets	6,066.3	6,623.1
Changes to liquid assets due to foreign currency and valuation	0.0	0.0
Changes in liquid assets due to the scope of consolidation	0.0	0.0
Liquid funds at the start of the reporting period	11,193.6	4,570.5
<b>Liquid funds at the end of the reporting period</b>	<b>17,259.9</b>	<b>11,193.6</b>

# Notes

## A. General information

### 1. Framework for the preparation of the annual financial statements

The annual financial statements of Deutsche Apotheker- und Ärztebank eG (apoBank), Düsseldorf (Local Court of Düsseldorf, GmR 410), as at 31 December 2021 were prepared according to the regulations of the German Commercial Code (HGB), the Accounting Ordinance for Banks and Financial Services Institutions (RechKredV) as well as the Securities Trading Act (WpHG). At the same time, the annual financial statements meet the requirements of the Cooperative Societies Act (GenG), the German Pfandbrief Act (PfandBG) and the Articles of Association of apoBank.

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

## B. Accounting, valuation and translation methods

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

### 2. Cash reserves

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

### 3. Loans, advances and risk provisioning

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

### 4. Securities

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

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

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

The acquisition costs of the individual components recognized separately in the balance sheet are the result of the breakdown of the acquisition costs of the structured financial instrument in accordance with the proportion of the fair values of the individual components. In the event that the fair value of the embedded derivative cannot be determined, the value is calculated as the difference between the fair value of the structured financial instrument and the fair value of the underlying instrument.

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

## **5. Trading assets and liabilities**

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

## **6. Valuation units**

At apoBank, micro-hedge units and portfolio valuation units are formed to hedge risks. Micro-hedge units are used in the context of asset swap packages and to cover part of the Bank's own issuances. This hedges against interest change risks. apoBank uses portfolio valuation units to hedge currency risks in various independently 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. For some of the portfolio valuation units, the fair value method is applied. A prospective and a retrospective effectiveness test is performed.

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

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

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

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

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

As at the balance sheet date, the total volume of the risks hedged amounted to €338 million (31 December 2020: €640 million). These risks result from an omitted depreciation of assets, an omitted appreciation of debt or omitted provisions for contingent losses, and are quantified based on the gross net present values of the derivative transactions. The major part of the changes in value and of the payment flows will probably be balanced over a period of ten years.

As at the reporting date, apoBank had designated a total of 401 micro hedges with a nominal value of €8,509.7 million:

- 283 hedges on the Bank's own issuances against the interest rate risk with a nominal value of €6,495.1 million, including
  - 12 caps with a nominal value of €170.7 million,
  - 14 floors with a nominal value of €180.7 million,
  - 88 swaptions with a nominal value of €1,188.2 million,
  - 169 swaps with a nominal value of €4,955.5 million,
- 118 asset swaps to hedge against the interest rate risk of 73 acquired securities with a nominal value of €2,014.6 million.

As at 31 December 2021, a volume of foreign currency swaps from FX trading had been used in the amount of €602 million within the scope of valuation units, including €562 million to hedge offsetting FX swaps and €40 million to hedge several loans in a foreign currency.

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

- €231 million in Danish kroner,
- €164 million in British pounds,
- €158 million in US dollars,
- €36 million in Swedish krona,
- €10 million in Swiss francs,
- €3 million in Japanese yen.

As at the reporting date, apoBank had a volume of foreign-currency FX forward transactions of €379 million as valuation units, including €379 million to hedge offsetting FX forward transactions. The FX forward transactions can be broken down based on their currency as follows:

- €333 million in British pounds,
- €27 million in US dollars,
- €6 million in Japanese yen,
- €6 million in South African Rand,
- €4 million in Canadian dollars,
- €3 million in Swiss francs.

## **7. Investments and shares in affiliated companies**

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

## **8. Fixed assets/intangible assets**

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

## **9. Fixed assets/tangible assets**

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

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

## 10. Prepayments and accrued income (assets)

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

## 11. Liabilities

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

## 12. Provisions

The provisions for pension liabilities as at 31 December 2021 were calculated based on the actuarial tables “Richttafeln 2018 G” (Heubeck) using the projected unit credit method. The calculation was based on an interest rate of 1.87% (average over the past ten financial years), a wage increase trend of 3.00% and a pension increase trend of 1.75%. As at 31 December 2021, the difference pursuant to Section 253 (6) of the HGB subject to a bar on distribution amounted to €15.1 million on an accounting basis.

apoBank recorded the releases and allocations to the balance sheet item “Provisions for pensions and similar obligations” in relation to the interest effects under other operating income and otherwise as a net item under “Personnel expenses”. Pension provisions and the provision for deferred compensation were netted with the corresponding plan assets (initially under “Other assets”) pursuant to Section 246 (2) sentence 2 of the HGB. The fair value amounting to €16.4 million is equivalent to the acquisition costs of the plan assets. In the reporting year, the option to apply IDW RH FAB 1.021 was exercised. The alignment of the capitalisation values of the reinsurance for pension obligations with the corresponding provision amounts for these pension obligations (primacy of the liabilities side) led to one-off additional personnel expenses of €3.7 million. The remaining amount of €12.7 million was offset with the corresponding pension obligations.

Since the offsetting of income of €0.9 million and expenses of €4.1 million in connection with the reinsurance for pension obligations results in a negative amount, no netting with the expenses from the compounded interest of pension provisions amounting to €5.8 million took place.

The provisions for part-time retirement were calculated based on the projected unit credit method, for anniversary payments the entry age normal cost method was applied. Both types of provisions were made on the basis of an interest rate of 1.35%, a wage increase trend of 3.00% as well as the actuarial tables “Richttafeln 2018 G” (Heubeck).

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 posted to “Other operating income” or “Other operating expenses”. The results from the change in the discount rate on provisions for pensions and similar obligations are taken into account in the item “Personnel expenses”. The results from the change in the discount rate on other provisions are shown in the item “Other operating income” or “Other operating expenses”.

apoBank also made adequate provisions for the other uncertain liabilities.

### **13. Prepayments and accrued income (liabilities)**

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

### **14. Derivative financial instruments**

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

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

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

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

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



## 15. Currency translation

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

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

## C. Notes to the balance sheet

### Notes to assets

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

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

#### Breakdown of loans and advances by residual terms

	Loans and advances to banks (A3)		Loans and advances to customers (A4)	
	€thous		€thous	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Accrued interest	40,384	42,620	4,743	5,540
Up to 3 months	1,119,457	1,219,198	1,027,229	928,787
More than 3 months to 1 year	294,120	0	3,666,684	3,355,210
More than 1 year to 5 years	0	2,574	15,477,741	15,672,040
More than 5 years	0	0	15,639,029	16,259,603

Loans and advances to banks (assets, 3) include receivables from the relevant central cooperative bank (DZ BANK AG) of €957,934 thousand (31 December 2020: €996,067 thousand).

Loans and advances to customers (assets, 4) include receivables with unspecified maturities of €1,971,783 thousand (31 December 2020: €2,018,967 thousand).

## 17. Affiliated and associated companies

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

### Affiliated and associated companies

	Loans and advances to banks (A3)		Loans and advances to customers (A4)		Debt securities and other fixed-interest securities (A5)	
	€thous		€thous		€thous	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Loans and advances to affiliated companies	0	0	13,753	13,752	0	0
Loans and advances to associated companies	957,934	996,067	275,261	268,478	15,909	21,037

## 18. Debt securities and other fixed-interest securities

Of the debt securities and other fixed-interest securities (assets, 5) reported in the balance sheet, €1,769,748 thousand (31 December 2020: €971,954 thousand) will mature during the financial year following the balance sheet date. These amounts do not include accrued interest.

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

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

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

	Debt securities and other fixed-interest securities (A5)		Shares and other non-fixed-interest securities (A6)		Trading assets (A6a)	
	€thous		€thous		€thous	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Non-negotiable	0	0	1,169,129	1,172,118	0	0
Negotiable	8,997,263	6,792,638	0	0	0	0
Quoted	8,935,080	6,629,903	0	0	0	0
Unquoted	62,183	162,735	0	0	0	0
Negotiable securities not valued at the lower of cost or market	2,078,925	840,721	0	0		

	Participating interest and capital shares in cooperatives (A7)		Shares in affiliated companies (A8)	
	€thous		€thous	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Non-negotiable	227,153	233,335	9,501	9,501
Negotiable	113	113	0	0
Quoted	0	0	0	0
Unquoted	113	113	0	0

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

## 20. Securities portfolio/receivables by purpose

The securities portfolio and selected receivables are divided into the following categories according to their purpose:

### Securities portfolio/receivables by purpose

	31 Dec 2021 €thous	31 Dec 2020 €thous
<b>Loans and advances to banks</b>		
Fixed assets	0	2,584

	31 Dec 2021 €thous	31 Dec 2020 €thous
<b>Loans and advances to customers</b>		
Fixed assets	607	1,415

	31 Dec 2021 €thous	31 Dec 2020 €thous
<b>Debt securities and other fixed-interest securities</b>		
Fixed assets	6,500,435	6,407,245
Liquidity reserve	2,496,829	385,392
<b>Total</b>	<b>8,997,264</b>	<b>6,792,637</b>

	31 Dec 2021 €thous	31 Dec 2020 €thous
<b>Shares and other non-fixed-interest securities</b>		
Fixed assets	1,169,129	1,172,118
Liquidity reserve	0	0
<b>Total</b>	<b>1,169,129</b>	<b>1,172,118</b>

## 21. Shares in special investment funds

apoBank holds more than 10% of shares in the following 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 with Sections 168, 278 or 286 (1) KAGB or comparable international regulations (fair value)	Difference to book value	Distributions made for the total financial year	Restriction of daily redemption
		€thous			
APO 1 INKA	Domestic and international bonds	943,615	100,988	2,000	no
APO 2 INKA	Domestic and international bonds	216,658	769	6,000	no
BlackRock apo Global Healthcare Private Equity Fund, S.C.A., SICAV-RAIF	Investments in unquoted companies, domestic and international funds	6,541	494	0	no

## 22. Financial instruments classified as fixed assets

### Financial instruments classified as fixed assets<sup>1</sup>

	Book value as at 31 Dec 2021	Fair value as at 31 Dec 2021	Omitted depreciation
	€thous	€thous	€thous
Banks	829,906	825,452	4,453
Public debtors	1,179,681	1,172,134	7,547
Companies	59,214	59,078	137
<b>Total</b>	<b>2,068,801</b>	<b>2,056,664</b>	<b>12,137</b>

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

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

## 23. List of holdings

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

### List of holdings

Company	Share in company capital on 31 Dec 2021	Year	Capital and reserves of the company	Result of the past financial year
	%		€thous	€thous
aik Immobilien-Investmentgesellschaft mbH, Dusseldorf	64	2020	12,056	4,089
aik Management GmbH, Dusseldorf <sup>1</sup>	100	2020	67	42
APO Asset Management GmbH, Dusseldorf	70	2020	17,582	5,060
APO Data-Service GmbH, Dusseldorf <sup>2</sup>	100	2021	4,031	149
apoDirect GmbH, Dusseldorf <sup>2</sup>	100	2021	1,525	382
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 <sup>3</sup>	75	2020	28,772	21,022
Finanz-Service GmbH der APO-Bank, Dusseldorf	50	2020	2,888	1,205
gbs – Gesellschaft für Bankensysteme mbH, Münster	10	2020	5,071	1,508
medisign GmbH, Dusseldorf	50	2020	854	692
naontek AG, Dusseldorf	91	2020	4,233	- 3,695
PROFI Erste Projektfinanzierungs- und Beteiligungsgesellschaft AG, Zurich <sup>4,5</sup>	100	2021	4,459	4,177
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	2021	3,169,789	75,496
ZA Zahnärztliche Abrechnungsgesellschaft Düsseldorf AG, Dusseldorf	25	2020	6,185	553
ZPdZ – Zahnpraxis der Zukunft GmbH, Dusseldorf	50	2020	669	- 198

1) Indirect investment.

2) Before profit transfer or loss absorption.

3) Including indirect investment of 59% via PROFi Erste Projektfinanzierungs- und Beteiligungsgesellschaft AG and RiOsMa GmbH.

4) Including indirect investment of almost 50% via RiOsMa GmbH.

5) The financial year ends on 30 June of the respective year.

A control and profit transfer agreement with apoDirect GmbH, Dusseldorf, was concluded in the first half of 2021, effective as from 1 January 2021

The investment in GAD Beteiligungs GmbH & Co. KG, Münster, was sold as of 1 October 2021.

apoBank had investments 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 Vermittlungs-Aktiengesellschaft, Cologne, and DZR Deutsches Zahnärztliches Rechenzentrum GmbH, Stuttgart.

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

#### 24. Trust assets

The trust transactions shown on the assets side of the balance sheet are fiduciary loans (investments) totalling €51 thousand (31 December 2020: €51 thousand).

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

#### 25. Development of fixed assets

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

##### Tangible assets

	31 Dec 2021	31 Dec 2020
	€thous	€thous
Land and buildings used within the scope of apoBank’s own operations	91,354	94,810
Office furniture and equipment	26,925	30,485

**Development of fixed assets**

	Acquisition/ production costs as at 1 Jan 2021 €thous	Changes in the reporting period			Acquisition/ production costs as at 31 Dec 2021 €thous
		Additions €thous	Disposals €thous	Transfers €thous	
Intangible assets	213,980	4,081	0	0	218,061
Tangible assets					
Land and buildings	215,532	240	0	- 10	215,762
Office furniture and equipment	124,017	2,078	442	10	125,663
Loans and advances to banks	2,574	0	2,574	0	0
Loans and advances to customers	1,400	0	800	0	600
Fixed-asset securities	7,552,321	1,389,314	1,291,783	0	7,649,852
Participating interests and capital shares in cooperatives	233,820	0	6,087	0	227,733
Shares in affiliated companies	19,563	4,000	0	0	23,563
<b>Total</b>	<b>8,363,207</b>	<b>1,399,713</b>	<b>1,301,686</b>	<b>0</b>	<b>8,461,234</b>

1) In the reporting year, acquisition/production costs as at 1 January 2021 and amortisation/depreciation (accumulated) as at 1 January 2021 were adjusted.



Amortisation/ depreciation (accumulated) as at 1 Jan 2021	Amortisation/ depreciation	Write-ups	Changes in total amortisation/depreciation as a result of			Amortisation/ depreciation (accumulated) as at 31 Dec 2021	Book values at the balance sheet date
			additions	disposals	transfers		
€thous	€thous	€thous	€thous	€thous	€thous	€thous	€thous
- 46,956	- 19,429	0	0	0	0	- 66,385	151,676
- 119,496	- 3,713	0	0	0	0	- 123,209	92,553
- 93,532	- 5,206	0	0	0	0	- 98,738	26,925
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	600
- 5,358	0	0	0	0	0	- 5,358	7,644,494
- 372	- 100	5	0	0	0	- 467	227,266
- 10,062	- 4,000	0	0	0	0	- 14,062	9,501
<b>- 275,776</b>	<b>- 32,448</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>- 308,219</b>	<b>8,153,015</b>

## 26. Other assets

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

### Other assets

	31 Dec 2021	31 Dec 2020
	€thous	€thous
Capitalised premiums from options and caps	36,841	59,059
Receivables from asset management	53,369	43,732
Tax receivables	27,661	46,253
Receivables from the distributions of the mutual funds APO 1 and APO 2 INKA	5,000	21,000

## 27. Prepayments and accrued income (assets)

The prepayments and accrued income items include discount amounts from assumed liabilities of €12,217 thousand (31 December 2020: €14,809 thousand) and upfront payments of €9,535 thousand (31 December 2020: €10,590 thousand).

## 28. Deferred tax assets

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

As at 31 December 2021, a net deferred tax asset existed. This was essentially due to differences between the valuations in the trading and tax accounts for shares and other non-fixed-interest securities, loans and advances to customers, provisions for pensions, intangible assets as well as other assets.

The total net surplus of deferred tax assets amounted to €189,935 thousand, including deferred tax assets of €195,145 thousand and deferred tax liabilities of €5,210 thousand.

A tax rate of 32.0% was applied for calculating deferred taxes.

## 29. Subordinated assets

Subordinated assets are included in the following items:

### Subordinated assets

	31 Dec 2021 €thous	31 Dec 2020 €thous
Loans and advances to banks	0	2,584
Loans and advances to customers	66,768	66,674
Debt securities and other fixed-interest securities	15,909	21,037
<b>Total</b>	<b>82,677</b>	<b>90,295</b>

## 30. Repurchase agreements

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

## 31. Foreign currency items

Assets include foreign currency items with a value of €358,142 thousand (31 December 2020: €335,461 thousand).

## Notes to liabilities

### 32. Breakdown of liabilities by residual terms and other items

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

#### Breakdown of liabilities by residual term

	Liabilities to banks (P 1) €thous		Savings deposits (P 2c) €thous		Liabilities to customers without savings deposits (P 2a, 2b, 2d) €thous		Securitised liabilities (P 3) €thous	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Accrued interest	- 52,256	45,532	0	0	18,305	19,740	14,149	15,078
Up to 3 months	161,703	261,284	92,822	92,086	34,222,492	29,971,779	530,905	530,905
More than 3 months to 1 year	284,560	235,437	355	675	246,188	576,265	590,739	420,507
More than 1 year to 5 years	10,509,173	8,248,938	1,936	1,840	831,407	670,355	4,740,199	3,153,438
More than 5 years	6,909,480	6,588,120	29	42	1,726,678	1,907,980	3,049,800	3,278,300

Liabilities to banks include €59,082 thousand (31 December 2020: €112,406 thousand) of liabilities to the relevant central cooperative bank (DZ BANK AG).

Of the liabilities to banks, €17,154,245 thousand (31 December 2020: €14,521,909 thousand, previous year's value adjusted) are secured by transfer of assets of at least the same amount. These liabilities are mainly publicly refinanced loans or due to the participation in the ECB's targeted longer-term refinancing operations (TLTROs).

Securities amounting to €8,284,477 thousand (31 December 2020: €6,031,067 thousand, previous year's value adjusted) were pledged as collateral for the TLTROs. Irrespective of liabilities to be assigned, apoBank deposited cash collaterals of €93,735 thousand (31 December 2020: €300,215 thousand) within the framework of our collateral management for interest rate derivatives. Moreover, securities with a book value of €150,218 thousand (31 December 2020: €197,296 thousand) were pledged as collateral for margin obligations at futures and options exchanges and to secure payment obligations from securities transactions.

Of the debt securities issued (liabilities, 3.a), €1,120,739 thousand (31 December 2020: €935,507 thousand) will mature in the year following the balance sheet date.

### 33. Liabilities due from affiliated or associated companies

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

#### Liabilities due from affiliated or associated companies

	Liabilities to affiliated companies		Liabilities to associated companies	
	€thous		€thous	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Liabilities to banks (P 1)	0	0	59,082	112,406
Liabilities to customers (P 2)	35,943	25,305	49,764	26,772
Securitised liabilities (P 3)	0	0	0	0
Subordinated liabilities (P 9)	0	0	0	0

### 34. Trust liabilities

The trust transactions shown on the liabilities side of the balance sheet are liabilities for contributions (investments) held in trust of €51 thousand (31 December 2020: €51 thousand).

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

### 35. Other liabilities

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

#### Other liabilities

	31 Dec 2021	31 Dec 2020
	€thous	€thous
Premiums from options and caps carried as liabilities	6,976	14,918
Tax liabilities	10,255	6,799
Trade payables	6,792	9,866
Dividend liability 2019	0	24,064

### 36. Prepayments and accrued income (liabilities)

“Prepayments and accrued income (liabilities)” includes:

#### Prepayments and accrued income (liabilities)

	31 Dec 2021	31 Dec 2020
	€thous	€thous
Premium from liabilities (securitised or unsecuritised)	46,293	12,869
Discount from claims	2,603	3,336
Other prepayments and accrued income	11,295	13,445

### 37. Subordinated liabilities

Expenses of €1,973 thousand were incurred in the past financial year (31 December 2020: €277 thousand). Early redemption of the subordinated liabilities is excluded, with the exception of a subordinated promissory note bond.

Subordination has been arranged as follows: In the event of the insolvency or liquidation of apoBank, these liabilities are repayable only after all higher-ranking creditors have been satisfied. The liabilities, most of which are due for repayment in the following years, have a residual term of six to 16 years.

Subordinated liabilities with a nominal value of €118,000 thousand (31 December 2020: €119,000 thousand) carry the following interest rates:

- one subordinated bearer bond with a 6-month Euribor variable rate plus 0.48%,
- four subordinated promissory note bonds with fixed interest rates of 1.60 to 1.84%.

As at the balance sheet date, borrowings exceeding 10% of the balance sheet item amounted to €112,000 thousand (31 December 2020: €112,000 thousand); their interest rates and maturities were as follows:

- subordinated promissory note bond with a nominal value of €35,000 thousand, due on 26 November 2030, interest rate of 1.600%,
- subordinated promissory note bond with a nominal value of €12,000 thousand, due on 7 December 2032, interest rate of 1.609%,
- subordinated promissory note bond with a nominal value of €30,000 thousand, due on 30 November 2037 (early repayment as at 30 November 2032 possible), interest rate of 1.840%,
- subordinated promissory note bond with a nominal value of €35,000 thousand, due on 30 November 2037, interest rate of 1.820%.

### 38. Capital and reserves

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

#### Subscribed capital

	31 Dec 2021 €thous	31 Dec 2020 €thous
<b>Members' capital</b>	<b>1,237,757</b>	<b>1,237,455</b>
Of remaining members	1,231,219	1,233,313
Of departing members	6,053	3,893
Of terminated cooperative shares	485	249
Compulsory contributions due on shares in arrears	286	104

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

#### Revenue reserves

	Legal reserves €thous	Other revenue reserves €thous
As at 1 Jan 2021	434,750	177,806
Transfers		
from balance sheet profit of the previous year	8,000	8,000
from net profit of the financial year	0	0
Withdrawals	0	0
<b>As at 31 Dec 2021</b>	<b>442,750</b>	<b>185,806</b>

### 39. Foreign currency items

Foreign currency items with an equivalent value of €310,181 thousand (31 December 2020: €281,855 thousand) are included in liabilities and with an equivalent value of €61,578 thousand (31 December 2020: €70,182 thousand) in off-balance-sheet contingent liabilities and other obligations.

### 40. Contingent liabilities

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



## Derivative financial instruments

### 41. Derivative financial instruments

The volume of unsettled forward transactions affected by a settlement risk or currency, interest rate and/or other market risks arising from open positions, and in the event of counterparty default also from closed positions, amounted to €22,432 million as at 31 December 2021 (31 December 2020: €26,905 million). As at 31 December 2021, the following types of transactions were included therein:

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#### 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 and for strategic purposes within the scope of its investment management. Existing derivatives contracts are broken down according to their risk structure in the table on the following page. The nominal volumes are stated in accordance with standard international practice; however, these figures are not identical with the default risk value.

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

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

apoBank measures stock options from structured financial instruments by comparing them with unstructured bonds of the same issuer and 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 <sup>1</sup> €m	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
<b>Interest rate-related transactions<sup>2</sup></b>				
Time to maturity up to 1 year	1,469	2,350	-5	-19
more than 1 year to 5 years	8,952	10,527	-40	-121
more than 5 years	11,030	12,843	33	-31
<b>Subtotal</b>	<b>21,451</b>	<b>25,720</b>	<b>-12</b>	<b>-171</b>
<b>Currency-related transactions</b>				
Time to maturity up to 1 year	826	1,070	0	1
more than 1 year to 5 years	155	112	0	0
more than 5 years	0	0	0	0
<b>Subtotal</b>	<b>981</b>	<b>1,182</b>	<b>0</b>	<b>1</b>
<b>Stock-related transactions<sup>1</sup></b>				
Time to maturity up to 1 year	0	3	0	0
more than 1 year to 5 years	0	0	0	0
more than 5 years	0	0	0	0
<b>Subtotal</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>22,432</b>	<b>26,905</b>	<b>-12</b>	<b>-170</b>

1) Netted, taking into account pro rata interest, where applicable.

2) Interest- and stock-related transactions are reported under the items "Other assets" (€36.8 million), "Prepayments and accrued income (assets)" (€9.5 million), "Other liabilities" (€0.1 million) and "Prepayments and accrued income (liabilities)" (€11.3 million).

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

## D. Notes to the income statement

### 42. Interest income

The “Interest income” item includes €72,214 thousand in negative interest income from deposits with the ECB and other banks, from collateral management, as well as from fixed-interest securities (1 January to 31 December 2020: €30,359 thousand).

### 43. Interest expenses

The item “Interest expenses” includes €117,600 thousand in positive interest expenses from borrowings from other banks and specific customer groups, from collateral management as well as from securitised liabilities (1 January to 31 December 2020: €39,624 thousand).

### 44. Commission income and commission expenses

Commission income includes insurance brokerage services rendered for third parties amounting to €21,512 thousand (1 January to 31 December 2020: €22,533 thousand).

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

Other operating income of €54,653 thousand (1 January to 31 December 2020: €49,260 thousand) includes, among other things:

##### Other operating income

	1 Jan - 31 Dec 2021	1 Jan - 31 Dec 2020
	€thous	€thous
Rental income	4,109	4,154
Release of reserves (related to other periods)	31,935	25,013
Income from discounting	7,401	6,364

Other operating expenses of €29,560 thousand (1 January to 31 December 2020: €78,357 thousand) result primarily from the following items:

##### Other operating expenses

	1 Jan - 31 Dec 2021	1 Jan - 31 Dec 2020
	€thous	€thous
Provisions for litigation costs	4,216	55,416
Expenses from compounding	6,062	6,529
Expenses from currency translation	5,438	3,960

#### 46. Extraordinary income and expenses

As in the previous year, no extraordinary income or extraordinary expenses were incurred in 2021.

#### 47. Taxes on income

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

The item "Taxes on income" includes other material income related to other periods of €1,245 thousand from tax refunds for previous years (1 January to 31 December 2020: €113 thousand), and expenses related to other periods of €1,862 thousand from tax arrears for previous years (1 January to 31 December 2020: €119 thousand).

#### 48. Proposal for the appropriation of the balance sheet profit

In 2021, apoBank recorded a net profit of €65,405,471, the profit carried forward from the previous year amounted to €49,323,255. The Supervisory Board and the Board of Directors will propose the following appropriation of profit at the Annual General Meeting:

##### Appropriation of balance sheet profit

	31 Dec 2021 €	31 Dec 2020 €
Net profit	65,405,470.81	65,315,240.03
Profit carried forward from the previous year	49,323,254.62	8,014.59
Balance sheet profit	114,728,725.43	65,323,254.62
Allocations to legal reserves	11,480,000.00	8,000,000.00
Allocations to other revenue reserves	17,116,082.62	8,000,000.00
Dividends (7,0%/in the previous year 0,0%)	86,127,622.00	0.00
Carried forward to new account	5,020.81	49,323,254.62

## E. Other notes

#### 49. Events after the reporting date

Between 31 December 2021 and the preparation of the annual financial statements by the Board of Directors on 25 February 2022, the major event of the war in Ukraine emerged.

The potential impact of the ongoing war in Ukraine on the business performance of apoBank is not yet foreseeable. The Bank has no direct business in Russia, Belarus or Ukraine and our business model is focused on the German market.

However, disruptions on the financial markets could burden the securities business with our customers and proprietary investments. In addition, there is a possibility of an indirect impact on the economic circumstances of our customers and thus on apoBank.

It is currently uncertain how events will progress, we will observe them closely; the precision of the forecast for this fiscal year in particular is therefore likely to be limited.

## 50. Disclosures according to Section 28 of the PfandBG

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

### Total amount and maturity structure

	Total amount of outstanding Pfandbriefe		Total amount of cover pool		Overcollateralisation	
	€m		€m		%	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Nominal value	8,179	6,710	9,159	8,604	12	28
Net present value	8,503	7,294	9,994	9,649	18	32
Risk net present value <sup>1</sup>	9,091	7,942	10,505	10,213	16	29

	Maturity structure of outstanding Pfandbriefe		Maturity profile of cover pool	
	€m		€m	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Up to 6 months	500	540	426	372
More than 6 months to 12 months	545	20	567	516
More than 12 months to 18 months	548	500	536	387
More than 18 months to 2 years	574	545	457	533
More than 2 years to 3 years	1,165	623	1,160	974
More than 3 years to 4 years	1,018	165	927	1,012
More than 4 years to 5 years	260	608	864	891
More than 5 years to 10 years	2,718	2,628	3,300	3,003
More than 10 years	851	1,081	922	916

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

There are no derivatives included in the cover pool.

### Composition of the cover pool

	€m	€m	Share in the total amount of cover pool	
			31 Dec 2021	31 Dec 2020
<b>Total amount of receivables used as cover</b>	<b>31 Dec 2021</b>	<b>31 Dec 2020</b>	<b>31 Dec 2021</b>	<b>31 Dec 2020</b>
				%
<b>By size class</b>				
Up to €300 thousand	6,261	5,985	---	---
More than €300 thousand to €1 million	1,243	1,007	---	---
More than €1 million to €10 million	773	702	---	---
More than €10 million	372	401	---	---

#### By type of use (I) in Germany

Residential	7,056	6,532	---	---
Commercial	1,593	1,563	---	---

#### By type of use (II) in Germany

Flats	2,105	1,964	24	24
Single- and two-family homes	4,125	3,874	48	48
Multi-family homes	825	694	10	9
Office buildings	465	164	5	2
Retail buildings	46	23	0	0
Industrial buildings	0	0	0	0
Other commercially used buildings	1,083	1,376	13	17
Unfinished new buildings not yet ready to generate a return as well as building sites	0	0	0	0
Of which: building sites	0	0	0	0

There are no mortgage cover assets outside Germany.

### Summary of overdue claims

	31 Dec 2021	31 Dec 2020
	€m	€m
Total amount of claims being more than 90 days past due	0	0
Total amount of the impaired receivables, provided that the respective arrears amount to at least 5% of the receivable	0	0

**Other notes**

	Residential		Commercial	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Number of pending forced auctions and forced administrations	0	0	0	0
Number of forced auctions carried out in the fiscal year	0	0	0	0
Number of real estate taken over in the fiscal year to prevent losses	0	0	0	0
Total amount of overdue interest payments in €m	0	0	0	0

**51. Cover statement mortgage Pfandbriefe****Cover statement mortgage Pfandbriefe**

	31 Dec 2021	31 Dec 2020
	€thous	€thous
Loans and advances to customers		
Mortgage loans	8,649,008	8,094,357
Tangible fixed assets (land charges on the Bank's own property)	0	0
Debt securities and other fixed-interest securities (book value as at 31 Dec 2021: €510,000 thousand, 31 December 2020: €510,000 thousand)	510,000	510,000
Total cover assets	9,159,008	8,604,357
Total mortgage Pfandbriefe requiring cover	8,179,100	6,710,100
Overcollateralisation	979,908	1,894,257

**52. Other financial obligations**

Other financial obligations amounted among others to €118,020 thousand at the end of 2021 (31 December 2020: €118,020 thousand) and result from an optional obligation to purchase shares in a company within the scope of the lending business. This obligation does not currently pose a risk.

apoBank is a member of the protection scheme with a guarantee fund and a guarantee network operated by the National Association of German Cooperative Banks (Deutsche Volksbanken und Raiffeisenbanken e. V., BVR). Within the scope of the guarantee network, apoBank has assumed a guarantee obligation that amounted to €63,022 thousand as at the end of the past financial year (31 December 2020: €57,876 thousand).



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

### 53. Average number of employees

The average number of employees in 2021 was 1,762 (2020: 1,869) full-time and 428 (2020: 453) part-time employees. In addition, apoBank also employed an average of 88 apprentices (2020: 85).

### 54. Changes in membership

#### Changes in membership

	Number of members	Number of cooperative shares	Uncalled liabilities €thous
Beginning of 2021	116,055	822,313	1,233,470
Additions 2021	935	17,639	26,460
Departures 2021	1,751	18,915	28,373
End of 2021	115,239	821,037	1,231,556

### 55. Capital contributions and uncalled liabilities of members

#### Capital contributions and uncalled liabilities of members

	1 Jan - 31 Dec 2021 €thous	1 Jan - 31 Dec 2020 €thous
The capital contributions of the remaining members decreased in the year under review (previous year: increased) by	2,095	5,566
Uncalled liabilities decreased in the year under review (previous year: increased) by	1,914	5,669

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

## 56. Auditor's fee

The expenses for the audit of the annual financial statements, other certification services, tax advice and other services of the auditor, GV (Genossenschaftsverband – Verband der Regionen e.V.), were €2,579 thousand in the year under review (2020: €3,322 thousand).

The expenses can be broken down as follows:

### Auditor's fee

	2021 €thous	2020 €thous
Audit of the annual financial statements	2,140	2,434 <sup>1</sup>
Other assurance services	364	812
Tax advice	0	0
Other services	75	76

1) Including release of a provision from 2019 amounting to €32 thousand.

## 57. Board compensation

According to Section 285 sentence 1 no. 9a of the HGB, the total remuneration granted to the Board of Directors amounted to €6,294 thousand in 2021 (2020: €4,562 thousand); the performance-related share of this total remuneration was 44.1% (2020: 20.9%). The total remuneration paid to Board members in 2021 amounted to €5,385 thousand (2020: €5,185 thousand).

According to the remuneration structure for members of the Board of Directors agreed upon by the Board of Directors and the Supervisory Board, variable remuneration is paid to Board members on top of the basic salary. This amounts to 35% of the aggregate salary if all goals are achieved. If the agreed goals are exceeded or not met, the variable payment for the year is increased or decreased accordingly. However, if the results fall short of the goals by more than 50%, no variable remuneration will be paid, and if the goals are exceeded by more than 50%, the variable remuneration will not increase further.

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

The total remuneration for former members of the Board of Directors and their surviving dependants amounted to €2,775 thousand (2020: €2,371 thousand). Pension provisions for this group of persons as at the balance sheet date amounted to €53,181 thousand (2020: €40,474 thousand).

The total remuneration for members of the Supervisory Board was €1,269 thousand (2020: €1,218), which was divided up as follows: annual remuneration €611 thousand (2020: €611 thousand), attendance fees €584 thousand (2020: €548 thousand) and other benefits €74 thousand (2020: €59 thousand).

### 58. Amounts due from Board members

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

#### Amounts due from Board members

	31 Dec 2021 €thous	31 Dec 2020 €thous
Members of the Board of Directors	2	0
Members of the Supervisory Board	4,699	5,645

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

Deutsche Apotheker- und Ärztebank eG, 40547 Dusseldorf, Germany

The purpose of the cooperative is to provide economic and professional support to its members and especially members of the health care professions, their organisations and associations. Its business is to conduct all customary bank transactions within the framework of legal provisions for members as well as non-members. The head office, the branches and the advisory offices of Deutsche Apotheker- und Ärztebank are all located in Germany.

The turnover of €903.1 million resulted from the operating result, excluding risk provisioning and general administrative expenses. Deutsche Apotheker- und Ärztebank's operating result amounted to €183.9 million based on HGB accounting.

The average number of employees (excluding members of the Board of Directors) in 2021 was 2,066 (full-time equivalents).

The profit before tax of €183.9 million as at 31 December 2021 was largely generated in Germany. Income tax on this amount was €58.5 million.

apoBank does not receive any public aid.

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

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

## 61. Board of Directors

Members of the Board of Directors

- Jenny Friese, responsible for Retail Clients (since 1 May 2021; from 1 January 2021 to 30 April 2021 responsible for Large Customers and Markets)
- Eckhard Lüdering, responsible for Risk Management
- Alexander Müller (since 1 September 2021), responsible for Large Customers and Markets
- Dr. Thomas Siekmann (until 30 April 2021), Deputy Chair, responsible for Finance and IT
- Ulrich Sommer, Chair (until 10 December 2021), responsible for Corporate Development, Corporate Communications, Human Resources, Legal, Professional Associations, Health Care Markets and Policy, Internal Auditing (until 31 October 2021); from 1 May 2021 to 31 August 2021 also provisional management of Large Customers and Markets; from 1 November 2021 to 10 December 2021 responsible for Group Strategy and Health Care Market, Human Resources, Legal, Professional Associations, Internal Auditing
- Holger Wessling, responsible for Finance and IT (since 1 May 2021; from 1 January 2021 to 30 April 2021 responsible for Retail Clients)

## 62. 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 Franke<sup>1</sup>, Deputy Chair, bank employee
- Ralf Baumann<sup>1</sup>, bank employee
- Fritz Becker, owner of Nordstadt-Apotheke Pforzheim
- Marcus Bodden<sup>1</sup>, bank employee
- Martina Burkard<sup>1</sup>, bank employee
- Mechthild Coordt<sup>1</sup>, bank employee
- Stephanie Drachsler<sup>1</sup> (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 German National Association of Statutory Health Insurance Dentists KdöR
- Günter Haardt<sup>1</sup>, General Manager Asset Management at Vereinte Dienstleistungsgewerkschaft (ver.di) GmbH
- Dr. med. Torsten Hemker, Chair of the Administrative Committee of the Versorgungswerk der Ärztekammer Hamburg KdöR
- Steffen Kalkbrenner<sup>2</sup>, bank employee
- Walter Kollbach, tax consultant/auditor (retired)
- Dr. med. dent. Helmut Pfeffer, Chair of the Pension Committee of the Versorgungswerk der Zahnärztekammer Hamburg KdöR
- Robert Piasta<sup>1</sup> (until 30 April 2021), bank employee
- Dr. med. dent. Karl-Georg Pochhammer, deputy chair of the National Association of Statutory Health Insurance Dentists KdöR
- Christian Scherer<sup>1</sup>, bank employee
- Friedemann Schmidt, President of the Sächsische Landesapothekerkammer KdöR
- Dietke Schneider<sup>1</sup>, bank employee
- Susanne Wegner, General Manager of the Verwaltungsgesellschaft Deutscher Apotheker mbH

1) Employee representative.

2) Representative of the executive staff.

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

In 2021, members of the Board of Directors and employees of the Bank held seats on the supervisory boards or comparable boards of the following joint-stock companies pursuant to Section 267 (3) of the HGB or comparable organisations:

Name	Company	Function
Jenny Friese	Deutsche Ärzte Finanz Beratungs- und Vermittlungs-AG, Cologne	Deputy Chair of the Supervisory Board since 3 December 2021; Member of the Supervisory Board since 1 November 2021
	ZA Zahnärztliche Abrechnungsgesellschaft Dusseldorf Aktiengesellschaft, Dusseldorf	Member of the Supervisory Board since 16 June 2021
Eckhard Lüdering	PROFI Erste Projektfinanzierungs- und Beteiligungsgesellschaft AG, Zurich	Member of the Administrative Board
	Treuhand Hannover GmbH Steuerberatungsgesellschaft, Hanover	Deputy Chair of the Supervisory Board
Alexander Müller	Apo Asset Management GmbH, Dusseldorf	Member of the Supervisory Board since 1 July 2021; from 1 January 2022, Chair of the Supervisory Board
	naontek AG, Dusseldorf	Chair of the Supervisory Board
	PROFI Erste Projektfinanzierungs- und Beteiligungsgesellschaft AG, Zurich	Member of the Administrative Board since 1 July 2021
Dr. Thomas Siekmann	ZA Zahnärztliche Abrechnungsgesellschaft Dusseldorf Aktiengesellschaft, Dusseldorf	Member of the Supervisory Board until 30 May 2021
Ulrich Sommer	aik Immobilien-Investmentgesellschaft mbH, Dusseldorf	1st Deputy Chair of the Supervisory Board until 31 January 2022
	Apo Asset Management GmbH, Dusseldorf	Deputy Chair of the Supervisory Board until 31 December 2021
	Deutsche Ärzteversicherung AG, Cologne	Member of the Supervisory Board until 23 March 2022
Holger Wessling	Apo Asset Management GmbH, Dusseldorf	Member of the Supervisory Board until 30 June 2021
	Internationale Kapitalanlagegesellschaft mbH, Dusseldorf	Member of the Supervisory Board
	PROFI Erste Projektfinanzierungs- und Beteiligungsgesellschaft AG, Zurich	Member of the Administrative Board until 30 June 2021
Mirko Engels	aik Immobilien-Investmentgesellschaft mbH, Dusseldorf	Member of the Supervisory Board
Steffen Kalkbrenner	ARZ Haan AG, Haan	Deputy Chair of the Supervisory Board
Dr. Hanno Kühn	aik Immobilien-Investmentgesellschaft mbH, Dusseldorf	Member of the Supervisory Board
	Apo Asset Management GmbH, Dusseldorf	Member of the Supervisory Board
Jasper Jan Meijerink	Deutsche Ärzte Finanz Beratungs- und Vermittlungs-AG, Cologne	Deputy Chair of the Supervisory Board until 31 October 2021
	Finanz-Service GmbH der APO-Bank, Dusseldorf	Member of the Supervisory Board
Carsten Padrok	Finanz-Service GmbH der APO-Bank, Dusseldorf	Member of the Supervisory Board
Dr. Klaus Poggemann	ARZ Haan AG, Haan	Member of the Supervisory Board
Peter Schlögell	Apotheken-Rechen-Zentrum GmbH, Darmstadt	Chair of the Administrative Board
Martin Steinkühler	Finanz-Service GmbH der APO-Bank, Dusseldorf	Member of the Supervisory Board

**64. Name and address of the responsible auditing association**

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

Dusseldorf, 25 February 2022  
Deutsche Apotheker- und Ärztebank eG  
The Board of Directors



Jenny Friese



Eckhard Lüdering



Alexander Müller



Ulrich Sommer

(Member of the Board  
until 10 December 2021)



Holger Wessling

Board of Directors, Deutsche Apotheker- und Ärztebank

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# Report of the Independent Auditor

To Deutsche Apotheker- und Ärztebank eG, Dusseldorf

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

### Audit opinions

We have audited the annual financial statements of Deutsche Apotheker- und Ärztebank eG, Dusseldorf (hereinafter referred to as the “Cooperative”), comprising the balance sheet as at 31 December 2021, the income statement, the cash flow statement and the statement of changes in equity for the fiscal year from 1 January to 31 December 2021, as well as the notes to the financial statements, including the accounting and measurement methods. We also audited the management report of the Cooperative for the fiscal year from 1 January to 31 December 2021. We did not audit the content of the parts of the management report referred to in the “Other information” section of the management report in accordance with German legal requirements. The management report makes reference to the publication of the separate non-financial report pursuant to Sections 289b to 289e HGB on the Cooperative’s website. In line with German legal requirements, our audit does not cover this separate non-financial report.

According to the findings obtained within the scope of our audit

- the attached annual financial statements comply with applicable German commercial law requirements for cooperative banks in all key aspects and, in consideration of German standard accounting practice, give a true and fair view of the net assets and financial position of the Cooperative as of 31 December 2021 as well as of the results of operations for the fiscal year from 1 January to 31 December 2021, and
- the attached management report as a whole gives an accurate picture of the Cooperative’s position. This management report is consistent with the annual financial statements in all key aspects, complies with German legal requirements and gives a true and fair view of the opportunities and risks associated with future developments. Our audit opinion on the management report does not cover the content of the parts of the management report referred to in the “Other information” section. Nor does our audit opinion cover the content of the above-mentioned separate non-financial report.

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

### Basis for the audit opinions

We conducted our audit of the annual financial statements and the management report in accordance with Section 53 (2) of the Cooperative Societies Act (GenG), with Sections 340k and 317 of the HGB and with the European Union Auditing Regulation (No. 537/2014, hereinafter referred to as EU AR), in consideration of the German standards for the proper auditing of financial statements issued by the Institute of Public Auditors in Germany (IDW). Our responsibilities under these provisions and principles are described in further detail in the section “Responsibility of the auditor in auditing the annual financial statements and the management report” of our auditor’s report. We are independent of the Cooperative in accordance with European law and German commercial law and provisions governing the auditing profession and have fulfilled all other professional duties valid in Germany in accordance with these requirements. Moreover, in accordance with Article 10 (2) (f) EU AR in conjunction with Sections 55

(2) and 38 (1a) GenG, we declare that nobody in our employment who could influence the result of the audit has provided non-audit services that are prohibited under Article 5 (1) EU AR. We believe that the audit evidence we have obtained is sufficient and appropriate to serve as a basis for our audit opinions on the annual financial statements and the management report.

### **Key audit matters in auditing the annual financial statements**

Key audit matters are matters we considered to be the most important in our audit of the annual financial statements in the fiscal year from 1 January to 31 December 2021. These matters were taken into account in our audit of the annual financial statements as a whole and in the formation of our audit opinion; we do not issue any separate audit opinions on these matters.

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

#### **1. Measurement of other provisions**

#### **2. Measurement of loans and advances to customers**

We structured our presentation of key audit matters as follows:

- a) Matter and issue at hand
- b) Audit procedures and findings
- c) Reference to further information

##### 1.a)

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

##### 1.b)

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

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

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

Based on the results of this assessment, we conducted individual reviews on the need for and, if applicable, the appropriateness of the formation of provisions.

1.c)

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

2.a)

Loans and advances to customers amount to €37.8 billion when netted with risk provisions; this corresponds to 56.1% of the balance sheet total. In addition, contingent liabilities exist in the amount of €0.5 billion and irrevocable loan commitments in the amount of €3.0 billion.

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

2.b)

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

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

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

2.c)

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

### **Other information**

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

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

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

Other information also encompasses:

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

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

In the context of our audit, it is our responsibility to read other information and assess whether it

- contains any material discrepancies to the annual financial statements, the management report, or the findings we obtained during the audit or
- appears to have been otherwise incorrectly presented.

### **Responsibility of the legal representatives and the Supervisory Board for the annual financial statements and the management report**

The Cooperative's legal representatives are responsible for preparing the annual financial statements in accordance with the applicable German provisions under commercial law for cooperative banks in all key aspects and for ensuring that the annual financial statements provide a true and fair view of the Cooperative's net assets, financial position and results in accordance with standard German accounting practice. In addition, the legal representatives are responsible for the internal controls they deem necessary in accordance with standard German accounting practice to allow the preparation of annual financial statements that are devoid of intentional and unintentional material misstatements.

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

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

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

We aim to determine with reasonable assurance whether the annual financial statements as a whole are devoid of intentional and unintentional material misstatements, whether the management report gives a true and fair view of the Cooperative's situation overall and also corresponds to the annual financial statements and the findings obtained during the audit, complies with German legal requirements, and accurately presents the opportunities and risks associated with future developments in all material respects. We also intend to issue an auditor's report that includes our audit opinions concerning the annual financial statements and the management report.

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

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

- we identify and assess the risks of material intentional and unintentional misstatements in the annual financial statements and the management report, plan and organise audit procedures in response to these risks, and obtain audit evidence that is sufficient and appropriate to serve as a basis for our audit opinions. The risk of material misstatements not being detected is higher for legal violations than for inaccuracies, as legal violations can include fraudulent conduct, forgery, intentionally incomplete disclosures, misleading statements, and the circumvention of internal controls;
- we gain an understanding of the relevant internal control system for auditing the annual financial statements and of the relevant precautions and measures for auditing the management report in order to plan audit procedures that are appropriate under the given circumstances. However, this is not aimed at issuing an audit opinion on the effectiveness of these systems of the Cooperative;

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

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

We issue a statement to the Supervisory Board that we have complied with the relevant independence requirements, discuss with them all relationships and matters that can be reasonably expected to affect our independence, and the countermeasures taken in this regard.

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

## Other statutory and legal requirements

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

#### Audit opinion (subject matter of the audit and audit opinion)

In accordance with Section 317 (3a) of the HGB, we reviewed with reasonable assurance whether the rendering of the annual financial statements and the management report (called “ESEF documents” in the following) contained in the attached file (“Jahresfinanzbericht\_apoBank\_2021\_ESEF.xhtml”) and prepared for the purposes of disclosure is in all key aspects in compliance with the specifications of Section 328 (1) of the HGB regarding the electronic format of reporting (“ESEF format”). In line with German legislation, this review extends solely to the transfer of information from the annual financial statements and the management report to the ESEF format. Thus it does not extend to either the information contained in these renderings nor to other information contained in the above-mentioned file.

In our opinion, the rendering of the annual financial statements and the management report contained in the above-mentioned attached file and prepared for purposes of disclosure complies in all key aspects with the specifications of Section 328 (1) of the HGB regarding the electronic format of reporting. Beyond this audit opinion as well as our audit opinions contained in the above “Report on the audit of the annual financial statements and the management report” on the attached annual financial statements and the attached management report for the financial year from 1 January to 31 December 2021, we provide no audit opinion on the information contained in these renderings as well as on the other information contained in the above-mentioned file.

#### Basis for our audit opinion

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

#### Responsibility of the legal representatives and the Supervisory Board for the ESEF documents

The legal representatives of the company are responsible for preparing the ESEF documents including the electronic rendering of the annual financial statements and the management report in compliance with Section 328 (1) sentence 4, number 1 of the HGB.

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

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

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

#### **Responsibility of the auditor for auditing the ESEF documents**

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

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

#### **Other disclosures pursuant to Article 10 EU AR**

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

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



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

- audit of securities and custody business pursuant to Section 89 (1) sentence 1 and 2 of the German Securities Trading Act (WpHG) as well as its custodian function pursuant to Section 68 (7) of the German Capital Investment Code (KAGB),
- review of the non-financial declaration pursuant to Section 340a (1) of the HGB in conjunction with 289b and c of the HGB,
- audit of the report concerning the third series of targeted longer-term refinancing operations of the euro system (GLRG-III),
- issuance of a letter of comfort,
- review of the abridged interim financial statements and the interim management report as at 30 June 2021 pursuant to Section 115 (5) of the WpHG,
- audit of reporting obligations to the settlement authority to calculate the amounts concerning the settlement fund for the year 2021 (bank levy),
- other separate certification services to the banking supervisory authority and/or the Federal Association of German Cooperative Banks (Bundesverband der Deutschen Volksbanken und Raiffeisenbanken e. V.).

#### **Other matters - use of the auditor's certificate**

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

#### **Responsible auditor**

The German Public Auditor responsible for the engagement is Arndt Schumacher.

Dusseldorf, 1 April 2022

Genossenschaftsverband – Verband der Regionen e. V.

Dirk Berkau  
Auditor

Arndt Schumacher  
Auditor



## Responsibility Statement by the Legal Representatives

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

Dusseldorf, 25 February 2022  
Deutsche Apotheker- und Ärztebank eG  
The Board of Directors



Jenny Friese



Eckhard Lüdering



Alexander Müller



Ulrich Sommer  
(Member of the Board  
until 10 December 2021)



Holger Wessling

Board of Directors, Deutsche Apotheker- und Ärztebank





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**Obituary**  
In Memoriam

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## In Memoriam

### **Erich Hans Müller**

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

### **Dr. rer. nat. Ulrich Bethge**

### **Dr. med. Heidrun Gitter**

### **Hans Kopicki**

### **Prof. Dr. med. Rolf Kreienberg**

### **Dr. jur. Johannes Piek**

### **Dr. med. Hans-Friedrich Spies**

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

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

We will cherish our memories of the deceased.

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Richard-Oskar-Mattern-Straße 6 | 40547 Düsseldorf

**T** 0211 5998 0 | **F** 0211 5938 77

**M** [info@apobank.de](mailto:info@apobank.de) | [apobank.de](http://apobank.de)