

Annual Financial Report 2016



Overview of Business Development

Overview of business development

	31 Dec 2016	31 Dec 2015	Change ¹ %
Bank data			
Members	109,680	107,768	1.8
Customers	415,700	397,000	4.7
Employees	2,598	2,563	1.4
Locations ²	84	83	1.2

Balance sheet	€m	€m	%
Balance sheet total	38,604	36,447	5.9
Customer loans	29,492	27,893	5.7
Customer deposits	25,797	23,588	9.4

Income statement	€m	€m	%
Net interest income ³	625.6	675.2	- 7.3
Net commission income	139.0	133.0	4.5
General administrative expenses	- 516.4	- 496.0	4.1
Operating profit before risk provisioning	249.2	304.8	- 18.2
Risk provisioning from the operating business ⁴	5.7	- 39.2	- - -
Risk provisioning with reserve character ⁵	- 95.3	- 112.2	- 15.1
Operating result	159.6	153.4	4.0
Net profit after tax	61.0	59.1	3.2

Key figures	%	%	ppts
Equity ratio (according to CRR)	26.1	26.1	0
Common equity tier 1 ratio (according to CRR)	22.6	22.0	0.6
Cost-income ratio ⁶	69.2	64.3	4.9
Return on equity after taxes ⁷	3.7	3.6	0.1

Ratings²	Standard & Poor's	Fitch Ratings (group rating)
Long-term rating	AA- ⁸	AA-
Short-term rating	A-1+	F 1+
Outlook	stable	stable
Pfandbrief rating	AAA	-

1) Deviations due to rounding differences

2) As of February 2017

3) Including current income from shares, fixed-interest securities, participations and shares in affiliated companies

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 general banking 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, net trading revenues and other operating income.

7) Ratio of net profit and average equity (subscribed capital and revenue reserves plus adjustments to reserves)

8) Issuer credit rating

Content

To our Members & Clients	Letter of the Chairman of the Board of Directors	5
	Report of the Supervisory Board	8
	Corporate Governance Report	11

Company Boards	Board Departments	14
	Board of Directors	16
	Supervisory Board	17
	Advisory Board	18
	Honorary Position Holders and Honorary Members	22

Obituary	In Memoriam	24
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About apoBank	Focus on Health Care Professionals	26
	Individual Advice	36
	Closely Linked to the Organisations of Health Care Professionals	42
	Lasting Business Relations	46
	Services for Health Care Enterprises	50

Management Report	Business and General Conditions	55
	Retail Clients	65
	Professional Associations, Institutional Clients and Corporate Clients	67
	Net Assets, Financial Position and Results	69
	Events after the Reporting Date	76
	Risk Report	77
	Outlook	98

Annual Financial Statements	Balance Sheet	106
	Income Statement	108
	Statement of Changes in Equity	109
	Cash Flow Statement	110
	Notes	111

Certifications	Report of the Auditing Association	150
	Responsibility Statement by the Legal Representatives	151

To our Members & Clients

Letter of the Chairman of the Board of Directors	5
Report of the Supervisory Board	8
Corporate Governance Report	11

Letter of the Chairman of the Board of Directors



Herbert Pfennig
Chairman of
the Board of Directors

Dear Members, Customers and Business Partners,

What a year! Upheaval everywhere. For banks in Europe, 2016 – much like the previous year – was not an easy one either: Zero interest rate policy and a high level of regulation remained key characteristics of the financial industry. Moreover, digitisation required banks to reinvent parts of their business model. In this challenging environment, the fact that we managed to defend our market position is encouraging for us and for our members, even though we, too, are feeling the current headwind.

Your specialised bank

Similar to the financial sector, the health care market is currently undergoing transformation. A whole series of laws came into force in 2016, such as the “GKV-Versorgungsstärkungsgesetz” to boost the provision of care by statutory health insurances, the E-Health Act or the “Krankenhausstrukturgesetz” to reform the structure of hospitals. Most recently, retail price maintenance for EU mail-order pharmacies outside Germany was lifted. While the boundaries between the outpatient and inpatient sectors are increasingly blurred, digital applications are being developed that will lead to even more structural changes in the market. Yet the health care market is and remains a stable growth market.

In turbulent times such as these, it is more important than ever to be able to rely on a bank with sound knowledge. We at apoBank consider it our responsibility to accompany players on the health care market through these changes. That is why our advisers not only have expertise in financial matters; they are also certified as financial consultants in health care. In addition, our analyses and studies on the health care market offer our customers important value added. For example, our 360-degree study last year showed how digitisation is affecting the health care market and how trends like e-health, telemedicine and big data will change the daily lives of patients, dentists, doctors and pharmacists.

We also organise seminars on all aspects of setting up a practice and practice management, in some cases together with regional professional associations. Because promoting the establishment of practices as a key pillar of outpatient care is a matter close to our hearts. Early on, we show our customers the different options open to them for carrying out their profession, which are much more flexible today than they were several years ago. In this way, our customers benefit from our specialist advice, our decision-making support and our “practice exchange” that lists practices available for sale. This holistic approach enables us to make an important contribution to the business success of health care professionals.

Your stable bank

Our sustainable, cooperative business provided us with a solid base once more in the past year. In 2016, we achieved a strong net profit for the year of €61 million, a particularly pleasing result considering the current situation in the industry. We will therefore propose a dividend of four percent to the Annual General Meeting and at the same time top up our reserves.

The results of the stress test carried out this year by the European Banking Authority together with the European Central Bank (ECB) were also very positive: The authorities acknowledged our sound financial situation, even in the case of stress. This makes apoBank one of the most robust banks in Germany and confirms our 2014 result.

Our members and customers are justified in expecting professional consulting services and a reasonable share in the Bank's economic success. We intend to satisfy this demand in future, too, even though the continued zero interest rates will push down our earnings. As a result of the merger between the two cooperative data centres GAD and Fiducia, our current IT core banking system bank21 will be discontinued. Migrating to a new system will affect our operating result also in the coming years.

Your successful bank

apoBank continued on its growth path in its customer business in 2016: At the end of the year, we had 18,700 new customers, resulting in a total of 415,700 customers and 109,680 members. Our customer base developed well with regard to economically independent and employed health professionals as well as students. We also won new corporate clients.

Demand for loans remained at a high level: The volume of loans awarded to health care professionals and health care companies rose last year by almost €2 billion to over €29 billion. However, the continuing zero interest rate policy led to a reduction in our net interest income, as expected.

On the other hand, we grew our net commission income once again, if only slightly. Our asset management and our business with institutional investors also developed very positively. At the same time, we consolidated our strong position as one of the larger depositary banks in Germany: We hold around €40 billion for our customers.

Your partner in future, too

We intend to grow our business with customers further and invest selectively: In contrast to many other banks, we established three new advisory offices in the past year and hired more than 60 consultants. We intend to step up our personal support in future, too, supported by state-of-the-art technology to significantly streamline administrative tasks, and to cultivate an intensive dialogue with our customers.

We are nevertheless working on further digital added-value services. Many of these, such as online banking, video chat or our apps, are nowadays taken for granted by customers. That is why for us, digitisation in the customer business has long stopped being a matter of “whether”, but rather of “when” and “how”. We will not downsize our comprehensive personal advice services, because many issues can only be tackled with individual solutions as a result of personal dialogue.

To capture the opportunities resulting from digitisation for our customers, we must act fast and be focused. For this reason, we have pooled all of the Bank’s digitisation initiatives in one programme, called apoFuture. This incorporates topics such as the Bank’s availability in all channels or digitising internal processes. In addition, we are addressing the question of how to use our knowledge and data on the health care market and make it even more accessible for our customers and members. Digitisation will ultimately affect and change every area of apoBank. In this respect, apoFuture will act as a catalyser to pave apoBank’s way to the digital world.

In the past year, we have achieved a great deal for our customers and members. In the name of the entire Board of Directors, I would like to express my sincere thanks to the whole apoBank team for their commitment. 2016 was my last complete financial year with apoBank. At the end of August, I will pass on the baton to my board colleague Ulrich Sommer. I am very grateful for the time I have spent with you, our customers and members, and with the apoBank crew. In the coming months, I will continue to campaign for the interests of the Bank and its customers with undiminished energy. Because if we want to be successful in future, we must resolutely continue the path of transformation and renewal we have chosen.

*Yours sincerely
Herbert Pfennig*

Herbert Pfennig
Chairman of the Board of Directors, Deutsche Apotheker- und Ärztebank eG

Report of the Supervisory Board



Hermann S. Keller

Chairman of the Supervisory Board

The Supervisory Board of apoBank fulfilled its legal and statutory duties in 2016, maintaining a constant dialogue with the Board of Directors. The Board of Directors informed the Supervisory Board about significant events regularly, comprehensively and in a timely manner, in both written and oral form. apoBank's economic situation was discussed, as well as fundamental matters concerning the investment and lending business and the other business areas. The Supervisory Board gained an insight into the Bank's current state of affairs at its four regular meetings and discussed details at the meetings of the Nomination and Presiding Committee, the Audit, Loan and Risk Committee, the Personnel Committee and the Remuneration Control Committee. In addition, the Board of Directors reports to the Supervisory Board on an ongoing basis regarding organisational adjustments and changes and provides information about the related impact on the employees and cooperation with the co-determination bodies. The Chairman of the Supervisory Board also engages in an intensive dialogue with the Board of Directors outside of these meetings; the members of the Supervisory Board are briefed on the content in the next meeting at the latest.

The focus of further training measures for the Supervisory Board in 2016 was on topics around internal settlement, specifically contribution margin and business segment accounting. Another focus was on risk issues such as rating systems, credit risk and capital requirements. The training was provided by staff at senior management level at apoBank as well as external service providers. In addition, the members of the Supervisory Board who were newly elected in 2015 and 2016 successfully completed their introductory training in the areas of financial and fundamental knowledge.

Due to the knowledge and experience of its members, the Supervisory Board has sufficient industry and specialist know-how as well as expertise in the areas of accounting and auditing of annual financial statements. The Supervisory Board reviewed these requirements as part of its self-assessment. In addition, the board is free of any conflicts of interest. Thus, the legal requirements are complied with.

Increasing regulation on the part of supervisory authorities had an impact on the work of the Supervisory Board as well. As part of the supervisory review and evaluation process (SREP), which has been in place since the end of 2014, the European Central Bank (ECB) again surveyed selected Supervisory Board members in the year under review. This supervisory inspection and monitoring procedure lays down evaluation criteria for banks that are regulated by the ECB including the banks' capital resources and liquidity as well as their business model. Because of this stricter regulation, negative effects on capital ratios could arise in the long term.

Rheinisch-Westfälischer Genossenschaftsverband e. V. carried out the audit of the annual financial statements and management report for the 2016 financial year. The Audit, Loan and Risk committee is responsible for monitoring the audit. RWGV confirmed the objectivity of the employees involved in carrying out the audit.

According to the RWGV's unreserved opinion, the annual financial statements and management report correspond to the law and the Articles of Association. The Supervisory Board received and critically examined the report on the legally required audit of the annual financial statements. At its joint session with the Board of Directors and the auditors, the Supervisory Board carefully scrutinised the statements made in the auditing report regarding the monitoring of the accounting process as well as the effectiveness of the internal control system and the risk management system.

The Supervisory Board concluded that the annual financial statements were prepared and audited correctly and thus contributed towards correct accounting. It examined the annual financial statements, the management report and the Board of Directors' proposal on the allocation of net profit and found them to be correct. It approves the Board of Directors' proposal on the appropriation of profits, which complies with the provisions set forth in the Articles of Association.

Herbert Pfennig, Chairman of the Board of Directors, will retire on 31 August 2017. At its meeting in November 2016, the Supervisory Board decided to appoint his deputy Ulrich Sommer as Chairman of the Board of Directors of apoBank, with effect from 1 September 2017. His contract was extended for another five years in September 2016. With this appointment, the Supervisory Board has set the course for the future management of apoBank at an early stage.

In order to ensure a comprehensive transfer of the activities within the governing structures of apoBank, the Supervisory Board, the Nomination Committee and the Presiding Committee have already started the search for additional members in the previous reporting year. In September 2015, the Supervisory Board complied with Harald Felzen's request that his contract, which was set to expire in mid-2016, should not be extended and relieved him of his duties as a member of the Board of Directors as of 30 September 2015. The search for a successor was completed with the appointment of Olaf Klose at an extraordinary meeting of the Supervisory Board in February 2016. In another extraordinary meeting of the Supervisory Board in March 2016, Holger Wessling was appointed as a Board member. Both appointments were made under the condition precedent that the relevant supervisory authority has no objections. After the ECB had given its confirmation to apoBank, Olaf Klose and Holger Wessling took up their duties as members of the Board of Directors of apoBank, on 1 August 2016 and on 1 September 2016 respectively.

The following changes to the composition of the Supervisory Board took place with effect from 10 June 2016: Dr. med. Andreas Köhler resigned from the Supervisory Board. He was succeeded by Dr. med. Andreas Gassen, who was elected to the Supervisory Board at the Annual General Meeting. Walter Kollbach was re-elected. Following this, the Supervisory Board confirmed Hermann Stefan Keller, pharmacist, in his office as Chairman of the Supervisory Board at its constitutive meeting.

At the end of this year's Annual General Meeting, the shareholders Fritz Becker, pharmacist, Dr. med. dent. Peter Engel and Dr. med. Andreas Gassen will leave the Supervisory Board. They may stand for re-election.

In the year under review, apoBank continued to fulfil its purpose of providing economic support to the health care professions as outlined in its Articles of Association. This was once again reflected in the impressive growth in member and customer numbers and the Bank's strong market position with regard to start-up financing for health care professionals. Based on the net profit achieved in 2016, apoBank will propose the payment of a dividend to its members at the Annual General Meeting.

The challenges faced by the banking and finance industry in a period of continued low interest rates remain substantial. More and more banks are starting to introduce custodial fees for their institutional and corporate clients. We have not yet, however, introduced any custodial fees for retail clients. In addition, digitisation is changing our society, not least through making new demands on banks. As part of its apoFuture programme, apoBank is working hard to address these developments in order to meet the demands of a digital bank focused on the health care market.

The Supervisory Board is convinced that apoBank's business model provides a solid basis to satisfy future requirements. The Bank remains in a good position to focus on the needs of the players in the health care sector and expand 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 trust and cooperation as well as their considerable personal commitment in 2016.

Dusseldorf, April 2017

For the Supervisory Board



Hermann S. Keller (pharmacist), Chairman
on behalf of the Supervisory Board

Corporate Governance Report

The Government Commission “German Corporate Governance Code” published the first German Corporate Governance Code (DCGK) in 2002. Even at that time, the Supervisory Board and the Board of Directors of Deutsche Apotheker- und Ärztebank eG recognised the significance of the Code as a foundation for good business management and took a closer look at its objectives.

Although the Code was developed for companies listed on the stock exchange, apoBank voluntarily drafted its own Corporate Governance Code based on the DCGK, taking into account special considerations that result from apoBank’s legal form as a cooperative as well as its members’ legal status and interests. apoBank publishes both its Code and the Declaration of Conformity, which addresses any deviations from the Bank’s own Corporate Governance Code, on its website at www.apobank.de.

No amendments were made to apoBank’s Corporate Governance Code in 2016.

In the year under review, apoBank complied with its Corporate Governance Code with one exception: New members of the Board of Directors were appointed for the first time for a period of five years, deviating from the recommendation formulated in note 5.1.2 of the Code that the maximum five-year term should not be applied in the case of first-time appointments as a rule.

In 2015, the Supervisory Board committed itself to a female representation of 15% with effect from 30 June 2017. This corresponds to the composition of the Board on 31 December 2016. With regard to the proportion of women on the apoBank Board of Directors, the Supervisory Board confirmed the status quo. This was unchanged on 31 December 2016.

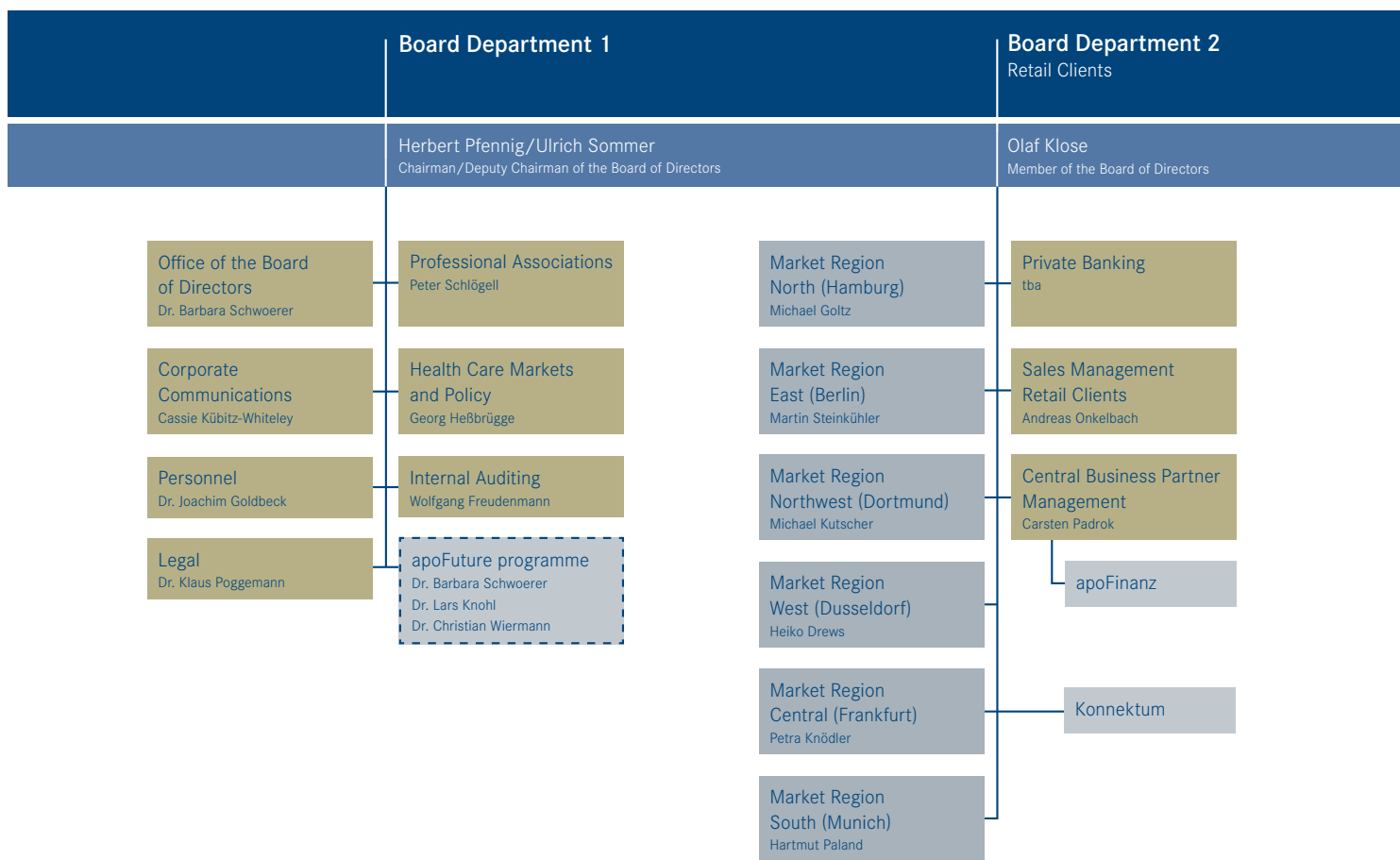
The Declaration of Conformity is available on the Bank’s website for a period of five years.

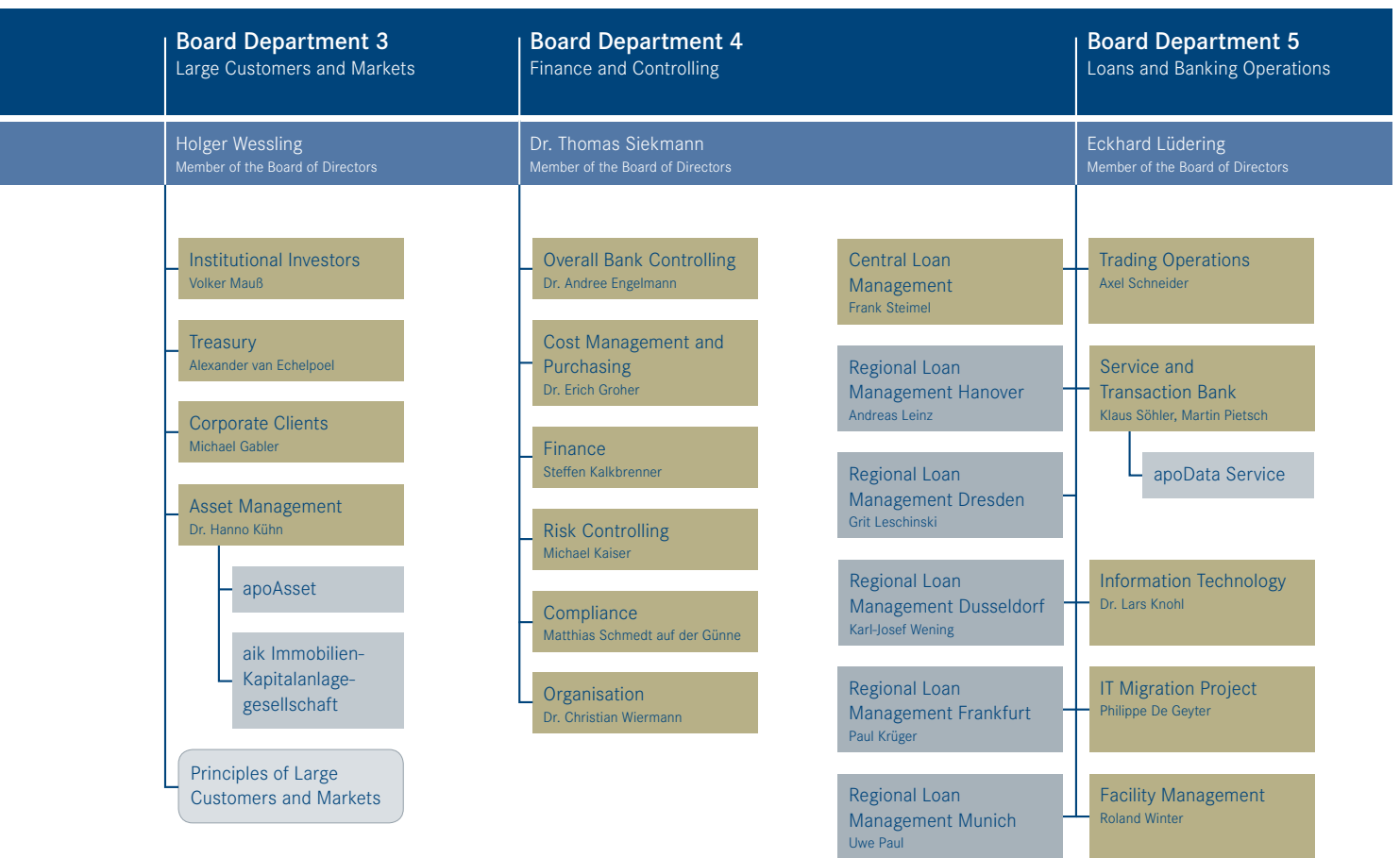
Company Boards

Board Departments	14
Board of Directors	16
Supervisory Board	17
Advisory Board	18
Honorary Position Holders and Honorary Members	22

Board Departments

Organisational chart of Deutsche Apotheker- und Ärztebank eG





Board of Directors



Olaf Klose Eckhard Lüdering Herbert Pfennig Ulrich Sommer Dr. Thomas Siekmann Holger Wessling

Herbert Pfennig

Chairman of the Board of Directors

Ulrich Sommer

Deputy Chairman of the Board of Directors

Olaf Klose

Member of the Board of Directors

Eckhard Lüdering

Member of the Board of Directors

Dr. Thomas Siekmann

Member of the Board of Directors

Holger Wessling

Member of the Board of Directors

Supervisory Board

Hermann S. Keller, pharmacist

Chairman

Mainz

Wolfgang Häck¹

Deputy Chairman

Dormagen

Ralf Baumann¹

Langenfeld

Fritz Becker, pharmacist

Remchingen

Marcus Bodden¹

Kamp-Lintfort

Martina Burkard¹

Würzburg

Mechthild Coordt¹

Berlin

Dr. med. dent. Peter Engel

Bergisch-Gladbach

Sven Franke¹

Hannover

Dr. med. Andreas Gassen (since 10 June 2016)

Berlin

Dr. med. Torsten Hemker

Hamburg

Dr. med. Andreas Köhler (until 10 June 2016)

Berlin

WP/StB Walter Kollbach

Bonn

Prof. Dr. med. Frank Ulrich Montgomery

Hamburg

Dr. med. dent. Helmut Pfeffer

Wohltorf

Robert Piasta

Niederkassel

Dr. med. dent. Karl-Georg Pochhammer

Berlin

Christian Scherer¹

Neustadt

Friedemann Schmidt, pharmacist

Leipzig

Ute Szameitat (until 28 February 2017)

Mülheim

Björn Wißuwa¹

Unna

¹) Employee representatives

Advisory Board

Dipl.-Betriebsw. Wolfgang Abeln, Peetsch

Stephan Allroggen, dentist, Kassel

Sukhdeep Singh Arora, Frankfurt

Dipl.-Kfm. Peter Asché, Würselen

Dr./RO Eric Banthien, Hamburg

Mark Barjenbruch, Hannover

Dipl.-Vw. Georg Baum, Berlin

Kai Becker, Hamburg

Dr. med. dent. Gert Beger, Bad Kreuznach

Thomas Benkert, pharmacist, Grafrath

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

Dr. med. Jörg Berling, Adendorf

Dr. med. Matthias Berndt, Hannover

Dipl.-Vw. Christoph Besters, Waldkirch

Dr. rer. nat. Rainer Bienfait, pharmacist, Berlin

Ulrich Böger, Dachau

Dr. med. dent. Stefan Böhm, Munich

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

Dr. med. dent. Burkhard Branding, Detmold

Burkhard Bratzke, Berlin

Dr. med. dent. Klaus Brauner, Dessau

Bernhard Brautmeier, Essen

Dr. med. dent. Günther E. Buchholz, Telgte

Dr. med. dent. Jobst-Wilken Carl, Osnabrück

Frank Dastych, Bad Arolsen

Reinhard Dehlinger, Munich

Florian Diel, Munich

Dipl.-Stom. Holger Donath, Prebberede

Dr. oec. publ. Walter Donhauser, Feldafing

Dr. med. Wolfgang-Axel Dryden, Kamen

Dipl.-Kfm. Armin Ehl, Berlin

Prof. Dr. med. Axel Ekkernkamp, Heidesee

Dr. med. Brigitte Ende, Buseck

Dr. med. Ilka Enger, Munich

Dr. rer. nat. Ralph Ennenbach, Ahrensburg

Dr. med. dent. Wolfgang Eßer, Mönchengladbach

Dr. med. Johannes Fechner, Emmendingen

Dr. med. dent. Jürgen Fedderwitz, Wiesbaden

Dipl.-Med. Regina Feldmann, Meiningen

Ass. Jur. Christian Finster, Bad Schönborn

Bernd Franken, Dusseldorf

Christiaan Johannes Gabrielse, veterinarian, Dinslaken
Prof. Dr. med. Ferdinand M. Gerlach, Marburg
Meike Gorski-Goebel, Dresden
Dr. rer. nat. Doerte Grahlmann, pharmacist, 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. Günter Haas, Lautertal
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, Ober-Hilbersheim
SR Dr. med. dent. Ulrich Hell, Schiffweiler
Dr. med. Hans-Joachim Helming, Handeloh
Dipl. rer. pol. Hanno Helmker, Bremen
Martin Hendges, dentist, Untereschbach
MdB Rudolf Henke, Aachen
Dr. med. Jörg Hermann, Bremen
Ralf-Matthias Heyder, Teltow
Andreas Hilder, Steinfurt
Dr. rer. nat. Reinhard Hoferichter, pharmacist, Limburg
Dr. med. Stephan Hofmeister, Barsbüttel
Dipl.-Kfm. Wilfried Hollmann, Münster
Dr. med. dent. Jörg-Peter Husemann, Berlin
Dr. med. Klaus-Ludwig Jahn, Loxstedt
Stephan Janko, Langenfeld
Dr. med. Burkhard John, Schönebeck
Oliver Kahl, Schwerin
Dr. med. Max Kaplan, Pfaffenhausen
Dr. rer. nat. Andreas Kiefer, pharmacist, Koblenz
Dr. med. dent. Alfons Kreissl, Adendorf
Dr. rer. pol. Andreas Kretschmer, Dusseldorf
Dr. rer. soc. Thomas Kriedel, Dortmund
Dr. med. dent. Peter Kriett, Bad Segeberg
Dr. med. dent. Manfred Krohn, Rostock
Dr. med. Wolfgang Krombholz, Isen
Dipl.-Math. Udo Kühle, Neuss
Dr. rer. pol. Herbert Lang, Germering

Dipl.-Kfm. Wolfgang Leischner, Lübeck

RA Florian Lemor, Berlin

Dr. med. Steffen Liebscher, Löbnitz

Rainer Linke, Kleinmachnow

Volker Linss, veterinarian, Villmar-Aumenu

Dipl.-Kfm. Thomas Löhning, Dusseldorf

Dr. med. dent. Ute Maier, Dußlingen

Helmut Mälzer, Berlin

Lothar Marquardt, dentist, Essen

Dipl.-Vw. Eberhard Mehl, Cologne

Johannes M. Metzger, pharmacist, Scheinfeld

WP/StB Tobias Meyer, Hannover

Dr. med. Josef Mischo, St. Ingbert

Dr. med. dent. Dirk Mittermeier, Bremen

Karl-Heinz Müller, Lage

Lutz Müller, Lehrte

MPH Dr. med. Markus Müschenich, Berlin

Dipl.-Math. Gert Nagel, Darmstadt

Christian Neubarth, dentist, Hildesheim

MUDr. Peter Noack, Cottbus

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

Dr. med. Gerhard Nordmann, Unna

Tobias Nowoczyn, Berlin

Prof. Dr. med. dent. Dietmar Oesterreich, Stavenhagen

Dipl.-Kfm. Siegfried Pahl, Erkrath

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

Walter Plassmann, Jersbek

Dr. med. Peter Potthoff, Bad Honnef

Dr. med. Angelika Prehn, Berlin

Thomas Preis, pharmacist, Dusseldorf

Axel Rambow, Schwerin

Dr. med. dent. Janusz Rat, Munich

Dr. med. dent. Bernhard Reilmann, Lippstadt

Dr. med. Klaus Reinhardt, Bielefeld

RA Martin Reiss, Berlin

Dr. med. dent. Ingo Rellermeier, Berlin

Dr. med. Bernhard Rochell, Berlin

Dr. med. Annette Rommel, Mechterstädt

Dr. med. Karl-Friedrich Rommel, Mechterstädt

Rechtsanwalt Dr. jur. Helmut Roth, Senden

Dr. med. Jochen-Michael Schäfer, Kiel

Günter Scherer, Bremen

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

Dr. med. Pedro Schmelz, Bad Kissingen

Joachim M. Schmitt, Berlin

Dr. jur. Sebastian Schmitz, Mainz

Dr. med. Rüdiger Schneider, Trier

Dr. med. dent. Ursula von Schönberg, Barntrup

Harald Schrader, dentist, Schwarzenbek

Dr. med. Thomas Schröter, Weimar

Dipl.-Med. Andreas Schwark, Bernau

Dirck Smolka, dentist, Bonn

Dr. Hermann Sommer, Starnberg

RA Harald Spiegel, Bad Segeberg

Dr. med. Eberhard Steglich, Nuthetal

SR Dr. med. dent. Helmut Stein, Clausen

Dipl.-Vw. Helmut Steinmetz, Kiel

Dr. med. dent. Helke Stoll, Eilenburg

Dr. med. Jürgen Tempel, Wunstorf

Dr. med. vet. Uwe Tiedemann, Lüneburg

Stefan Tilgner, Kleinmachnow

Dr. med. Christoph Titz, Ganderkesee

Alicia Trendle, Berlin

Dr.-Ing. Thomas Trümper, Fischingen

Dipl.-Ing. Ernst Uhing, Lüdenscheid

Dr. med. Sigrid Ultes-Kaiser, Ramstein-Miesenbach

Dr. med. dent. Reinhard Urbach, Wolfsburg

Dr. med. Claus Vogel, Hamburg

Dr. Claudia Vogt, pharmacist, Cologne

Dr. med. vet. Guntram Wagner, Kratzeburg

Ralf Wagner, dentist, Heimbach

SR Dr. med. Egon Walischewski, Koblenz

Dr. med. Veit Wambach, Nürnberg

Ulrich Weigeldt, Bremen

Dr. med. dent. Holger Weißig, Gaußig

Dr. med. Lothar Wittek, Moosthenning

Dr. med. dent. Walter Wöhlk, Molfsee

Ralf Wohltmann, Berlin

Dipl.-Oec. Oliver Voitke, Bremen

Jürgen Ziehl, dentist, Neunkirchen

Honorary Position Holders and Honorary Members

Dr. med. dent. Wilhelm Osing

Honorary Chairman of the Supervisory Board
Dusseldorf

Klaus Stürzbecher, pharmacist

Bearer of apoBank's Karl Winter Medal
and honorary member of apoBank
Berlin

Berthold Bisping

Honorary member of apoBank
Neuss

Dr. med. dent. Wolfgang Eber

Honorary member of apoBank
Mönchengladbach

Elfriede Girtl

Honorary member of apoBank
Munich

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

In Memoriam

Gerhard K. Girner

The deceased joined apoBank in 2000. From 2002 until his retirement in 2009, he was member of the Board of Directors responsible for institutional investors, the securities business and asset management. The central asset management function and apoAsset GmbH were established under his management.

He applied his extraordinary energy for the great benefit of the Bank.

Adolf Schneider, dentist

The deceased supported the development of apoBank for many years as a member of the Supervisory Board. After that, he accompanied apoBank as a member of the Council of Elders.

Dr. med. dent. Herbert Frank

Arno Kinnebrock

Horst E. Nettesheim, pharmacist

Dipl.-Betriebswirt Hartmut Schmitt

Fritz Schumm, pharmacist

Dr. med. dent. Matthias Seidel

Dr. med. Willy Wente

Lutz Willigmann, pharmacist

Prof. Dr. med. Stefan Wysocki

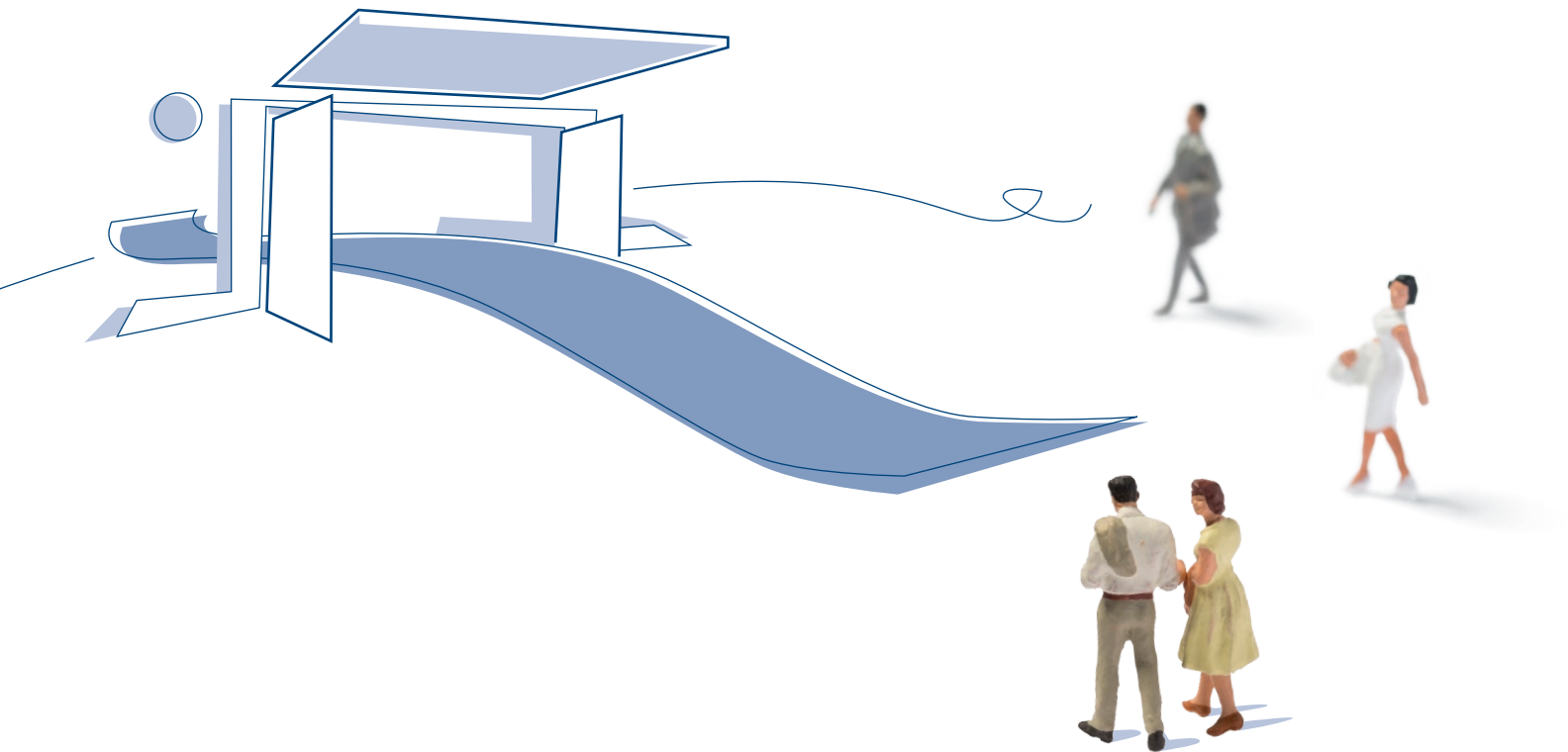
The deceased were closely associated with apoBank as committee members. We have lost good friends and esteemed companions in our endeavours to advance the Bank.

We will cherish our memories of the deceased.

About apoBank

Focus on Health Care Professionals	26
Individual Advice	36
Closely Linked to the Organisations of Health Care Professionals	42
Lasting Business Relations	46
Services for Health Care Enterprises	50

Focus on Health Care Professionals



“By health care professionals for health care professionals” is the principle that has guided apoBank for more than a hundred years. It is an elementary part of our self-image as a cooperative: Academic health care professionals, the owners of apoBank, are the foundation on which the Bank is built. At the same time, we specialise in serving health care professionals. Our mandate as defined in the Articles of Association is at the heart of everything we do: apoBank supports its members and clients in achieving their professional and private goals with specialised banking services.

The trusted bank for health care professionals

This is the aspiration apoBank intends to fulfil in all respects, with outstanding industry knowledge in the health care market and a support concept that puts our customers first. With courage and a desire for innovation, a sense of responsibility and sound values, we deliver services that meet the high standards in the health care market. Our work is based on trust. Our customers can trust in the fact that they are in good hands. We are dedicated to fulfilling this service commitment every day. Each and every one of us, in everything we do.

Unique bank for health care professionals

Thanks to our special focus, our business model is unique in Germany. We are the bank for health care professionals and a strong, reliable partner for the German health care market. Our ongoing strategic development is based on

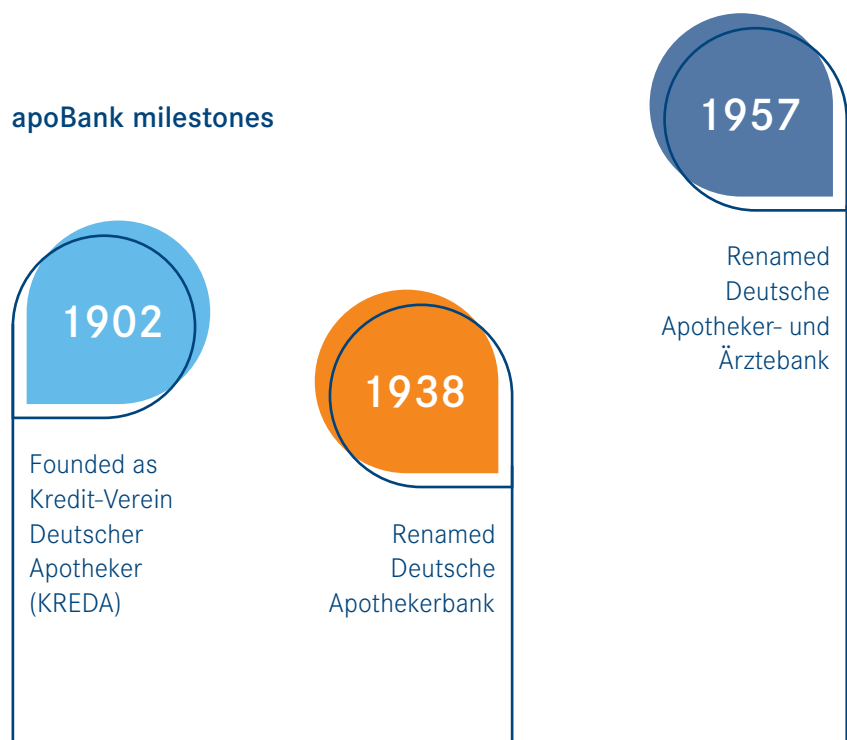
a close network within the health care sector. We gear our plans and actions to developments in the sector and track the impact of structural changes on health care professionals.

The number one financial services provider in health care

More than 109,680 members and around 415,700 customers place their trust in our expertise. They are mainly members of the health care professions, their professional associations and organisations, health care facilities and companies in the health care market.

We are the largest cooperative primary bank in Germany and the leader when it comes to financing and supporting start-ups in the health care professions.

apoBank milestones



Committed to society

The apoBank Foundation is at the heart of our non-profit activities. Its main objective is to contribute to ensuring the future of health care in Germany. The current foundation's assets amount to €13 million.

To promote the way health care professionals in Germany see themselves and practice their professions, the apoBank Foundation supports pilot projects, for example, that could prove to be ground-breaking in resolving care issues at a regional level. According to the principle of helping people to help themselves, the foundation also supports projects in countries where medical care is still in its infancy and health care professionals face difficult working conditions.

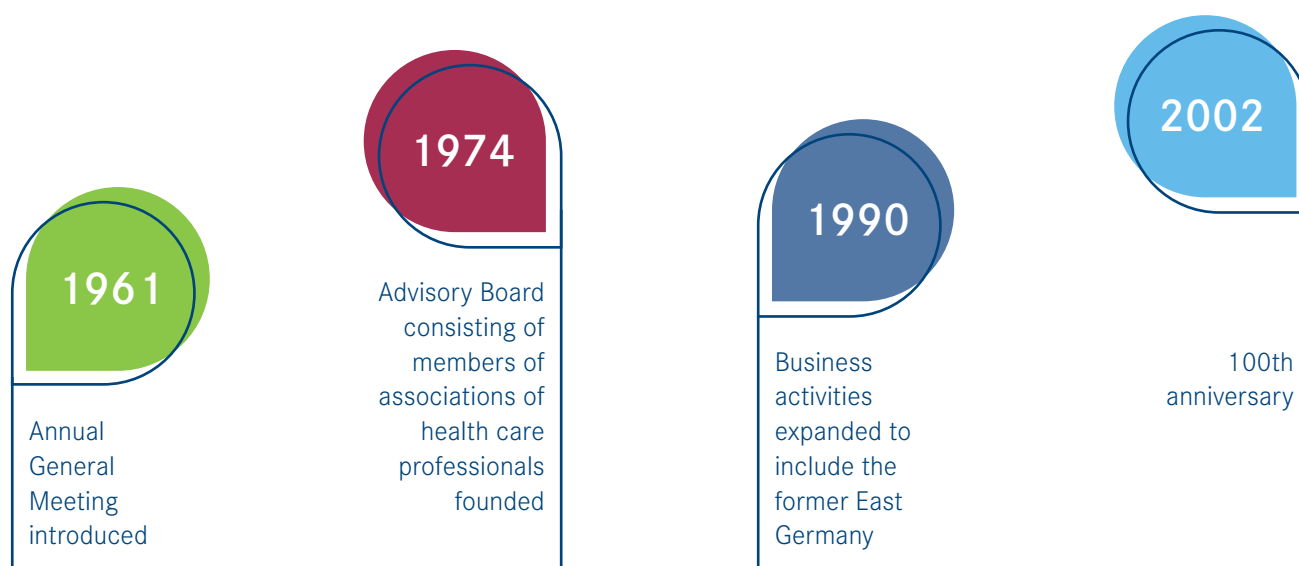
Project applications can be submitted by apoBank members and customers, professional health care associations, NGOs and charitable associations in the health care environment. A Project Advisory Board examines the applications and recommends to the Foundation Board projects to be sponsored.

The apoBank Foundation has received 83 project applications and approved 44 since the Project Advisory Board was set up in mid-2015.

In this period, the foundation has played a particularly active role in building Mwendakwisano Community School in Zambia. The project is funded by the regional charitable relief organisation "Luangwa Project". After almost two years of construction, the school was finally opened on 1 November 2016 – an important milestone to enable children in the region to start their education.

Other projects sponsored by the foundation in 2016 included (social) medical initiatives in Germany, for example to benefit children with organ transplants, unaccompanied minor refugees and people with disabilities. Funds were also granted to dental and medical projects abroad in Ethiopia, Myanmar and Mexico.

In addition, the apoBank Foundation is involved in promoting young talent in the German health care sector, e.g. in the form of scholarships and individual assistance for displaced future health professionals.



Specialist in the health care market

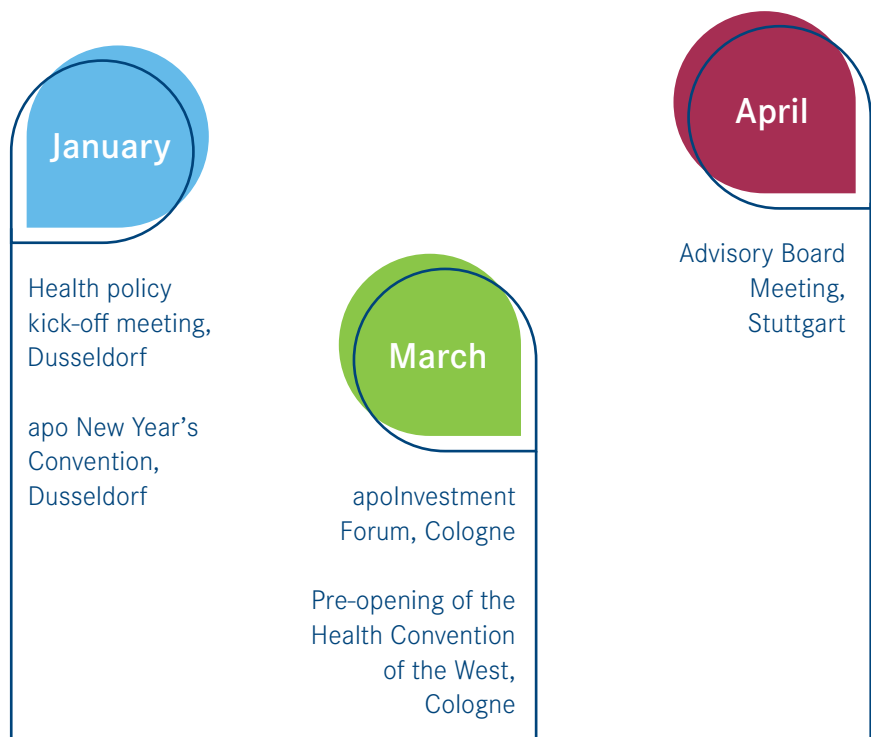
Our Health Care Markets and Policy division follows developments in the health care market in Germany and abroad and examines their effect on different market participants. This focus enables us to offer our customers significant added value compared to other banks with our analyses, technical studies and forecasts. The findings from these studies are incorporated not only in apoBank's strategy, but also in the advice offered by our employees and in our events for customers and members.

Comprehensive data analyses on practices

Every year, we analyse our customers' start-ups. In the case of pharmacies, we use our own resources; to evaluate medical and dental data, we cooperate with the Central Research Institute of Ambulatory Health Care (Zentralinstitut für die Kassenärztliche Versorgung – ZI) and the Institute of German Dentists (Institut der Deutschen Zahnärzte – IDZ). We analyse how newly established

medical practices and pharmacies develop in a regional comparison, what forms of practice are gaining or losing popularity and the volume of investment they can expect. In this way, the statistical evaluation of our start-up analyses provides an insight into trends and developments in the German health care market.

However, we also want to know how well established practices and pharmacies are doing. That is why every year, we analyse the (anonymised) earnings and cost structure data of all practices funded by us. We draw up these analyses for different medical specialisations, taking into account their regional distribution and the number of owners.



To supplement these data, we use a location analysis tool, which gives an even more precise estimate of the potential of possible locations for founding a practice or pharmacy. The detailed information we obtain, for example on the current and future population structure, buying power or concentration of doctors, helps pharmacists, family doctors and medical specialists to see how their future location could develop.

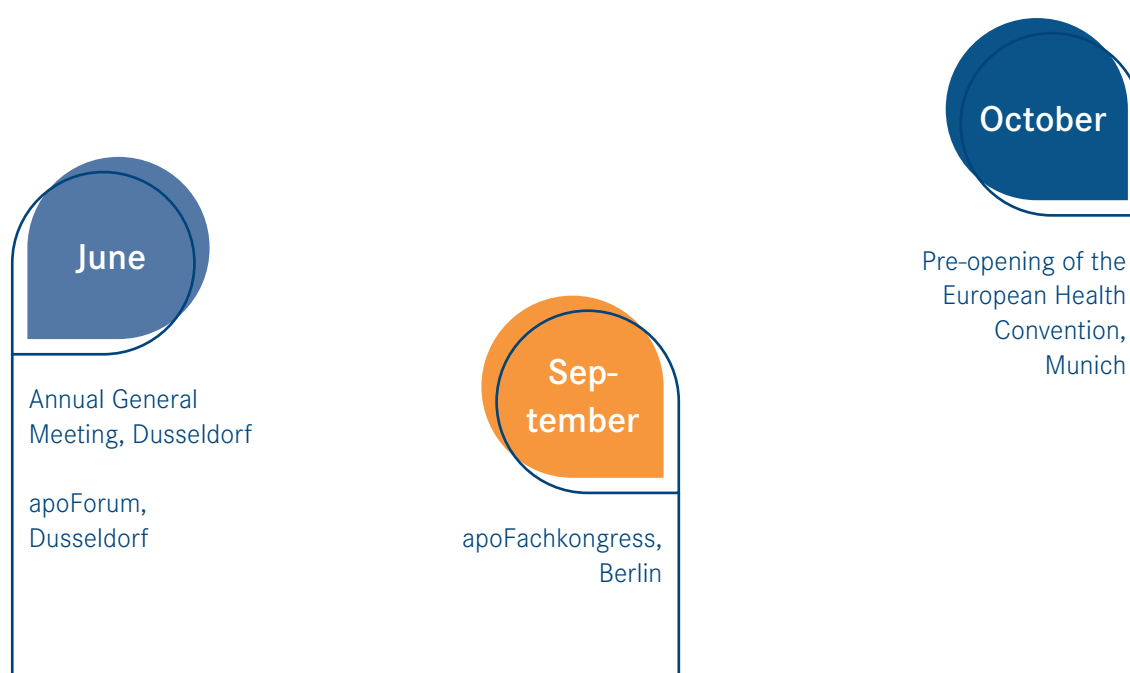
Specialist health care studies

We regularly examine current changes and the impact of issues with future relevance in the health care sector by means of specialist studies, among others in our publication apoView, which came out for the first time in 2016. The first edition entitled “Personalised Medicine and the Digital Revolution” was issued in spring 2016. It builds on our trend study on “Personalised Medicine of the Future”, which we published in 2015 jointly with the

trend research institute 2b AHEAD. The second edition of apoView, “360-Degree Study: Digitisation in the Health Care Market”, was issued in summer 2016 and summarises the results of a broad survey among health care professionals, professional organisations and experts.

Networking and exchanging experience

Another key feature of apoBank is our close links to players in the health care sector. Particular emphasis is placed on personal encounters. We view ourselves as a driving force and promote an intensive exchange through our own platforms in addition to our Annual General Meeting with our members.



In dialogue

We attended the following events for health care professionals and their organisations in 2016, among others:

- DAV-Wirtschaftsforum (DAV Economic Forum)
- Dental Summer
- Deutscher Ärztetag (German Medical Assembly)
- Deutscher Zahnärztetag (German Dentists' Convention)
- Düsseldorf In – Ärzte im Gespräch (Düsseldorf In – Doctors' Debate)
- Europäischer Gesundheitskongress (European Health Convention)
- Expopharm trade fair
- Gesundheitskongress des Westens (Health Convention of the West)
- Hauptstadtkongress Medizin und Gesundheit (Capital City Congress for Medicine and Health)
- Internationaler Infrastrukturworkshop im Gesundheitsbereich (International Infrastructure Workshop in Health Care)
- Medica trade fair
- Medizin trade fair
- Operation Karriere (Project Career)
- Pharmacon and Pharmacon Congress
- Pharmaziekongress (Pharmaceutics Convention)
- Tag der Privatmedizin (Private Medicine Congress)
- Zahnärzte-Sommerkongress (Dental Summer Convention)
- Zukunftskongress öffentliche Apotheke (Future Convention Public Pharmacy)

Our knowledge for our customers

We pass on our knowledge at around 500 events every year, making apoBank the financial institute with the largest seminar programme for health care professionals in Germany. Students can attend our events to prepare for their examinations and the start of their professional career. Salaried employees who want to set up their own practice or pharmacy can benefit from seminars on starting up a business. Taxation and business management topics as well as questions about practice management, transferring a practice or succession planning are of particular interest for self-employed doctors, dentists and pharmacists.

We also offer seminars on more general aspects ranging from legal issues of professional practice to patient communication and achieving a work-life balance. Specific formats such as our Money Talks provide participants with valuable tips on financial investment and asset building. Finally, we also promote further education for health care professionals in cooperation with the National Association of Statutory Health Insurance Physicians and the German Medical Association through our “health care academie”.

Strong partners

The German Network of Care Structures, which we initiated in 2007, plays a special role when it comes to offering support for our customers. Its members include tax consultants, lawyers and architects with a health care specialisation, who are in a particularly good position to help our customers in implementing their projects.



Our
knowledge

is passed on to our
customers in
hands-on seminars.

Highly qualified employees

Our aspiration to be the trusted bank for health care professionals is based on our employees: We owe our business success to their qualifications and performance. apoBank needs the best employees to be able to offer the best advice to pharmacists, physicians, dentists, veterinarians and students of the academic health care professions. As an employer, we want to be first choice with an excellent reputation, as well as offering healthy work conditions and interesting prospects.

We support our employees in their personal and professional growth, for example through part-time courses, individual training and coaching. At the same time, this strengthens our position as an attractive employer.

Specialised knowledge of the health care sector

We place a particular emphasis on training our employees on the structures and developments in the health care sector – after all, the combination of financial expertise and knowledge of the health care environment is a key feature of our business model. In cooperation with the Frankfurt School of Finance & Management, we certify our advisers as financial consultants in health care. We focus on a continuous qualification process and recertify all of our advisers every three years to ensure that we are always up to date on the opportunities available to our customers in the health care sector. apoCampus is an online platform that allows us to design our training courses extremely flexibly. The system developed especially for apoBank offers learning opportunities and further education for all employees, depending on their function in the company, which can be accessed anywhere and at any time.



Thank you

to all of our employees for their outstanding personal commitment! Their performance enables us to implement our unique business model.

Attractive employer

apoBank is one of Germany's best employers: We were certified once more last year by the Top Employers Institute (formerly known as the CRF Institute) and recognised for our exceptional employee focus, putting us among the "Top Employers in Germany" in 2016. apoBank easily cleared the certification hurdle in all evaluation categories. The Top Employers Institute certifies companies around the world that offer outstanding conditions for employees.

berufundfamilie gGmbH, an initiative of the non-profit Hertie Foundation, awarded us the "work and family audit" certificate for the third time in 2014 for our family-friendly personnel policy. The award is presented every three years.

apoBank is involved in the "Fair Company" initiative. This is an award given to companies that offer interns comprehensive insights into the company and fair opportunities for their professional orientation. Students at apoBank have the chance to collect valuable practical experience during their internship and to build a network within the Bank early on.

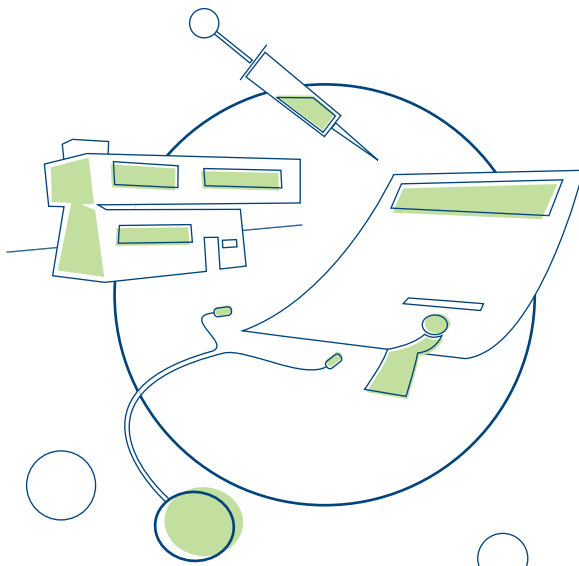
We aspire to be a leader in terms of employee identification and quality. We therefore see these awards as an incentive and simultaneously an obligation to focus our activities on the interests of our employees, too. At the same time, they help us to find and retain the best employees.

apoBank signed the Diversity Charter back in 2015 and undertakes to maintain respectful and impartial interactions within the organisation and with its customers and business partners. This is based on the conviction that companies can only succeed economically over the long term if they know how to benefit from their diversity.

Award-winning



Individual Advice



Our comprehensive knowledge and experience in health care benefit all of our retail clients. We support academic health care professionals in all phases of life, from university to salaried and self-employment, right up to retirement. Our apoPur advisory concept focuses on our customers' goals, visions and dreams. Our highly specialised consultants support our customers in their professional and private financial decisions.

Holistic advice in all phases of life

We see ourselves as partners for health professionals at every stage of their life – at university, during their career and when they retire. Our holistic advisory concept apoPur is tailored to the specific needs of health care professionals. For our clients, this means that we have a clear view of their goals, visions and dreams. Based on this, we offer comprehensive and tailored advice on setting up a practice or making investment decisions, on professional or private projects: We develop recommendations for investing in capital or real estate and take care of our customers' asset management.

Customer groups in the Retail Clients segment

- Self-employed or salaried academic health care professionals: pharmacists, physicians, dentists, psychotherapists and veterinarians, including retirees
 - Students majoring in the medical professions: pharmaceuticals, medicine, dentistry, veterinary medicine
 - Clients in the medical field, such as alternative practitioners, dental technicians and opticians
 - apoBank employees
-

Personal support

Our customers decide how they want to reach us: We offer personal support at more than 80 local branches or in our advisory offices at university clinics and medical universities. In addition, we work with selected partners.

A further way of accessing our services is via our online presence. In addition to classic online banking, we offer a wide range of information services and products as well as supporting our customers in person online via text chat or video consulting.

Experts on the subject

Our consultants are specialised in advising students, self-employed or salaried health care professionals. We also have specialists with a focus on asset building. Our consultants are supported by corporate functions at apoBank such as our in-house investment research. In addition to industry-wide analyses, this division has a special emphasis on the health care market.



Customers

who benefit from apoPur consulting
are significantly more satisfied.

Wide-ranging experience with start-ups

Our many years of experience in the health care sector provide our retail clients with tangible value added. Our experience and expertise with regard to health care start-ups is a truly unique selling proposition that sets us apart from other banks. We can analyse all the operational, private and taxation factors that play a role for start-ups using our interactive investment and cost consulting programme INKO. Developed in cooperation with Germany's Central Research Institute of Ambulatory Health Care (ZI - Zentralinstitut für die kassenärztliche Versorgung), INKO allows us to simulate our clients' plans for setting up or investing in a pharmacy or practice. We determine the total earnings that need to be generated for the investment to pay for itself and can show customers how changes in interest rates, revenues or costs could affect their project. This allows us to provide our customers with comprehensive and reliable data on which to base their decisions.



Our experience

is based on many years
and decades supporting
health care start-ups.

Our excellent private asset management

has been confirmed for the eighth time in succession by the Focus Money and n-tv independent banking test.



Very good

is how apoBank's construction financing advisory services are rated by the German Customer Institute (Deutsches Kundeninstitut).



Asset building as an element of financial planning

Asset building is an important aspect of our consulting services for customers. Here, too, our knowledge of the market is an advantage, for example when it comes to the consequences of professional changes.

We offer our customers the best advice, independent of suppliers, according to their investment goals and readiness to assume risk. Our range of classic consulting services is complemented by asset management. We also offer comprehensive private banking services to support customers in complex asset structures or financing. Additional services such as succession, foundation and corporate investment management complete our offering.

The investment strategies we develop not only take clients' current financial situation into account, but also consider future developments. One of our services in the field of investment is the apo TopSelect fund of funds family. This enables health care professionals to invest in the best funds for standard equities and bonds in the market, broadly diversified and according to their personal risk preferences.

We are happy to meet our customers' growing demand for capital investments with lasting value: Our real estate investment concepts combine individual asset management with brokerage for hand-picked real estate and comprehensive services for our customers.

Top marks

were awarded to apoBank's student loan by the Centre for University Development (CHE – Centrum für Hochschulentwicklung) once more in 2016.



Services for practices and pharmacies

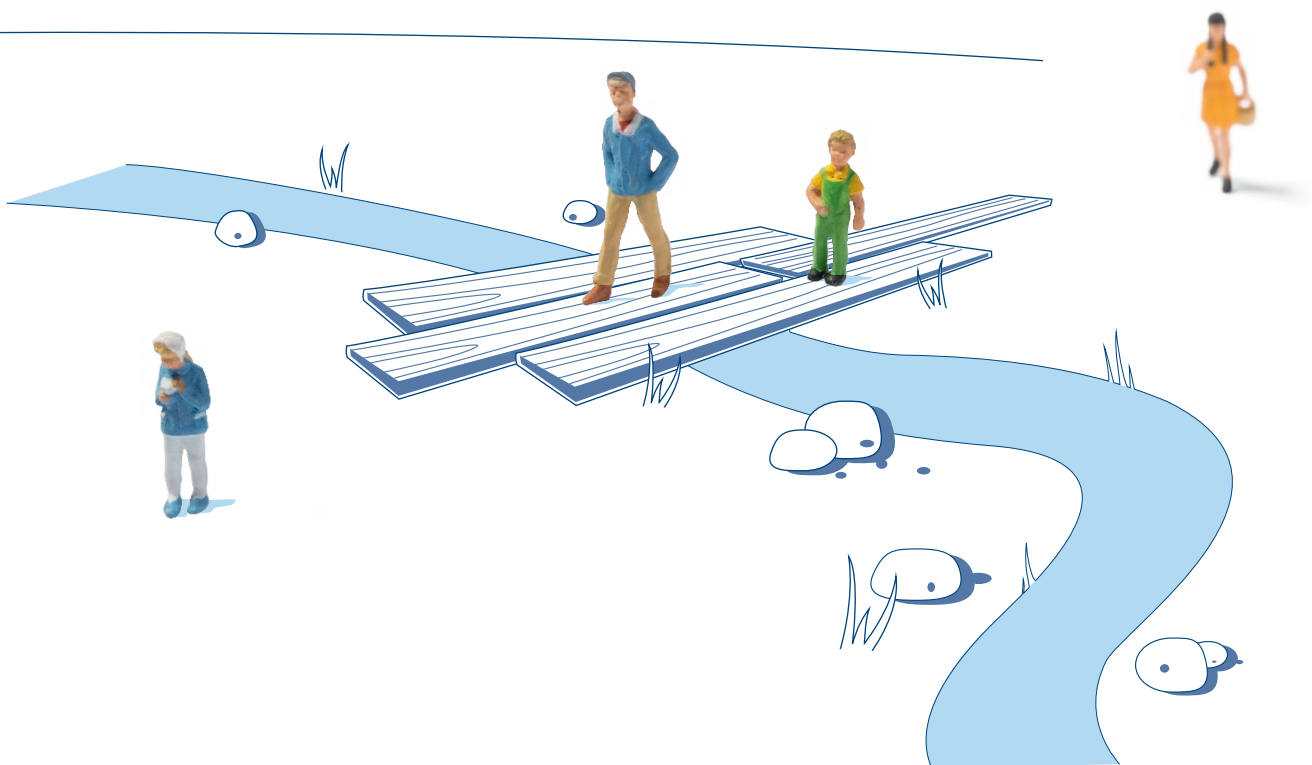
We bring together buyers and sellers of practices and pharmacies as well as clients looking to cooperate through our “practice and pharmacy exchange” www.apobank.de/praxisboerse. Numerous physicians, dentists and pharmacists across Germany have registered for the exchange. apoBank helps them to search for a suitable practice or pharmacy, or a suitable successor. Users can find out about practices and pharmacies available for sale in the region of their choice or select them according to their field of specialisation. As an added bonus, many of the registered practices and pharmacies have been known to apoBank for many years, allowing us to assess their profitability very accurately. In addition, we have detailed location analyses at our disposal that cover aspects such as the population structure, buying power and the concentration of doctors. Supplemented by forecast data, this information helps pharmacists, family doctors and medical specialists to get a picture of future developments and the potential of their location.

Added value for everyday life

The apoApp+ banking app provides mobile banking services for our customers. It also helps users to find the nearest ATM or access additional contact information about our branches.

Our apoBank “Erfolgsrezept” (“Recipe for success”) app supports health care professionals with their own practices in assessing their earnings and cost situation, and enables a comparison with the mean of their colleagues. Students of human and dental medicine or pharmaceuticals benefit from the apoBank “Lass mal kreuzen” (“Tick the box”) app, which allows them to prepare for the preliminary medical examination in human medicine with questions from past exams.

Closely Linked to the Organisations of Health Care Professionals



Our connections to the inner workings of the health care system have developed over decades. We are closely linked to key players in the health care sector and are intimately familiar with their issues. This allows us to offer tailor-made financial services to the associations representing health care professionals.

Rooted in health care

The fact that we are anchored in the German health care system makes us unique in the German banking landscape. Over the decades, we have intensified our links to the inner workings of the health care system. Accordingly, we enjoy stable business relationships with the professional associations and closely accompany developments in the health care market.

Customer groups in the professional associations business segment

- Associations of panel doctors/dentists
 - Professional clearing centres for health care professionals
 - Chambers of the liberal professions
 - Professional organisations and societies of health care professionals
-

Advice in a health policy context

Our advice for the professional associations on financial matters is entrenched in the health care policy context. Our customers benefit in particular from our knowledge of and experience with professional chamber legislation and corporations as well as professional associations and representations. On this basis, we are able to offer them a comprehensive range of financial services tailored to the special needs of the respective professional association.

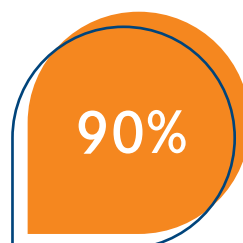
Payment transactions are an important service provided by apoBank: Nearly 90 percent of statutory health insurance settlements are processed through apoBank. Our services also include investment solutions in the form of fixed-term deposits, time deposits and securities.

Meeting challenges together

The many changes in the health care market affect the work of the professional associations in particular. We analyse and monitor these developments very closely. As well as allowing our customers to enter into dialogue through joint activities such as seminars and presentations, we promote close networking between players in the health care sector and a broad transfer of knowledge.

One of the most important concerns we share with the professional associations is maintaining and promoting the independence of health care professionals through their own practice or pharmacy. To this end, we create platforms for prospective founders showing the breadth of support that apoBank and the professional associations offer for start-ups. Since outpatient care differs considerably between regions in Germany, we also develop joint measures with the professional associations geared to regional conditions.

Another topic we promote is designing online business processes. For example, we strongly support the introduction of the electronic identity card for the health care professions as a basis for secure digital business processes. Thanks to the E-Health Act passed in December 2015, the telematics infrastructure in the health care industry has made good progress. In addition, electronic doctor's



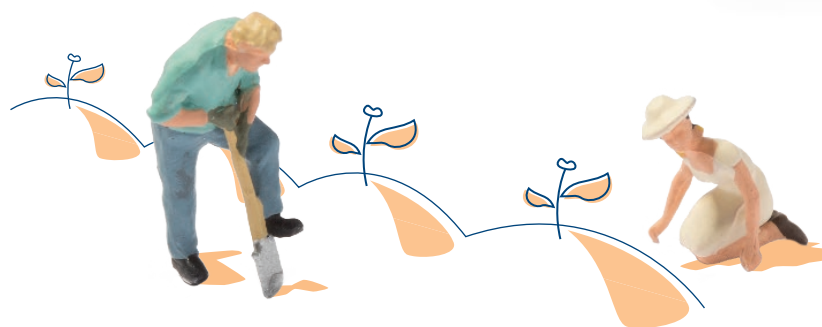
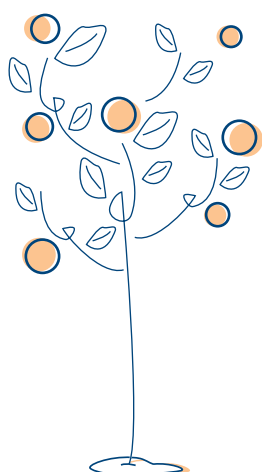
90% of settlements with the statutory health insurances are processed through apoBank.

letters are subsidised by the legislator. Using this method requires signing the letter with an electronic health care profession ID. Customers of apoBank now no longer have to complete the identity check required for this ID, as their data are compared with the information stored by the Bank.

Local customer support

We promote trust-based cooperation with the professional associations by being close to where they operate and offering local contacts. In addition, we regularly exchange information and views with representatives from the professional associations at events and trade fairs. This ensures close ongoing contact with our customers and guarantees high-quality advice.

Lasting Business Relations



When it comes to capital investments for institutional investors, we have an important competitive advantage: We know the needs and the regulations of occupational pension funds. Our products and services are tailored to our customers' investment goals and risk-bearing capacity. We also take the growing number of regulatory requirements into account when designing individual investment strategies.

Comprehensive range of services

Our range of services comprises a large number of securities products as well as banking and advisory services, including direct pension investment products such as our own refinancing instruments and other interest rate products. Financing and classical banking services for payment transactions round out our offering. In addition, our institutional investors appreciate our efficient depository function for special securities and real estate funds. This offers them the best basis for diversification, which is essential for all indirect investments in international asset classes.

Customer groups in the Institutional Investors business segment

- Occupational pension funds for health care professionals and other groups of professionals
 - Other financial intermediaries such as pension funds, insurance institutions, professional associations and foundations
-

Supporting decision makers with apoConsult

Our consulting concept apoConsult offers decision makers modular strategic consulting services to manage and report their capital investments. We support our customers in optimising their capital investment strategies in line with their needs and develop an individual investment proposal for them. In addition, we assist them with ongoing risk monitoring and individual reporting that is also suitable for submission to regulatory bodies.

Long-term analyses

Our proven asset liability management is an essential element of long-term planning for our institutional customers. It more or less provides a strategic framework for investment decisions: We project the long-term future development of capital investments and liabilities taking the investor's individual situation into account. This enables us to make recommendations for optimising both sides of the balance sheet that are also incorporated in our apoConsult consulting approach. All modules of our analysis services can also be used by our customers to communicate with their governing bodies and regulatory authorities.

Risk management for direct pension investments with apoScore

We use our apoScore tool to systematically evaluate issuers' risks. Scoring models are used to evaluate banks, countries and companies. Ad hoc analyses in the case of deteriorating credit ratings provide the basis for recommending actions. apoScore uses a "traffic light system" to illustrate the quality of the portfolio for investors and makes it easier for them to comply with regulatory requirements.

Our services for institutional investors



Individual investment solutions

We also provide asset management services to our institutional investors to help them reach their target yields. In addition to the qualitative management of direct pension investments, we offer individual fund solutions to complete their strategic allocation. In doing so, we enable our customers to benefit from our in-house expertise in a large number of investment classes, in particular equities in the health care market. We also offer our customers the service of selecting additional investments and providers beyond our own product range that meet their needs and are likely to develop well in the current capital market environment. The annual apoBank New Year's Conference is a forum where we present current options for capital investment and chair debates between institutional investors and professional asset managers.

Specialised in pension funds

We see our partnerships with institutional investors as a dynamic process in which we constantly evaluate our services while coordinating and enhancing them in dialogue with our clients. Our close connections with many of our clients are based on long-standing business relations.

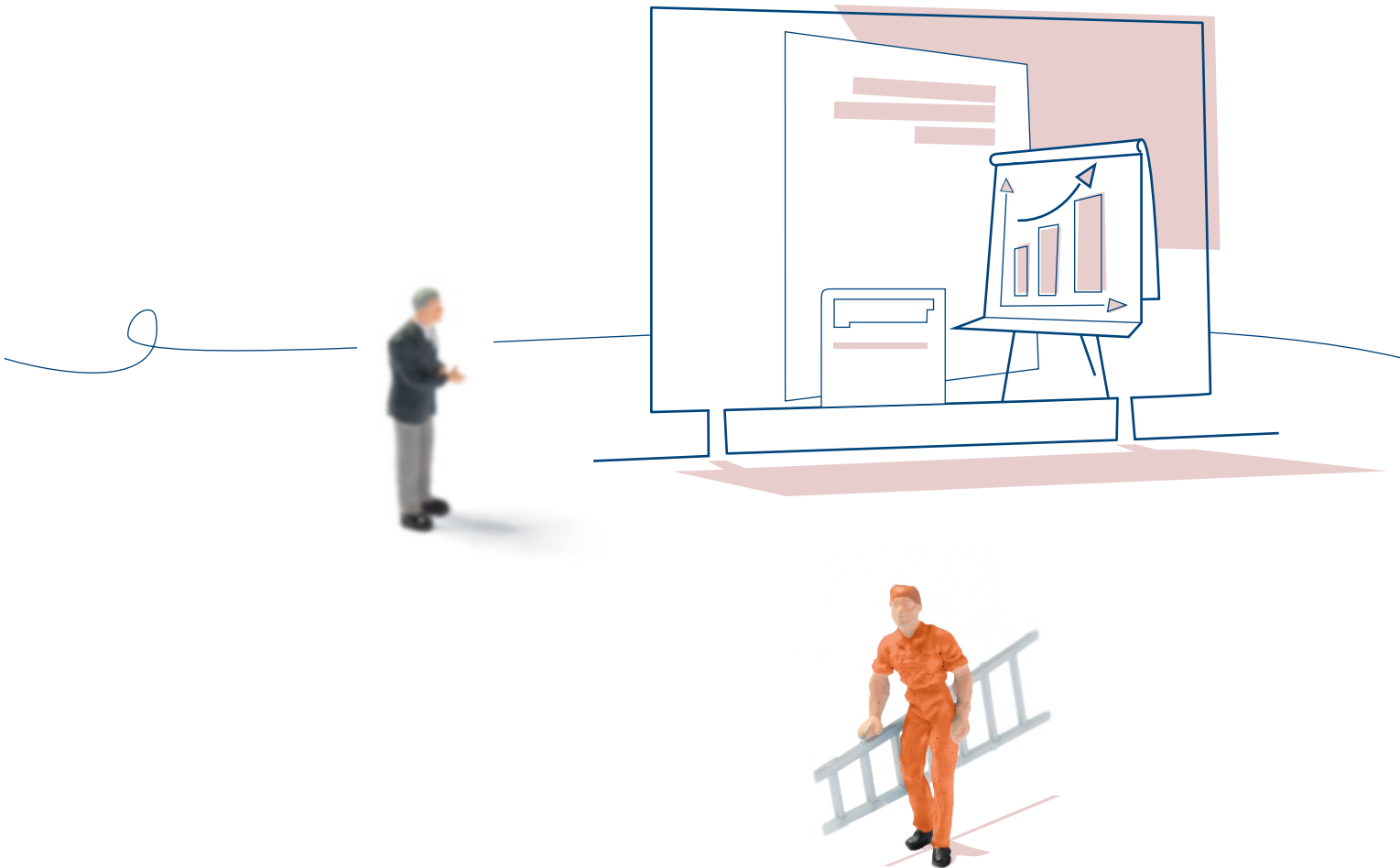
The experience gained in this way gives us a significant advantage in meeting the requirements and goals of pension funds and financial intermediaries while taking regulatory framework conditions into account. Our connections to regulatory authorities and umbrella associations are helpful in this context as well.

Customer support in dialogue

We offer our customers optimum support, from advice to product solutions and custody, as well as further consulting services. As our entire range of services is geared to our customers' needs, we attach great importance to good, regular personal communication. All the more so because in a demanding capital market environment, the challenges faced by our investors, and by apoBank as their partner, have grown significantly. By working together closely and productively, we can overcome these challenges much more easily.

Our apoInvestment-Forum has become an industry event, providing our institutional investors with an opportunity to talk to experts once a year. At this forum, we discuss current trends, investment ideas and requirements with investors and providers in our network with the goal of finding suitable solutions for our clients.

Services for Health Care Enterprises



Companies that work towards maintaining high-quality medical care benefit from our specific industry knowledge. Our corporate clients have access to our comprehensive spectrum of services, which are geared to the special conditions in the health care market.

Specific industry and financing knowledge

Our corporate clients benefit from our knowledge of the health care market gained over many years with regard to both investment and project financing. Classical banking services such as payment processing and interest rate management complete our range of services. Developing individual and sustainable financing concepts for our corporate clients requires a high level of expertise in the health care sector as well as in lending and capital markets. We are familiar with the tasks, requirements and regional market conditions of the respective medical care providers.

Customer groups in the Corporate Clients business segment

- Companies in the health care market
 - Inpatient care structures
 - Outpatient care structures
-

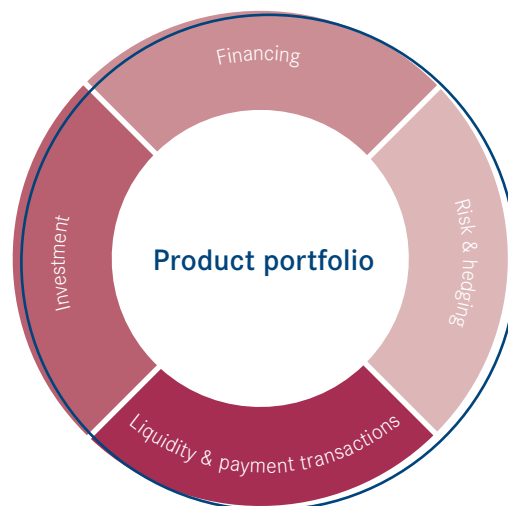
In-depth knowledge to support complex projects

We have a pool of exclusive data from extensive scientific analyses at our disposal which we use to support our corporate clients. Our statistics and forecasts offer us valuable insights into the health care market. Based on this and our many years of experience, we can assess the chances of success for our customers' projects with great precision and minimise risks for them and us.

We finance projects in outpatient care, e.g. for health centres, as well as in inpatient care, long-term care and rehabilitation facilities, and the health care industry. Our support goes beyond mere financing: As a strategic partner, we accompany our customers from the outset in designing the concept and content of their complex projects, thereby offering them genuine value added in realising their plans.

Shaping changes together

Structures in the health care market are becoming ever larger and more complex overall. This is due in large part to the dynamic developments driven by digitisation. We conduct studies to examine the changes we and our customers should prepare for and the need for action that accompanies this trend. The first edition of our apoView publication series entitled "Personalised Medicine and the Digital Revolution" deals with exactly these questions. Another edition of apoView, "360-Degree Study: Digitisation in the Health Care Market", is based on broad surveys and summarises the assessments of health care professionals, professional organisations and experts on the topic of digitisation.



Aligned to health care market needs

New digital opportunities are changing the health care market radically. More and more new players are entering the market, while established providers are required to address technological change which will have a lasting impact on their business models. This results in more complex forms of cooperation, where more extensive networks offer a competitive advantage.

In the outpatient sector, modern medical centres and medical care centres are among the new forms of cooperation that facilitate networking and provide more flexible options for professional practice. We are also seeing closer links between players in the inpatient sector; at the same time, new providers are becoming established and the range of specialisations is increasing. As the investment options for public institutions have not improved, hospitals increasingly face the task of securing their future viability using their own financing strategies and options. To make it easier for these institutions to keep an eye on their financial figures, we have developed our apoPLANER⁵. This tool, which is based on the Hospitals Accounting Regulation (Krankenhausbuchführungsverordnung), compiles the hospital's relevant financial and economic data and makes them transparent. The figures obtained in this way make it easier to calculate the future strategic focus and plan external funds.

Personal project support

In assisting our customers with their financing projects, the focus is on integrated customer care. This means that we support our customers personally from the initial idea and its subsequent development to the successful realisation of their plans. In advising them, we consider the customer's strengths and environment and develop individual solutions that take these into account.

Our decentralised teams of advisers have comprehensive financing and industry expertise and a local presence, ensuring that we are close to our customers throughout Germany.

Long-term cooperation

We promote the dialogue between our customers and other market players, consultants and initiators of projects in the health care sector by offering customer events on relevant topics such as economic developments or trends in the hospital environment.

We aim for cooperation based on mutual trust and long-term partnership with our clients. Because our goal is to implement their projects so that they can reap lasting benefits and succeed in the market.

Management Report

Business and General Conditions	55
Retail Clients	65
Professional Associations, Institutional Clients and Corporate Clients	67
Net Assets, Financial Position and Results	69
Events after the Reporting Date	76
Risk Report	77
Outlook	98

Business and General Conditions

apoBank – the leading bank in the health care sector

apoBank is a cooperative full-service bank. Its business policy is geared towards the specific needs of the medical professions and the health care market. As a cooperative, the business purpose of apoBank is to support and promote the economic development of its members, i.e. the health care professionals as well as their organisations and institutions. The fair participation of our members in the Bank's economic success over the long term is therefore central to our goals.

apoBank is a specialist and niche supplier with a strong position in the German health care market, thus securing the leading position of the cooperative FinanzGruppe in financial services for the health care sector.

Business model aligned to growing health care market

apoBank's business model is geared towards sustainably utilising opportunities on the thriving health care market. In accordance with our statutory purpose, we serve as a reliable financing partner, helping to meet the growing demand for investment in the health care sector.

Our customers are academic health care professionals in training, employment or retirement, professional associations, different forms of cooperation and companies in the health care sector. We also support operators of

pharmaceutical, medical, dental, inpatient and nursing care structures as well as members of other professional groups in the health care sector. We provide a full range of financial and consulting services in the lending, deposit and investment business as well as in asset management.

Vision as trusted bank of the health care professions embedded in business strategy

It is both our vision and our mission to be the trusted bank of the health care professions. apoBank's cooperative structure is an important factor in meeting this objective. We strive to achieve a balance between risk and return on the basis of clearly defined risk guidelines.

apoBank's strategic objectives are derived from our mission. We want to enhance customer satisfaction and increase our market share and market penetration. The Bank is pursuing a growth strategy in its customer business and we are making targeted investments in our customer support. At the same time, we are reducing administrative activities. Our growth strategy is accompanied by strict cost management and the continuous optimisation of internal processes.

It is important to us that our employees identify with apoBank as an employer. We conduct regular employee surveys to assess the extent to which this is the case. In addition, we attach great importance to providing our staff with ongoing professional training.

apoBank strategically focused on opportunities presented by digitisation

Customer expectations with regard to availability of contact persons, speed, transparency and communication channels, among others, are changing fundamentally as a result of ongoing digitisation. We see digitisation as an opportunity to refine our business model, gearing it even more effectively to the needs of our customers.

Our focus is on developing digital products and solutions at the interface of financial services and the health care market, and to establish our position as a leading bank in this field. Our offering is tailored to the specific needs of our customers in health care. Two examples are our apps “Lass mal kreuzen” (“Tick the box”) for students and “Erfolgsrezept” (“Recipe for success”) for self-employed health care professionals. Our aim is to provide our customers with state-of-the-art digital solutions for standard financial services, too.

All our ongoing activities related to digitisation are linked in our apoFuture programme. The aim of apoFuture is to assess how megatrends in digitisation will affect apoBank and identify the appropriate measures for initiating change on that basis. The programme focuses on systematically connecting up customers and data in the development of innovative and tailored solutions. Other issues include linking up all customer communication channels with the Bank and the complete digitisation of internal processes.

Increasing the proportion of women in management defined as strategic objective

We wish to offer our employees with their various abilities and talents a working environment that makes them feel valued and is free of prejudice. For us, diversity means added value, and we also take this into account in filling management positions. Therefore, we have defined the increase of the proportion of women in management positions as a strategic objective. The Board of Directors has established targets staggered over time for the share of women in the top two management levels.

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 2017	15%	20%
By 30 June 2022	20%	25%
By 30 June 2027	25%	30%

The first management level includes the division managers at head office in Düsseldorf, the market region managers and the regional loan managers. The second management level encompasses the department managers at head office and in regional loan management, the regional branch managers and the regional managers of Sales Partner Liaison and Support and Private Banking. The share of women as at 31 December 2016 was 13% on the top management level and 17% on the second level.

The Supervisory Board also set a target of 15% for the proportion of women on the apoBank Supervisory Board by 30 June 2017. This objective was achieved on 31 December 2016 with the share amounting to 15%. With regard to the proportion of women on the Board of Directors, the Supervisory Board confirmed the status quo for the time being. To date, there are no women on the Board of Directors.

Key customers are served in two business segments

Business with our key customers is divided into the two business segments Retail Clients as well as Professional Associations and Large Customers.

In the Retail Clients business segment, we support students in health care as well as salaried, self-employed and retired academic health care professionals in their professional and private projects. Following our apoPur integrated advisory concept, we support our customers according to their individual needs and the various phases of their lives. We intend to continue strengthening our business with self-employed health care professionals while simultaneously driving the expansion of our product range and consulting services for salaried health care professionals and students. One of our primary goals is

to provide tailored and comprehensive support to clients who are starting a new business and thus continue to consolidate our leading position in this market. In addition, we provide support to our clients in the securities business. Our private banking products and services are geared towards wealthy medical care professionals, rounding off our strategic orientation in this business segment.

In the Professional Associations and Large Customers business segment, we support professional associations and institutional organisations as well as companies and supply structures in the health care market. We also offer tailor-made solutions for institutional clients along the entire institutional capital investment value chain. We want to strengthen our market position with professional associations and large customers by taking a systematic sales approach and utilising cross-selling potential. Our unique network in the health care market is a key success factor in achieving this.

In the business with corporate clients, business potential in outpatient and inpatient care structures as well as companies in the health care market is growing steadily. Therefore, we are intensifying our approach to these clients and drawing on our special customer and market knowledge to expand our market position. Our focus here is on an even stronger positioning of apoBank as the loan specialist for corporate clients and health care real estate. Our goal is to significantly expand the loan volume, especially with medium-sized companies in the health care market. In addition, in the area of inpatient care, we are focusing even more intensively on nursing care as well as clinics and rehabilitation facilities.

We intend to continue growing in the investment business and in asset management for retail clients and institutional investors. We are stepping up our sales activities with the aim of significantly increasing the deposit volume, particularly in the Retail Clients segment. In addition, we will align our investment and asset advisory services even more closely to customer needs. For this purpose, we are able to draw on in-house expertise as well as collaborating with our associated companies Apo Asset Management GmbH and aik Immobilien-Investmentgesellschaft mbH. Apo Asset Management GmbH specialises in the administration and management, liaison and support of securities funds for private and institutional customers from the health care sector. aik Immobilien-Kapitalanlagegesellschaft 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.

The general conditions for our business in the year under review are described in the following sections.

Restrained growth in the global economy

The world-wide economic weakness of recent years continued in 2016: Gross domestic product (GDP) rose by 3.1% globally according to projections. This development was accompanied by a slight increase in the volume of world trade and some sharp drops in commodity prices, which meant that inflation remained at a low level. At the beginning of the year, a tangible slowdown of growth in China was feared; however, the economy there stabilised thanks to government stimuli. Meanwhile, the severe economic crises in Brazil and Russia persisted.

GDP growth in % compared to the previous year

	2015 %	2016 (expected) %
Germany	1.5	1.8
Euro area	2.0	1.6
USA	2.6	1.6
Emerging markets	4.1	4.1
World economy	3.2	3.1

Sources: Federal Statistical Office, World Bank, Consensus Economics

After a weak first half, the US economy recovered significantly in the third quarter of the reporting year. In particular, the labour market continued to develop positively and thus approached full employment. For 2016 as a whole, however, a growth rate of only 1.6% can be anticipated after the economy expanded at a rate of 2.6% in the previous year.

The economy of the euro area continued its recovery and is forecast to have grown by 1.6%. The vote of the British people for their country's exit from the European Union (EU; "Brexit") did not result in a slowdown of the real economy feared by many observers.

The German economy continued along its solid growth path of recent years: GDP rose by 1.8%. As in the previous year, private consumption and higher government spending in particular contributed to this. Private consumption was particularly driven by low inflation and steady employment growth. With a rate of 6.1% as the annual average, unemployment fell to its lowest level since reunification.

Yield level at times reaches new historic lows

In the first half of 2016, the inflation rate in the euro area was close to zero percent. The reasons for this were the collapse in energy prices and the continued weak development of other consumer prices (e.g. rents). At the end of 2016, the inflation rate in the euro area was 1.1%. The European Central Bank (ECB) reacted to this development as early as March 2016 with a further reduction in their interest rates and in December announced an extension of their massive purchase programmes until the end of 2017.

Against the background of global growth concerns, political uncertainty and the negative interest rate policy of the ECB, yields on government bonds fell to historic lows in the middle of the year: The yield of German federal bonds with a ten-year maturity dropped to -0.20% during some days in July; at the end of the year, it rose again to 0.21% as a result of improved economic data. A majority of German government bonds with shorter maturities yielded significantly negative returns due to the expansionary monetary policy of the ECB.

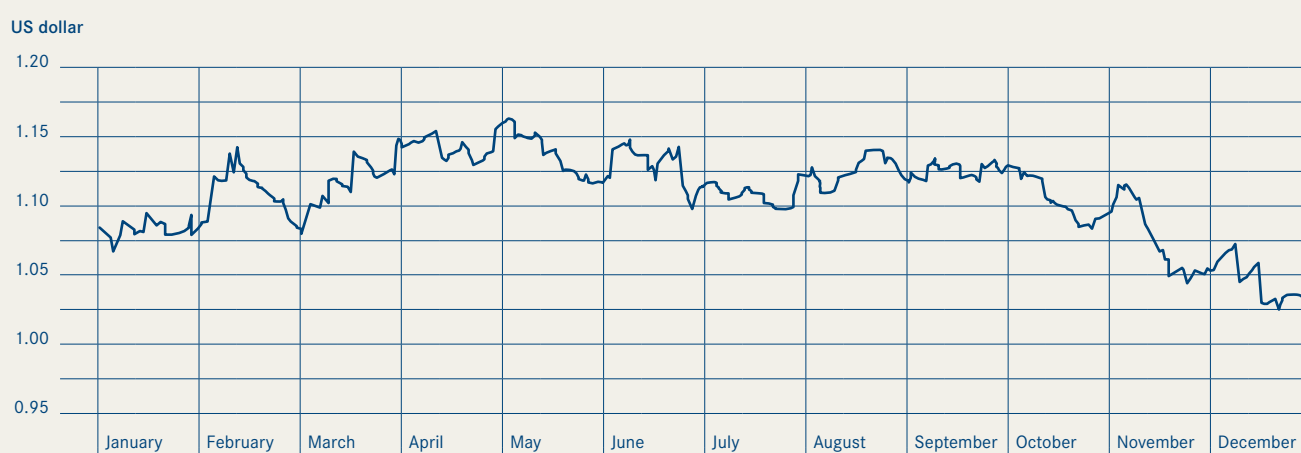
Yields on ten-year German federal bonds



As a result of the growing differences in the yields on government bonds in the United States and in the euro area, the euro depreciated against the US dollar last year by 2.9% and at the end of the year fell to the lowest level since 2003.

Global stock markets underwent severe turbulence at times during 2016. At the beginning of the year, the German stock index DAX lost 18.5% within six weeks. Due to a marked increase at the end of the year in particular, the stock market barometer rose by 6.9% in 2016 overall. With 6.8%, the MSCI World recorded a similar increase. Political risk events such as Brexit, the surprising outcome of the American presidential election and the lack of support for the Italian constitutional reform only resulted in short-term negative market reactions, which were offset by speedy recoveries.

Euro/US dollar exchange rate in 2016



Sustained growth of lending business in Germany

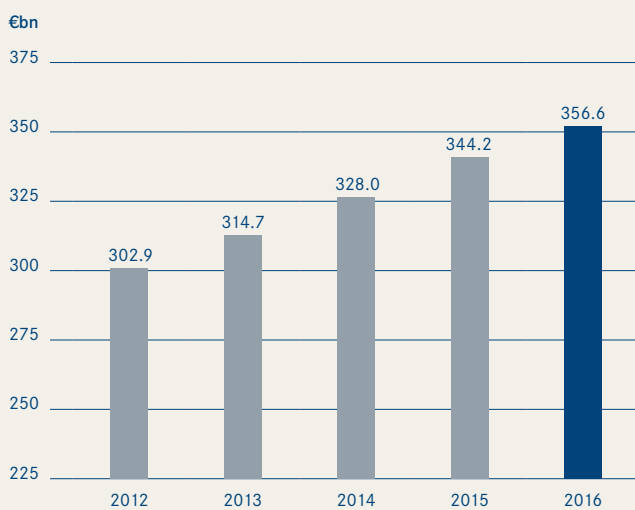
Lending to households and non-financial companies increased last year by 2.9 and 3.5% respectively. As in previous years, one of the main reasons for this development was the dynamic activity on the German real estate market. Despite increased building activity, purchase prices for existing properties rose significantly – not only for flats and houses, but also for commercial properties, particularly in the office segment.

Health care remains growth market

Germany still has a very high-performing health care market. In 2016, this remained a growth market – due to medical progress, demographic trends and the increasing health consciousness of the population.

During the last legislative period, numerous laws were drafted. These include the Act to Strengthen Care Provision in the Statutory Health Insurance System (GKV-Versorgungsstärkungsgesetz), the Hospital Structures Act (Krankenhausstrukturgesetz), the E-Health Act (E-Health-Gesetz) and the Second Bill to Strengthen Long-Term Care (zweites Pflegestärkungsgesetz). These reforms aim to secure financing for continuously increasing health care expenditure and the nationwide provision of medical treatment close to patients' homes. In addition, they improve the quality, effectiveness and efficiency of medical care and nursing care. At the same time, competition among service providers is intensifying and regulation is also increasing.

Development of health care spending



Source: Federal Statistical Office, health care spending; the 2016 figure includes estimates or forecasts

Health care spending continuously rising

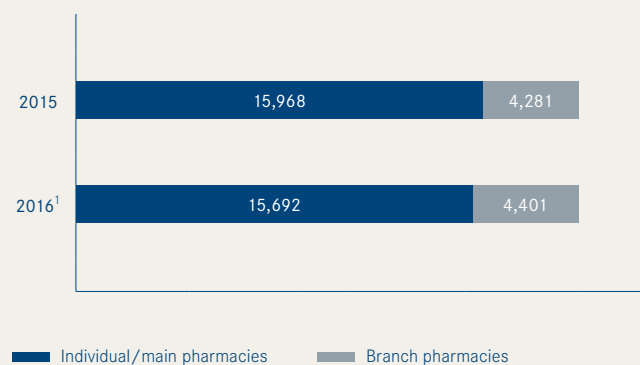
According to the statutory health insurance (GKV) data recorded in the first three quarters of 2016 – only these figures are available so far – there was a moderate increase of 3.2% in spending per person insured, the lowest since 2012.

Private health insurance (PKV) benefits increased by 4.3% in 2015. Figures for 2016 were not yet available at the editorial deadline of this report.

Economic and structural developments – pharmacies

Statutory health insurance spending on pharmaceutical products in the first three quarters of 2016 rose by 3.8% compared to the previous year to total €27.0 billion.

Number of pharmacies



Source: Federal Union of German Associations of Pharmacists (ABDA), as at 30 September 2016

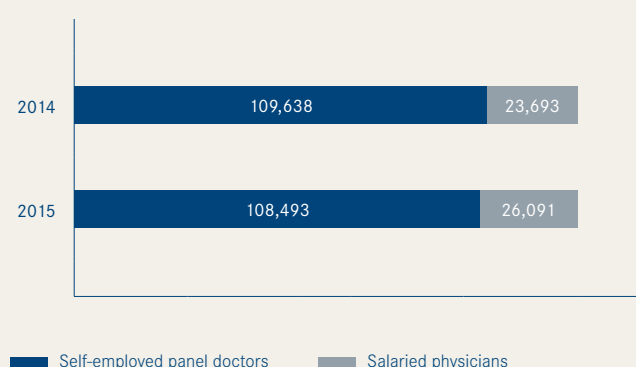
The revenue of pharmacies in 2016 is expected to have risen moderately. It must be noted, however, that the cost of sales is likely to have risen as the share of more expensive, innovative medicines continues to rise and purchasing discounts are increasingly reduced. Therefore, the total operating profit to be expected for pharmacies should be around the same as in the previous year.

With regard to the revenue and the operating result of pharmacies, the market is becoming more and more differentiated: Many smaller pharmacies with relatively low turnover face competition from numerous high-volume pharmacies.

The number of pharmacies is still declining in Germany, the number of branches and highly effective branch networks, however, continues to rise. The number of branch pharmacies grew by 120 compared to the previous year, to total 4,401 branches by 30 September 2016.¹ More than a third of the pharmacies in the market are organised in branch networks. Accordingly, the number of salaried pharmacists has also been growing steadily for years.

1) The figures provided are those available at the editorial deadline.

Number of panel doctors



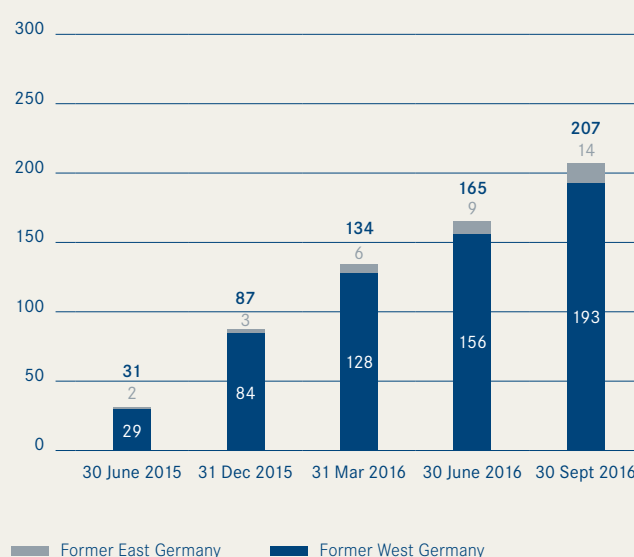
Source: German Medical Association, National Association of Statutory Health Insurance Physicians, own calculations

Economic and structural developments – panel doctors

Statutory health insurance spending on doctors' services increased to €27.3 billion in the first three quarters of the year under review, an increase of 4.5% over the previous year. There was a moderate increase in the fees of panel doctors.

Young physicians in particular still tend to seek (part-time) salaried employment in outpatient care when starting out and thus do not initially aspire to open their own practice. This is why the number of self-employed panel doctors continues to decrease steadily. On the other hand, the number of salaried physicians increased by around 10% compared to 2015. For financial 2016, we expect a similar general tendency. The number of panel doctors working part-time also increased in 2015, by a good 12%. The number of panel doctors working full time sank by 2%. This trend is likely to have continued in 2016.

Number of dental medical care centres



Source: National Association of Statutory Health Insurance Dentists, press release of 17 November 2016

Economic and structural developments – panel dentists

Statutory health insurance spent €7.9 billion on dental treatment in the first three quarters of 2016. This is an increase of 4.2% compared to the previous year.

Young dentists initially also tend to prefer a position in the outpatient sector rather than opening their own practice. Accordingly, the number of economically independent panel dentists declined slightly in 2015. This trend is expected to have continued in 2016. The number of dentists employed at a practice increased by approximately 8.2% in 2015. Here again, we expect a comparable figure for the year under review.

Since 2015, when the establishment of dental medical care centres became legally permissible, the trend in dental medicine has been towards larger, typically medium-sized types of businesses, organisations and services. As at 30 September 2016, there were already 207 of these dental medical care centres.

Hospitals remain under pressure

In the area of inpatient medicine, a concentration process can be observed. This is due to the sustained pressure on costs and efficiency which the hospitals are exposed to because of the limited financial resources of the federal states and the statutory health insurance. Moreover, they are confronted with increasing regulatory requirements on the quantity and quality of their services. These require sustained investment to secure economic stability. In order to adapt the structures of their services to the conditions on the health care market, hospitals will increasingly be forced to finance themselves to offset decreasing public subsidies. Another change concerns the blurring of the boundaries between the health care sectors: Hospitals are offering more outpatient services for economic and health policy reasons and are thus increasingly becoming competitors in the outpatient medical sector. One of the aims of health policy of the next legislature is to align the remuneration of the two sectors, as well as to establish cross-sector medical care planning.

Increasing demand for nursing care capacity

The demand for nursing care of an ageing population is growing and with it the number of nursing care facilities. The range of services is already large; this will continue to expand with more community-based care facilities offering innovative concepts around living, service and support. New or alternative care services will also be in strong demand in future.

Health care companies with great potential

The increasing demand for health products and services, as well as advances in medical technology, pharmaceuticals, biotechnology, information and communications technologies have brought sustainable growth to companies in the German health care sector. Correspondingly, numerous opportunities opened up in 2016 for health care businesses to successfully position new products and product variations on the market. The main focus when defining the regulatory framework will be on the aspects of patient safety, quality of care and accelerating innovation.

Conclusion

Competition increased in the health care sector in the year under review; the same was true for the regulatory guidelines. The health market is still a growth market, which offers good, sustainable earnings and growth prospects to health care professionals and companies with the capacity for entrepreneurial thinking and acting.

Retail Clients

Positive development in the Retail Clients business segment

In the Retail Clients business segment, we support the professional and private plans and projects of pharmacists, physicians, dentists, veterinarians and psychotherapists with our apoPur advisory concept, which is tailored especially to their needs and life phases. Thanks to this consulting approach, we continued our successful development in 2016. We were able to further strengthen the lending business in particular. We owe our positive business development to our approach of supporting each customer group with specialised advisers. Last year, we further expanded our advisory services, hired additional advisers – contrary to the current trend in the industry – and opened three new locations in close proximity to universities and hospitals. We gained a large number of new customers in 2016, especially among students in the health care professions, but also among salaried and self-employed health care professionals. In all three customer groups, our newest customer support segment Private Banking developed very positively.

Stronger growth in lending reported

Thanks to the strong new business and declining redemptions, the loan portfolio with respect to retail clients increased significantly. At the balance sheet date, this amounted to €25.2 billion (31 December 2015: €24.1 billion). In spite of the continued decline in the number of start-ups in the outpatient health care market in Germany, we maintained our leading market position as a provider of financing for start-ups, with a loan portfolio of €6.3 billion (31 December 2015: €6.2 billion).

Demand for real estate financing remains high

The demand for real estate financing remained high in 2016 due to the low interest level. In addition to public development loan programmes provided by the Kreditanstalt für Wiederaufbau (KfW) and the state development banks, demand for apoFestzinsDarlehen (fixed-interest loans for real estate financing) also increased. In a strong competition on terms, at the end of the year the portfolio of real estate financing was at €14.1 billion, well above the figure at the end of 2015 (31 December 2015: €12.7 billion). Investment and private financing reached a volume of €4.9 billion by the end of 2016 (31 December 2015: €5.1 billion).

Customer deposits up again

The average volume of demand, savings and term deposits of our retail clients increased to €14.0 billion in 2016 (2015: €12.7 billion). Due to the persistently low interest rates, our customers were primarily interested in investments with short-term maturities and high availability. The average demand deposit volume grew noticeably to €7.8 billion (2015: €6.4 billion). The average volume of the apoZinsPlus and apoCash call accounts increased to €5.6 billion (2015: €5.4 billion). Term deposits and savings deposits had little significance in 2016.

Securities business expanded slightly

As described in the chapter “Business and general conditions”, the international stock markets were characterised by strong fluctuations in the first half of 2016.

The focus of the securities business in 2016 was on products offering reduced risk participation in the equity market and active portfolio management. Mixed funds particularly benefited from this ongoing trend. At the same time, the low interest level dampened the appeal of fixed-interest securities. More of our customers therefore chose call deposits for short and medium-term investments. The deposit volume in the Retail Clients business segment rose to a total of €7.2 billion in 2016 (31 December 2015: €6.9 billion).

Growth in asset management

The positive growth trend in asset management continued. In spite of a challenging market environment, apoBank again posted growth on the previous year: Our customer numbers increased to about 5,000 (31 December 2015: approx. 4,600 customers); the volume managed rose to €2.7 billion (31 December 2015: €2.6 billion).

Renewed growth in the insurance business

The insurance business grew significantly compared to the previous year with a brokerage volume of around €323 million (31 December 2015: €290 million). This increase was driven by a rise in demand for index-linked insurance products and the use of insurance products as a replacement for redemptions in financing.

Building society business restrained

In the building society business, contract sums remained below the previous year's figure, at €441 million (31 December 2015: €509 million). While investments in real estate and thus in building society contracts were still in high demand, the low interest rates were also taken advantage of for redemptions and traditional bank financing was preferred.

Professional Associations, Institutional Clients and Corporate Clients

Close collaboration with professional associations representing groups of health care professionals

With respect to the customer group of professional associations, advice on financial matters against the backdrop of health policy plays a major role. Deposits made by professional associations, particularly by associations of panel doctors and dentists as well as professional clearing centres, constitute an important part of apoBank's customer deposits.

Last year, we succeeded in maintaining overall stability in our business relationships with professional associations. Customer deposits remained on par with the previous year's level at an average of €3.9 billion (2015: €3.9 billion). In the lending business, the focus was again on providing pre-financing lines to professional pharmacy data processing centres. The average volume in the lending business, amounting to a total of €242 million, lagged behind that of the previous year (2015: €267.0 million).

Positive development of business with our institutional clients

The customer group of institutional clients primarily comprises occupational pension funds for the health care and other liberal professions, as well as other financial intermediaries such as pension plans and funds and other professional investors. Our comprehensive range of products and services extends from advice, to the actual investment product solution and, finally, custody of it.

Strong demand for advisory services

The demand for our advisory and banking services increased last year; new mandates were also added. The main reasons for this are the challenging capital market environment as well as regulatory changes. Our clients particularly value our custom-made solutions, which we offer as modular, needs-based services. This also includes our asset-liability management for clients in addition to our tried and tested risk management system for managing capital investments during the year. Here we focus on the long-term financial sustainability of the pension plans, as well as the development of a strategic asset allocation. We thus provide our clients with important findings for strategic balance sheet management.

The integrated and complete analysis of risk and return is becoming increasingly important for our clients due to the increasing complexity of the capital markets. With our apoConsult service, we help investors with their individual strategic asset allocation by factoring in their risk-bearing capacity and provide continuous monitoring of the investment risk.

Stable demand for product solutions for institutional clients

Our product solutions remained in demand with our institutional clients in 2016. In portfolio management, volume was reduced due to the restructuring of a large mandate to €2.4 billion (31 December 2015: €2.8 billion); however, we also gained new mandates.

Again, the focus was on risk monitoring of the portfolios. With regard to the systematic risk assessment of issuers, we support clients with our independent credit analysis apoScore: Using scoring models, the tool evaluates banks, countries and companies and provides ad-hoc analyses as the basis for recommendations for action in the event of a deterioration in credit quality. apoScore was also very much in demand with customers who manage their own direct investment pension portfolios, not least because it helps investors meet regulatory requirements.

Depository volume grew again significantly

Investors who use apoBank as the depository for single and master funds benefit from our years of experience, our high performance and our flexibility with fund solutions in the securities and real estate areas. While the number of funds managed by us rose only slightly to 158 (31 December 2015: 157), depository volume (securities and real estate funds) increased significantly to €14.5 billion (31 December 2015: €12.7 billion).

Due to the persistent low interest rate environment and the associated pressure on yields, tangible assets are playing an increasing role in the portfolios of investors. Accordingly, we further expanded the mandates in the alternative investment funds (AIFs) and investment limited partnerships in the area of real estate.

Corporate clients business still on track for growth

apoBank consolidates its support for companies in the health care market in the Corporate Clients business segment. Corporate clients consist primarily of companies in the pharmacy wholesaling and dental trade, the pharmaceutical and medical technology industries and private clearing centres. In addition, we support providers of inpatient care such as clinics, rehabilitation facilities, and nursing care facilities. We accompany complex (real estate) projects from the design phase to implementation with our financing expertise. Our focus here is on medical centres and health care centres.

We continued to expand our corporate clients business in the year under review. We successfully broadened our customer base in the industry segments mentioned above and intensified existing customer relationships. We have many years of experience in the health care sector and are familiar with the industry as well as our customers and their needs. This enables us to keep expanding our portfolio of products and services in line with the needs of our customers. There was noticeably greater demand for financing by the initiators of real estate projects as well as inpatient care providers (clinics, nursing homes), favoured by the ongoing low interest level and the continued positive growth prospects in the health care market. This can be seen in our financial data: The volume of loans in the Corporate Clients segment rose again and amounted to €2.6 billion at the end of the year (31 December 2015: €2.1 billion).

Net Assets, Financial Position and Results

Business development impacted by adverse environment

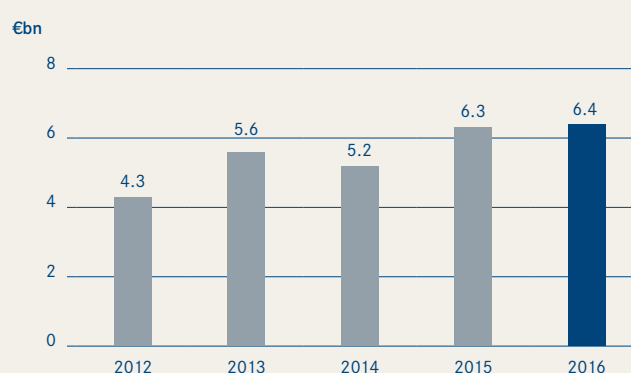
The general conditions for banks remained challenging in the past financial year: The persistently low interest rates, high regulatory requirements and the challenges arising from omnipresent digitisation continued to affect the profitability of banks in 2016. In addition, there were growing political uncertainties. These included the conflicts in the Middle East and the Ukraine, which remain unresolved, along with the unexpected decision by the British for a withdrawal of their country from the European Union. The results of the presidential election in the USA as well as the referendum in Italy, which was rejected by the voters, brought further unrest to the capital markets.

Against this backdrop, more and more banks are starting to scrutinise their business models. As in previous years, the focus in 2016 was on process and cost optimisation, as well as a return to their respective core competencies. At the same time, competition for retail clients remained intense and developments in the capital markets impeded the securities business.

apoBank was also faced with these challenges. The unfavourable development of the interest rates in particular became increasingly noticeable in the year under review. Nevertheless, we managed to close 2016 with a stable net profit as planned. This was due to our strong market position and the largely favourable economic conditions in the health care sector.

This allowed us to achieve our goal of paying stable dividends to our members once again in the current financial year and supporting them in all financial matters. We also once again strengthened our reserves.

New loan agreements¹



1) Including loan transfers

Further rise in number of members and customers

The fulfilment of our statutory purpose continued to be at the heart of our business in 2016: We offer specialised banking services to support our members and customers in achieving their professional and private objectives. Based on this focus, we continued the positive development of our customer business in the year under review. This is reflected in the further expansion of our member and customer base: In 2016, we served a total of 415,700 customers (31 December 2015: 397,000 customers). At the same time, the number of our members increased to 109,680 (31 December 2015: 107,768 members).

In the following sections, we provide details of the main income and expenditure items for 2016.

Net interest income down year on year, as forecast

Low interest rates continued to impact the development of net interest income in 2016: At €625.6 million, this was 7.3% lower than in the previous year (31 December 2015: €675.2 million). In the lending business, we achieved an increase in volume. This was due to the profitable business with new loan agreements, which amounted to €6.4 billion (31 December 2015: €6.3 billion). On the other hand, fewer redemptions were made than in 2015, so that the loan portfolio on the balance sheet showed a significant overall increase. Thus we managed to offset part of the reduced profit contributions from our strategic interest rate risk management, which were an expected result of the low interest rates.

The trend towards short-term demand deposits continued on the refinancing side. Due to the negative deposit interest rate set by the ECB, the yield from the deposit business declined noticeably nonetheless. In addition, for the majority of our customer business, we avoided the introduction of custody fees.

The net interest margin fell to 1.7% (2015: 1.9%).

Slight increase in net commission income

Net commission income increased by 4.5% to €139.0 million (31 December 2015: €133.0 million). This is due, for example, to the further expansion of the investment business with our retail and institutional clients despite the competitive pressure on margins. Asset management continued to develop well. In addition, our insurance business as well as payment transactions recovered.

General administrative expenses higher, as anticipated

In the year under review, we recorded an increase of 4.1% in administrative expenses to €516.4 million (31 December 2015: €496.0 million). As a result of our investments in sales, personnel expenses increased by 2.2% to €272.8 million (31 December 2015: €267.0 million). apoBank employed 2,598 staff as at the end of the year, which is more than in the previous year (31 December 2015: 2,563), mainly due to the recruitment of new customer advisers. After operating expenditure including depreciation had declined in the previous year, in 2016 it increased by 6.4% to €243.7 million (31 December 2015: €228.9 million). This is primarily the result of higher operating costs, as well as major projects. Of particular note here are the upcoming IT migration and projects related to regulatory matters.

Operating result below previous year, as expected

The operating result, i.e. operating profit before risk provisioning, was noticeably below the previous year's level as expected, totalling €249.2 million (31 December 2015: €304.8 million). This was due to increased general administrative expenses as well as lower net interest income.

Income statement

€m	31 Dec 2016	31 Dec 2015	Change % ¹
Net interest income ²	625.6	675.2	-7.3
Net commission income	139.0	133.0	4.5
General administrative expenses	- 516.4	- 496.0	4.1
Net trading result	0.7	0.4	76.9
Balance of other operating income/expenses	0.3	-7.9	---
Operating profit before risk provisioning	249.2	304.8	-18.2
Risk provisioning from the operating business ³	5.7	- 39.2	---
Risk provisioning with reserve character ⁴	- 95.3	- 112.2	-15.1
Operating result	159.6	153.4	4.0
Taxes	- 98.6	- 94.3	4.5
Net profit after tax	61.0	59.1	3.2

1) Deviations due to rounding differences

2) Including current income from shares, fixed-interest securities, participations and shares in affiliated companies

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

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

Positive risk provisioning due to write-ups

At €5.7 million, risk provisioning for the operating business was positive (31 December 2015: - €39.2 million). Two effects contributed to this: On the one hand, due to the good ratings in the credit portfolio and because of our successful risk management, net allocations were lower than in 2015. On the other hand, we recorded write-ups in financial instruments and participations, generating a positive profit contribution for this item.

Risk provisioning with reserve character reached €95.3 million (31 December 2015: €112.2 million). This item includes precautionary measures for unexpected future burdens. It also includes the fund for general banking risks, to which we assigned €75.0 million, as in the previous year.

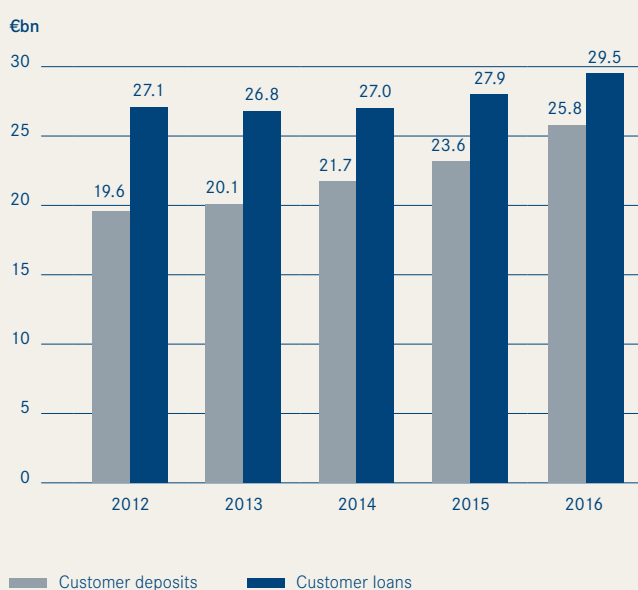
Stable net profit

The operating result increased by 4.0% to €159.6 million (31 December 2015: €153.4 million). Net profit after tax amounted to €61.0 million (31 December 2015: €59.1 million). The return on equity after taxes amounted to 3.7% (31 December 2015: 3.6%); the return on investment was 0.16%¹ (31 December 2015: 0.16%).

The net profit achieved allows the Board of Directors and the Supervisory Board to propose to the Annual General Meeting a dividend of 4% and an allocation to disclosed reserves of €16 million.

1) Return on investment corresponds to the net profit after tax in percent of the average balance sheet total.

Customer deposits and customer loans



Balance sheet total up slightly

The balance sheet total amounted to €38.6 billion on 31 December 2016 (31 December 2015: €36.4 billion), an increase of 5.9% compared with the previous year. Loans and advances to customers rose to €29.5 billion (31 December 2015: €27.9 billion). This was due to continuing high demand for our financing expertise, resulting in an increase in the loan portfolio on the balance sheet. The securities portfolio amounted to €6.1 billion (31 December 2015: €5.7 billion). Among other things, the growth here is associated with our liquidity management which takes into account regulatory requirements. On the liabilities side, we significantly increased customer deposits. These amounted to €25.8 billion (31 December 2015: €23.6 billion). This figure also includes the promissory note funds and registered bonds placed with our customers totalling €3.8 billion (31 December 2015: €3.6 billion).

Liquidity situation remains comfortable

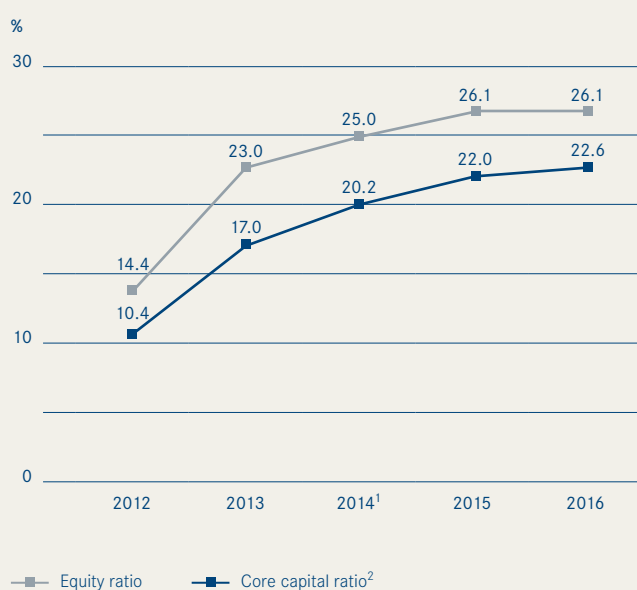
apoBank's liquidity situation remained comfortable throughout the first half of 2016. As a well-established market participant with good credit ratings, we secure funds for refinancing through various sources and are supported by a widely diversified customer and investor base. Customer funds make up the bulk of the refinancing funds; these include customer deposits and the apoObligationen for retail clients. We also place covered bonds (Pfandbriefe) and unsecured bonds with our institutional clients, members of the cooperative FinanzGruppe and on the capital market. In addition, we use refinancing options offered by the Kreditanstalt für Wiederaufbau (KfW) and state development banks.

As at the balance sheet date, customer deposits amounted to €26.1 billion (31 December 2015: €24.1 billion). Thus, they dominate the liabilities side of the balance sheet.

Capital market-based refinancing funds, including promissory note funds placed with banks, totalled €3.3 billion as at the balance sheet date (31 December 2015: €2.8 billion). New issues in our Pfandbrief business amounted to €1.6 billion, including a mortgage Pfandbrief of €500 million that we successfully placed on the European capital market. This Pfandbrief in benchmark size is included in the calculation of the liquidity coverage ratio (LCR), it thus makes a substantial contribution to the refinancing of our growth strategy in the customer business. As a result, the volume of the total Pfandbrief portfolio rose to €3.2 billion (31 December 2015: €1.6 billion).

Last year, apoBank made only limited use of the ECB open market operations as a refinancing option. In view of the regulatory requirements for liquidity, we increased the volume of ECB-eligible securities to €5.0 billion (31 December 2015: €4.5 billion).

Equity and core capital ratio



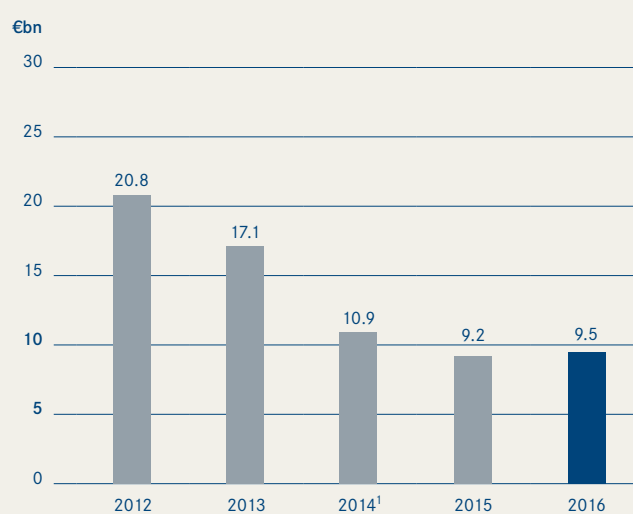
1) From 2014, calculation according to Capital Requirements Regulation (CRR)
2) From 2014, recognition of common equity tier 1 ratio

Equity ratios stable at high level

At the end of 2016, the total capital ratio of apoBank calculated pursuant to the Capital Requirements Regulation (CRR) amounted to 26.1% (31 December 2015: 26.1%), the common equity tier 1 (CET1) capital ratio was at 22.6% (31 December 2015: 22.0%). apoBank's equity ratios were thus stable at a high level in 2016.

The joint stress test carried out by the European Banking Authority (EBA) and the ECB resulted in a good outcome for apoBank even with respect to the adverse scenario at a (fully loaded) CET1 capital ratio of 16.9%. After its annual supervisory review and evaluation process (SREP), the ECB specified the minimum core capital ratio for apoBank in 2017 at a low level in comparison to other ECB-supervised banks.

Risk positions requiring equity



1) From 2014, calculation according to Capital Requirements Regulation (CRR)

Regulatory equity capital totalled €2,465 million as at 31 December 2016 (31 December 2015: €2,411 million). Common equity tier 1 capital rose from €2,028 million as at the end of 2015 to €2,141 million. The increase in members' capital contributions to €1,134 million (31 December 2015: €1,109 million) strengthened the capital position. We also made allocations to the fund for general banking risks and the revenue reserves from the annual financial statements as at 31 December 2015.

Supplementary capital declined to €324 million (31 December 2015: €383 million). The reasons for this were that subordinated capital was accounted for to a lesser degree due to offsetting directly to the day within the last five years of the residual term and the fact that the uncalled liabilities adjustment and the reserve pursuant to Section 340f of the German Commercial Code (HGB) were not considered to the same extent as previously.

Risk-weighted assets amounted to €9,456 million at the end of 2016, up from the previous year's figure (31 December 2015: €9,227 million).

The leverage ratio pursuant to transitional arrangements remained at 5.3% (31 December 2015: 5.3%). This is due in particular to the increase of core capital.

Rating agreements rearranged

apoBank's creditworthiness, i.e. its ability and willingness to fulfil all of its financial obligations fully and in a timely manner, is rated by Standard & Poor's.

Ratings

	Standard & Poor's	Fitch Ratings (group rating)
Long-term rating	AA ⁻¹	AA-
Short-term rating	A-1+	F1+
Outlook	stable	stable
Pfandbrief rating	AAA	-

As at February 2017

1) Issuer credit rating

Standard & Poor's confirmed apoBank's good ratings in November 2016. In February 2017, there was a revaluation of unsecured bonds issued by German banks. This followed a clarification by the German supervisory authority with regard to the classification of specific liabilities of banks according to insolvency laws. Bonds which are subsequently used as a liability in a bail-in will now be described by Standard & Poor's as senior subordinated bonds and obtain the rating A+ with a stable outlook. Senior unsecured bonds continue to be rated AA- with a stable outlook. All other ratings are not affected.

apoBank is additionally assessed indirectly according to the ratings by Standard & Poor's and Fitch Ratings for the cooperative Finanzgruppe. As apoBank is part of this and is a member of the cooperative protection systems, these ratings also apply to apoBank.

In spring 2016, we reviewed our rating agreements with the agencies Moody's Investors Service and Standard & Poor's. After consideration of our current and planned capital market activities, we have come to the conclusion that an assessment of the Bank's creditworthiness by one rating agency is sufficient. For this reason, apoBank terminated the contract with Moody's, to end at the due date. Moody's continues to assess the Bank uncommitted.

Summary of net assets, financial position and results

Our sustainable business model and our growth strategy for our core business continued to prove effective in the reporting period. Thanks to the stability and strength of our market position as well as our in-depth knowledge of the health care market, we succeeded in further expanding our customer and member base. We have thus continued the positive trend of recent years, although we have particularly felt the impact of the low-interest phase in our interest income. While net interest income remained behind that of the previous year as expected, net commission income rose slightly. At the same time, general administrative expenses increased. Risk provisions fell significantly short of the previous year. In addition, we once again strengthened our reserves. Overall, we achieved a stable net profit. This allows us to further strengthen our reserves and pay out a stable dividend to our members.

apoBank's equity ratios remained stable at a high level. They benefited from an expanded capital base as well as the Bank's consistently good and solid risk profile. The liquidity situation remained comfortable throughout the reporting period; this was due to our broadly 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 – BVR). Thanks to its strong position in health care, apoBank contributes to the success of the entire cooperative FinanzGruppe.

Events after the Reporting Date

No events took place that were subject to reporting requirements between 31 December 2016 and 17 March 2017 when the Annual Financial Statements were prepared by the Board of Directors.

Risk Report

Principles of risk management and risk control

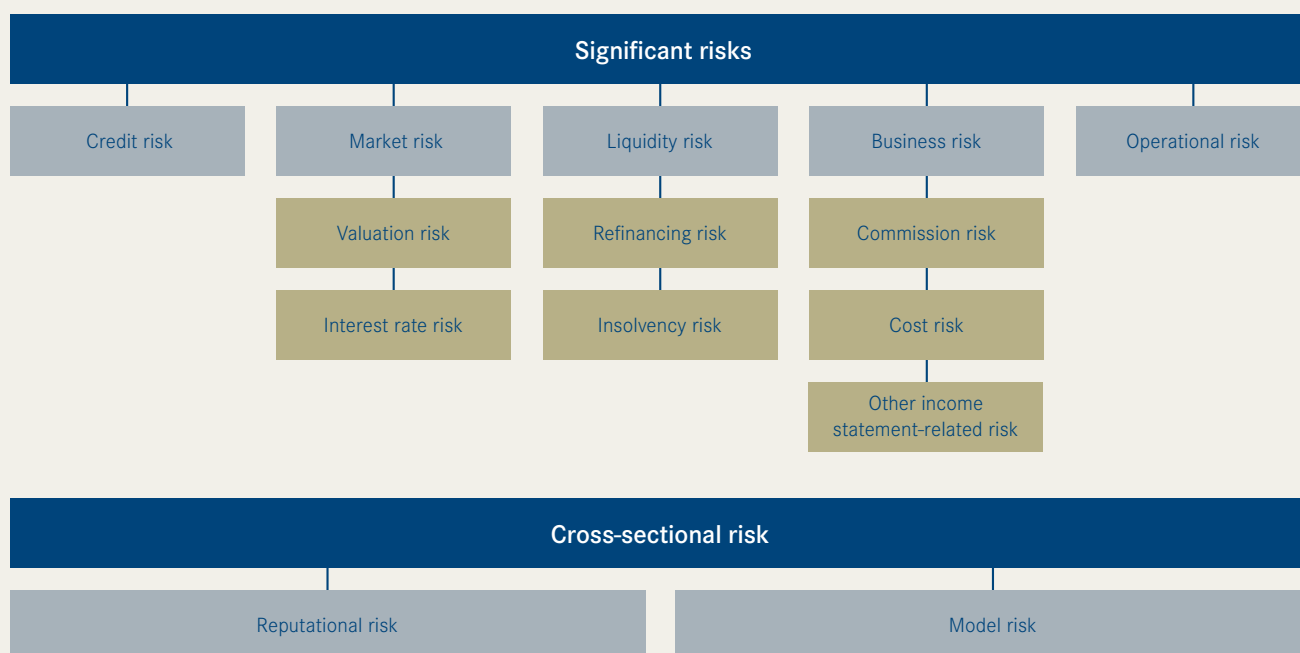
The main objective of apoBank's risk management is to secure the Bank's long-term existence. This includes guaranteeing its ongoing ability to pay out dividends and the option of retaining earnings beyond this to finance its planned business growth.

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

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

We discuss each of these items in more detail below. We then provide an overview of the development of the risk situation in 2016 and, pursuant to Article 435 of the Capital Requirements Regulation (CRR), we present the details of our risk management objectives and policies.

Classification of apoBank's types of risk



Risk inventory

In the annual risk inventory, we determine the risk profile of apoBank with its participations and outsourced business operations, taking risk concentrations into account. The core component of the risk inventory is always the identification of significant risks that are relevant to apoBank. apoBank considers risks as significant which, by virtue of their nature, scope and possible interaction, can have significant influence on the Bank's net assets, financial position and earnings situation. The risks identified as significant are measured and limited in the risk-bearing capacity calculation.

These significant risks for apoBank are credit risk, market risk, liquidity risk, business risk and operational risk as shown in the diagram on page 77.

In addition to the significant risks, apoBank also examines risks that can have an indirect impact on significant risks; these are also shown in the diagram. Due to their characteristics, these risks are considered cross-sectional risks and are included in the risk control and risk-measuring procedures of the significant risks. apoBank has identified reputation risk and model risk as cross-sectional risks.

Credit risk

Credit risk refers to the loss that can result from the partial or entire default or the deteriorating creditworthiness of a borrower or contractual partner.

Market risk

Market risk is the loss that may be incurred in the markets as a result of changes in market prices (e.g. share prices, interest rates, credit spreads and exchange rates) and market parameters (e.g. market price volatilities) affecting apoBank's positions.

Liquidity risk

With respect to liquidity risk, we distinguish between insolvency risk and refinancing risk. Insolvency risk is the risk that apoBank may not be able to meet its current or future payment obligations in whole or in part. Refinancing risk is the threat of higher refinancing costs due to a downgrade of apoBank's credit rating and/or changes in the liquidity situation on the money and capital markets.

Business risk

In the case of business risk, we distinguish between commission risk, cost risk and other income statement-related risk.

Within commission risk, potential deviations from net commission income targets are captured. Cost risk is defined by the Bank as an unexpected development in material and personnel costs that was not budgeted for in income statement planning. Other income statement-related risk quantifies the risk caused by potential deviations from targeted income generated by participations, ongoing income from funds and other operating income and expenses.

Operational risk

apoBank defines operational risk as possible losses resulting from inadequate or failed internal processes or systems, human error or external events. This definition includes legal risks.

Reputation risk

Reputation risk describes the risk of direct or indirect economic disadvantage due to a loss of trust in the Bank on the part of its members, customers, employees, business partners or the general public.

Model risk

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

Business and risk strategy

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

Binding risk guidelines have been defined in the risk strategy for all business segments and types of risk. Compliance with these guidelines is monitored as part of overall bank control. The responsible decision makers are kept informed of the current status through regular reporting.

Organisation of risk management

Organisational principles

The functional and organisational separation of front-office/sales functions from back-office/risk management and risk control functions is implemented on all levels of the hierarchy to avoid conflicts of interest and to maintain objectivity. The principle of dual control is even applied at board level to enhance the reliability of the decision-making process. Individual responsibilities are allocated as follows:

The entire Board of Directors is responsible for the business and risk strategy, the risk-bearing capacity concept, the limitations derived from it and the appropriate organisation and structure of risk management.

The front-office functions in the customer business are managed in the three board departments Retail Clients, Large Customers and Markets as well as Deputy of Chairman of the Board. This includes the first-vote function and the management of risks taken. The front-office function for financial instruments is assigned to the Treasury division in the Large Customers and Markets department.

The Treasury division is also responsible for the operative management of market and liquidity risks as well as apoBank's refinancing. Overall strategic management of apoBank's interest rate risk is carried out on the basis of cornerstones established by the Board of Directors.

The Risk Controlling division within the Finance and Controlling board department has responsibility for the methods and models used to identify, measure and limit risks. It is also responsible for compliance with the defined conditions, independent monitoring and risk reporting at portfolio level with respect to all types of risk.

The Central Loan Management division assigned to the Loans and Banking Operations board department is responsible for monitoring credit risk in the customer portfolios and the financial instrument portfolio at the levels of individual borrower, issuer and counterparty. In addition to individual credit assessments and second opinions on limit applications for customers, counterparties and issuers, this includes both ongoing risk monitoring, responsibility for individual limits and organising the lending business as well as sole responsibility for problem loan management. The risk in the retail clients portfolio is also monitored by five regional loan management units in cooperation with the branches.

The Participations Management department continuously supports the development of apoBank's participations and is responsible for reporting on the participations portfolio.

The Internal Auditing division is an essential part of the independent monitoring system of the Bank. Internal Auditing subjects the organisational units involved in the risk management process and the agreed processes, systems and risks to a regular independent audit.

apoBank has implemented the compliance regulations of the German Securities Trading Act (WpHG), capital market compliance and IT compliance and has established the functions of central office, money laundering officer, data security officer and WpHG compliance officer. In addition, apoBank has other officers, such as the MaRisk compliance officer. The training, advisory and control processes of the compliance functions are also constantly adapted to the increasing regulatory requirements for banks.

The Asset Liability Committee (ALKo) monitors the development of the balance sheet structure in the controlling dimensions of profitability, liquidity, solvency and the corresponding risk-bearing capacity. Suitable controlling measures are prepared for submission to the entire Board of Directors as needed. The primary objective is to ensure the success of business activities over the long term while limiting the risks that arise from the balance sheet structure.

In the course of establishing recovery governance, apoBank has formed a Recovery Committee that is convened in crisis situations, as well as the function of the MaSan coordinator.

Accounting management and control

The Bank has its own internal control system (IKS). This consists of principles, procedures and measures that serve to ensure the effectiveness, efficiency and accuracy of accounting and compliance with the relevant legal regulations. The internal control system for accounting ensures that business transactions are always recorded, processed and recognised properly and entered into the accounts correctly. The Internal Audit division 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.

Issues of particular relevance to risk

As part of risk management, the Bank has defined the following topics related to internal processes to which it attaches particular risk relevance:

- outsourcing,
- lending competence,
- new product process,
- change of operational processes and structures,
- business continuity management and crisis management as well as
- security management.

For the above topics, the Bank has implemented special procedural and organisational rules thus taking account of the risk relevance of these issues.

Risk-bearing capacity

The risk-bearing capacity calculation is an important monitoring and controlling tool. We use it to analyse and evaluate the risk position of apoBank and to ensure our long-term existence.

The Bank conducts regular risk-bearing capacity calculations, in which two different approaches are used to examine apoBank's capacity in terms of capital. With the going-concern approach, the primary controlling goal of which is to protect our shareholders, we conduct monthly monitoring to assess whether the regulatory and economic conditions for the continuation of business would still be met if all quantifiable risks occurred simultaneously. With the gone-concern approach, we examine whether priority creditors of the Bank will incur damage in the case of simultaneously occurring risks. Here, the probability that such a situation will occur is much lower than in the going-concern approach.

All significant risks are measured according to economic valuation approaches on the basis of a 97% confidence level (going-concern) and a 99.9% level (gone-concern) and assuming a holding period of one year. Diversification effects between the risk types are not taken into account in either of the two approaches.

The Board of Directors sets a Bank-wide risk limit for each case, with an additional limit in the going-concern approach for all significant risks, to specify apoBank's risk profile. The risk cover potential available to cover the measured risks forms the basis of the Bank-wide risk limit and further differentiated limitations.

In the going-concern approach, the risk cover potential is derived from the balance sheet and income statement. It is comprised of regulatory capital components that are not required to meet the regulatory minimum equity requirements, parts of the results generated in the course of the year and the budgeted operating result as well as the hidden reserves in selected securities. Any hidden burdens in securities held as long-term assets are deducted.

In the gone-concern approach, the risk cover potential generally only consists of components measured at their present value. Primarily, these include the present value of the cash flows of the Bank's banking book items (specifically cash flow from loans, securities, deposits and emissions), as well as the present value of the costs that are required to generate the banking book cash flows.

In addition, the development of the risk-bearing capacity is assessed again separately to map a period of several years. This means it not only serves as an operational (risk) measurement tool but is also used for medium-term capital planning.

Stress tests

The risk-bearing capacity calculation is supplemented by Bank-wide stress tests and other tests known as reverse stress tests. In the Bank-wide stress tests, various scenarios are used to identify how unusually negative but plausible changes, as compared to the planned and expected development of the risks, affect utilisation of the risk-bearing capacity. The reverse stress tests analyse under which circumstances the apoBank business model is no longer sustainable.

Bank-wide stress tests

As part of the risk-bearing capacity concept, the Bank regularly conducts stress calculations in the form of three scenario analyses. These analyses model the interactions between the regulatory and economic capital aspects as well as the interactions between risk types. Here, the effects of the scenarios on all of the Bank's portfolios are also assessed.

In the health care market crisis stress scenario, a model of potential structural changes on the German health care market is set up, the resulting impact on apoBank's business model is described and the implications for the Bank's risk-bearing capacity are analysed.

In the financial market and sovereign crisis stress scenario, a model is set up of serious distortions on the financial markets with extensive implications for the real economy, based on observations of the current debt crisis in Europe as well as historical experience from the financial market crisis of 2008 and 2009.

The crisis-of-confidence stress scenario examines the impact of extensive reputational damage and a subsequent loss of customer confidence in apoBank.

Reverse stress tests

We use reverse stress tests to examine which events render apoBank's business model unsustainable. These tests are complementary to the Bank-wide stress tests described above. The focus of the tests is on the risk-bearing capacity with respect to regulatory and economic capital as well as the Bank's solvency. Within the scope of the reverse stress tests, apoBank calculates the extent to which risk factors need to be stressed individually and in combination before apoBank's business model is no longer sustainable. This is followed by a critical evaluation of the results of this stress test calculation with regard to possible sensitivities in the Bank's risk profile.

Risk control, measurement and limitation

Risk concentrations

apoBank also regularly reviews the risk concentrations associated with the above-mentioned significant risks – at least once a year. Here, the Bank differentiates between strategic and specific risk concentrations.

Strategic risk concentration follows directly from apoBank's business model and relates to the health care sector, particularly the associated customer business. The Bank defines specific risk concentration as the risk of potential negative consequences resulting from an undesired, uneven distribution among customers or within regions/countries, industries or products, or above and beyond these.

Concentration is analysed and monitored within the significant risks (intra-risk concentration) as well as between risk types (inter-risk concentration). It is also included in the risk guidelines when there is a fundamental need for control.

Credit risk

In credit risk management, a distinction is made between retail clients, professional associations and large customers, financial instruments, and participations. The unexpected loss for credit risks as recognised in the risk-bearing capacity is determined based on portfolio data and taking into account concentration effects, and is limited at a Bank-wide level.

In addition, the volume is limited and monitored at portfolio and individual borrower level in the credit risk. Both individual risk and significant risks from group exposures or the risk category are factored in. In order to monitor regional distribution of credit exposure at overall portfolio level, apoBank implemented 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.

Specific internal and external rating approaches are applied for different portfolios. The results of these are compared using a master scale. The internal rating systems are constantly monitored in terms of quality, 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 the assignment of receivables (such as earned income) and life insurance benefits, guarantees, the pledging of securities, the assignment/pledging of assets as well as mortgages. 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 are concluded that apply across products. In addition, apoBank uses collateral management (collateral for open positions) for derivatives.

Retail Clients business segment

The retail clients portfolio 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 portfolio, apoBank makes use of our unique apoRate rating procedure tailored especially to apoBank customers, in addition to customer-specific economic analyses. Combined with our excellent expertise in the health care professions segment established over many years, these tools are good risk and early warning indicators. They represent a reliable basis for early detection of potential payment disruptions.

The processes of intensive loan management and problem loan management have proven their worth when dealing with customers in this portfolio. Provided the detected risks have no visible impact on the management of the customer's account, these customers are given intensive support with the objective of transferring them back to standard loan management as soon as possible.

Problem loan management comprises a catalogue of measures that we develop together with the customer, which serves to resolve their liquidity or earnings problems. The customer is primarily supported by the regional loan management's special customer service teams. Their responsibility is to support the customer during the recovery phase or – if a recovery is not possible – to pursue the termination of the commitment.

The Problem Loan and Receivables Management department at headquarters supports the regional loan management team and the branches in asserting apoBank's claims against non-payers.

Professional Associations and Large Customers business segment

The professional associations and large customers portfolio consists of loans to institutional health care organisations, large medical care structures, health care companies and other institutional clients.

Sophisticated rating procedures are used in this portfolio: 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, the portfolio belongs to the institutional exposure class; it is 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 companies producing or selling 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 used to assess the risk 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 all relevant corporation-specific and real estate-specific risk factors in order to accurately assess the borrower's creditworthiness.

Treasury, Participations and Corporate Center business segment

Financial instruments portfolio

The investment of available funds in the money and capital markets is used for liquidity and balance sheet structure management at apoBank. 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 includes derivatives to manage the Bank's interest rate risk. In the customer business, apoBank takes up only a limited number of positions in foreign exchange and securities trading. In addition, apoBank invests to a limited extent in start-up financing and co-investments in fund products sold to customers.

The VR bank rating of DZ Bank is the primary tool used for assessing creditworthiness in the financial instruments portfolio. apoBank has also established various early risk detection tools that are adapted to current market conditions. The established processes here include ongoing and systematic monitoring of relevant risk indicators allowing for a direct and timely response, should any action be necessary.

Participations portfolio

The participations portfolio contains apoBank's participations. Depending on their business purpose, they are classified as strategic, credit-substituting or financial participations.

Market risk

The market risks faced by apoBank are integrated into the general risk management framework. This is based on a differentiated system of risk measurement and risk control. The Bank's market risks primarily result from its overall interest rate risk and the change of credit spreads in the financial instruments portfolio.

We hedge currency risks as far as possible. Other market risks are of minor importance. apoBank's business and risk strategy does not include active trading of securities, for example, to exploit short-term fluctuation in prices.

To reduce market risk and hedge its transactions, apoBank regularly employs interest and currency derivatives. Derivatives to hedge interest rate risk are employed both at transaction level (micro hedges) and Bank-wide level (strategic interest rate risk management).

Asset swaps, for example, are concluded at the level of specific securities transactions. To hedge interest rate risks for simply structured passive products, we apply micro hedges in the form of structured derivatives. However, some of the issuances are not hedged using micro hedges, but serve as hedges for fixed-interest loans (natural hedge). In addition, 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 avoid losses from currency fluctuations, apoBank hedges foreign currency positions with FX forward transactions.

Bank-wide interest rate risk

The Bank-wide strategic interest rate risk management is based on an integrated management approach which includes both periodic and present-value parameters. The Bank distinguishes between the periodic net interest income risk and the present-value interest rate risk.

Our management objective is to achieve a moderate interest rate risk position at Bank-wide level and thus to stabilise interest income. The interest rate risk position, which results primarily from the Bank's customer business, focuses on the long term using derivative management instruments.

In measuring the periodic interest surplus risk, the impact of changes in the interest curve and missing targets in the customer business on the Bank-wide periodic interest result is simulated.

A key tool for monitoring the present-value interest rate risk 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. In addition, it assesses the changes in present value in other adverse market scenarios and calculates a value at risk based on historical simulations.

Valuation risk of financial instruments

To measure the valuation risk of the financial instruments, we apply the value-at-risk method of historical simulation. While the parameters for operational controlling purposes are based on the market development of the previous 250 days, the parameters for valuation risk measured for the risk-bearing capacity are based on a 250-day period of crisis or stress (stressed value at risk).

To complement this, we carry out stress tests and validate the valuation risk model used by employing backtesting methods (mark-to-model backtesting and mark-to-market backtesting).

Liquidity risk

apoBank's management of liquidity risk includes short and long-term liquidity management. Liquidity management is based on the ongoing analysis and comparison of cash inflows and outflows, which are compiled in a liquidity gap analysis and then limited. It is supported by structural and regulatory guidelines, stress analysis and a contingency plan. This ensures that in the event of threats to apoBank's liquidity the appropriate countermeasures are taken promptly.

The objective of short-term liquidity management is to ensure apoBank's solvency at all times. Long-term liquidity management ensures that the Bank's business model is refinanced at all times. The associated 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, sufficient diversification of the Bank's refinancing sources and compliance with regulatory requirements (liquidity ratio, liquidity coverage ratio and net stable funding ratio).

Refinancing risk is included in the risk-bearing capacity and is calculated and limited considering the required refinancing volume and costs in case of risk occurring. To assign the liquidity risks and costs according to their source and offset them, apoBank uses an internal liquidity price allocation system.

apoBank holds an extensive liquidity reserve consisting of ECB-eligible securities and cash reserves; the securities can be sold or used as collateral at any time. This gives apoBank sufficient liquidity in the event of a crisis and ensures compliance with regulatory requirements. The costs of the liquidity reserve to be held by apoBank are to be borne by the responsible business areas on the basis of the internal liquidity cost allocation.

A key refinancing source for apoBank are covered bonds (Pfandbriefe). The security of their recovery is monitored and controlled on a daily basis. The loans in the cover pool are selected defensively.

Business risk

The Bank's business risk comprises commission risk, cost risk and other income statement-related risk.

Commission risk

Commission risks arise in all business segments in which commission income is generated. At apoBank, these are the segments of Retail Clients, Professional Organisations and Large Customers as well as parts of the Treasury segment. Management of the commission risk is based on well-established processes, which include continuous monitoring and reporting.

Possible deviations from planned commission contributions are measured in the commission risk based on historical deviations from targets. The measurement of the commission risk itself is based on a value-at-risk approach (variance-covariance method).

Cost risk/other income statement-related risk

Cost risk and other income statement-related risk are assessed by means of a value-at-risk approach (variance-covariance method) based on historical deviations from targets. Cost risks are constantly monitored and controlled through a defined cost management process.

Operational risk

The starting point for controlling operational risk is the identification of potential operational risks by local risk managers based on self-assessments. The local risk managers 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 reports them to the Board of Directors. The essential 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. The security and stability of IT operations is guaranteed by a number of technical and organisational measures in particular. Fiducia & GAD IT AG, a specialised, quality-assured IT service provider, renders all services related to operational data processing and data management as well as most of the data archiving. The contractual agreements are based on current standards.

The measurement of unexpected losses from operational risks in the risk-bearing capacity is based on the standard regulatory approach.

Risk reporting

apoBank has a comprehensive, standardised reporting system. It serves as the basis for detailed analyses and for deriving and evaluating alternative actions as well as deciding on risk controlling measures.

Risk reporting to the Board of Directors comprises, among other things, monthly reporting on the risk-bearing capacity calculation including monitoring the limits for the significant risk types. In addition, reporting on the market risk limit utilisation in the financial instruments portfolio is carried out on a daily basis.

Issues 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 Audit, Loan and Risk Committee are informed regularly of the current economic situation and risk position as well as risk controlling and limitation measures. The Audit, Loan and Risk Committee also discusses significant investments, the sale and purchase of properties and the acquisition and divestment of long-term participations. The committee held a total of four meetings in the 2016 financial year.

Recovery governance

Pursuant to the legal and regulatory requirements of the Recovery and Liquidation Act (SAG) and the Minimum Requirements for the Design of Recovery Plans (MaSan), the Bank has a recovery plan that was updated for the first time in the year under review, as well as corresponding governance.

As a Single Supervisory Mechanism Institute (SSM institute) supervised directly by the European Central Bank (ECB), apoBank is subject to direct liquidation monitoring by the European authority for liquidation, the Single Resolution Board (SRB). For the purpose of establishing a settlement plan, apoBank submitted the relevant information for the first time in the year under review and conducted workshops with representatives of the responsible liquidation authority.

Details regarding development of the risk position in 2016

Risk-bearing capacity including stress tests

apoBank's risk-bearing capacity was guaranteed at all times in the year under review. In addition, the two Bank-wide risk limits derived from the applicable risk cover potentials, as well as all limits defined for the significant risks according to the going-concern approach were adhered to at all times.

In the going-concern approach, the utilisation of our economic capital by the measured risks amounted to 39.1% (31 December 2015: 38.3%). In the course of the year, the utilisation rate largely reflected the effects of regular business activities and volatilities in the financial market environment, fluctuating moderately in the range from 39.1% up to a maximum of 44.3%.

Risk (97% confidence level) increased to €432 million (31 December 2015: €409 million). Contributing factors to this development included the noticeable growth in the lending business, as well as the necessary investments in securities of the liquidity reserve. Furthermore, value fluctuation risks from participations as well as a risk premium for reputation cost were taken into account in calculations of the risk-bearing capacity for the first time. In contrast, there was also some relief provided by the lower risks in fixed-asset securities in particular.

The utilisation rate of the Bank-wide risk limit adopted for the going-concern approach, amounting to €562 million (31 December 2015: €553 million), was 76.9% at the end of the year (31 December 2015: 73.9%).

Risk-bearing capacity (going-concern approach/gone-concern approach)

as at 31 December 2016	€m	Share of risk cover potential	
			%
Risk cover potential	1,106/3,523	100.0/100.0	
Bank-wide risk position	432/1,409	39.1/40.0	

Significant risks

as at 31 December 2016	Actual risk	Limit utilisation
	€m	%
Credit risk	114/637	66.9/-
Liquidity risk	16/37	78.2/-
Operational risk	66/109	92.1-
Market risk	142/550	72.8/-
Business risk	94/76	89.9/-
Bank-wide risk limit	562/2,000	76.9/70.4

At the same time, the risk cover potential increased noticeably to €1,106 million compared to the previous year (31 December 2015: €1,066 million). Free regulatory equity that is not required for meeting the minimum capital requirements benefited from the expansion of regulatory equity in the course of the effective additions to reserves from the 2015 annual financial statements. Other economic capital remained almost unchanged compared to the previous year.

The regular Bank-wide stress tests in this risk management approach confirmed an overall stable utilisation of economic capital. The utilisation rates in different stress scenarios changed only slightly in comparison to the previous year.

In the complementary gone-concern risk management approach, the economic utilisation rate was on a level comparable to that of the going concern risk management approach. The utilisation of risk cover potential through

the risks measured in this approach amounted to 40.0% at the end of the year. The risks, which are measured on the basis of a confidence level of 99.9%, amounted to €1,409 million against a risk cover potential of €3,523 million. The Bank-wide risk limit of €2,000 million adopted for this approach was utilised at 70.4% at the end of the year.

Credit risk

The total unexpected loss (UEL) from credit risk faced by apoBank in the year under review was almost on a par with the previous year's level. The UEL of the retail clients portfolio dropped due to a methodological adjustment that better reflects the granularity of the portfolio. This decline was offset by the growth-related UEL increase in the professional associations and large customers portfolio and the UEL increase due to the inclusion of value fluctuation risks from participations. The limit for credit risk derived from the risk-bearing capacity was maintained at all times in the reporting year.

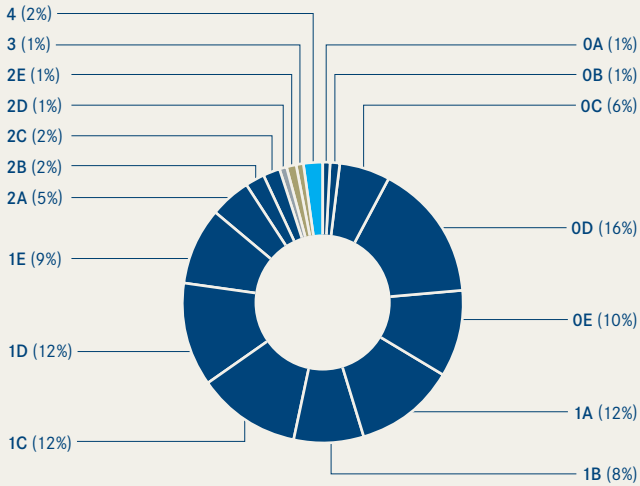
The rating system of apoBank

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

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

Rating class distribution in the retail clients portfolio

Volume distribution based on drawdowns
total of €26,829 million



The key developments in credit risks for the individual portfolios are as follows.

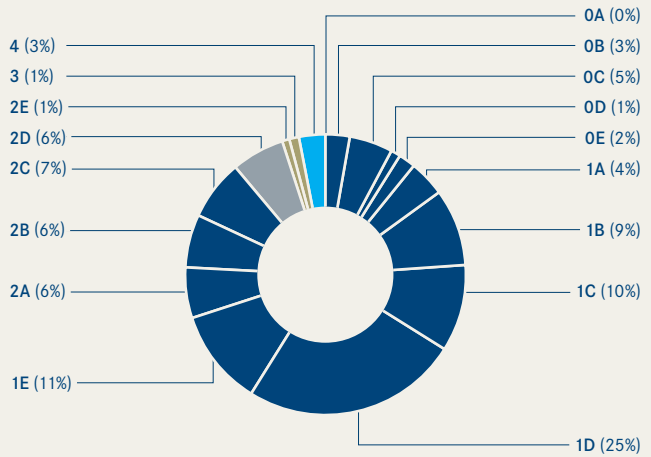
Retail clients portfolio

In the retail clients portfolio, due to the positive development of new business, drawdowns rose to €26.8 billion (31 December 2015: €25.9 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 very close to 100%. The portfolio is highly diversified. With around 187,000 borrowers, the largest individual risk accounts for only around 0.1% of the total drawdowns in this portfolio.

Rating class distribution in the professional associations and large customers portfolio

Volume distribution based on drawdowns
total of €3,599 million



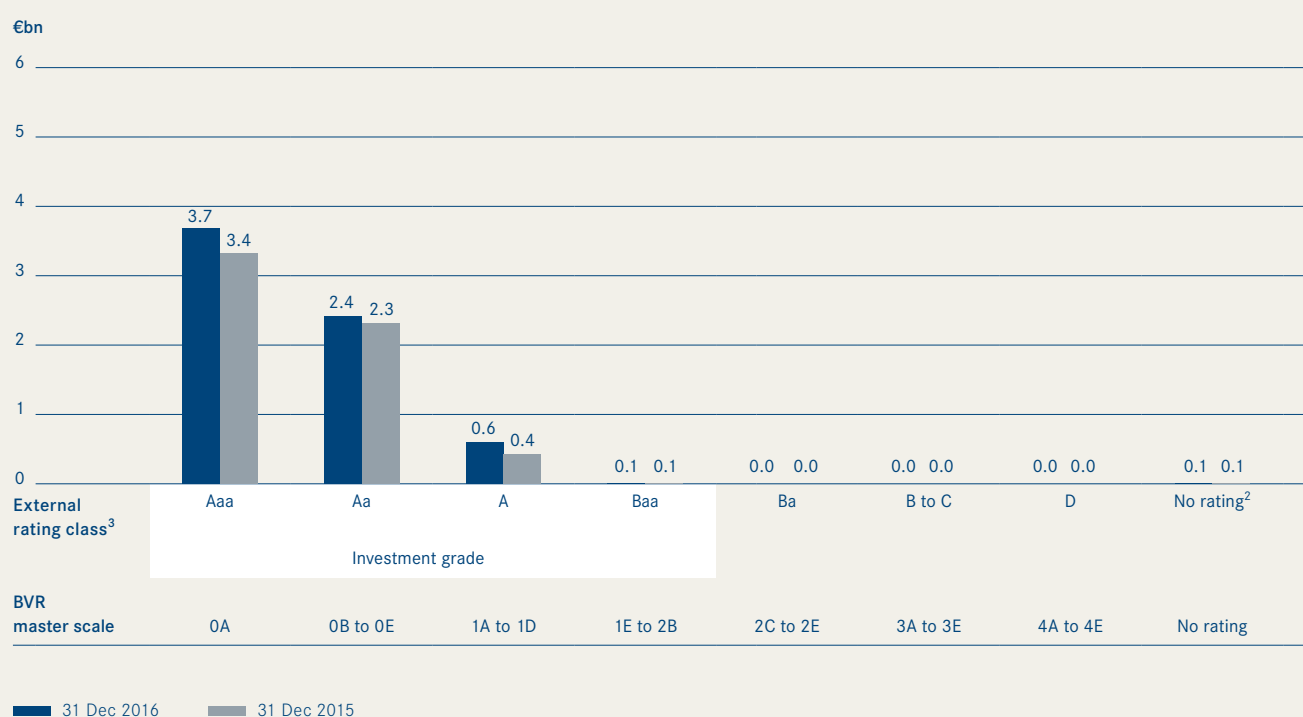
Value adjustments in the past financial year were significantly lower than in 2015. This confirms the above-average creditworthiness of health care professionals as well as apoBank's comprehensive financing expertise and effective risk management.

Professional associations and large customers portfolio

Total drawdowns in the professional associations and large customers portfolio increased by €0.5 billion compared to the previous year to a total of €3.6 billion (31 December 2015: €3.1 billion). The rating distribution of the portfolio remains balanced. The rating coverage was complete.

apoBank made value adjustments for the professional associations and large customers portfolio as at the reporting date of 31 December 2016, which exceeded the low level of the previous year.

Total exposure of financial instruments portfolio by rating class¹



1) Total exposure is generally the book value (loan drawdowns or credit equivalent amount). The exposure for the INKA funds is determined by looking at the underlying assets; the exposure is accounted for on a cost value basis.

2) The unrated exposures are mainly composed of interbank and fund items.

3) The letter ratings shown here comprise all rating classes of the respective rating segment (i.e. Aa comprises Aa1 to Aa3, for example).

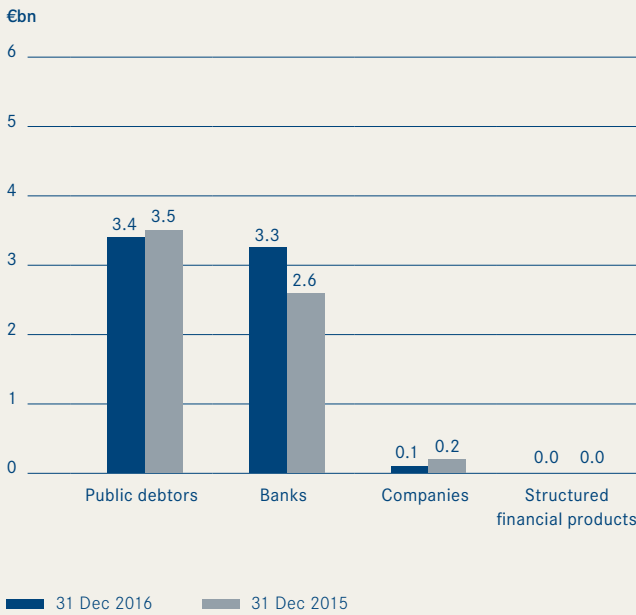
Financial instruments portfolio

The risk volume of the financial instruments portfolio amounted to €6.8 billion on the reporting date, an increase of €0.5 billion on the previous year's figure (31 December 2015: €6.3 billion). Contributing factors here were higher holdings of liquidity reserve securities and commercial papers as well as slightly higher balances in the inter-bank business.

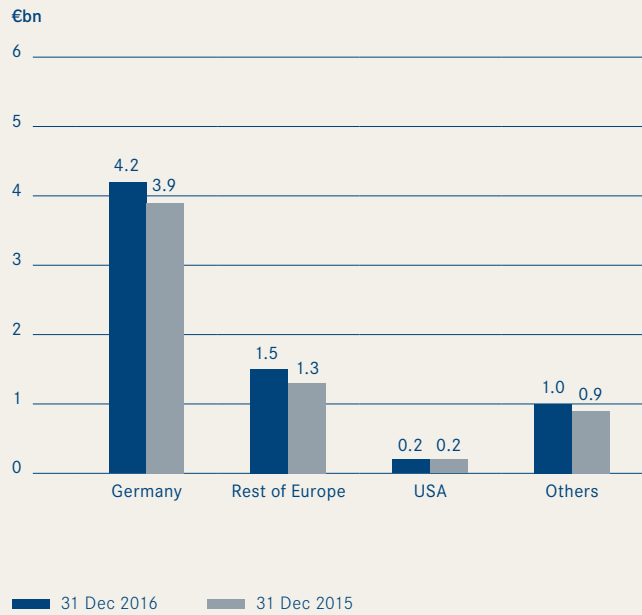
The risk volume of the derivatives in the financial instruments portfolio was €0.1 billion, which was less than the low level of the previous year (31 December 2015: €0.2 billion). apoBank uses derivatives primarily to hedge against interest rate risks in the customer business. As at the reporting date, the nominal volume amounted to €31.8 billion (31 December 2015: €29.3 billion).

As at 31 December 2016, as in the previous year, 99% of the financial instruments portfolio was rated in the investment grade range. Value adjustments were not required in 2016.

Total exposure of financial instruments portfolio by sector



Total exposure of financial instruments portfolio by country



Participations portfolio

The main development in the participations portfolio was the merger of the WGZ Bank AG with DZ Bank AG, which led to the use of hidden reserves at apoBank and thus a reduction in risk provisioning. Aside from the merger, there were no risk-related developments in this portfolio and no need for any significant value adjustments.

Market risk

The overall limit for market risk derived from the risk-bearing capacity (i.e. for the periodic interest surplus risk as well as the financial instruments valuation risk) was met consistently in 2016.

The stressed value at risk, applied within the scope of the risk-bearing capacity for valuation risks of financial instruments, decreased compared to the end of the previous year. The periodic interest surplus risk increased, however, in the course of the year. The valuation risk of the financial instruments, measured as part of operational market risk management, declined in 2016.

The results of the present-value regulatory stress calculations confirm moderate interest rate risks at a Bank-wide level. The regulatory reporting limit of 20% of regulatory equity (interest risk coefficient) was not reached at any time in 2016. The maximum utilisation of the interest risk coefficient at 16.2% was reached in March and amounted to 16.1% by the end of the year (31 December 2015: 17.1%).

Liquidity risk

apoBank's liquidity supply was guaranteed at all times throughout 2016.

The refinancing risk accounted for in the calculation of the risk-bearing capacity increased in the course of the year as a result of wider spreads. Overall, compliance with the limit established based on the risk-bearing capacity was maintained at all times.

With regard to insolvency risk, both the limits of the liquidity gap analysis and the limits according to regulatory requirements (liquidity coverage ratio – LCR; German liquidity regulation – LiqV) were maintained throughout the year. apoBank is already fully compliant with the final minimum requirements for the LCR. At the end of the year, the LCR reached 135% (31 December 2015: 109%).

Thanks to the increasing deposit volume and the rise in the number of Pfandbrief issues, apoBank's liquidity situation was comfortable. Compliance with the Pfandbrief cover pool limits was assured at all times in 2016.

Business risk

The limit for business risks derived from the risk-bearing capacity was maintained at all times in 2016. Overall, the measured risks fluctuated only slightly in the course of the year.

Operational risk

Operational loss increased slightly. The focus continued to be on legal risks.

The operational risk (OpRisk) considered in the calculation of the risk-bearing capacity increased compared to the previous year. This is due to a premium for reputation risks being taken into account for the first time in 2016. We derive this from the latest results of the OpRisk self-assessment. The limit for operational risks derived from the risk-bearing capacity was maintained at all times in 2016.

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

Risk management declaration according to Article 435 of CRR (1) (e)

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

The risk management system, including the controlling and monitoring methods, takes all significant risks for apoBank into account. Our risk management system is designed to ensure the compliance of each of the business divisions with the risk guidelines set out in the risk strategy, in addition to the identification, evaluation, limitation and monitoring of the significant risks.

Our risk-bearing capacity concept takes all significant risks into account; for the risk-bearing capacity calculations, these are compared to the risk cover potential available in each case. This helps 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-bearing capacity concept is also reflected in the result of ECB's supervisory review and evaluation process, which finds our minimum capital requirement to be below the industry average.

The risk management objectives and the management of risks are described both on a Bank-wide level and in terms of the significant risks in the risk report, which is part of the management report. It also contains information about our risk profile and the key performance indicators. The report is a comprehensive overview of our risk management policy and our risk-bearing capacity; in this regard, it demonstrates the relationship between apoBank's risk profile and risk tolerance.

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

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

Members of our Supervisory Board and our Board of Directors exercised a total of 27 executive functions and 21 supervisory functions in 2016 in addition to their positions at apoBank.

Knowledge, skills and experience of the members of apoBank's boards

The employee representatives on the Supervisory Board bring to their roles a range of experience and knowledge acquired over many years of working in positions of responsibility at apoBank. The representatives of the health care professions have held leading positions in the major organisations in the health care sector (associations, chambers and pension funds). Because of that, they have extensive knowledge in leading large organisations and in the areas of capital markets and risk management. 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 participate in regular and as-needed seminars in specific bank management and legal issues by both external and internal lecturers as part of a systematic training programme.

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 German Banking Act (KWG), the managing directors of an institution must be professionally competent and suitably reliable for the management of an institution and be able to dedicate sufficient time to their responsibilities. Professional competence is based on the assumption that the directors 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 the members' 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

According to the law and the German Corporate Governance Code, which apoBank has voluntarily adopted, 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. With regard to its composition, the Supervisory Board has designated targets according to the Company's specific situation that take into account the activities of the company, potential conflicts of interest and the number of independent Supervisory Board members. Another factor that is considered is the length of time each member has served on the Supervisory Board. The Supervisory Board has laid down in its rules of procedure that it shall comply with the legal requirements regarding the composition of the board and the suitability of its members. To achieve this goal, the Supervisory Board supports the Annual General Meeting in selecting appropriate members. In particular, it considers whether the candidates are able to make sufficient allowances for time in their schedules. In this context, in addition to the targets regarding the composition of the Supervisory Board, the board has also drawn up a set of guidelines as to what is required of the individual shareholder representatives and of the board as a whole. Furthermore, an action plan was developed to achieve this objective.

The Supervisory Board has drawn up a requirement profile for the members of the Board of Directors, which makes reference to general experience, knowledge, expertise and training. In addition, personal characteristics and general guidelines must also be kept in mind when selecting candidates.

Likewise, the Bank's diversity strategy is also based on statutory provisions in connection with the German Corporate Governance Code. On this basis, the Supervisory Board sets targets for its composition that take diversity into account. The Supervisory Board has manifested the respect for diversity in the Bank in its rules of procedure, especially with regard to the composition of the Supervisory Board. Under the premise that the desired professional expertise is represented as widely as possible on the board and that the Supervisory Board members' previous term of office is accounted for, the board encourages the representation of women, taking account of the target set for the proportion of women on the board. The targets and the achievement of the targets in terms of the proportion of women on the Supervisory Board and the Board of Directors can be found in the management report as well as the corporate governance report.

More information on corporate governance as well as details of the risk management objectives and risk policy can be found in the previous sections of the risk report.

Outlook

Slightly stronger growth in the global economy

In the current year, we expect a slight increase in global economic growth compared to 2016, at 3.4%. This forecast is based on two effects: On the one hand, growth in the US economy is anticipated to significantly accelerate. This is confirmed by the development of the leading indicators and the announcement of a more expansive fiscal policy by the newly elected US government. On the other hand, it is expected that important emerging markets in Latin America and Eastern Europe will gradually recover from the severe crises of the past few years.

In the euro area, the restrained growth is likely to continue. However, some of the individual short-term growth drivers of the past years will diminish in effect, such as the low energy prices and the weakening of the euro, which had a stimulating effect on exports. In terms of fiscal policy, no noticeable growth effect is to be anticipated for the euro area in 2017 either. Against this background and because of the dynamic trend in the leading indicators at the turn of the year, we expect a reduction in the growth rate to 1.4% for the year as a whole.

German economy set for growth

The German economy is still in a solid upswing. However, the growth of the German economy in 2016 was favoured by several exceptional effects which will probably no longer apply in the current year. In addition to the development of the euro and energy prices, these also include higher government spending against the backdrop of significantly increased immigration. Furthermore, growth was favoured in 2016 by calendar effects. Due to the excellent development of the labour market, it is expected that consumer spending will again provide a high contribution to growth in the current year. The German economy should receive additional impetus from the rising export demand from emerging markets. We anticipate a growth rate of about 1.3% in Germany in 2017.

Despite higher inflation, no end to low interest rates in sight

The rise in energy prices will increase global inflation significantly in the short term at the beginning of 2017. In Germany and in the euro area, inflation rates close to the ECB target level of just under 2% can thus be expected temporarily. In contrast to energy prices, no change is foreseeable for the other factors which are relevant to the development of inflation. This applies in particular to the persistently high unemployment and the resulting weak increase in wages in the euro area. Therefore, the ECB will presumably continue its highly-expansive monetary policy in the foreseeable future. Accordingly, the yield from government bonds is expected to remain low.

As in 2016, political developments will again be at the focal point of the economy and financial markets in the current year. After the United Kingdom's vote for a withdrawal from the European Union in 2016, the current year will be characterised by several important elections scheduled in European countries. A successful performance by parties critical of the euro and the EU entails the risk of growing uncertainty about the continued existence of the currency union. On the level of the global economy, the risk of increasing protectionist tendencies should be mentioned in particular; this has risen considerably in the wake of announcements by the new US government under Donald Trump. However, opportunities arise due to fiscal policy tending to become more growth-friendly; this could also lead to a normalisation of interest rates in the medium term.

Dynamic changes continue in health care market

The trends described in the "Business and general conditions" section also apply in 2017 and will stabilise further.

Significant changes for the health care market will arise in future due to proposed legislation, but also as a result of the ongoing trend of digitisation: This continues to drive the interconnectedness, cooperation and concentration of service providers in the health care market and will contribute to the emergence of new, interdisciplinary and cross-sector care products and services. These new companies are not only interesting as an employer for the next generation of medical professionals. They are also increasingly becoming investment targets for industrial health care companies and investors.

Cooperation and integration promote structural change

It is to be anticipated that the importance of new cooperative business and organisational forms will further increase in outpatient medicine. Drivers for this are both long-lasting quality improvements as well as economic considerations. The integration of outpatient, inpatient, rehabilitative and nursing care service providers will also intensify more and more. The structural change in the health care sector will continue – not only because of health policy developments, technological progress and digitisation, but also because the expectations of patients are changing.

Different trends in earnings situation of health care professionals

We expect a stable earnings situation in the case of pharmacies in 2017. Looking a little further into the future, we anticipate that the average operating profit will decline slightly. Overall, the number of self-employed pharmacists is likely to decrease further. Pharmacy start-ups will continue to primarily take the form of transfers, rather than new business ventures; the takeover of entire pharmacy networks will also increase. The current environment for pharmacies, entailing intense competition, more and more regulatory standards as well as national and international influences on the market development (such as the ruling of the European Court of Justice on the subject of bonuses on prescription medicines), will remain challenging.

The total remuneration of the statutory health insurance for panel doctors will increase by around €1 billion in 2017; this corresponds to growth of approximately 2.7%. The range of privately paid services will keep growing thanks to medical technology innovations. It can be assumed that patients will increasingly make use of these services, as health awareness is growing steadily.

Discourse about the long-planned revision of the fee schedule for physicians (GOÄ) declined noticeably. However, discussions and votings on the new GOÄ continue. It remains to be seen in 2017 what changes are still needed and when its implementation might be expected.

The situation for panel dentists is anticipated to be stable in 2017. The fee income for prosthesis and other dental services which can be negotiated regionally will probably rise moderately. As the already high share of privately billable services further increases, entrepreneurial dentists will be able to take advantage of the resulting growth opportunities beyond the scope of panel dental services. The trend towards dental medical care centres is likely to continue in 2017, with the number of centres increasing significantly in the future.

Health care market offers new opportunities

Overall, the health care market is and remains a growth market that will bring ongoing earnings and growth prospects to entrepreneurial health care professionals and health care companies in the future, too. Medical and technical progress will bring with it new possibilities for prevention, diagnosis and treatment, which will become increasingly necessary due to demographic trends. As a consequence, overall health care expenditure will continue to rise steadily. According to an expert committee of valuers consisting of experts from the German Federal Ministry of Health, the Federal Insurance Office and the Association of Statutory Health Insurance Funds, a rise in health care expenditure of around 5% is anticipated for the year 2017. In the collectively financed part of the health care system in particular, attention is increasingly focused on medical and pharmaceutical innovations that attach equal importance to costs, benefits, and quality of treatment.

Difficult general conditions for banks continue

The challenging business environment for German banks is not going to change significantly in 2017 and 2018. A noticeable turnaround in the interest rate level is not currently discernible. Banks must also prepare themselves for a prolonged period of uncertainty, with regard to both the banking business itself as well as the legal, political and economic environment. The European debt crisis remains unresolved and it is still uncertain as to exactly how Britain's withdrawal from the European Union will play out. The tendency towards a new nationalism – which is not just confined to some European countries – as well as rising protectionism are likely to cause additional turmoil in the capital markets. These developments will also continue to affect the profitability of banks. An additional factor is the increasing mechanisation of the banking business. Digitisation is forcing banks to rethink their entire business, their processes and their value chains. Customer requirements are also changing as a result of these new technical possibilities; this could lead to a fragmentation of the banking business. For this reason, the competition for customers and conditions will persist. Accordingly, the banks continue to push ahead with their cost reduction programmes, with the branch closures and personnel cutbacks that these entail. Banks also hope to achieve improvements in earnings by refining their business strategies, generating volume growth or making price adjustments.

An additional challenge for many banks is the necessary investment in their IT systems – on the one hand due to comprehensive regulatory data requirements and on the other because of increasing digitisation. As a result, securing sustainable profitability and access to capital resources remain the priorities for many institutions.

With our specialised business model, we have a unique feature that sets us apart in the banking market. On this basis, we are pursuing a growth strategy. We will systematically channel resources from administrative tasks into sales and customer support. Because of our strong position in the health care market, we are confident that we will continue to be successful, even in this difficult market environment. Here, we can also build on our excellent market penetration. To deal with the challenges of digitisation, we are implementing our apoFuture programme, which links all of our current activities. A major focus is the systematic combination of customers and data when developing innovative and demand-oriented solutions designed to provide added value for the customer. An important proviso here is the careful and transparent handling of our customers' data. Other topics include the interconnection of all communication channels for customers with the Bank and the stringent digitisation of internal processes.

Even though digitisation is going to have a lasting impact on the customer/bank relationship, apoBank – unlike many of its competitors – still believes in proximity to the customers and personal support. To this end, we are expanding our branch network selectively and strengthening our sales organisation.

Operating environment remains challenging

An expected increase in the number of customers and improved customer penetration will have a positive impact on the deposit business with retail clients as well as on lending. These are the key drivers for the development of net interest income. In addition, it will also remain strongly dependent on the actual shape of the yield curve. Overall, we expect a slight recovery in net interest income in 2017 and 2018.

We want to continue to expand net commission income. We expect increases predominantly in the securities business with our retail clients over the next two years; here we hope to benefit from our investments in sales. Additional contributions to profit will also be made through our commission-based business with institutional clients.

General administrative expenses will increase gradually in 2017 and 2018. In 2017, operating expenses will be the key drivers of a substantial increase. These include investments and expenses for the upcoming IT migration. Other operating expenses will only increase slightly. While we further strengthen sales, we want to be even more efficient in the central units. Overall, we expect a slight decline in personnel expenses in 2017; these will rise again in 2018, partly due to salary adjustments resulting from collective agreements. We will continue to make targeted investments in sales. On balance, we therefore anticipate that the operating result for 2017, or operating profit before risk provisioning, will fall below that of 2016. In 2018, we again expect a small increase.

After positive risk provisioning from the operating business in the 2016 financial year, we anticipate that this will once again be approximately equivalent to standard risk costs in 2017 and 2018, which would be an increase compared to 2016. We expect no significant value adjustments for financial instruments.

Based on our planning, net profit in 2017 and 2018 should stabilise at the 2016 level overall. This would allow us to further strengthen our capital position, albeit to a minor extent, and to distribute a stable dividend to our members.

Comfortable capital and liquidity situation

We expect slightly declining regulatory capital ratios in 2017 and 2018, after starting out at a high level. This decline is the result of the planned growth of our risk positions requiring equity in the retail clients and corporate clients businesses. Core capital will be strengthened through new members' capital contributions as well as reserves. apoBank's liquidity situation will remain comfortable in all probability, since it is supported by a broadly diversified customer and investor base. The liquidity gap analysis is solid both on a long and short-term basis.

Opportunities and risks of business performance

The main prerequisites for continuing to consolidate and expand our market position are the success of our sales campaigns and acceptance among our customers. This means we have an opportunity to achieve our strategic objectives more quickly, in particular our growth strategy for our core business, and to hone our business profile. In addition, we are continually working towards improving customer satisfaction and, by doing so, increasing customer loyalty.

We are counteracting the downward trend in the numbers of economically independent health care professionals by providing our specialised advisory services in an effort to reduce reservations about opening their own practice or branch. We also collaborate closely with the professional associations and work in regional networks to strengthen the integration of our range of advisory services and customer support. At the same time, we are continuing to expand the range of products and advisory services for salaried health care professionals and students.

Gradually adapting our range of services as digitisation advances opens up new access channels for our customers, which can have a positive impact on the earnings situation. Moreover, we expect higher customer loyalty and success in customer acquisition as a result of our investments in sales and our (digital) value-added services. In the long term, we also hope to continue to improve our process efficiency thanks to digitisation. Further opportunities should also open up through our business with corporate clients.

Additional challenges will arise due to further requirements of banking supervision. Opportunities for capital relief for banks applying internal rating procedures are expected to be significantly limited. In the long term, this will have tangible negative effects on apoBank's capital ratios. With strong growth in the lending business as planned and at the same time tighter regulations on capital requirements, the need to take measures that strengthen capital cannot be ruled out. Moreover, new legal regulations, specifically for consumer protection, are also going to lead to higher expenses.

The ongoing extremely low level of interest rates continues to be a burden on the banks' earnings situation. On the other hand, rising interest rates would have a positive effect on the earnings situation.

Added uncertainties arise from the opportunities and risks associated with the ongoing digitisation of the banking business, specifically in banking processes. Currently, a large number of fintech companies are entering the market, offering their IT services in segments of the banking business. Depending on how successful these new financial IT companies are and how established banks respond to these competitors, fintech companies are anticipated to significantly change the financial sector. However, this trend should result in numerous new business opportunities for the financial sector. Regardless of how much the banking sector is fragmented by these new companies – with increasing digitisation, the risk of cyber crime also increases, which fintechs as well as banks need to protect themselves against.

Overall, the environment described above mainly holds opportunities for apoBank. This is assured by our business model and our specialisation in academic health care professionals, their organisations and companies in the health care market.

Annual Financial Statements

Balance Sheet	106
Income Statement	108
Statement of Changes in Equity	109
Cash Flow Statement	110
Notes	111

Balance Sheet

Assets

	(Notes)	31 Dec 2016 €	31 Dec 2015 €
1. Cash reserves		1,126,237,063.62	1,078,498,680.37
a) Cash on hand		38,059,336.57	41,526,493.09
b) Cash in central banks		1,088,177,727.05	1,036,972,187.28
Including: in the German Federal Bank (Bundesbank)		(1,088,177,727.05)	(1,036,972,187.28)
c) Cash in post office giro accounts		0.00	0.00
2. Debt instruments of public agencies and bills of exchange, eligible for refinancing with central banks		0.00	0.00
3. Loans and advances to banks	(3, 13, 14, 17, 23, 27)	1,254,311,439.21	1,052,920,476.66
a) Mortgage loans		0.00	0.00
b) Local authority loans		0.00	0.00
c) Other receivables		1,254,311,439.21	1,052,920,476.66
Including: due on demand		(765,004,649.03)	(588,514,595.28)
Including: lending against securities		(0.00)	(0.00)
4. Loans and advances to customers	(3, 13, 14, 17, 23, 27, 51)	29,492,492,758.89	27,892,890,853.47
a) Mortgage loans		7,823,707,179.29	6,896,646,419.35
b) Local authority loans		147,767,707.68	44,155,478.94
c) Other receivables		21,521,017,871.92	20,952,088,955.18
Including: lending against securities		(0.00)	(0.00)
5. Debt securities and other fixed-interest securities	(4, 5, 14, 15, 16, 17, 19, 23, 27, 51)	5,026,467,186.07	4,569,491,516.69
a) Money market papers		305,058,147.81	240,025,829.17
aa) of public issuers		0.00	0.00
Including: acceptable as collateral by the Bundesbank		(0.00)	(0.00)
ab) of other issuers		305,058,147.81	240,025,829.17
Including: acceptable as collateral by the Bundesbank		(275,013,087.81)	(240,025,829.17)
b) Bonds and debt securities		4,695,593,637.02	4,329,465,687.52
ba) of public issuers		1,645,430,198.98	1,838,493,571.41
Including: acceptable as collateral by the Bundesbank		(1,624,015,222.88)	(1,816,007,552.88)
bb) of other issuers		3,050,163,438.04	2,490,972,116.11
Including: acceptable as collateral by the Bundesbank		(2,993,834,539.82)	(2,436,983,689.13)
c) Own debt securities		25,815,401.24	0.00
Nominal amount		(25,725,200.00)	(0.00)
6. Shares and other non-fixed-interest securities	(4, 5, 16, 17, 18, 19, 23)	1,031,563,947.06	1,045,930,344.79
6a. Trading assets	(2, 16, 20)	0.00	65,395,811.23
7. Participating interests and capital shares in cooperatives	(6, 14, 16, 21, 23, 31)	212,846,285.38	201,215,346.80
a) Participations		212,674,837.99	201,043,899.41
Including: in banks		(174,845,243.34)	(163,062,933.99)
Including: in financial services institutions		(14,755,031.03)	(14,755,031.03)
b) Capital shares in cooperatives		171,447.39	171,447.39
Including: in cooperative banks		(0.00)	(0.00)
Including: in financial services institutions		(0.00)	(0.00)
8. Shares in affiliated companies	(6, 14, 16, 21, 23, 31)	9,363,179.61	9,363,179.61
Including: in banks		(0.00)	(0.00)
Including: in financial services institutions		(1,292,236.21)	(1,292,236.21)
9. Trust assets	(22)	2,740,409.02	2,743,355.11
Including: fiduciary loans		(2,888.39)	(5,834.48)
10. Compensation claims against the public sector, including debt securities from their exchange		0.00	0.00
11. Intangible assets	(8, 23)	7,861,680.00	756,615.00
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		1,364,280.00	756,615.00
c) Goodwill		0.00	0.00
d) Payments in advance		6,497,400.00	0.00
12. Tangible assets	(7, 23)	165,900,072.54	175,654,334.72
13. Other assets	(24)	264,936,519.49	343,869,291.47
14. Prepayments and accrued income	(25)	8,866,303.36	8,369,445.69
a) From issuing and lending business		6,394,241.54	4,287,246.32
b) Others		2,472,061.82	4,082,199.37
15. Deferred tax assets	(26)	0.00	0.00
Total assets		38,603,586,844.25	36,447,099,251.61

Liabilities

	(Notes)	31 Dec 2016 €	31 Dec 2015 €
1. Liabilities to banks	(9, 30, 31, 51)	6,930,120,019.45	7,213,833,828.86
a) Registered mortgage Pfandbriefe issued		107,462,325.35	37,256,752.19
b) Registered public Pfandbriefe issued		0.00	0.00
c) Other liabilities		6,822,657,694.10	7,176,577,076.67
Including: due on demand		(118,935,906.70)	(440,792,295.82)
Including: mortgage Pfandbriefe and registered public Pfandbriefe delivered to the lender as collateral		(0.00)	(0.00)
2. Liabilities to customers	(9, 30, 31, 51)	25,796,539,864.48	23,587,577,406.89
a) Registered mortgage Pfandbriefe issued		1,435,875,033.55	741,164,219.49
b) Registered public Pfandbriefe issued		0.00	0.00
c) Saving deposits		93,314,807.87	114,253,964.67
ca) with an agreed notice period of three months		83,966,853.77	100,385,284.01
cb) with an agreed notice period of more than three months		9,347,954.10	13,868,680.66
d) Other liabilities		24,267,350,023.06	22,732,159,222.73
Including: due on demand		(19,352,749,137.74)	(18,142,470,518.96)
Including: mortgage Pfandbriefe and registered public Pfandbriefe delivered to the lender as collateral		(0.00)	(0.00)
3. Securitised liabilities	(9, 30, 31, 51)	2,934,249,367.08	2,738,704,615.59
a) Debt securities issued		2,934,249,367.08	2,738,704,615.59
aa) Mortgage Pfandbriefe		1,671,879,547.31	873,780,544.56
ab) Public Pfandbriefe		0.00	0.00
ac) Other debt securities		1,262,369,819.77	1,864,924,071.03
b) Other securitised liabilities		0.00	0.00
Including: money market papers		(0.00)	(0.00)
Including: own acceptances and promissory notes outstanding		(0.00)	(0.00)
3a. Trading liabilities	(2, 32)	0.00	27,209,844.09
4. Trust liabilities	(33)	2,740,409.02	2,743,355.11
Including: fiduciary loans		(2,888.39)	(5,834.48)
5. Other liabilities	(9, 34)	68,299,858.00	80,424,154.17
6. Prepayments and accrued income	(35)	14,515,510.33	16,821,518.16
a) from issuing and lending business		9,218,291.53	8,541,576.04
b) Others		5,297,218.80	8,279,942.12
6a. Deferred tax liabilities		0.00	0.00
7. Provisions	(10)	414,730,485.38	428,551,302.59
a) Provisions for pensions and similar obligations		180,265,941.49	177,491,310.00
b) Tax provisions		40,810,599.52	82,007,273.00
c) Other provisions		193,653,944.37	169,052,719.59
8. ---		0.00	0.00
9. Subordinated liabilities	(9, 31, 36)	136,221,234.13	155,675,331.31
10. Participating certificate capital		0.00	0.00
Including: due within two years		(0.00)	(0.00)
11. Fund for general banking risks		576,969,901.00	503,412,189.65
Including: special items pursuant to Section 340e (4) of the HGB		(0.00)	(1,442,288.65)
11a. Special items from currency translation		0.00	0.00
12. Capital and reserves	(37, 49, 55, 56)	1,729,200,195.38	1,692,145,705.19
a) Subscribed capital		1,143,725,022.60	1,123,587,452.08
b) Capital reserves		0.00	0.00
c) Revenue reserves		524,491,249.19	509,491,249.19
ca) Legal reserves		402,750,000.00	395,250,000.00
cb) Other revenue reserves		121,741,249.19	114,241,249.19
d) Balance sheet profit		60,983,923.59	59,067,003.92
Total liabilities		38,603,586,844.25	36,447,099,251.61
1. Contingent liabilities	(39)	498,317,841.48	580,710,297.78
a) Contingent liabilities from rediscounted, settled bills		0.00	0.00
b) Liabilities from guarantees and indemnity agreements		498,317,841.48	580,710,297.78
c) Liabilities arising from the provision of collateral for third-party liabilities		0.00	0.00
2. Other obligations		2,263,934,083.88	2,060,847,340.89
a) Obligations under optional repurchasing agreements		0.00	0.00
b) Placement and underwriting obligations		0.00	0.00
c) Irrevocable loan commitments		2,263,934,083.88	2,060,847,340.89

Income Statement

Income statement

	(Notes)	1 Jan – 31 Dec 2016 €	1 Jan – 31 Dec 2015 €
1. Interest income from	(41)	857,799,599.08	945,062,451.40
a) lending and money market transactions		858,306,444.33	934,741,723.48
b) fixed-interest securities and debt register claims		- 506,845.25	10,320,727.92
2. Interest expenses	(42)	- 248,675,863.96	- 285,861,401.92
3. Current income from		16,517,893.11	16,029,535.12
a) shares and other non-fixed-interest securities		3,000,038.93	2,700,025.12
b) participating interests and capital shares in cooperatives		10,509,854.91	10,358,633.76
c) shares in affiliated companies		3,007,999.27	2,970,876.24
4. Income from profit pooling, profit transfer agreements and partial profit transfer agreements		0.00	0.00
5. Commission income	(43)	214,169,310.94	199,916,059.39
6. Commission expenses		- 75,218,476.43	- 66,920,323.97
7. Net trading revenues	(2, 44)	726,369.47	410,536.47
8. Other operating income	(45)	44,908,784.48	45,691,780.52
Including: from discounting		(5,960.01)	(90,565.45)
9. ---		0.00	0.00
10. General administrative expenses	(46)	- 503,490,883.69	- 483,406,182.96
a) Personnel expenses		- 272,791,649.76	- 267,047,894.63
aa) Wages and salaries		- 233,023,817.88	- 210,674,060.61
ab) Social security contributions and expenses for pensions and benefits		- 39,767,831.88	- 56,373,834.02
Including: for pensions		(- 10,009,804.26)	(- 26,698,713.33)
b) Other administrative expenses		- 230,699,233.93	- 216,358,288.33
11. Depreciation, amortisation and write-downs in respect of intangible and tangible assets		- 12,953,609.08	- 12,585,020.90
12. Other operating expenses	(45)	- 44,587,813.78	- 53,567,403.77
Including: from discounting		(- 8,785,244.60)	(- 8,335,126.07)
13. Write-downs and value adjustments in respect of receivables and specific securities and allocations to provisions for credit risks		- 48,805,108.59	- 77,571,515.57
14. Income from write-ups in respect of receivables and specific securities and release of provisions for credit risks		0.00	0.00
15. Write-downs and value adjustments in respect of participating interests, shares in affiliates and securities treated as fixed assets		0.00	0.00
16. Income from write-ups in respect of participations, shares in affiliates and securities treated as fixed assets		34,191,540.81	1,183,112.87
17. Expenses from the assumption of losses		- 6,182.98	- 4,519.89
18. ---		0.00	0.00
19. Operating surplus	(60)	234,575,559.38	228,377,106.79
20. Extraordinary income	(47)	0.00	0.00
21. Extraordinary expenses	(47)	0.00	0.00
22. Extraordinary result	(47)	0.00	0.00
23. Taxes on income	(48)	- 98,492,255.89	- 94,538,633.31
24. Other taxes not reported in item 12		- 108,834.39	221,047.30
24a. Allocations to the fund for general banking risks		75,000,000.00	75,000,000.00
25. Net profit		60,974,469.10	59,059,520.78
26. Profit carried forward from the previous year		9,454.49	7,483.14
27. Withdrawals from revenue reserves		0.00	0.00
a) From legal reserves		0.00	0.00
b) From other revenue reserves		0.00	0.00
28. Allocations to revenue reserves		0.00	0.00
a) To legal reserves		0.00	0.00
b) To other revenue reserves		0.00	0.00
29. Balance sheet profit	(49)	60,983,923.59	59,067,003.92

Statement of Changes in Equity

Capital development

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 ¹	Contributions of silent partners		Legal reserves	Other revenue reserves	
	€thous	€thous	€thous	€thous	€thous	€thous
31 Dec 2015	1,123,587	0	0	395,250	114,241	59,067
Withdrawals	32,562	0	0	0	0	15,000
Additions	52,700	0	0	7,500	7,500	60,974
Distribution of annual result	0	0	0	0	0	44,058
31 Dec 2016	1,143,725	0	0	402,750	121,741	60,984

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 participations.

Cash Flow Statement

Cash flow statement

	31 Dec 2016	31 Dec 2015
	€m	€m
Result for the period (net profit/loss)	61.0	59.0
Write-downs, value adjustments and write-ups in respect of receivables and fixed assets	63.3	100.2
Increase/decrease in provisions	-13.8	64.9
Other non-cash expenses/income	73.9	71.9
Profit/loss from the sale of fixed assets	-26.0	-1.5
Other adjustments (on balance)	-0.4	-5.3
Increase/decrease in loans and advances to banks	-385.9	-83.4
Increase/decrease in loans and advances to customers	-1,648.8	-881.1
Increase/decrease in securities (unless financial assets)	-29.8	-150.2
Increase/decrease in other assets from operating activities	14.2	14.0
Increase/decrease in liabilities to banks	-278.6	-823.1
Increase/decrease in liabilities to customers	2,219.8	1,862.6
Increase/decrease in securitised liabilities	197.1	455.2
Increase/decrease in other liabilities from operating activities	-12.9	-18.6
Interest expenses/interest income	-609.1	-658.5
Current income from shares, non-fixed-interest securities, participations, capital shares in cooperatives and shares in affiliated companies	-16.5	-16.0
Expenses/income from extraordinary items	0.0	0.0
Income tax expense/income	98.5	94.4
Interest payments and dividend payments received	1,039.1	968.4
Interest paid	-202.9	-230.3
Extraordinary deposits	0.0	0.0
Extraordinary payments	0.0	0.0
Income tax payments	-77.1	-41.3
Cash flow from operating activities	465.1	781.3
Deposits from the sale of financial assets	484.5	1,025.9
Payments for investments in financial assets	-850.3	-1,015.4
Deposits from the sale of tangible assets	4.4	0.9
Payments for investments in tangible assets	-5.2	-5.9
Deposits from the sale of intangible assets	0.0	0.0
Payments for investments in intangible assets	-7.8	-0.6
Deposits from the sale of consolidated companies	0.0	0.0
Payments for additions to the scope of consolidation	0.0	0.0
Fund changes from other investment activities (on balance)	0.0	0.0
Deposits from extraordinary items	0.0	0.0
Payments for extraordinary items	0.0	0.0
Cash flow from investment activities	-374.4	4.9
Payments from increases in equity capital by partners	52.7	59.8
Payments for decreases in equity capital to partners	-32.6	-34.1
Deposits from extraordinary items	0.0	0.0
Payments for extraordinary items	0.0	0.0
Dividends paid to partners	-44.1	-40.5
Fund changes from other capital (on balance)	-19.0	-293.7
Cash flow from financing activities	-43.0	-308.5¹
Cash changes in liquid assets	47.7	477.7
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	1,078.5	600.8
Liquid funds at the end of the reporting period	1,126.2	1,078.5

1) Adjusted previous year's figure

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, GnR 410), as at 31 December 2016 were prepared according to the regulations of the German Commercial Code (HGB), taking into account the amendments resulting from the German Accounting Directive Implementation Act (BilRUG), 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 takes advantage of the option to provide information through the notes rather than the balance sheet.

2. Trading transactions

The criteria defined at apoBank for including financial instruments in the trading portfolio are unchanged year on year.

apoBank completely and permanently discontinued trading in December 2016 and reallocated its trading assets/liabilities to non-trading assets/liabilities pursuant to Section 340e of the HGB. The trading assets/liabilities remaining on the date of the reallocation comprise repurchased own issuances and foreign currency derivatives.

The amounts will be reallocated at the fair value as at the date of reallocation. For subsequent measurement, apoBank recognised the fair values of the repurchased own issuances at the date of reallocation (€24,148 thousand) as new costs in item 'Own debt securities' (assets, 5.c) pursuant to Section 255 (4) sentence 4 of the HGB. Write-downs of €48 thousand and write-ups of €42 thousand were incurred in the 2016 financial year for the former trading assets/liabilities of the repurchased own issuances. The negative balance of the fair value of foreign currency derivatives (€655 thousand) was recognised as an expense in item 'Net trading revenues'. The nominal value of the unreallocated foreign currency derivatives amounts to €1,512,354 thousand.

apoBank also reversed the adjustment for risk for trading assets/liabilities of €59 thousand, which had been performed pursuant to Section 340e (3) sentence 1 of the HGB, as well as the portion of the fund for general banking risks within the meaning of Section 340e (4) in conjunction with Section 340g of the HGB relating to the trading result of €1,442 thousand through profit or loss.

B. Accounting, valuation and translation methods

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

3. Loans and advances and risk provisioning

Loans and advances to banks and customers were carried at nominal value or acquisition costs, 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 in respect of inherent credit risks with consideration given to 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.

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

Structured financial instruments that show significantly higher or additional (distinct) opportunities or risks compared to the underlying instruments on account of the embedded derivatives are broken down into their individual components and reported and valued individually pursuant to relevant provisions. As a result, these instruments are recognised separately if unconditional or conditional purchase obligations are intended for additional financial instruments.

The costs of acquisition of the separately reported capital and reserves components result from the breakdown of the costs of acquisition of the structured financial instruments in relation to the fair value of the individual components. In the event that the fair value of the embedded derivatives 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.

5. Valuation units (hedge accounting)

At apoBank, micro-hedge units and portfolio valuation units are formed to hedge risks. In this respect, micro-hedge units are used as part of asset swap packages and to hedge a part of own issuances. This hedges interest rate 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 according to the cost method. For part of the portfolio valuation units, the fair value method is applied. A prospective and a retrospective effectiveness test is performed.

In micro-hedge units, apoBank concludes the prospective effectiveness test 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 instrument correspond with each other.

For micro-hedge units with underlying transactions on the asset side, market value changes of the underlying and the hedging transactions are determined and netted by comparison with the last reporting date. If there is an excess loss resulting from unhedged risks, a specific valuation allowance 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 as long as it is considered a perfect hedge. The own issuance is posted at the redemption value and is not valued. Accordingly, the hedging derivative is also not valued.

In portfolio hedges, the risks of multiple underlying transactions of the same type are covered by one or more hedging instruments. The underlying transactions are alike in terms of their appropriation (currency, maturity, coupon).

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

As at the balance sheet date, the total volume of the risks hedged amounted to €1,000 million (31 December 2015: €998 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.

As at the reporting date, apoBank had designated 725 micro hedges with a nominal value of €10,361.3 million:

- 474 hedges on own issues against the interest rate risk with a nominal value of €6,164.8 million, including
 - 7 caps with a nominal value of €150.0 million,
 - 7 floors with a nominal value of €150.0 million,
 - 83 swaptions with a nominal value of €1,234.3 million,
 - 377 swaps with a nominal value of €4,630.5 million;
- 251 asset swaps to hedge against the interest rate risk of 157 acquired securities with a nominal value of €4,196.5 million.

As at 31 December 2016, a volume of foreign currency swaps from FX trading was used in the amount of €397 million as valuation units, of which €383 million to hedge offsetting FX swaps and €14 million to hedge a loan in foreign currency.

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

- €252 million in US dollars,
- €123 million in British pounds,
- €13 million in Japanese yen,
- €9 million in other currencies.

At the reporting date, apoBank had a volume of FX forward transactions of €321 million as valuation units, of which €320 million to hedge offsetting FX forward transactions and €1 million to hedge interest rate payments of a loan in foreign currency. The FX forward transactions can be broken down based on their currency as follows:

- €270 million in US dollars,
- €18 million in British pounds,
- €7 million in Swiss francs,
- €26 million in other currencies.

6. Participating interests and shares in affiliated companies

Participating interests and capital shares in cooperatives and shares in affiliated companies were reported at cost of acquisition or the lower fair value.

In the reporting period, the shares received following the merger of WGZ BANK and DZ BANK were valued in accordance with general exchange principles, resulting in income being recognised.

7. Fixed assets/tangible assets

Tangible assets were carried at cost of acquisition less scheduled depreciation.

Buildings were depreciated on a straight-line basis throughout the useful life or using declining-balance rates; movable assets were depreciated on a straight-line basis throughout the useful life. Low-value assets within the meaning of Section 6 (2) of the German Income Tax Act (EStG) were completely written off.

8. Fixed assets/intangible assets

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

9. Liabilities

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

10. Provisions

The provisions for pension liabilities as at 31 December 2016 were calculated based on the actuarial tables 'Richttafeln 2005 G' (Heubeck) using the projected unit credit method on the basis of an interest rate of 4.01% (average for the past ten financial years), a wage increase trend of 3.00% and a pension increase trend of 1.75%. At 31 December 2016, the difference pursuant to Section 253 (6) of the HGB amounted to €18,487 thousand.

apoBank recorded the releases and allocations in the balance sheet items 'Provisions for pensions and similar obligations' in relation to the interest effect in other operating income and as a net item under 'Personnel expenses'. Pension provisions and the provision for deferred compensation have been netted with the corresponding plan assets (initially in item 'Other assets') at their fair value in the amount of €13,618 thousand pursuant to Section 246 (2) sentence 2 of the HGB. In this case, fair value is equivalent to the acquisition costs. As the difference between income of €1,819 thousand and expenses of €1,963 thousand in connection with the reinsurance for pension obligations did not result in a surplus this year, expenses from the discounting of pension provisions amounting to €7,234 thousand could not be reduced.

The provisions for part-time retirement and anniversary payments were made on the basis of an interest rate of 4.01% and a wage increase trend of 3.00%.

Provisions with a remaining 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 are taken into account in item 'Personnel expenses'.

apoBank also made adequate provisions for other uncertain liabilities.

11. Derivative financial instruments

Derivative financial instruments are generally valued individually in accordance with the general valuation provisions of German commercial law (Sections 252 et seqq. of the HGB) and taking account of the realisation and imparity principle, unless valuation units are made to an acceptable extent in order to hedge balance sheet items or the derivatives are used for the control of 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.

Within overall bank control, apoBank generally uses all interest rate derivatives. They are used to hedge the interest rate risks in the banking book and manage net interest income.

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

12. Currency translation

apoBank translates items based on amounts in foreign currency or which were originally based on 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 economically balanced in respect of every foreign currency as at the balance sheet date. If special coverage existed, income and expenditure from currency translation are shown in the income statement in items 'Other operating income' or 'Other operating expenses'.

C. Notes to the balance sheet

Notes to assets

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

The receivables shown in the balance sheet have the following maturities:

Breakdown of loans and advances by residual terms

	Loans and advances to banks (A3)		Loans and advances to customers (A4)	
	€thous		€thous	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Accrued interest	117,842	302,334	3,959	3,554
Up to 3 months	1,083,895	748,012	759,735	730,657
More than 3 months to 1 year	50,000	0	1,854,906	2,033,815
More than 1 year to 5 years	2,574	0	9,302,940	8,431,952
More than 5 years	0	2,574	15,955,434	14,911,185

Loans and advances to banks (assets, 3) include receivables from the relevant central cooperative bank (DZ BANK AG) of €609,749 thousand (31 December 2015: €147,599 thousand).

Loans and advances to customers (assets, 4) include loans and advances with unspecified maturities of €1,615,518 thousand (31 December 2015: €1,781,728 thousand).

14. 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 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Loans and advances to affiliated companies	0	0	5	0	0	0
Loans and advances to associated companies	609,749	437,584	234,419	241,941	13,654	13,556

15. Debt securities and other fixed-interest securities

Of the debt securities and other fixed-interest securities (assets, 5) stated in the balance sheet, €548,187 thousand (31 December 2015: €410,770 thousand) will mature during the financial year following the balance sheet date. These amounts do not include accrued interest.

16. 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 and liabilities (A6a)	
	€thous		€thous		€thous	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Non-negotiable	0	0	1,031,564	1,045,930	0	0
Negotiable	5,026,467	4,569,492	0	0	0	37,577
Quoted	4,663,700	4,320,914	0	0	0	28,697
Unquoted	362,767	248,578	0	0	0	8,880
Negotiable securities not valued at the lower of cost or market	824,740	946,530	0	0		

	Participating interest and capital shares in cooperatives (A7)		Shares in affiliated companies (A8)	
	€thous		€thous	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Non-negotiable	212,731	150,675	9,363	9,363
Negotiable	115	50,540	0	0
Quoted	2	2	0	0
Unquoted	113	50,538	0	0

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

17. Securities portfolio/receivables by purpose

The securities portfolio and selected receivables are divided by purpose into the following categories:

Securities portfolio/receivables by purpose

	31 Dec 2016 €thous	31 Dec 2015 €thous
Loans and advances to banks		
Fixed assets	2,584	2,584 ¹

	31 Dec 2016 €thous	31 Dec 2015 €thous
Loans and advances to customers		
Fixed assets	15,049	15,857

	31 Dec 2016 €thous	31 Dec 2015 €thous
Debt securities and other fixed-interest securities		
Fixed assets	4,006,882	3,616,824
Liquidity reserve	1,019,585	952,668
Total	5,026,467	4,569,492

	31 Dec 2016 €thous	31 Dec 2015 €thous
Shares and other non-fixed-interest securities		
Fixed assets	54,245	68,612
Liquidity reserve	977,319	977,319
Total	1,031,564	1,045,931

1) Adjusted previous year's figure

18. Shares in special investment funds

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

Shares in special investment funds

Name of fund	Investment objective	Value in accordance with Section 278 of the KAGB in conjunction with Section 168 of the KAGB or comparable international regulations €thous	Difference to book value €thous	Distributions made for the total financial year €thous	Restriction of daily redemption
APO 1 INKA	Domestic and international bonds	609,663	65,660	0	no
APO 2 INKA	Domestic and international bonds	245,820	29,162	0	no
APO 3 INKA	Domestic and international bonds	245,820	29,162	0	no
Master fund coinvestments	Domestic and international equities, domestic and international bonds, FX forward transactions, futures	48,128	4,043	0	no

19. Financial instruments classified as fixed assets

Financial instruments classified as fixed assets¹

	Book value as at 31 Dec 2016 €thous	Fair value as at 31 Dec 2016 €thous	Omitted depreciation €thous
Banks	815,160	812,380	2,781
Public debtors	0	0	0
Companies	14,600	14,204	395
Total	829,760	826,584	3,176

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

Impairments are not regarded as permanent if they can be attributed to increased market interest rates and a deterioration in market liquidity.

20. Trading assets

The balance sheet item 'Trading assets' can be broken down as follows:

Trading assets

	31 Dec 2016 ¹ €thous	31 Dec 2015 ¹ €thous
Derivative financial instruments		
FX forward transactions	0	7,390
FX swaps	0	20,488
Debt securities and other fixed-interest securities	0	37,577
Less VaR adjustment	0	- 59
Total	0	65,396

1) The fair values are shown.

The nominal values of the derivative financial instruments included in the item 'Trading assets' were composed of FX forward transactions amounting to €0 thousand (31 December 2015: €279,147 thousand) and FX swaps amounting to €0 thousand (31 December 2015: €475,534 thousand). apoBank completely discontinued transactions with trading assets/liabilities in December 2016 (see note 2).

21. List of holdings

The following list includes the significant participations pursuant to Section 285 no. 11 of the HGB. Pursuant to Section 286 (3) of the HGB, the list does not include participations of minor importance for apoBank's earnings, asset and financial position.

List of holdings

Company	Share in company capital on 31 Dec 2016 %	Year	Capital and reserves of the company €thous	Result of the past financial year €thous
Apo Asset Management GmbH, Dusseldorf	70	2015	7,033	2,993
APO Beteiligungs-Holding GmbH, Dusseldorf	100	2015	4,164	0 (- 4.5) ¹
APO Data-Service GmbH, Dusseldorf ²	100	2015	4,283	502
Kock & Voeste Existenzsicherung für die Heilberufe GmbH, Berlin ²	26	2015	204	85
medisign GmbH, Dusseldorf ²	50	2015	23	- 94
Konnektum GmbH, Dusseldorf ²	49	2015	197	- 1,326
aik Immobilien-Investmentgesellschaft mbH, Dusseldorf	67	2015	10,026	2,803
aik Management GmbH, Dusseldorf ²	100	2015	87	62
ARZ Haan AG, Haan/Rheinland	23	2015	55,437	6,705
Börse Düsseldorf AG, Dusseldorf	1	2015	52,747	473
CP Capital Partners AG, Zurich	24	2016	462	31
Deutsche Ärzte Finanz Beratungs- und Vermittlungs-Aktiengesellschaft, Cologne	25	2015	11,388	6,573
Deutscher Genossenschafts-Verlag eG, Wiesbaden	0 ³	2015	70,702	3,527
DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt/Main	1	2015	8,008,000	224,000
DZR Deutsches Zahnärztliches Rechenzentrum GmbH, Stuttgart	16	2015	24,329	20,579
Finanz-Service GmbH der APO-Bank, Dusseldorf	50	2015	431	- 1,502
GAD Beteiligungs GmbH & Co. KG, Münster	5	2016	117,992	3,010
gbs - Gesellschaft für Banksystem GmbH, Münster	10	2015	2,853	1,801
IWP Institut für Wirtschaft und Praxis Bicanski GmbH, Münster	26	2016	36	- 23
PROFI Erste Projektfinanzierungs- und Beteiligungsgesellschaft AG, Zurich	24	2016	4,805	2,581
Treuhand Hannover GmbH Steuerberatungsgesellschaft, Hanover	26	2015	29,219	1,101
ZA Zahnärztliche Abrechnungsgesellschaft Düsseldorf AG, Dusseldorf	50	2015	6,898	1,853

1) Before profit transfer or loss assumption

2) Indirect participations

3) Share in company capital is less than 0.1%

Participations in corporations with limited liability pursuant to Section 340a (4) of the HGB with more than 5% of voting rights existed with respect to Treuhand Hannover GmbH Steuerberatungsgesellschaft, Hanover, ARZ Haan AG, Haan/Rheinland, Deutsche Ärzte Finanz Beratungs- und Vermittlungs-Aktiengesellschaft, Cologne, and Deutsche Zahnärztliche Rechenzentrum GmbH, Stuttgart.

22. Trust transactions

The trust transactions shown in the balance sheet are fiduciary loans totalling €3 thousand (31 December 2015: €6 thousand) and contributions held in trust totalling €2,737 thousand (31 December 2015: €2,737 thousand).

Trust assets comprise the following balance sheet items:

Balance sheet items

	31 Dec 2016	31 Dec 2015
	€thous	€thous
Loans and advances to banks	3	6
Participations	2,737	2,737
Total	2,740	2,743

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

23. Development of fixed assets

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

Tangible assets

	31 Dec 2016	31 Dec 2015
	€thous	€thous
Owner-occupied land and buildings	128,037	136,766
Office furniture and equipment	36,807	37,585

Development of fixed assets

	Acquisition/ production costs as at 1 Jan 2016 €thous	Changes in the reporting period			Acquisition/ production costs as at 31 Dec 2016 €thous
		Additions €thous	Disposals €thous	Transfers €thous	
Intangible assets	48,297	7,782	5	0	56,074
Tangible assets					
Land and buildings	265,911	396	8,188	0	258,119
Office furniture and equipment	103,520	4,849	440	0	107,929
Loans and advances to banks	2,574 ¹	0	0	0	2,574
Loans and advances to customers	15,400	0	800	0	14,600
Fixed-asset securities	3,647,630 ¹	850,346	475,131	0	4,022,845
Participating interests and capital shares in cooperatives	201,532 ¹	62,237	50,425	0	213,344
Shares in affiliated companies	9,942	0	0	0	9,942
Total	4,294,806¹	925,610	534,989	0	4,685,427

1) The previous year's figures were adjusted.

Amortisation/ depreciation (accumulated) as at 1 Jan 2016	Amortisation/ depreciation	Write-ups	Changes in total amortisation/depreciation as a result of			Amortisation/ depreciation (accumulated) as at 31 Dec 2016	Book values at the balance sheet date
			additions	disposals	transfers		
€thous	€thous	€thous	€thous	€thous	€thous	€thous	€thous
-47,541	-676	0	0	5	0	-48,212	7,862
-127,841	-6,659	0	0	5,474	0	-129,026	129,093
-65,935	-5,617	0	0	430	0	-71,122	36,807
0	0	0	0	0	0	0	2,574
0	0	0	0	0	0	0	14,600
-333	-393	137	0	196	0	-393	4,022,452
-317 ¹	-181	0	0	0	0	-498	212,846
-579	0	0	0	0	0	-579	9,363
-242,546¹	-13,526	137	0	6,105	0	-249,830	4,435,597

24. Other assets

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

Other assets

	31 Dec 2016	31 Dec 2015
	€thous	€thous
Capitalised premiums from options and caps	210,178	269,529
Tax receivables	20,830	33,550
Including: corporation tax credit pursuant to Section 37 (5) of the German Corporation Tax Law (KStG)	(16,787)	(33,316)
Receivables from asset management	24,180	23,524

25. Prepayments and accrued income (assets)

The prepayments and accrued income items include discount amounts from assumed liabilities of €6,394 thousand (31 December 2015: €4,287 thousand) as well as premiums for swaptions exercised of €0 thousand (31 December 2015: €1,085 thousand) and upfront payments of €396 thousand (31 December 2015: €986 thousand).

26. 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 2016, a net deferred tax asset existed. This deferred tax asset was essentially due to differences between the valuations in the trading and tax accounts for shares and other non-fixed-interest securities, loans and advances to customers, provisions for pensions as well as intangible assets.

The net deferred tax assets amounted to €193,077 thousand, thereof deferred tax assets of €193,131 thousand and deferred tax liabilities of €0.1 thousand.

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

27. Subordinated assets

Subordinated assets are included in the following items:

Subordinated assets

	31 Dec 2016	31 Dec 2015
	€thous	€thous
Loans and advances to banks	2,584	2,584
Loans and advances to customers	27,521	27,269
Debt securities and other fixed-interest securities	13,654	13,556
Total	43,759	43,409

28. Repurchase agreements

Repurchase agreements did not exist at the balance sheet date.

29. Foreign currency items

Assets include foreign currency items with a value of €266,399 thousand (31 December 2015: €271,240 thousand).

Notes to liabilities

30. Breakdown of liabilities by residual terms and other items

The liabilities shown in the balance sheet have the following maturities:

Breakdown of liabilities by residual terms

	Liabilities to banks (P1)		Saving deposits (P2c)		Liabilities to customers without saving deposits (P2a, 2b, 2d)		Securitised liabilities (P3)	
	€thous		€thous		€thous		€thous	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Accrued interest	80,593	85,686	0	0	75,292	86,163	6,181	7,739
Up to 3 months	352,458	993,824	84,189	100,612	21,414,891	19,292,752	517,121	736,368
More than 3 months to 1 year	743,664	702,260	4,308	3,854	763,194	951,199	226,655	601,804
More than 1 year to 5 years	2,806,283	2,625,789	3,519	8,029	2,082,780	2,617,475	1,301,291	590,794
More than 5 years	2,947,122	2,806,275	1,299	1,759	1,367,068	525,734	883,000	802,000

Liabilities to banks include €34,776 thousand (31 December 2015: €86,173 thousand) of liabilities to the relevant central cooperative bank (DZ BANK AG).

Of the liabilities to banks, €6,263,538 thousand (31 December 2015: €6,005,067 thousand) are secured by transfer of assets. These liabilities are mainly publicly funded loans.

Further securities with a book value of €125,000 thousand (31 December 2015: €255,000 thousand) have been pledged as additional security for public refinanced loan programmes. Irrespective of an assigned liability, we deposited cash collaterals of €328,430 thousand (31 December 2015: €173,476 thousand) within the framework of our collateral management for interest rate derivatives. Moreover, securities with a book value of €334,644 thousand (31 December 2015: €151,198 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)), €742,832 thousand (31 December 2015: €1,337,224 thousand) will mature in the financial year following the balance sheet date.

31. 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 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Liabilities to banks (P1)	0	0	34,776	334,091
Liabilities to customers (P2)	15,376	12,749	57,057	62,008
Securitised liabilities (P3)	0	0	0	0
Subordinated liabilities (P9)	0	0	0	0

32. Trading liabilities

The balance sheet item 'Trading liabilities' includes, based on the fair value of the assets:

Trading liabilities

	31 Dec 2016	31 Dec 2015
	€thous	€thous
FX forward transactions	0	7,270
FX swaps	0	19,940
Total	0	27,210

The nominal values of the derivative financial instruments included in the item 'Trading liabilities' were composed of FX forward transactions amounting to €0 thousand (31 December 2015: €279,156 thousand) and FX swaps amounting to €0 thousand (31 December 2015: €475,348 thousand). apoBank completely discontinued transactions with trading assets/liabilities in December 2016 (see note 2).

33. Trust liabilities

Trust liabilities are subdivided into the following balance sheet items:

Trust liabilities

	31 Dec 2016 €thous	31 Dec 2015 €thous
Liabilities to banks	3	6
Liabilities to customers	2,737	2,737
Total	2,740	2,743

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

34. Other liabilities

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

Other liabilities

	31 Dec 2016 €thous	31 Dec 2015 €thous
Premiums from options and caps carried as liabilities	29,497	42,869
Tax liabilities	8,316	4,506
Trade payables	7,101	4,405
Margin payments received	6,592	11,240

35. Prepayments and accrued income (liabilities)

'Prepayments and accrued income' (liabilities) include:

Prepayments and accrued income (liabilities)

	31 Dec 2016 €thous	31 Dec 2015 €thous
Premium from liabilities (securitised or unsecuritised)	1,834	96
Discount from claims	7,385	8,446
Other prepayments and accrued income	5,297	8,280

36. Subordinated liabilities

Expenses of €9,931 thousand were incurred in the past financial year (31 December 2015: €10,794 thousand). Early redemption of the subordinated liabilities is excluded.

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 by 2019, have a residual term of one to eleven years.

Subordinated liabilities with a nominal value of €132,500 thousand (31 December 2015: €151,500 thousand) carry the following rates of interest:

- subordinated bearer bonds with a 6-month Euribor variable rate plus 1.00%,
- subordinated promissory note bonds with fixed interest rates of 6.80 to 7.47%.

As at the balance sheet date, borrowings exceeding 10% of the balance sheet item amounted to €15,000 thousand (31 December 2015: €0 thousand); they bear interest of 7.35% and are due on 15 July 2019.

37. Capital and reserves

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

Subscribed capital

	31 Dec 2016 €thous	31 Dec 2015 €thous
Members' capital contributions	1,143,726	1,123,587
Of remaining members	1,133,800	1,109,354
Of departing members	8,100	12,315
Of terminated cooperative shares	1,826	1,918
Compulsory contribution due on shares in arrears	2	2

The revenue reserves (liabilities, 12.c)) developed as follows in 2016:

Revenue reserves		
	Legal reserves €thous	Other revenue reserves €thous
As at 1 Jan 2016	395,250	114,241
Transfers		
from balance sheet profit of the previous year	7,500	7,500
from net profit of the financial year	0	0
Withdrawals	0	0
As at 31 Dec 2016	402,750	121,741

38. Foreign currency items

Foreign currency items with an equivalent value of €252,490 thousand (31 December 2015: €269,793 thousand) are included in liabilities and with an equivalent value of €121,151 thousand (31 December 2015: €149,765 thousand) in off-balance-sheet contingent liabilities and other obligations.

39. Contingent liabilities

Acute risks of claims in connection with off-balance-sheet contingent liabilities are covered by provisions. The liabilities shown mainly refer to contracts of guarantee or open loan commitments to customers. 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

40. Derivative financial instruments

The volume of unsettled forward transactions affected by a settlement risk or currency, interest rate and/or other market risk arising from open positions, and in the event of counterparty default also from closed positions, amounted to €31,811 million as at 31 December 2016 (31 December 2015: €29,294 million). As at 31 December 2016, the following types of transactions were included therein:

Distribution of traded derivatives/types of transactions

Interest rate-related transactions

- Interest rate swaps
- Swaptions
- Caps/floors

Currency-related transactions

- FX forward transactions
- FX swaps

Stock-related transactions

- Stock options

apoBank enters into these forward transactions, which are subject to fluctuations as regards interest rates, exchange rates and market prices, for the purpose of hedging positions, for asset liability management as well as for strategic purposes within the scope of participations 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 the same as 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 various interest payment flows were calculated with forward rates derived from the current interest structure curve and then discounted with the swap curve in the same way as fixed payment flows. Since 2016, swaptions have been measured on the basis of the Black-Derman-Toy model and interest limit agreements on the basis of the Bachelier model.

The change in the methods used for the valuations resulted in the following differences:

Impact of the change in method on interest-based options

	Net present value pursuant to new method €m	Net present value pursuant to the Black model €m
Swaptions	-178.4	-167.3
Interest limit agreement	11.8	7.6

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

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

Risk structure

	Nominal value €m		Fair value €m	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Interest rate-related transactions¹				
Time to maturity up to 1 year	3,352	1,206	57	9
more than 1 year to 5 years	12,994	14,635	-18	165
more than 5 years	14,041	13,449	-246	-134
Subtotal	30,387	29,290	-207	40
Currency-related transactions				
Time to maturity up to 1 year	1,330	1	1	0
more than 1 year to 5 years	91	0	0	0
more than 5 years	0	0	0	0
Subtotal	1,421	1	1	0
Stock-related transactions¹				
Time to maturity up to 1 year	0	0	0	0
more than 1 year to 5 years	3	0	0	0
more than 5 years	0	3	0	0
Subtotal	3	3	0	0
Total	31,811	29,294	-206	40

1) Interest rate and stock-related transactions are reported under the items 'Other assets' (€210.2 million), 'Prepayments and accrued income (assets)' (€0.4 million) as well as under the items 'Other liabilities' (€2.7 million) and 'Prepayments and accrued income (liabilities)' (€3.4 million).

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

D. Notes to the income statement

41. Interest income

The item 'Interest income' includes €2,658 thousand (31 December 2015: €1,709 thousand) in negative interest income from deposits with the ECB and other banks, from collateral management, as well as from fixed-interest securities.

This item also includes material income related to other periods of €18,905 thousand for prepayment penalties (31 December 2015: €19,272 thousand).

42. Interest expenses

The item 'Interest expenses' includes €3,661 thousand (31 December 2015: €156 thousand) in positive interest expenses from borrowings from other banks and specific customer groups, from collateral management as well as from securitised liabilities.

43. Commission income

Commission income includes insurance brokerage services rendered for third parties amounting to €18,190 thousand (31 December 2015: €17,007 thousand).

44. Net trading result

In addition to the valuation of trading portfolio securities, the net trading result also includes valuation differences for derivatives in the trading portfolio including risk discounts/surcharges applied as well as income and expenses from the reallocation (see note 2).

The release of the special item pursuant to Section 340g of the HGB in conjunction with Section 340e (4) of the HGB of €1,442 thousand (31 December 2015: release of €378 thousand) was credited to the net trading result. Current interest income and expenses from the trading portfolio were included in interest income.

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

Other operating income of €44,909 thousand (31 December 2015: €45,692 thousand) includes, among other things:

Other operating income

	31 Dec 2016	31 Dec 2015
	€thous	€thous
Rental income	4,259	3,583
Release of reserves (related to other periods)	29,228	32,680
Accounting gains from the disposal of fixed assets and intangible assets (related to other periods)	1,717	451
Interest income from tax refunds (related to other periods)	0	236
Income from discounting	6	91
Income from currency translation	2,698	2,667

Other operating expenses of €44,588 thousand (31 December 2015: €53,567 thousand) result primarily from the following items:

Other operating expenses

	31 Dec 2016	31 Dec 2015
	€thous	€thous
Provisions for litigation costs ¹	12,474	29,920
Accounting losses from the disposal of fixed assets and intangible assets (related to other periods)	2	7
Interest expenses from tax arrears (related to other periods)	2,966	404
Provisions for derivatives valued separately	8,478	0
Expenses from compounding	8,785	8,335
Expenses from currency translation	1	1

1) Litigation risks include €5.4 million for apoBank's legal risks relating to real estate financing activities with the Licon Group.

46. General administrative expenses

Within the scope of the development of the branch structure, apoBank formed provisions of €17,765 thousand for the adjustments that might be required.

47. Extraordinary income and expenses

As in the previous year, no extraordinary income or extraordinary expenses were incurred in 2016.

48. Taxes on income

Income taxes are related exclusively to the profit from ordinary business activities of the current period and to the result of tax audits of the 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 €2,651 thousand from tax refunds for previous years (31 December 2015: €6,447 thousand), and expenses related to other periods of €18,746 thousand from tax arrears for previous years (31 December 2015: €14,418 thousand).

49. Proposal for the appropriation of balance sheet profit

In 2016, apoBank recorded a net profit of €60,974,469; the profit carried forward from the previous year amounted to €9,454. The Supervisory Board and Board of Directors will propose the following appropriation of profit at the Annual General Meeting:

Appropriation of balance sheet profit

	31 Dec 2016	31 Dec 2015
	€	€
Net profit	60,974,469.10	59,059,520.78
Profit carried forward from the previous year	9,454.49	7,483.14
Balance sheet profit	60,983,923.59	59,067,003.92
Allocations to legal reserves	8,000,000.00	7,500,000.00
Allocations to other revenue reserves	8,000,000.00	7,500,000.00
Dividends (4%)	44,974,944.49	44,057,549.43
Carried forward to new account	8,979.10	9,454.49

E. Other notes

50. Events after the reporting date

No events took place that were subject to reporting requirements between 31 December 2016 and 17 March 2017 when the Annual Financial Statements were prepared by the Board of Directors.

51. 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 profile

	Total volume of outstanding Pfandbriefe €m		Total amount of cover pool €m		Overcollateralisation %	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Nominal value	3,190	1,632	4,522	3,555	42	118
Net present value	3,341	1,751	5,087	4,005	52	129
Risk net present value ¹	3,390	1,681	5,151	3,794	52	126

	Maturity structure of outstanding Pfandbriefe €m		Maturity profile of cover pool €m	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Up to 6 months	55	0	189	163
More than 6 months to 12 months	40	38	207	182
More than 12 months to 18 months	324	55	218	154
More than 18 months to 2 years	119	40	236	174
More than 2 years to 3 years	415	126	406	383
More than 3 years to 4 years	85	415	430	312
More than 4 years to 5 years	566	85	429	352
More than 5 years to 10 years	805	855	1,911	1,479
More than 10 years	781	18	496	356

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

The cover pool comprises no derivatives.

Composition of the cover pool

Total amount of receivables used as cover	€m	€m	Share in the total amount of cover pool	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
By size class				
Up to €300 thousand	3,514	2,918	---	---
More than €300 thousand to €1 million	429	320	---	---
More than €1 million to €10 million	336	230	---	---
More than €10 million	126	35	---	---

By type of use (I) in Germany

Residential	3,595	2,890	---	---
Commercial	810	613	---	---

By type of use (II) in Germany

Flats	1,032	819	24	24
Single- and two-family homes	2,164	1,799	49	51
Multi-family homes	399	271	9	8
Office buildings	184	112	4	3
Retail buildings	0	0	0	0
Industrial buildings	0	0	0	0
Other commercially used buildings	626	502	14	14
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 2016	31 Dec 2015
	€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 data

	Residential		Commercial	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
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

52. Cover statement mortgage Pfandbriefe

Cover statement mortgage Pfandbriefe

	31 Dec 2016	31 Dec 2015
	€thous	€thous
Loans and advances to customers		
Mortgage loans	4,404,578	3,503,473
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 2016: €125,000 thousand, 31 Dec 2015: €55,000 thousand)	117,750 ¹	51,250 ¹
Total cover assets	4,522,328	3,554,723
Total mortgage Pfandbriefe requiring cover	3,190,400	1,631,900
Overcollateralisation	1,331,928	1,922,823

1) When calculating the cover, apoBank takes into account an internal security discount of 10% of the nominal value.

53. Other financial obligations

Other financial obligations amounted to €118,020 thousand at the end of 2016 (31 December 2015: €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 (BVR). Within the scope of the guarantee network, apoBank has assumed a guarantee obligation that amounted to €29,468 thousand at the end of the financial year (31 December 2015: €30,039 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.

54. Average number of employees

The average number of employees in 2016 was 2,142 (31 December 2015: 2,139) full-time and 447 (2015: 406) part-time employees. In addition, apoBank employed an average of 116 apprentices (2015: 116).

55. Changes in membership

Changes in membership

	Number of members	Number of cooperative shares	Uncalled liabilities €thous
Beginning of 2016	107,768	739,600	1,109,400
Additions 2016	4,198	35,135	52,703
Departures 2016	2,286	18,836	28,254
End of 2016	109,680	755,899	1,133,849

56. Capital contributions and uncalled liabilities of members

Capital contributions and uncalled liabilities of members

	31 Dec 2016 €thous	31 Dec 2015 €thous
The capital contributions of the remaining members increased in the year under review by	24,446	28,491
Uncalled liabilities increased in the year under review by	24,449	28,504

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

57. Auditors' fee

The expenses for the audit of the annual financial statements, other certification services, tax advice and other services of the auditor, RWGV (Rheinisch-Westfälischer Genossenschaftsverband e.V.), were €1,487 thousand in the year under review (2015: €1,795 thousand; the previous year's figure has been adjusted).

The expenses can be broken down as follows:

Auditors' fee

	2016 €thous	2015 €thous
Audit of the annual financial statements	1,208 ¹	1,116 ³
Other assurance services	55 ²	451 ³
Tax advice	0	0
Other services	224	228 ³

1) Of which release of reserves 2015: €54 thousand

2) Of which release of reserves 2015: €248 thousand

3) Adjusted previous year's figure

58. Remuneration of board members

According to Section 285 sentence 1 no. 9a of the HGB, the total remuneration granted to the Board of Directors amounted to €5,772 thousand in 2016 (2015: €4,928 thousand); the performance-related share of this total remuneration was 47.7% (2015: 39.2%). The total remuneration paid to board members in 2016 amounted to €4,868 thousand (2015: €4,744 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.

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 of former members of the Board of Directors and their surviving dependants amounted to €2,206 thousand (2015: €1,941 thousand). Pension provisions for this group of persons as at 31 December 2016 amounted to €23,149 thousand (2015: €25,546 thousand).

The total remuneration for members of the Supervisory Board was €1,136 thousand (2015: €905 thousand), which was divided up as follows: annual remuneration €644 thousand (2015: €563 thousand) and attendance fees €492 thousand (2015: €342 thousand).

59. Amounts due from board members

On the balance sheet date, the liabilities assumed from board members were as follows:

Amounts due from board members

	31 Dec 2016	31 Dec 2015
	€thous	€thous
Members of the Board of Directors	114	133
Members of the Supervisory Board	5,724	4,904

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

Deutsche Apotheker- und Ärztebank eG, 40547 Dusseldorf, Germany

The purpose of the cooperative is the economic promotion and support of its members and especially members of the health care professions, their organisations and associations. Its business includes carrying out transactions customary in banking 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.

Revenue of €765.6 million resulted from the operating result, excluding risk provisioning and general administrative expenses. Deutsche Apotheker- und Ärztebank's operating result amounted to €234.6 million based on HGB accounting.

The average number of employees (excluding members of the Board of Directors) in 2016 was 2,589.0.

The profit before tax of €234.6 million as at 31 December 2016 was largely generated in Germany. Taxes on income relating to this amount came to €98.5 million.

apoBank does not receive any public aid.

61. 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 simultaneously on its website.

62. Board of Directors

Members of the Board of Directors

- Herbert Pfennig, Chairman
- Ulrich Sommer, Deputy Chairman
- Olaf Klose (member of the Board of Directors since 1 August 2016)
- Eckhard Lüdering
- Dr. Thomas Siekmann
- Holger Wessling (member of the Board of Directors since 1 September 2016)

63. Supervisory Board

Members of the Supervisory Board

- Hermann Stefan Keller, Chairman, [pharmacist](#)
- Wolfgang Häck¹, Deputy Chairman, [bank employee](#)
- Ralf Baumann¹, [bank employee](#)
- Fritz Becker, [pharmacist](#)
- Marcus Bodden¹, [bank employee](#)
- Martina Burkard¹, [bank employee](#)
- Mechthild Coordt¹, [bank employee](#)
- Dr. med. dent. Peter Engel, [dentist](#)
- Sven Franke¹, [bank employee](#)
- Dr. med. Andreas Gassen¹ (since 10 June 2016), [physician](#)
- Dr. med. Torsten Hemker, [physician](#)
- Dr. med. Andreas Köhler (until 10 June 2016), [physician](#)
- Walter Kollbach, [tax consultant/auditor](#)
- Prof. Dr. med. Frank Ulrich Montgomery, [physician](#)
- Dr. med. dent. Helmut Pfeffer, [dentist](#)
- Robert Piasta¹, [bank employee](#)
- Dr. med. dent. Karl-Georg Pochhammer, [dentist](#)
- Christian Scherer¹, [bank employee](#)
- Friedemann Schmidt, [pharmacist](#)
- Ute Szameitat² (until 28 February 2017), [bank employee](#)
- Björn Wißuwa¹, [trade union secretary](#)

1) Employee representative

2) Representative of the executive staff

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

In 2016, 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
Herbert Pfennig	DFV Deutsche Familienversicherung AG, Frankfurt	Member of the Supervisory Board
	PEIKER acoustic GmbH & Co. KG, Friedrichsdorf	Deputy Chairman of the Supervisory Board, until 4 March 2016
	WGZ Bank AG, Dusseldorf	Member of the Supervisory Board, until 31 July 2016
Ulrich Sommer	aik Immobilien-Investmentgesellschaft mbH, Dusseldorf	1st Deputy Chairman of the Supervisory Board
	Apo Asset Management GmbH, Dusseldorf	Chairman of the Supervisory Board
	Internationale Kapitalanlagegesellschaft mbH, Dusseldorf	Member of the Supervisory Board
	Deutsche Ärzteversicherung AG, Cologne	Member of the Supervisory Board
Eckhard Lüdering	APO Data-Service GmbH, Dusseldorf	Chairman of the Supervisory Board
	CP Capital Partners AG, Zurich	Member of the Administrative Board
	GAD Beteiligungs GmbH & Co. KG, Münster	Member of the Supervisory Board
	PROFI Erste Projektfinanzierungs- und Beteiligungsgesellschaft AG, Zurich	Member of the Administrative Board
	Treuhand Hannover GmbH Steuerberatungsgesellschaft, Hanover	Member of the Supervisory Board
Olaf Klose	Apo Asset Management GmbH, Dusseldorf	Member of the Supervisory Board, since 22 November 2016
	Deutsche Ärzte Finanz Beratungs- und Vermittlungs-AG, Cologne	Deputy Chairman of the Supervisory Board, since 10 November 2016
	Finanz-Service GmbH der APO-Bank, Dusseldorf	Member of the Supervisory Board, since 17 November 2016 Deputy Chairman of the Supervisory Board, since 1 January 2017
Dr. Thomas Siekmann	Treuhand Hannover GmbH Steuerberatungsgesellschaft, Hanover	Deputy Chairman of the Supervisory Board, until 31 December 2016
	ZA Zahnärztliche Abrechnungsgesellschaft Düsseldorf Aktiengesellschaft, Dusseldorf	Member of the Supervisory Board

Mirko Engels	aik Immobilien-Investmentgesellschaft mbH, Dusseldorf	Member of the Supervisory Board
Steffen Kalkbrenner	ARZ Haan AG, Haan	Member of the Supervisory Board
Dr. Lars Knohl	APO Data-Service GmbH, Dusseldorf	Member of the Supervisory Board
Dr. Hanno Kühn	aik Immobilien-Investmentgesellschaft mbH, Dusseldorf	Member of the Supervisory Board
André Müller	Apo Asset Management GmbH, Dusseldorf	Member of the Supervisory Board
	APO Data-Service GmbH, Dusseldorf	Member of the Supervisory Board
Carsten Padrok	Finanz-Service GmbH der APO-Bank, Dusseldorf	Chairman of the Supervisory Board, until 31 December 2016 Member of the Supervisory Board, since 1 January 2017
	Deutsche Ärzte Finanz Beratungs- und Vermittlungs-AG, Cologne	Deputy Chairman of the Supervisory Board, until 10 November 2016
Peter Schlögell	Apotheken-Rechen-Zentrum GmbH, Darmstadt	Chairman of the Administrative Board, since 21 April 2016
		Member of the Administrative Board, until 21 April 2016
Dr. Barbara Schwoerer	APO Data-Service GmbH, Dusseldorf	Deputy Chairwoman of the Supervisory Board
	ARZ Haan AG, Haan	Deputy Chairwoman of the Supervisory Board
	Finanz-Service GmbH der APO-Bank, Dusseldorf	Member of the Supervisory Board, until 17 November 2016
Ute Szameitat	Apo Asset Management GmbH, Dusseldorf	Member of the Supervisory Board, until 21 November 2016

65. Name and address of the responsible auditing association

RWGV
Rheinisch-Westfälischer Genossenschaftsverband e. V.
Mecklenbecker Straße 235 – 239
48163 Münster
Germany

Dusseldorf, 17 March 2017
Deutsche Apotheker- und Ärztebank eG
The Board of Directors



Herbert Pfennig



Ulrich Sommer



Olaf Klose



Eckhard Lüdering



Dr. Thomas Siekmann



Holger Wessling

Certifications

Report of the Auditing Association	150
Responsibility Statement by the Legal Representatives	151

Report of the Auditing Association

We have audited the annual financial statements comprising the balance sheet, income statement, statement of changes in equity, cash flow statement and the notes, together with the financial accounts and the management report of Deutsche Apotheker- und Ärztebank eG, Dusseldorf, for the business year from 1 January 2016 to 31 December 2016. The financial accounting and the preparation of the annual financial statements and the management report in accordance with the regulations of the German Commercial Code (Handelsgesetzbuch, HGB) and the supplementary provisions of the Articles of Association are the responsibility of the Board of Directors of the cooperative. Our responsibility is to express an opinion on the annual financial statements together with the financial accounts and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Section 317 HGB and the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (German Institute of Certified Auditors). Those standards require that we plan and perform the audit in such a way as to enable us to detect with reasonable assurance any misstatements materially affecting the presentation of the earnings, asset and financial position in the annual financial statements in accordance with the generally accepted accounting principles and in the management report. Knowledge of the business activities and the economic and legal environment of the cooperative and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosure in the financial accounts, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual financial statements and the management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit, the annual financial statements comply with the legal regulations and the supplementary provisions of the Articles of Association and give a true and fair view of the earnings, asset and financial position of the cooperative in accordance with the generally accepted accounting principles. The management report is consistent with the annual financial statements, complies with the legal regulations, as a whole gives a true and fair view of the position of the cooperative and suitably presents the opportunities and risks of future development.

Dusseldorf, 24 March 2017

On behalf of

Rheinisch-Westfälischer Genossenschaftsverband e.V.

Thomas Kulina
Certified Auditor

Dieter Schulz
Certified 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, 17 March 2017
Deutsche Apotheker- und Ärztebank eG
The Board of Directors



Herbert Pfennig



Ulrich Sommer



Olaf Klose



Eckhard Lüdering



Dr. Thomas Siekmann



Holger Wessling

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Page 8: Michael Dannemann

This annual financial report is available at www.apobank.de.

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

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

