Interim Report

deutsche apotheker- und ärztebank

2016

Overview of Business Development

Overview of business development

Balance sheet	30 Jun 2016 €m	31 Dec 2015 €m	Change[1] %
Balance sheet total	38,092	36,447	4.5
Customer loans	28,546	27,893	2.3
Customer deposits	24,440	23,588	3.6

Income statement	30 Jun 2016 €m	30 Jun 2015 €m	Change[1] %
Net interest income[2]	332.4	359.8	– 7.6
Net commission income	68.5	67.8	1.0
General administrative expenses	– 243.6	– 240.5	1.3
Operating profit before risk provisioning	150.2	187.4	–19.8
Risk provisioning from the operating business[3]	9.4	–19.0	>–100
Risk provisioning with reserve character[4]	– 81.8	– 80.1	2.0
Operating result	77.8	88.2	–11.7
Net profit after tax	30.4	27.4	10.8

Key figures	30 Jun 2016 %	31 Dec 2015 %	Change[1] ppts
Total capital ratio (according to CRR)	26.4	26.1	0.3
Common tier 1 equity ratio (according to CRR)	22.8	22.0	0.8

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

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.

Content

Interim Management Report

Business and General Conditions

Above-average growth in the euro area at the beginning of the year

Real economic growth in the industrial countries was a moderate 0.4% in the first quarter of 2016 compared to the last quarter of 2015. Growth in the euro area countries was stronger than average, at 0.6%. As in the previous two quarters, private and government consumption, asset investment and inventory changes proved to be the drivers behind this growth, whereas net exports had a dampening effect. The economic recovery in the euro area was stimulated by the continued supportive monetary policy of the European Central Bank (ECB), a more expansive fiscal policy, a lower crude oil price and a brighter outlook on the labour market.

In Germany, real GDP growth was 0.7% compared to the previous quarter, 0.1 percentage points higher than the euro area average. As was the case in the entire currency area, in Germany the robust domestic economy was an important growth driver while net exports were a growth inhibitor. Increased construction activity contributed 0.2 percentage points to real GDP growth in the first quarter, which made an important contribution towards boosting the overall economic development in Germany.

In the USA, growth was below average in the first quarter. The country's real GDP growth rate in the first three months was 0.3% compared to the previous quarter. This is a slight decrease in the quarterly growth rate, which was previously 0.4%. In addition to private consumption, government consumption and net exports also contributed to growth. While the reduction of high inventories had a negative impact, investment activity remained growth-neutral on the whole. At the same time, the recovery on the labour market, which already showed a comparatively low unemployment rate, continued.

ECB announces comprehensive extension of expansive monetary policy

In the first quarter of 2016, the moderate economic recovery in the euro area continued to be accompanied by low inflation rates, with no prospect of change. According to the latest prognoses by the ECB, the inflation rate in the current year and in the next two years is to remain considerably below the target of 2%. Against this background, the ECB has decided on comprehensive monetary policy measures including the increase of the monthly bond-buying volume from €60 billion to €80 billion, the integration of euro area corporate bonds from the non-banking sector in the bond-buying programme and the reduction of the main refinancing rate to 0%. After the US Federal Reserve announced an increase in the key interest rate for the first time in nine years in December 2015, no further changes were made to the interest rates for the rest of the year until the closing date of this report.

The yield on German ten-year federal bonds fell from 0.6% at the beginning of the year to -0.1% at the end of June. The federal bonds had already reached a negative value for the first time before the "Brexit" referendum on whether the UK should remain in the EU was held on 23 June 2016. After the announcement of the results in favour of leaving the EU, a new all-time low of -0.17% was recorded in trading. In addition to the current political uncertainties in Europe, the gloomy economic outlook, low inflation rates and the continuing expansive orientation in monetary policy speak against an improvement of yields on federal bonds in the short to medium term.

The exchange rate of the euro against the US dollar remained essentially unchanged: With a rate of US$1.10 to the euro at the end of June, the European single currency had only gone up in value by around two cents since the beginning of the year.

Stock markets experience turbulent first six months

Almost all the world's major stock markets recorded a negative performance in the first half of the year. The EURO STOXX 50 declined by 13.5% from the end of 2015 to close at 2,825 points on 30 June 2016. The DAX fell by 10.6% to 9,600 points. At the beginning of the year, fears of a marked slowdown of growth in China and growing uncertainty over the extent of the negative consequences that this would have for the global economy had a detrimental impact. Doubts over the profitability of European commercial banks put pressure on their share prices and consequently on the market as a whole. Following a temporary recovery in the stock markets, the British referendum resulted in significant price losses.

Health care remains growth market, independent of economic conditions

Germany has a very efficient health care market, which remains a growth market due to advances in medicine and medical technology, demographic developments and increasing health consciousness amongst the population.

Changes in the framework conditions of the health care economy and for health care professionals also result in structural changes in the health care system. There is a widening gap between the capacities of and the demand for health care services. The task of providing health care is therefore becoming increasingly challenging.

Current health care policy has been addressing these developments. In 2015, a number of laws were introduced or initiated, including the Care Provision Strengthening Act (GKV-Versorgungsstärkungsgesetz), the E-Health Act (E-Health-Gesetz) and other acts on strengthening hospital structure, nursing care and prevention. These reforms aim to guarantee sustainable financing for continuously increasing health care expenditure and the nationwide provision of medical treatment close to patients' homes. In addition, they seek to accelerate cooperation between the service sectors as well as promoting a tangible improvement in the quality, effectiveness and efficiency of medical treatment and nursing care.

Ongoing increase in health care spending

Statutory health insurance achieved a surplus of €406 million in the first quarter of 2016. Health insurers' financial reserves increased to €14.9 billion by the end of March 2016. The outlook for the year 2016 is for a continued positive revenue trend, primarily because of the favourable economic situation.

The increase in expenditure per person insured by statutory health insurance amounted to 3.2% in the first quarter of 2016. In the same quarter of the previous year, the growth rate was still at 4.2% and this figure was 3.7% for 2015 as a whole.

Income from contributions to private health insurance increased by 1.4% in 2015 in comparison to the previous year. Expenditure for insurance services for the year 2015, on the other hand, amounted to around €26 billion, which is equivalent to a 4.1% increase.

Based on the previous data available for statutory and private health insurance, we anticipate increasing expenditure trends in both insurance sectors over the first half of 2016.

Increasing number of branch pharmacies

In the pharmacy sector, the differentiation of the market in terms of revenue and operating results is ongoing. At the same time, the number of individual pharmacies continues to decrease while the number of branch pharmacies and high-performing branch networks increases. The number of self-employed pharmacists is continuing to fall, whereas the number of salaried pharmacists is rising.

On average, an overall gain of 3% in turnover is anticipated for the pharmacy industry in 2016. However, the cost of goods will rise due to the continuously growing share of expensive, innovative pharmaceuticals and also because of the cutbacks in purchasing advantages. On the whole, the pre-tax operating result is expected to be somewhat lower than in the previous year.

Number of health care professionals employed in outpatient sector continues to grow

A further moderate rise in the fees for panel doctors is anticipated. In 2016, they are likely to go up by around 3.8%.

Young doctors and dentists in particular continue to show a preference for salaried positions in the outpatient sector instead of or prior to setting up their own practice. As a result, the number of self-employed panel doctors is decreasing. In outpatient dentistry in particular, there is a trend towards larger, medium-sized forms of service, organisation and management, which has been driven by the recently created opportunities for establishing dental medical care centres.

Steadily growing number of outpatient and inpatient nursing care facilities

Due to demographic developments and morbidity rates, the number of nursing care facilities will increase further in future. The existing range of nursing care facilities will gradually be supplemented by a growing range of community-based care facilities offering innovative concepts in living, service and support.

Hospitals under more financial pressure

Growing pressure to lower costs and enhance efficiency has been driving the processes of consolidation, integration and mergers in the field of inpatient health care due to the limited financial resources provided by the federal states and statutory health insurance. The trend towards real value losses of subsidies is expected to continue, one of the reasons for this being the debt limit imposed by the federal states. In order to adapt the structures of their offerings to the circumstances on the health care market, hospitals will be forced to invest more private capital to offset decreasing public subsidies. At the same time, driven by the market as well as health care policy, they are expanding their range of outpatient services.

Significant potential for health care companies

German health care companies are expected to continue to play an internationally leading role in the development and marketing of products and services in the health care industry, mainly due to the very advanced demographic change in Germany.

Retail clients

Positive development in retail clients segment despite challenging conditions

In the retail clients segment, we support pharmacists, physicians, dentists and veterinarians both professionally and privately with our apoPur advisory service, which is specifically tailored to their needs across various stages in life. With this concept, we were able to maintain our positive development over the first half of 2016 in spite of challenging market conditions. We continued to expand our client numbers in the first six months of the year, especially among students in academic health care professions as well as salaried and self-employed health care professionals. In order to keep expanding our advisory services, we hired additional advisors in the first six months of 2016, counter to the trend in the industry. At the same time, we maintained our branch network.

Stronger growth in lending reported

Thanks to our dynamic new business, particularly in real estate financing, and simultaneously decreasing redemptions, the loan portfolio with respect to retail clients increased. At the reporting date, this amounted to €24.7 billion (31 December 2015: €24.1 billion). Although the number of start-ups in the outpatient health care market in Germany has been declining, based on our extensive expertise in the industry 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 the first half of 2016 due to the low interest rates. In addition to public development 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. Competition with regard to terms and conditions continued. The real estate financing portfolio at the end of the reporting period was €13.3 billion, higher than the figure at the end of 2015 (31 December 2015: €12.7 billion).

Investment and private financing amounted to €5.0 billion as at 30 June 2016 (31 December 2015: €5.1 billion).

Performance of deposits in the context of the low-interest environment

In the reporting period, the average volume of demand, savings and fixed-term deposits of our retail clients rose to €13.5 billion (2015: €12.7 billion). Due to persistently low interest rates, our clients were primarily interested in investments with short-term maturities and high availability. The average volume of demand deposits increased significantly to €7.3 billion (2015: €6.4 billion). The average volume of the call accounts apoZinsPlus and apoCash rose to €5.5 billion (2015: €5.4 billion). Fixed-term deposits decreased to an average of €502 million (2015: €645 million); savings deposits averaged €99 million (2015: €130 million).

Securities business characterised by stock market volatility

Overall, the first six months of 2016 were characterised by uncertainty with regard to the further developments in the political environment as well as the international capital markets. In addition, the result of the Brexit referendum at the end of the first half of 2016 caused significant upheavals worldwide.

The low-interest environment and the high volatility on the stock markets caused demand for straight equity and bond investments to subside. The trend towards highly diversified mixed funds continued. A turnaround in open real estate funds was apparent, as demand for these grew. The deposit volume in the retail clients segment amounted to €6.7 billion (31 December 2015: €6.9 billion).

Growth in asset management

The growth trend in asset management continued in spite of the highly challenging market conditions. The number of clients in this segment increased to around 4,800 as at 30 June 2016 (31 December 2015: around 4,600 customers). Despite the expansion of the volume managed, the overall volume of managed assets decreased slightly due to capital market effects, to €2.5 billion (31 December 2015: €2.6 billion).

Favourable development in insurance business continued

The insurance business expanded considerably compared to the previous year, with a brokerage volume of around €194 million (30 June 2015: €174 million). This growth was driven by the increasing demand for index-linked insurance products and the use of specific insurance products as a substitute for financing redemptions.

Building society savings business declined

The building society savings business declined in the half-year period. Brokered building society savings amounted to €237 million, which was around 15% less than the previous year's figure (30 June 2015: €279 million). This is primarily due to the fact that the historically low interest rates have given rise to a trend in favour of traditional bank financing along with an increase in scheduled redemptions.

Professional associations, institutional investors and corporate clients

Close collaboration with associations of health care professional groups

Within the customer group of professional associations, advice in financial matters against the backdrop of health policy plays a major role. Deposits made by professional groups, i.e. particularly by associations of panel doctors and dentists, private medical clearing centres and professional pharmacy data processing centres, constitute an important part of apoBank's customer deposits.

In the first half of 2016, we succeeded in maintaining our business relationships with professional associations on a stable basis overall.

In the deposit business, our customers increasingly chose demand deposits over traditional term deposits. On average, customer deposits remained almost unchanged overall during the first half of the year, totalling €3.8 billion (2015: €3.9 billion).

Our lending business continued to focus on the provision of refinancing lines to professional pharmacy data processing centres. The average volume in the lending business was €267 million, which is on par with the previous year's figure (2015: €267 million).

Favourable development in our institutional investors business

The customer group of institutional investors primarily comprises the professional pension funds for health care and other liberal professions, as well as institutional buyers such as health care institutions, pension funds and other professional investors. With our comprehensive portfolio of investment products as well as banking and advisory services, we help our customers achieve their actuarial interest rates or target yields in a continuously challenging capital market environment.

Continued expansion in depository volume

In the current low-interest environment, our institutional investors are making increasing use of our efficient depository function (previously, deposit bank function) for master funds and individual special funds, allowing them to use these tools to apply their investment strategies and to achieve a broad diversification across various investment categories. Depository volume grew to €13.7 billion (31 December 2015: €12.7 billion), while the number of managed funds rose to 165 (31 December 2015: 157). Supported by our long-standing expertise and high degree of specialisation with regard to the needs of health care institutions, we have not only maintained our market position in spite of constantly intensifying competition from large international providers in particular, we have even strengthened it.

Institutional portfolio management for direct pension investments affected by market conditions

The segment of direct pension investments, traditionally an important component of capital investment for institutional investors, is particularly strongly affected by the historically low interest rate level. Instead of reinvesting mature funds, investors reallocate them to other, more promising investment categories. Against this backdrop, the volume of our professionally managed debt instruments has also declined: As at 30 June 2016, the volume in institutional portfolio management was €2.5 billion (31 December 2015: €2.8 billion). At the same time, the risk consciousness of our professional investors increased in the light of regulatory changes stipulating that investors will share in any losses if the issuer defaults, including senior loans. Therefore we saw a noticeable increase in demand for our credit assessment system apoScore, which provides customers with a qualitative assessment of issuers. Many of our investors use the tool as the main component of their risk management.

High demand for advisory services

We offer a comprehensive range of advisory services for the management of capital investments. In addition to their practical application for decision makers for ongoing asset management, they also provide reporting formats that are appropriate for internal committees and fulfil regulatory requirements.

Demand for our modular advisory services increased noticeably with growing risk awareness among our investors due to the volatile capital market environment. Our asset liability study offers investors long-term guidance for their capital investments on the assets side in relation to the payment obligations on the liabilities side of the balance sheet. Based on the results of these analyses, we help our investors optimise the strategic allocation of assets and support them with appropriate methods of risk measurement and tactical implementation.

Corporate client business continues to grow

In the corporate clients segment, apoBank pools its advisory expertise for companies in the health care market. These consist primarily of companies in the pharmacy wholesale and dental trade, in the pharmaceutical and medical technology industries as well as private clearing centres. We also support inpatient care providers such as clinics, rehabilitation centres and nursing homes, and we facilitate (real estate) project financing, in particular for medical centres and health care centres.

In the first half of 2016, we continued to make progress in the continuous expansion of our customer base while strengthening our existing customer relationships in the above industry segments. In particular, our proven expertise in the respective markets, the regulatory environment and remuneration regulations as well as our strong network in the health care system continue to represent significant added value for our clients.

We intensified our customer relationships during the half-year period. In the sub-segment of inpatient care in particular, we aim to focus more intensively on nursing care in addition to clinics and rehabilitation facilities. Furthermore, we are continuing to expand our product and service portfolio with a particular emphasis on specific solutions for each individual customer group.

Due to the persistently low interest rates and decreasing share of public subsidies, demand from providers of inpatient care (clinics, nursing homes) has risen markedly, as has demand for financing for real estate projects. The growth in the volume of business with pharmaceutical companies and companies in the medical and dental technology industry was only moderate due to their strong earnings and liquidity situation.

Overall, we continued to expand our financing volume in the corporate clients segment in the first half of 2016. As at 30 June 2016, the lending volume amounted to €2.2 billion, compared to €2.1 billion on 31 December 2015.

Net assets, financial position and results

Slow start to the 2016 financial year

As expected, apoBank's business performance in the first half of 2016 was affected by the ongoing challenging conditions in the industry and the economic environment as well as high volatility on the capital markets. Our operating result amounted to €77.8 million, which was, as planned, below the previous year's figure (30 June 2015: €88.2 million). Net profit after tax was €30.4 million (30 June 2015: €27.4 million). This is equivalent to a 10.8% increase on the previous year's figure.

Further rise in the number of members and customers

During the reporting period, we continued to focus on fulfilling apoBank's statutory purpose: helping the members and customers achieve their professional and personal goals with our specialised banking services. Pursuing this strategy, we continued the positive development in our member and customer base in the reporting period. In the first half of 2016, our customers numbered 406,000 (31 December 2015: 397,000 customers). At the same time, the number of our members increased to 108,382 (31 December 2015: 107,768 members).

In the following sections, we outline the main income and expenditure items for the first half of 2016.

Net interest income down year on year as expected

Due to the historic low-interest phase, net interest income was down year on year, as expected. It amounted to €332.4 million; this corresponds to a reduction of 7.6% (30 June 2015: €359.8 million). In the lending business, new loans remained stable at a high level, at €3.0 billion (30 June 2015: €3.0 billion). With the volume of redemptions lower than in the previous year, this development led to an increase in the loan portfolio on the balance sheet. Nevertheless, interest income was down on the previous year's level due to the low interest rates. We also recorded lower income contributions from our strategic interest rate risk management compared to the previous year, as expected; these previously implemented hedging measures are due to expire in 2016. On the refinancing side, relief continued during the reporting period. In customer deposits, the trend towards short-term demand deposits prevailed.

Capital market environment slows growth of net commission income

Net commission income rose slightly by 1.0% to €68.5 million (30 June 2015: €67.8 million). Due to the volatile capital market environment, development in the securities business was weaker than in the first half of the previous year. By contrast, we were able to record a positive trend in asset management, payment transactions and the insurance business.

Income statement

€m	30 Jun 2016	30 Jun 2015	Change %[1]
Net interest income[2]	332.4	359.8	– 7.6
Net commission income	68.5	67.8	1.0
General administrative expenses including write-downs	– 243,6	– 240.5	1.3
Net trading result	–0.5	<–0.1	>100
Balance of other operating income/expenses	–6.6	0.3	>–100
Operating profit before risk provisioning	150.2	187.4	– 19.8
Risk provisioning from the operating business[3]	9.4	–19.0	>–100
Risk provisioning with reserve character[4]	– 81.8	– 80.1	2.0
Operating result	77.8	88.2	– 11.7
Taxes	– 47.4	– 60.8	– 21.9
Net profit after tax	30.4	27.4	10.8

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.

General administrative expenses up slightly

General administrative expenses increased slightly by 1.3% in the first half of the year to €243.6 million (30 June 2015: €240.5 million). The main reason for the increase was operating expenditure, including depreciation, which rose by 4.7% to €122.7 million (30 June 2015: €117.3 million). Project costs for the upcoming IT migration and increased operating costs were the main contributing factors. The rise in wages and salaries brought about by the expansion of the workforce was more than offset by lower allocations to pension provisions. As a result, personnel expenses remained below the previous year's figure, at €120.9 million (30 June 2015: €123.2 million).

Operating result down year on year as expected

The operating result, i.e. profit before risk provisioning, amounted to €150.2 million, which was below the previous year's level, as expected (30 June 2015: €187.4 million). This was primarily due to the decrease in net interest income.

Risk provisioning reflects high quality of loan portfolio

At €9.4 million, risk provisioning from the operating business was positive (30 June 2015: -€19.0 million). Thanks to the good creditworthiness of our loan portfolio and our effective risk management, net allocations to individual loan loss provisions in particular remained below the previous year's level. Financial instruments and participations experienced write-ups on securities as well as on participations. As a result, we were able to post a positive contribution to operating income for this item.

Risk provisioning with reserve character amounted to €81.8 million (30 June 2015: €80.1 million). This item includes precautionary measures for unexpected future burdens.

Net profit up on previous year

The operating result reached €77.8 million, which was 11.7% lower than the figure for the previous year (30 June 2015: €88.2 million), as expected. Net profit after tax was €30.4 million (30 June 2015: €27.4 million). This result confirms apoBank's plans to pay out a dividend for the financial year 2016, while also making allocations to the reserves.

Balance sheet total up slightly

The balance sheet total amounted to €38.1 billion as at 30 June 2016, up 4.5% on year-end 2015 (31 December 2015: €36.4 billion). Loans and advances to customers increased to €28.5 billion (31 December 2015: €27.9 billion). Demand for our financing expertise remained high, resulting in an increase in the loan portfolio on the balance sheet. The securities portfolio totalled €6.5 billion (31 December 2015: €5.7 billion). The main reason for this slight increase is connected to the management of the Liquidity Coverage Ratio (LCR).

On the liabilities side, we once again substantially increased customer deposits. These amounted to €24.4 billion (31 December 2015: €23.6 billion). This also includes promissory note funds and registered bonds placed with our customers; these accounted for €3.2 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. The largest source of refinancing comes from customer deposits. In addition, we draw on Pfandbriefe and unsecured bonds placed with our institutional customers, members of the cooperative FinanzGruppe or the capital market. We also employ alternative sources of refinancing provided by the Kreditanstalt für Wiederaufbau (KfW) and the state development banks. As at the reporting date, customer funds totalled €24.8 billion (31 December 2015: €24.1 billion). In addition to customer deposits, this item also includes apoObligations placed with retail clients.

The volume of capital market-based refinancing funds, including promissory note funds placed with banks totalled €3.9 billion as at the reporting date (31 December 2015: €2.8 billion). New issues in our Pfandbrief business amounted to €922.5 million; this item includes our second mortgage Pfandbrief in a benchmark amount, which we placed on the capital market earlier in the year. The total volume of Pfandbriefe therefore increased to €2.6 billion (31 December 2015: €1.6 billion). Last year, apoBank made only limited use of the ECB open market operations as a refinancing option. On the basis of the new regulatory requirements on liquidity risk, we raised the volume of ECB-eligible securities to €4.9 billion (31 December 2015: €4.5 billion).

Equity ratios stable at a high level

apoBank's equity ratios continued to be very solid during the reporting period: The total capital ratio for apoBank calculated according to the Capital Requirements Regulation (CRR) amounted to 26.4% on the closing date (31 December 2015: 26.1%), while the common tier 1 equity ratio was 22.8% (31 December 2015: 22.0%).

Regulatory equity as at 30 June 2016 came to €2,470 million (31 December 2015: €2,411 million). Common tier 1 equity capital rose from €2,028 million at the end of 2015 to €2,134 million. The increase resulted from allocations to the fund for general banking risks and revenue reserves in the 2015 financial accounts as well as higher capital contributions. Unterminated capital contributions[1] increased to €1,116 million (31 December 2015: €1,109 million), which strengthened apoBank's financial position.

Risk-weighted assets increased to €9,342 million (31 December 2015: €9,227 million). The leverage ratio improved compared to the end of last year from 5.3% to 5.5%.

High credit rating for apoBank maintained

apoBank's creditworthiness, or its ability and willingness to fulfil all of its financial obligations fully and in a timely manner, is rated AA- by Standard & Poor's for long-term liabilities. In addition, Standard & Poor's and Fitch Ratings assess the creditworthiness of the entire cooperative FinanzGruppe. As apoBank belongs to the cooperative FinanzGruppe and is a member of the cooperative protection systems, these ratings also indirectly apply to apoBank.

Until May 2016, we also commissioned the rating agency Moody's Investors Service to assess apoBank's credit rating. After consideration of all credit rating agreements and taking our current and planned capital market activities into account as well as apoBank's scale and business alignment, 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 unsolicited. The agency's ratings remained stable.

Summary of net assets, financial position and results

Our sustainable business model continued to prove successful over the reporting period. Thanks to the stability and strength of our position on the market as well as our in-depth expertise in the health care market, we succeeded in further expanding our customer and member base. In doing so, we were able to build on the positive developments of preceding years. Net interest income was affected by the continuing low-interest phase. Income in the commission-based business was burdened by the adverse capital market environment.

Overall, our net profit was higher than in the previous year. These results confirm apoBank's ability to pay a dividend for the financial year 2016; at the same time, we were able to allocate further funds to our reserves.

apoBank's capital ratios are stable at a high level. This is a result of an improved capital base as well as a low volume of risk-weighted assets. The liquidity situation remained comfortable throughout the reporting period; it is characterised by a 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 the health care market, apoBank continues to contribute towards the overall success of the cooperative FinanzGruppe.

1) Unterminated capital contributions include those terminations that were already known as at 30 June 2016, but are not due to come into effect until the end of 2016.

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 safeguarding its continued capacity to pay out dividends and the possibility of retaining additional earnings to finance planned business growth.

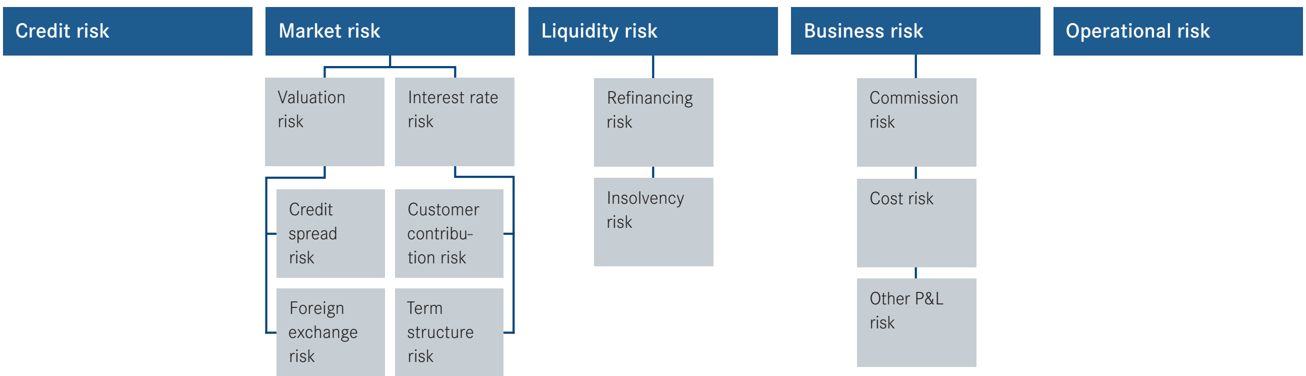
Risk management at apoBank includes the following essential elements that contribute to the achievement of the objectives outlined above:

- risk inventory,
- the business and risk strategy,
- risk-bearing capacity, including stress tests,
- risk control, risk measurement and risk limitation,
- risk reporting and reorganisation governance.

For a detailed description of risk management including the essential elements listed above, please refer to the risk report published in our Annual Financial Report 2015 (pages 77 to 94).

It should be noted that, effective as of 1 January 2016, the customer contribution risk was merged with the term structure risk, and is now indicated in the market risk.

Overview of the main quantifiable risk types at apoBank



Development of the risk position in the first half of 2016

Risk-bearing capacity including stress tests

apoBank's risk-bearing capacity was ensured at all times during the first half of 2016. The limits for financial year 2016, which were derived from the risk cover pool for the types of risk defined as significant, and the overall bank risk limit to the total amount of €562 million (31 December 2015: €553 million) were also consistently maintained.

The utilisation of our economic capital by the measured risks increased slightly in comparison with the end of 2015 to 44.3% (31 December 2015: 38.3%). In the first half of 2016, utilisation fluctuated in a low range and varied between 39.5% and 44.3%.

The risk cover pool remained almost unchanged compared to the end of 2015, totalling €1,060 million (31 December 2015: €1,066 million). This is largely a result of increased allocations to reserves.

Risks increased compared to the end of 2015 to €469 million (31 December 2015: €409 million). This was, however, mainly due to conceptual changes in economic risk measurement with regard to participation risks and reputation risks.

Credit risk

Credit risk in the customer business increased in the first half of 2016 along with a slightly increased portfolio volume. In our own business, too, there was an increase in risk, mainly due to rising volumes as well as broadening credit spreads in the aftermath of the Brexit referendum. Due to an additional fixed capital requirement for participation risks introduced at the beginning of the year, credit risk rose overall compared to the end of 2015. The limit for credit risks derived from the risk-bearing capacity was maintained at all times during the reporting period.

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

The rating system of apoBank

Meaning	Rating class (BVR master scale)	Probability of default in %	External rating class[1]
Commitments with **impeccable** creditworthiness, no risk factors (standard credit 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 credit 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 credit management)	**2B**	0.75	Baa3
	2C	1.10	Ba1
Commitments with **greater** risks (intensive credit management)	**2D**	1.70	Ba2
High-risk commitments (problem credit management)	**2E**	2.60	Ba3
	3A	4.00	B1
	3B	6.00	B2
Higher-risk commitments (problem credit management)	**3C**	9.00	B3
	3D	13.50	
	3E	30.00	Caa1 to C
Commitments **threatened by default** (defaulted according to SolvV definition) – Commitments overdue by more than 90 days – Commitments for which a loss provision was allocated in the previous year or a loss provision has been made in the current year (problem credit 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. Since the BVR master scale is broken down into very small steps und thus contains more rating classes than Moody's rating system, not every external rating class is matched with an internal one.

Retail clients business segment

The retail clients portfolio is largely comprised of loans to health care professionals, cooperations in outpatient care as well as small enterprises in the health care sector if these companies' risks are borne by health care professionals.

Over the course of the first half of the year, the drawdowns in this portfolio increased to €26.3 billion (31 December 2015: €25.9 billion). The rating coverage is 100%. This portfolio is highly diversified and continues to exhibit a typical rating distribution for this customer group with an emphasis on good and average rating classes.

For this portfolio, apoBank only needed to make minimal risk provisioning during the first half of the year. This was significantly lower than in the previous year. The low level of risk provisioning 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 business segment

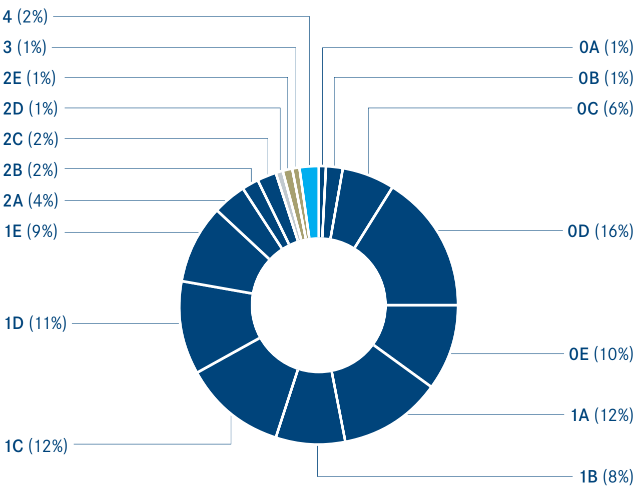
The professional associations and large customers portfolio consists of loans to institutional health care organisations, inpatient care facilities, health care companies as well as other institutional customers.

Drawdowns in the professional associations and large customers portfolio totalled €3.2 billion, a slight increase compared to the end of 2015 (31 December 2015: €3.1 billion). The rating distribution of the portfolio remains balanced. The rating coverage was 100%. Risk provisioning for the professional associations and large customers portfolio remained at a low level until the closing date of 30 June 2016. This was an increase on the amount in the previous year's period, during which the Bank did not have to undertake any risk provisioning.

Rating class distribution in the retail clients portfolio

Volume distribution based on drawdowns

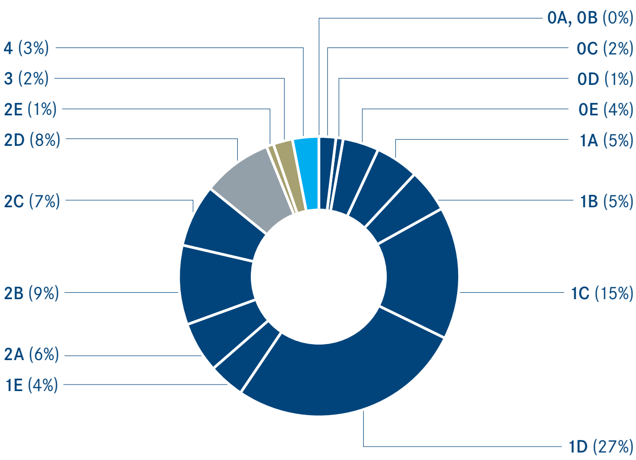
Total of €26,334 million



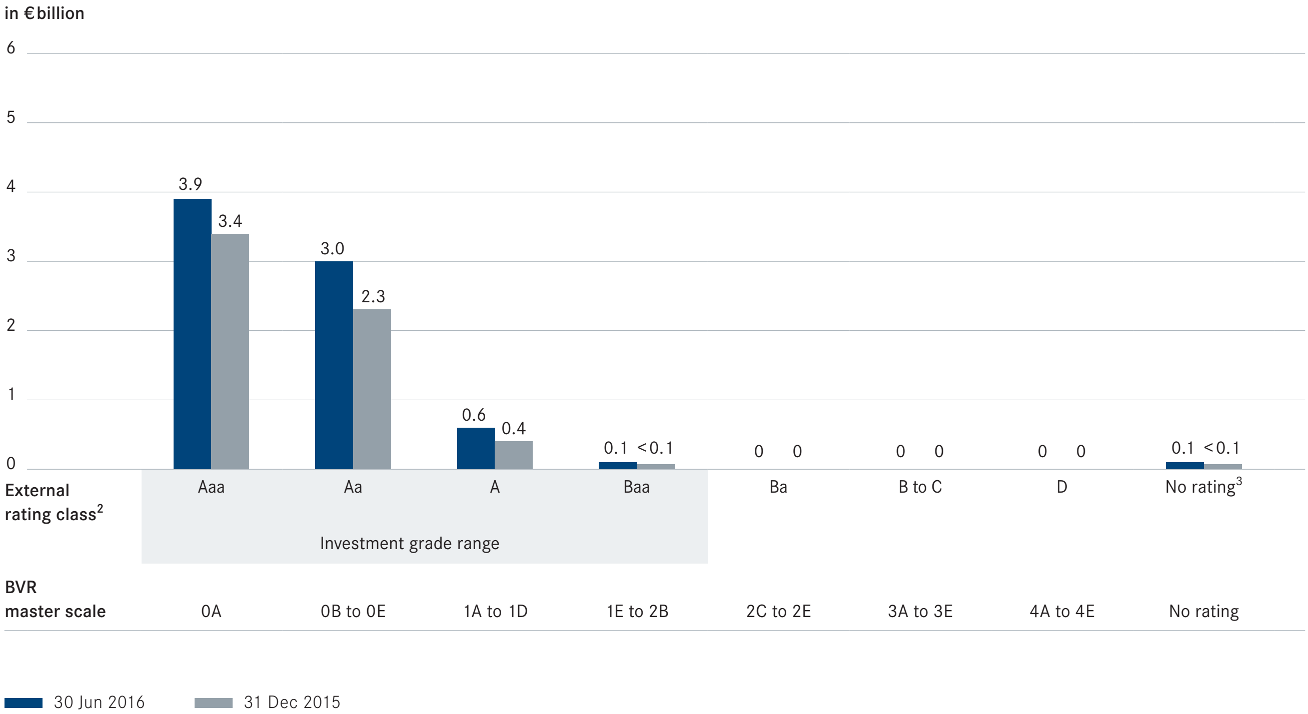
Rating class distribution in the professional associations and large customers portfolio

Volume distribution based on drawdowns

Total of €3,188 million



Total exposure of financial instruments by rating[1]



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

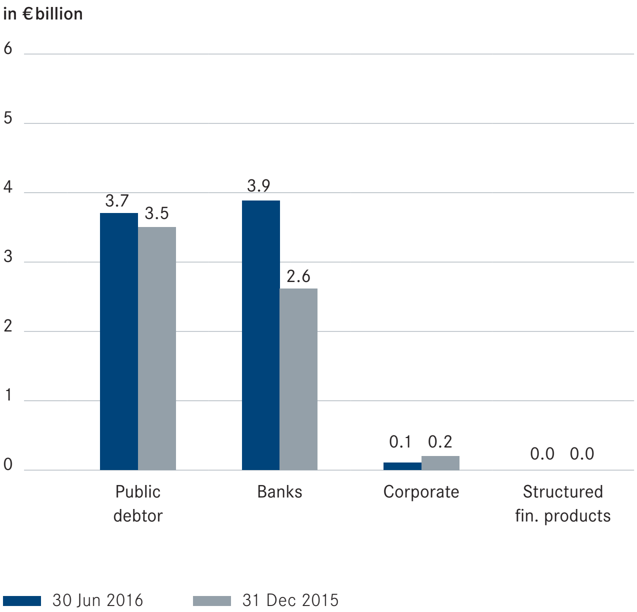
Treasury, participations and Corporate Center business segment

Financial instruments portfolio

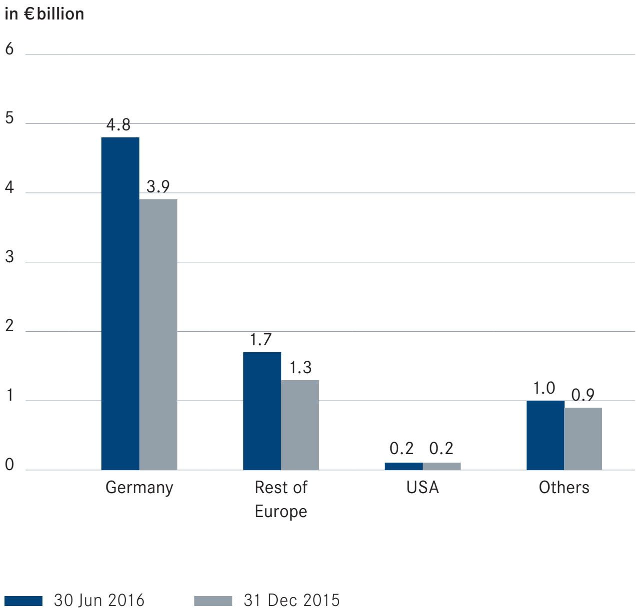
The financial instruments portfolio covers our investments on the money and capital markets (traditional securities, money market instruments) as well as our derivatives transactions. The risk volume of the financial instruments portfolio amounted to €7.7 billion as at the reporting date (31 December 2015: €6.3 billion). The increase compared to the end of 2015 was the result of higher short-term liquidity investments and purchases of low-risk financial instruments for the expansion of liquidity reserves.

The risk volume of the derivatives in the financial instruments portfolio was €0.1 billion, which was slightly less than the level at the end of the previous year (31 December 2015: €0.2 billion). apoBank primarily uses derivatives to hedge against interest rate risks in the customer business. As at the reporting date, the nominal volume amounted to €30.8 billion (31 December 2015: €29.3 billion).

Total exposure of financial instruments portfolio by sector



Total exposure of financial instruments portfolio by country



As at 30 June 2016, 98.5% of the financial instruments portfolio was rated as investment grade (31 December 2015: 98.6%). apoBank did not have to conduct any risk provisioning for the financial instruments portfolio in the first half of 2016.

Participations portfolio

The participations portfolio contains apoBank's participations. Depending on their business purpose, these are classified as strategic, credit-substituting and financial participations. Development in the participations portfolio was affected by the merger of WGZ Bank AG with DZ Bank AG. Apart from this event, there were no significant developments in this portfolio from a risk perspective.

Market risks

Stressed value at risk, applied within the scope of risk-bearing capacity for valuation risks of financial instruments, remained almost unchanged from the end of 2015. Net interest income risk, which had been included in market risk at the beginning of the year, increased in the reporting period. Overall, the risk-bearing capacity limit for market risks, i.e. for the net interest income risk and the valuation risk of financial instruments, was upheld at all times during the first half of 2016.

The valuation risk of the financial instruments, measured as part of operational market risk management, declined in the first half of 2016.

The results calculated for the interest risk coefficient, based on the regulatory present value stress calculations, indicate moderate interest rate risks in the interest book. The regulatory reporting limit of 20% of equity was not reached at any time in the first half of 2016. In March, this coefficient reached maximum utilisation at 16.2%. At the end of the first half of the year, the interest risk coefficient was at 14.8% (31 December 2015: 17.1%).

Liquidity risks

apoBank's liquidity supply was assured at all times throughout the first half of the year with continued stability in deposit development. Although the refinancing risk taken into account in the calculations for risk-bearing capacity increased slightly, the value remained easily below the limit at all times.

With regard to insolvency risk, the limits determined by the liquidity gap analysis and regulatory requirements were consistently met. Over the course of the first six months, the liquidity coefficient was within the range of 2.6 to 3.3. In addition, the Liquidity Coverage Ratio (LCR) was calculated and monitored monthly and the net stable funding ratio (NSFR) quarterly, according to the current regulatory requirements. apoBank is already fully compliant with the final minimum requirements for the LCR. At the end of the first six-month period, the LCR was 115% (31 December 2015: 109%).

Compliance with the Pfandbrief cover pool limits was also consistent throughout the first six months of 2016.

Business risks

The limit for business risks derived from the risk-bearing capacity was maintained at all times during the first half of 2016. As a result of the reclassification of the customer contribution risk as market risk (net interest income risk) at the beginning of the year, the business risk now covers the commission risk, cost risk and other profit-and-loss-related risks. In the first half of 2016, there were only minor fluctuations.

Operational risks

The value for operational risks based on the regulatory standard method was recalculated as scheduled in the first quarter and decreased slightly as a result. The limit for operational risks derived from the risk-bearing capacity was maintained at all times throughout the first half of the year.

Operational losses as at 30 June 2016 remained below the previous year's level overall. Again, the focus in this area was on legal risks arising from the customer business.

Outlook

Cautious outlook for global economic growth

Global economic development continues to be burdened by lagging growth in the key emerging economies. Significant political insecurity following Britain's decision to leave the EU is also likely to lead to lower investment activity, reluctant consumption and a slowdown in international trade, with negative consequences for global growth. In the euro area, the growth-stimulating effects of lower commodity prices and a weaker euro have waned or even begun to be reversed. apoBank estimates real growth in the euro area to be between 1.3% and 1.6% this year. Against this backdrop, the ECB is likely to go beyond mere adherence to its highly expansive monetary policies and announce renewed expansion. The forecast for economic development in Germany remains largely favourable for the second half of the year. In spite of the problematic international environment, the highly positive labour market situation and boost in income for private households should continue to strengthen domestic demand.

Health care remains growth market

Due to ongoing trends – a shift in values, patient expectations and the needs of an ageing society – the health care market continues to be a growth market that is independent of economic developments. At the same time, technological change opens up enormous opportunities and new possibilities for providing patients with the most effective and efficient medical care. Increasing digitisation and interconnectedness further intensify these market dynamics.

The health care market continues to change. Self-employment in the health care professions remains on the defensive. New opportunities for practices, branches or cooperation, the trend towards increased employment of outpatient health care professionals and the breakdown of boundaries between sectors lead to larger outpatient care structures. The number of cooperative health care locations such as medical or dental professional partnerships, medical centres, medical care centres and pharmacy associations are growing. New providers of diagnostics, therapy businesses and capital investors are increasingly discovering new business models in outpatient care.

Cross-sector cooperation and coordination plays an important role in the improvement of health care services. The German federal government has recently issued an innovation fund to contribute towards this purpose. Subsidies amounting to €225 million are made available each year to promote initiatives to improve cross-sector health care.

General conditions for banks remain difficult

The general business conditions will continue to pose major challenges for banks over the course of 2016 and in 2017. Interest rates remain very low or are even negative and competition continues to be tough. Financial institutes are responding with cost reduction programmes, withdrawal from business areas and adjustments to their business strategies. Regulatory requirements also tie up substantial amounts of banks' resources. Volatility in the capital markets – driven by the European debt crisis, the recently decided British exit from the EU as well as geopolitical conflicts – remains high.

We have adapted our strategy in the light of these general conditions and the structural change in the health care market described above and have established a suitable basis for strengthening our position on the health care market with our unique business model. Unlike many competitors, we will not do so at the expense of our proximity to customers. Our branch network and the ongoing improvement of our face-to-face advisory services continue to be important to us.

Earnings situation affected by market environment

For the 2016 and 2017 financial years, we anticipate a continued decline in net interest income against the backdrop of the ongoing unfavourable interest rate environment, as we are unable to offset this loss of income completely through a higher volume in the lending business or increasing customer numbers. We will continue to focus on the expansion of net commission income. We see the securities business with our retail clients as a particular source of growth. Our advisory concept apoPur and investments in sales will also be crucial as catalysts in this process. Additional contributions to profits will come from our institutional customer business.

Personnel costs and operating expenditure are likely to increase gradually in the course of implementing our growth strategy over 2016 and 2017. We will continue to pursue a solid approach to cost management while investing in our customer business. Appointing additional customer advisers is going to have an impact on our personnel expenses. The planned rise in operating expenditure is the result of a number of individual measures – on the one hand those that serve as investments, such as the development and implementation of a new branch concept, and on the other hand and even more so, the result of the significant increase in regulatory requirements. In addition, there will be increased expenses due to the upcoming IT migration resulting from the merger of the cooperative IT providers GAD and Fiducia.

On balance, we therefore expect that the operating result for 2016 and 2017, or profit before risk provisioning, will fall below that of 2015. Risk provisioning for the operating business is set to return to the level of standard risk costs, representing an increase compared to 2015. Based on our planning, net profit in 2016 and 2017 should stabilise on par with the 2015 results. This development would enable us to continue to strengthen our capital position – albeit at a lower level – and maintain our high dividend payouts to our members.

Comfortable capital and liquidity situation

We are determined to maintain the high level of stability of our regulatory capital ratios. Growth of members' capital contributions and reserves is to guarantee this. Risk-weighted assets are to increase slightly with planned growth in the customer business. apoBank expects to maintain its comfortable liquidity situation, which is supported by a widely diversified customer and investor base. The liquidity gap analysis is solid for both the short and the long term.

Opportunities and risks for business development

Our long-standing customer relationships and our market expertise are the basis that enable us to make effective use of market opportunities. With our integrated approach to customer service, we are in a position to utilise the potential of our existing customers and attract new customers.

We are counteracting the downward trend among 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, opportunities arise due to the increasing trend towards salaried employment as we continue to expand our range of products and services for salaried health care professionals and students. We also see business potential arising from the tendency in the outpatient sector towards larger structures, cooperatives and varying forms of care. Changes in the health care market brought on by increasing concentration and professionalisation of structures and processes provide us with opportunities to strengthen our customer relationships.

The continuing digitisation of the banking business and bank processes in particular results in both opportunities and risks for apoBank. While on the one hand, we are able to open up new options for our customers in terms of communication and access and also improve our process efficiency to the customers' benefit, on the other hand we face increasing competition in some parts of the banking business. However, we expect that this trend will also bring about a number of new business opportunities for the finance industry.

Volatility in the financial markets is set to remain high in the coming months. The continuing discussion on the European debt crisis and the geopolitical trouble spots are the reasons behind this. In particular, however, Britain's vote to leave the European Union has intensified insecurity on the financial markets. All of this is likely to have a negative impact on our commission-based business.

Additional challenges will result from further supervisory restrictions on banks, such as consumer protection or an additional tightening of regulatory capital requirements. The new regulations that are currently being discussed regarding capital backing for risks will have negative effects on the Bank's capital ratios. Moreover, the extremely low interest rate level will probably become increasingly challenging for the profit situation in the banking sector.

Overall, the opportunities for apoBank outweigh the risks when considering the conditions described above. This is guaranteed by our specialised business model in a clearly defined market.

Interim Financial Statements

Condensed Balance Sheet

Assets

	(Notes)	30 Jun 2016 €	31 Dec 2015 €
1. Cash reserves		**570,998,087.31**	**1,078,498,680.37**
a) Cash on hand		38,107,058.23	41,526,493.09
b) Cash in central banks		532,891,029.08	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	(2, 21)	**1,728,029,645.70**	**1,052,920,476.66**
a) Mortgage loans		0.00	0.00
b) Local authority loans		0.00	0.00
c) Other receivables		1,728,029,645.70	1,052,920,476.66
4. Loans and advances to customers	(2, 13, 21)	**28,546,460,445.19**	**27,892,890,853.47**
a) Mortgage loans		7,317,012,518.94	6,896,646,419.35
b) Local authority loans		64,381,702.38	44,155,478.94
c) Other receivables		21,165,066,223.87	20,952,088,955.18
5. Debt securities and other fixed-interest securities	(3, 13, 15, 21)	**5,435,009,480.16**	**4,569,491,516.69**
a) Money market papers		460,175,813.68	240,025,829.17
aa) of public issuers		0.00	0.00
ab) of other issuers		460,175,813.68	240,025,829.17
b) Bonds and debt securities		4,974,833,666.48	4,329,465,687.52
ba) of public issuers		1,892,929,104.60	1,838,493,571.41
bb) of other issuers		3,081,904,561.88	2,490,972,116.11
c) Own debt securities		0.00	0.00
6. Shares and other non-fixed-interest securities	(3, 13, 14, 15)	**1,033,513,967.06**	**1,045,930,344.79**
6a. Trading assets	(4, 16)	**54,507,388.40**	**65,395,811.23**
7. Participating interests and capital shares in cooperatives	(6, 17)	**212,997,656.80**	**201,215,346.80**
a) Participations		212,826,209.41	201,043,899.41
b) Capital shares in cooperatives		171,447.39	171,447.39
8. Shares in affiliated companies	(6, 17)	**9,363,179.61**	**9,363,179.61**
9. Trust assets		**2,740,631.94**	**2,743,355.11**
10. Compensation claims against the public sector including debt securities from their exchange		**0.00**	**0.00**
11. Intangible assets	(8)	**1,245,457.00**	**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		1,245,457.00	756,615.00
c) Goodwill		0.00	0.00
d) Payments in advance		0.00	0.00
12. Tangible assets	(7, 18)	**171,709,593.44**	**175,654,334.72**
13. Other assets	(19)	**301,854,918.82**	**343,869,291.47**
14. Prepayments and accrued income		**23,265,754.54**	**8,369,445.69**
a) from issuing and loan transactions		6,600,672.24	4,287,246.32
b) Others		16,665,082.30	4,082,199.37
15. Deferred tax assets	(20)	**0.00**	**0.00**
Total assets		38,091,696,205.97	36,447,099,251.61

Liabilities

	(Notes)	30 Jun 2016 €	31 Dec 2015 €
1. Liabilities to banks	(9)	**7,027,976,350.01**	**7,213,833,828.86**
a) Registered mortgage Pfandbriefe issued		47,292,817.56	37,256,752.19
b) Registered public Pfandbriefe issued		0.00	0.00
c) Other liabilities		6,980,683,532.45	7,176,577,076.67
2. Liabilities to customers	(9)	**24,439,607,946.63**	**23,587,577,406.89**
a) Registered mortgage Pfandbriefe issued		847,939,341.51	741,164,219.49
b) Registered public Pfandbriefe issued		0.00	0.00
c) Savings deposits		97,071,384.77	114,253,964.67
ca) with an agreed notice period of three months		84,752,146.54	100,385,284.01
cb) with an agreed notice period of more than three months		12,319,238.23	13,868,680.66
d) Other liabilities		23,494,597,220.35	22,732,159,222.73
3. Securitised liabilities	(9)	**3,749,360,153.53**	**2,738,704,615.59**
a) Debt securities issued		3,749,360,153.53	2,738,704,615.59
aa) Mortgage Pfandbriefe		1,674,007,547.56	873,780,544.56
ab) Public Pfandbriefe		0.00	0.00
ac) Other debt securities		2,075,352,605.97	1,864,924,071.03
b) Other securitised liabilities		0.00	0.00
3a. Trading liabilities	(4, 22)	**24,125,278.87**	**27,209,844.09**
4. Trust liabilities		**2,740,631.94**	**2,743,355.11**
5. Other liabilities	(23)	**57,545,654.61**	**80,424,154.17**
6. Prepayments and accrued income		**15,495,276.64**	**16,821,518.16**
a) from issuing and lending business		9,159,350.30	8,541,576.04
b) Others		6,335,926.34	8,279,942.12
6a. Deferred tax liabilities		**0.00**	**0.00**
7. Provisions	(10)	**392,668,634.83**	**428,551,302.59**
a) Provisions for pensions and similar obligations		181,034,911.50	177,491,310.00
b) Tax provisions		32,694,031.07	82,007,273.00
c) Other provisions		178,939,692.26	169,052,719.59
8. - - -		**0.00**	**0.00**
9. Subordinated liabilities		**160,780,630.21**	**155,675,331.31**
10. Participating certificate capital		**0.00**	**0.00**
11. Fund for general banking risks		**540,734,189.65**	**503,412,189.65**
11a. Special items from currency translation		**0.00**	**0.00**
12. Capital and reserves	(24)	**1,680,661,459.05**	**1,692,145,705.19**
a) Subscribed capital		1,125,757,522.60	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		30,412,687.26	59,067,003.92
Total liabilities		**38,091,696,205.97**	**36,447,099,251.61**

1. Contingent liabilities	**510,088,782.43**	**580,710,297.78**
a) Contingent liabilities from rediscounted, settled bills	0.00	0.00
b) Liabilities from guarantees and indemnity agreements	510,088,782.43	580,710,297.78
c) Liabilities arising from the provision of collateral for third-party liabilities	0.00	0.00
2. Other obligations	**1,955,053,104.36**	**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	1,955,053,104.36	2,060,847,340.89

Condensed Income Statement

Income statement

	(Notes)	1 Jan – 30 Jun 2016 €	1 Jan – 30 Jun 2015 €
1. Interest income from	(26)	**442,142,482.51**	**493,460,068.40**
a) lending and money market transactions		441,055,178.52	487,338,779.58
b) fixed-interest securities and debt register claims		1,087,303.99	6,121,288.82
2. Interest expenses	(27)	**–123,230,314.83**	**–146,366,231.35**
3. Current income from		**13,458,337.39**	**12,663,560.70**
a) shares and other non-fixed-interest securities		1,350,019.84	0.00
b) participating interests and capital shares in cooperatives		9,100,318.28	9,692,684.46
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		**104,419,868.41**	**101,731,090.06**
6. Commission expenses		**–35,908,159.12**	**–33,919,317.37**
7. Net trading result		**–490,068.47**	**–49,988.58**
8. Other operating income	(28)	**13,581,462.81**	**15,566,194.72**
9. - - -		**0.00**	**0.00**
10. General administrative expenses		**–237,075,698.13**	**–234,291,316.12**
a) Personnel expenses		–120,851,817.39	–123,215,753.36
aa) Wages and salaries		–101,287,049.09	–94,787,986.32
ab) Social security contributions and expenses for pensions and benefits		–19,564,768.30	–28,427,767.04
b) Other administrative expenses		–116,223,880.74	–111,075,562.76
11. Depreciation, amortisation and write-downs in respect of intangible and tangible assets		**–6,515,802.23**	**–6,182,191.50**
12. Other operating expenses	(28)	**–20,161,009.08**	**–15,249,618.42**
13. Write-downs and value adjustments in respect of receivables and specific securities and allocations to provisions for credit risks		**–62,625,029.18**	**–99,944,146.49**
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		**27,553,009.27**	**770,616.04**
17. Expenses from the assumption of losses		**0.00**	**–283.32**
18. - - -		**0.00**	**0.00**
19. Operating surplus		**115,149,079.35**	**88,188,436.77**
20. Extraordinary income		**0.00**	**0.00**
21. Extraordinary expenses		**0.00**	**0.00**
22. Extraordinary result		**0.00**	**0.00**
23. Taxes on income	(29)	**–47,636,209.19**	**–61,202,386.36**
24. Other taxes not reported in item 12		**212,362.61**	**444,113.80**
24a. Allocations to the fund for general banking risks		**37,322,000.00**	**0.00**
25. Net profit		**30,403,232.77**	**27,430,164.21**
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		**30,412,687.26**	**27,437,647.35**

Condensed Notes

A. General information

1. Framework for the preparation of the interim financial statements

The interim financial statements of Deutsche Apotheker- und Ärztebank eG (apoBank), Dusseldorf, as at 30 June 2016 were prepared according to the regulations of the German Commercial Code (HGB), the Accounting Ordinance for Banks and Financial Services Institutions (RechKredV) as well as the Securities Trading Act (WpHG). At the same time, the interim financial statements meet the requirements of the Cooperative Societies Act (GenG) and the German Pfandbrief Act (PfandBG).

Pursuant to Section 244 of the German Commercial Code (HGB), the interim 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.

B. Accounting, valuation and translation methods

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

2. 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.

3. Securities

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

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.

4. Trading assets and liabilities

Financial instruments in the trading portfolio are reported under balance sheet items 'Trading assets', 6a, and 'Trading liabilities', 3a, and are measured at fair value considering an adjustment for risk.

The fair value normally corresponds to the market price. According to the generally accepted accounting principles, trading assets should generally be valued at the lower bid price, and trading liabilities at the higher ask price. For the sake of simplicity, a valuation on the basis of the middle rate is also permissible. The Bank has made use of this simplification rule since trading assets and liabilities are generally of minor importance and the bid-ask spreads are usually very small. If the market price cannot be calculated reliably, the fair value is measured using generally recognized valuation methods. These models are used to value part of the securities as well as all derivatives and comprise market-based valuation parameters such as yield curves, credit spreads and foreign currency rates. The fair values are calculated in accordance with the valuation models used in internal risk control.

apoBank calculates the adjustment for risk on the basis of the value at risk (VaR) for a holding period of 250 days, a forecast interval with a confidence level of 97% and an effective historical observation period of 250 days. The total adjustment for risk is deducted from the greater item (assets, 6a).

The criteria defined internally for including financial instruments in the trading portfolio are unchanged year on year. The value of the derivative financial instruments in the trading portfolio is derived from the foreign exchange and interest rates.

Please refer to note 25 for details on the significant terms and conditions pursuant to Section 285 no. 20b of the German Commercial Code (HGB) that may affect the amount, timing and certainty of future cash flows from derivative financial instruments.

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 reporting date, the total volume of the risks hedged amounted to €1,027 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 679 micro hedges with a nominal value of €8,997 million:

- 422 hedges on own issues against the interest rate risk with a nominal value of €4,711 million, including
  - 7 caps with a nominal value of €150 million
  - 7 floors with a nominal value of €150 million
  - 42 swaptions with a nominal value of €364 million
  - 366 swaps with a nominal value of €4,047 million
- 257 asset swaps to hedge against the interest rate risk of 159 acquired securities with a nominal value of €4,286 million

As at 30 June 2016, a volume of foreign currency swaps from FX trading was used in the amount of €437 million as valuation units, of which €436 million to hedge offsetting FX swaps and €1 million to hedge syndicated loans in foreign currencies.

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

- €240 million in US dollars
- €153 million in British pounds
- €19 million in Japanese yen
- €25 million in other currencies

At the reporting date, apoBank had a volume of FX forward transactions of €506 million as valuation units to hedge offsetting FX forward transactions. The FX forward transactions can be broken down based on their currency as follows:

- €205 million in US dollars
- €255 million in British pounds
- €11 million in Swiss francs
- €35 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 cost of acquisition of the new DZ BANK shares received following the merger of WGZ BANK and DZ BANK was valued in accordance with general exchange principles with income recognition.

7. Fixed assets/tangible assets

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

Depreciation for buildings was made 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 30 June 2016 were calculated based on the actuarial tables 'Richttafeln 2005 G' (Heubeck) using the projected unit credit method. The calculation was based on an updated forecast on the expert opinion dated 31 December 2015, taking into account an interest rate of 4.04% (average over the past ten financial years), a wage increase trend of 3.00% and a pension increase trend of 1.75%. At 30 June 2016, the difference pursuant to Section 253 (6) of the German Commercial Code (HGB) amounted to €9,035 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 at their fair value, which is equivalent to the acquisition costs, pursuant to Section 246 (2) 2 of the German Commercial Code (HGB).

The provisions for part-time retirement and anniversary payments were also made on the basis of an interest rate of 4.04% and a wage increase trend of 3.00%. The provisions as at 31 December 2015 were projected accordingly for the interim report on the basis of these figures.

Provisions with a remaining term of more than one year are discounted or compounded pursuant to Section 253 (2) of the German Commercial Code (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’.

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 German Commercial Code [HGB]) and taking account of the realisation and imparity principle, unless valuation units are formed to an acceptable extent in order to hedge balance sheet items or the derivatives are used for controlling the overall bank interest rate risk.

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

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

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 German Commercial Code (HGB). Valuation units are formed for material holdings in foreign currencies pursuant to Section 254 of the German Commercial Code (HGB).

apoBank considers the special coverage pursuant to Section 340h of the German Commercial Code (HGB) as given when the total item is economically balanced in respect of every foreign currency as at the reporting date. If special coverage existed, income and expenditure from currency translation are shown in the income statement in the items ‘Other operating income’ or ‘Other operating expenses’.

C. Notes to the balance sheet

Notes to assets

13. Securities portfolio/receivables by purpose

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

Securities portfolio/receivables by purpose

	30 Jun 2016 €thous	31 Dec 2015 €thous
Loans and advances to customers		
Fixed assets	15,919	15,857

	30 Jun 2016 €thous	31 Dec 2015 €thous
Debt securities and other fixed-interest securities		
Fixed assets	4,271,112	3,616,824
Liquidity reserve	1,163,897	952,668
Total	**5,435,009**	**4,569,492**

	30 Jun 2016 €thous	31 Dec 2015 €thous
Shares and other non-fixed-interest securities		
Fixed assets	56,195	68,612
Liquidity reserve	977,319	977,319
Total	**1,033,514**	**1,045,931**

14. 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 investvments.

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	604,876	60,872	0	no
APO 2 INKA	Domestic and international bonds	245,430	28,772	0	no
APO 3 INKA	Domestic and international bonds	245,430	28,772	0	no
Master fund coinvestments	Domestic and international equities, domestic and international bonds, FX forward transactions, futures	47,383	3,298	0	no

15. Financial instruments classified as fixed assets

Financial instruments classified as fixed assets[1]

	Book value as at 30 Jun 2016 €thous	Fair value as at 30 Jun 2016 €thous	Omitted depreciation €thous
Banks	1,180,562	1,173,317	7,245
Public debtors	244,500	244,267	233
Companies	15,000	14,447	554
Total	**1,440,062**	**1,432,031**	**8,032**

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.

16. Trading assets

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

Trading assets

	30 Jun 2016[1]	31 Dec 2015[1]
	€thous	€thous
Derivative financial instruments		
FX forward transactions	11,645	7,390
FX swaps	13,230	20,488
Debt securities and other fixed-interest securities	30,342	37,577
Less VaR adjustment	– 710	– 59
Total	**54,507**	**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 €496,478 thousand (31 December 2015: €279,147 thousand) and FX swaps amounting to €441,541 thousand (31 December 2015: €475,534 thousand).

17. List of holdings

apoBank holds capital shares amounting to at least 20% in the following companies:

List of holdings

Gesellschaft	Share in company capital on 30 June 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	4,180	0
APO Data-Service GmbH, Dusseldorf[1]	100	2015	4,283	502
Kock & Voeste Existenzsicherung für die Heilberufe GmbH, Berlin	26	2015	204	85
medisign GmbH, Dusseldorf[1]	50	2015	23	–94
Konnektum GmbH, Dusseldorf[1]	49	2015	197	–1,328
aik Immobilien-Kapitalanlagegesellschaft mbH, Dusseldorf	67	2015	10,026	2,803
aik Management GmbH, Dusseldorf[1]	100	2015	87	62
CP Capital Partners AG, Zurich	24	2015	444	18
Deutsche Ärzte Finanz Beratungs- und Vermittlungs-Aktiengesellschaft, Cologne	25	2015	11,388	6,573
Finanz-Service GmbH der APO-Bank, Dusseldorf	50	2015	431	–1,502
IWP Institut für Wirtschaft und Praxis Bicanski GmbH, Münster	26	2015	58	7
PROFI Erste Projektfinanzierungs- und Beteiligungsgesellschaft AG, Zurich	24	2015	4,998	2,834
Treuhand Hannover GmbH Steuerberatungsgesellschaft, Hanover	26	2015	29,219	1,101
ZA Zahnärztliche Abrechnungsgesellschaft Düsseldorf AG, Dusseldorf	50	2015	6,898	1,853

1) Indirect participations

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

18. Tangible assets

The item ‘Tangible assets’ (assets, 12) includes:

Tangible assets

	30 Jun 2016	31 Dec 2015
	€thous	€thous
Owner-occupied land and buildings	133,533	136,766
Office furniture and equipment	36,892	37,585

19. Other assets

The ‘Other assets’ item includes the following larger amounts:

Other assets

	30 Jun 2016	31 Dec 2015
	€thous	€thous
Capitalised premiums from options and caps	246,073	269,529
Tax receivables	38,486	33,550
Including: corporation tax credit pursuant to Section 37(5) of the German Corporation Tax Law (KStG)	(33,316)	(33,316)

20. Deferred tax assets

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

As at 30 June 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 €198.9 million, thereof deferred tax assets of €199.0 million and deferred tax liabilities of €0.1 million.

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

21. Subordinated assets

Subordinated assets are included in the following items:

Subordinated assets

	30 Jun 2016	31 Dec 2015
	€thous	€thous
Loans and advances to banks	2,648	2,584
Loans and advances to customers	16,719	27,269
Debt securities and other fixed-interest securities	13,798	13,556
Total	**33,165**	**43,409**

Notes to liabilities

22. Trading liabilities

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

Trading liabilities

	30 Jun 2016	31 Dec 2015
	€thous	€thous
FX forward transactions	11,425	7,270
FX swaps	12,700	19,940
Total	**24,125**	**27,210**

The nominal values of the derivative financial instruments included in the item ‘Trading liabilities’ were composed of FX forward transactions amounting to €501,926 thousand (31 December 2015: €279,156 thousand) and FX swaps amounting to €441,538 thousand (31 December 2015: €475,348 thousand).

23. Other liabilities

The ‘Other liabilities’ item includes the following larger amounts:

Other liabilities

	30 Jun 2016	31 Dec 2015
	€thous	€thous
Premiums from options and caps carried as liabilities	35,479	42,869

24. Capital and reserves

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

Subscribed capital

	30 Jun 2016	31 Dec 2015
	€thous	€thous
Members’ capital contributions	**1,125,758**	**1,123,587**
Of remaining members	1,115,666	1,109,354
Of departing members	8,136	12,315
Of terminated cooperative shares	1,956	1,918
Compulsory contributions due on shares in arrears	2	2

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

Revenue reserves

	Legal reserves	Other revenue reserves
	€thous	€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 30 Jun 2016	**402,750**	**121,741**

25. Derivative financial instruments

The volume of unsettled forward transactions affected by a settlement risk or currency, interest rate and/or other market risks arising from open positions, and in the event of counterparty default also from closed positions, amounted to €30,841 million as at 30 June 2016 (31 December 2015: €29,294 million). As at 30 June 2016, the following types of transactions were included therein:

Distribution of traded derivatives/types of transactions

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

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 and for asset liability 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 reporting 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. Swaptions and interest limit agreements were measured on the basis of the Black model for interest rate options.

The fair value of the FX forward transactions and the FX swaps was calculated from 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	
	30 Jun 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015
Interest rate-related transactions[1]				
Time to maturity up to 1 year	4,766	1,206	29	9
more than 1 year to 5 years	12,842	14,635	44	165
more than 5 years	13,229	13,449	– 371	–134
Subtotal	**30,837**	**29,290**	**–298**	**40**
Currency-related transactions				
Time to maturity up to 1 year	1	1	0	0
more than 1 year to 5 years	0	0	0	0
more than 5 years	0	0	0	0
Subtotal	**1**	**1**	**0**	**0**
Stock-related transactions[1]				
Time to maturity up to 1 year	0	0	0	0
more than 1 year to 5 years	0	0	0	0
more than 5 years	3	3	0	0
Subtotal	**3**	**3**	**0**	**0**
Total	**30,841**	**29,294**	**– 298**	**40**

1) Interest rate- and stock-related transactions are reported under the items 'Other assets' (€246 million), 'Prepayments and accrued income (assets)' (€1 million) as well as under the items 'Other liabilities' (€3 million) and 'Prepayments and accrued income (liabilities)' (€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

26. Interest income

The “Interest income” item includes €17,710 thousand (30 June 2015: €0 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 €8,410 thousand for prepayment penalties (30 June 2015: €8,425 thousand).

27. Interest expenses

The “Interest expenses” item includes €6,327 thousand (30 June 2015: €0 thousand) in positive interest expenses from borrowings from other banks, from collateral management as well as from securitised liabilities.

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

Other operating income of €13,581 thousand (30 June 2015: €15,566 thousand) include, among other things:

Other operating income

	30 Jun 2016	30 Jun 2015
	€thous	€thous
Rental income	1,974	1,780
Release of reserves (related to other periods)	6,827	9,496
Accounting gains from the disposal of fixed assets and intangible assets (related to other periods)	585	76
Interest income from tax refunds (related to other periods)	0	236
Income from currency translation	1,298	1,184

Other operating expenses of €20,161 thousand (30 June 2015: €15,250 thousand) result primarily from the following items:

Other operating expenses

	30 Jun 2016 € thous	30 Jun 2015 € thous
Provisions for litigation costs	12,478	6,460
Accounting losses from the disposal of fixed assets and intangible assets (related to other periods)	1	1
Interest expenses from tax arrears (related to other periods)	12	84
Expenses from compounding	4,535	4,360
Expenses from currency translation	1	3

29. Taxes on income

Income taxes are related exclusively to the profit from ordinary business activities of the current period. Taxes on income were calculated largely on the basis of actual figures and the current tax rate.

E. Other notes

30. Events after the reporting date

No events took place that were subject to reporting requirements between 30 June 2016 and 16 August 2016 when the Interim Financial Statements were prepared by the Board of Directors.

31. Disclosures according to Section 28 of the German Pfandbrief Act (PfandBG)

Please refer to the quarterly report as at 30 June 2016 of apoBank prepared pursuant to the German Pfandbrief Act (PfandBG) for information with respect to the mortgage Pfandbriefe included in the items 'Liabilities to banks', 'Liabilities to customers' and 'Securitised liabilities'.

32. Additional notes pursuant to Section 26a of the German Banking Act (KWG) and the 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 €393.8 million resulted from the profit from ordinary business activities, excluding risk provisioning and general administrative expenses. Deutsche Apotheker- und Ärztebank's profit from ordinary business activities amounted to €115.1 million based on HGB accounting.

The average number of employees (excluding members of the Board of Directors) in 2016 (January to June) was 2,580.

The profit before tax of €115.1 million as at 30 June 2016 was largely generated in Germany. Taxes on income relating to this amount came to €47.6 million.

apoBank does not receive any public aid.

33. Board of Directors

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

34. Supervisory Board

Members of the Supervisory Board
- Hermann Stefan Keller, Chairman, pharmacist
- Wolfgang Häck[1], Deputy Chairman, bank employee
- Ralf Baumann[1], bank employee
- Fritz Becker, pharmacist
- Marcus Bodden[1], bank employee
- Martina Burkard[1], bank employee
- Mechthild Coordt[1], bank employee
- Dr. med. dent. Peter Engel, dentist
- Sven Franke[1], bank employee
- Dr. med. Torsten Hemker, physician
- Dr. med. Andreas Gassen (since 10 June 2016), 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 Piasta[1], bank employee
- Dr. med. dent. Karl-Georg Pochhammer, dentist
- Christian Scherer[1], bank employee
- Friedemann Schmidt, pharmacist
- Ute Szameitat[2], bank employee
- Björn Wißuwa[1], trade union secretary

1) Employee representative
2) Representative of the executive staff

35. Name and address of the responsible auditing association

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

Dusseldorf, 18 August 2016
Deutsche Apotheker- und Ärztebank eG
The Board of Directors

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

Certifications

Review Report

To Deutsche Apotheker- und Ärztebank eG, Dusseldorf

We have reviewed the interim condensed financial statements, comprising the condensed balance sheet, the condensed income statement and the condensed notes, and the interim management report of Deutsche Apotheker- und Ärztebank eG, Dusseldorf, for the period from 1 January 2016 to 30 June 2016, which are part of the six-monthly financial report pursuant to Sec. 37w WpHG (‘Wertpapierhandelsgesetz’: German Securities Trading Act). The preparation of the interim condensed financial statements in accordance with German commercial law and of the interim management report in accordance with the provisions of the WpHG (‘Wertpapierhandelsgesetz’: German Securities Trading Act) applicable to interim management reports is the responsibility of the Board of Directors of the cooperative. Our responsibility is to issue a report on the interim condensed financial statements and the interim management report based on our review.

We conducted our review of the interim condensed financial statements and the interim management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (‘IDW’: Institute of Public Auditors in Germany). Those standards require that we plan and perform the review to obtain a certain level of assurance in our critical appraisal to preclude that the interim condensed financial statements are not prepared, in all material respects, in accordance with German commercial law and that the interim management report has not been prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim management reports. A review is limited primarily to making inquiries of personnel of the cooperative and applying analytical procedures and thus does not provide the assurance that we would obtain from an audit of financial statements. In accordance with our engagement, we have not performed an audit and, accordingly, we do not express an audit opinion.

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

Dusseldorf, 18 August 2016
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 interim financial statements give a true and fair view of the earnings, asset and financial position in accordance with the applicable accounting principles for interim financial reporting and that the interim management report gives a true and fair account of the development of the business including the company's performance and position, as well as the material opportunities and risks associated with the company's expected development for the remaining months of the financial year.

Dusseldorf, 16 August 2016
Deutsche Apotheker- und Ärztebank eG
The Board of Directors

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

Imprint

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

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