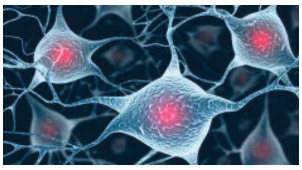
Annual Financial Report 2013
A step closer

deutsche apotheker- und ärztebank


A step closer

Overview of Business Development

Overview of the 2013 financial year

About the Bank	31 Dec 2013	31 Dec 2012	Change %[1]
Members	104,092	100,332	3.7
Customers	373,000	364,500	2.3
Employees	2,387	2,360	1.1
Locations	77	76	1.3

Balance sheet	€ m	€ m	%
Balance sheet total	34,695	37,888	– 8.4
Equity capital	1,844	1,724	7.0
Customer loans	26,794	27,116	–1.2
Customer deposits	20,122	19,591	2.7

Income statement	€ m	€ m	%
Net interest income	679.2	694.0	– 2.1
Net commission income	103.7	116.2	–10.7
General administrative expenses	– 460.7	– 479.7	– 4.0
Operating profit before risk provisioning	314.8	324.1	– 2.8
Risk costs and precautionary measures[2]			
for the customer lending business	– 53.9	– 81.3	– 33.7
for financial instruments and participations	– 55.4	– 92.1	– 39.8
Allocation to the fund for general banking risks	116.0	70.0	65.7
Net profit	47.4	45.4	4.4

Key figures	%	%	ppts
Equity ratio	23.0	14.4	8.6
Core capital ratio	17.0	10.4	6.6
Cost-income ratio	61.8	62.4	– 0.6
Return on equity (after tax)	3.4	3.4	0.0

Rating	Standard & Poor's	Moody's	Fitch Ratings (group rating)
Long-term rating	AA–	A2	A+
Short-term rating	A–1+	P–1	F 1+
Outlook	stable	stable	stable
Pfandbrief rating	AAA	– – –	– – –

1) Deviations due to rounding differences
2) Including general value adjustments and provisioning reserves pursuant to Section 340f of the German Commercial Code (HGB) as well as extraordinary espenses

Content

To Our Members & Customers

Letter from the Spokesman of the Board of Directors

Dear Members, Customers and Business Partners,

In last year's letter, I informed you that we had set the strategic course and levelled the path towards a modern apoBank. We made very good progress on this path in 2013. Today, I'd like to tell you about it.

The implementation of our VorWERTs programme has been essential in driving this progress. The programme is helping us to enhance our performance and to further improve our capacity to fulfil the needs of our customers. The focus here was on the introduction of our new customer support concept. We now tailor our services even more closely to the requirements of our 373,000 customers. For each life stage – from university to salaried employment or self-employed practice, right up to retirement – we have put a number of advisers and specialists in place to support our customers in dealing with all financial and economic questions that arise in both their professional and private spheres.

To accompany these measures, we have also expanded our range of products. For example, we now have a student package that offers everything students need, from a current account to the student loan apoStudienkredit and even apoBank membership with special conditions for making the capital contribution. The response to this all-round full-service approach has been very positive so far. At the same time, we can support our customers even better in complex matters such as foundation or generation management thanks to our new Private Banking division. And in terms of technology we are now at "apoBank 2.0" so to say – we transferred more than 300,000 customers to our new online banking platform last year. The initial issues we faced when implementing this very complex project were quickly solved thanks to good teamwork. In addition, we now offer our customers the option to take out certain products online. And there is more good news: Just one year after its launch, our practice and pharmacy exchange is now one of the leading German online platforms in this area.

So you can see that 2013 was a very eventful year here at apoBank.

This is also reflected in our business results. We posted an increase in net profit to €47.4 million. We will therefore propose a dividend payment of 4% to you, our members, at the Annual General Meeting. Our operational business made an essential contribution here, performing better than expected. At the same time, we were able to increase customer numbers by 8,500 in spite of our already high market penetration.

Thanks to the positive development in the operational business, we were able to continue investing in risk reduction. In 2013, we further reduced the structured financial products sub-portfolio through our own efforts, to € 288 million. We are particularly pleased to report that we gained over 6,000 new members and raised our members' capital contributions to € 943 million. Thus we are well equipped for the growing equity capital requirements. However, there are further regulatory topics on our agenda. For example, apoBank will come under the direct supervision of the European Central Bank (ECB) as of autumn 2014. In the run-up to this, we will participate in the accompanying Europe-wide balance sheet and risk analysis as well as the stress test. This and the significantly growing regulatory requirements will result in considerable burdens on our resources.

"A step closer" – that is the motto of this financial report. But it is much more than that. It is also what we have achieved in our cooperation with you, our members and customers. The past year in particular has brought us one more step closer to fulfilling your needs. The motto is also valid within apoBank. We apoBankers drew even closer together in 2013 in our common effort to place more focus on our customers in everything we do. This has also brought us closer to our vision of becoming the trusted bank of the health care professions. That's why I would like to take this opportunity to thank our staff. They have shown remarkable dedication to apoBank and its customers and invested a huge amount of energy and hard work this year.

Together, we have created a solid base on which to build our future. In its current position, apoBank is well equipped to cope with the challenges it faces. It is true that the prevailing general conditions are not particularly easy at the moment. Interest rates remain at a persistently low level. Fulfilling the ever stricter regulatory requirements is taking up more and more resources and is causing continuously rising costs. At the same time, pressure from our competitors remains high. We are countering this with our many years of experience as well as our specialisation in the health care professions and their needs. And we will not stand still – we will become ever better at what we do, and we will not hesitate to make the necessary investments to achieve this. We invest in the further training of our staff, and in the optimisation of our processes – just one of these being availability for our customers.

There is still some way to go to reach our destination, but thanks to the successful groundwork done in the past few months, the weight we have to carry on the journey has become a little lighter. This is why we are looking ahead with optimism. For what other bank offers our customers what we offer – the way we offer it?

We would like to thank you, our members, customers and business partners – for your trust in us and the path we have chosen. We look forward to continuing on this path with you.

Yours sincerely,
Herbert Pfennig

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

Report of the Supervisory Board

For apoBank, the implementation and completion of the VorWERTs future programme was a key focus of activities in financial 2013. At its regular meetings, the Supervisory Board was informed about the progress made.

Another focal point of discussion between the Board of Directors and the Supervisory Board was the significant reduction in the structured financial products and a possible early payback of the guarantee from the Federal Association of German Cooperative Banks (BVR). In a challenging environment still marked by the ongoing European debt crisis, which has had a significant impact on the entire banking sector, apoBank managed to reduce the financial products faster than planned. This has provided considerable relief for its risk profile.

In fulfilling its legal and statutory tasks, in the regular meetings, the meetings of the Presiding Committee, Audit, Loan and Risk Committee, the Economic and Finance Committee and the Personnel Committee, the Supervisory Board was informed about the current state of affairs at apoBank. The Board of Directors informed the Supervisory Board regularly, comprehensively and in a timely manner about all important activities, both in written and oral form. Fundamental matters concerning the investment and lending business, as well as the other business areas, were discussed, as was the economic situation of apoBank. The Regulatory Committee, which deals with charges brought against former members of the Board of Directors, regularly reported to the Supervisory Board to keep it abreast of the latest developments. Also outside the meetings, the Chairman of the Supervisory Board engaged in extensive dialogue with the Board of Directors and reported any events to the entire Supervisory Board no later than at its next meeting.

In addition, the Supervisory Board and the Board of Directors dealt in detail with the current developments in bank regulation and the associated increasing regulatory requirements placed on banks, for example with regard to ensuring standardised bank supervision by the European Central Bank (ECB) and the rules for guaranteeing deposits. In the year under review, the Supervisory Board took part in two professional training courses in the area of risk management and bank supervision law.

In November 2013, the Supervisory Board decided to restructure its committees to bring them in line with the new requirements of the German Banking Act with regard to supervisory entities of banks, which will apply from January 2014. Since January 2014, the new structure thus comprises the Nomination Committee and Presiding Committee, the Remuneration Control Committee as well as the Audit, Loan and Risk Committee, which at the same time took on the tasks of the Economic and Finance Committee. The Personnel Committee, the Regulatory Committee and the Mediation Committee will remain unchanged.

In accordance with its Articles of Association, the Bank continued to fulfil its purpose of providing economic support to the health care professions in the year under review. This is reflected clearly in the growth in member numbers and the increase in members' capital contributions by over €130 million. The net profit for 2013 will also enable apoBank to have its members share in its economic success in the form of a dividend payment.

Rheinisch-Westfälische Genossenschaftsverband e. V. carried out the audit of the annual financial statements and management report for the 2013 financial year. According to the auditor's unreserved opinion, they conform to the law and the Articles of Association. The Supervisory Board has acknowledged the results of the audit.

The Supervisory Board has examined the annual financial statements, the management report and the Board of Directors' proposal on the allocation of net profit and found them to be correct. It approves the appropriation of profits proposed by the Board of Directors. The proposal is in accordance with the provisions of the Articles of Association.

The corporate governance code of apoBank was amended to bring it in line with the new recommendations of the German Corporate Governance Code in the year under review.

The currently valid version of the code and the joint Declaration of Conformity by the Board of Directors and the Supervisory Board are published on the Bank's website. In addition, the corporate governance report is published in this annual financial report.

Herbert Pfennig was reappointed as member of the Board of Directors of apoBank at the Supervisory Board meeting on 14 June 2013 and was also reconfirmed in his position as Spokesman of the Board of Directors.

At the 2013 Annual General Meeting, Dr. med. Andreas Köhler and Dr. med. dent. Peter Engel were re-elected as shareholder representatives on the Supervisory Board. Fritz Becker (pharmacist) became Heinz-Günter Wolf's (pharmacist) successor as shareholder representative on the Supervisory Board.

As planned, shareholders Hermann Stefan Keller (pharmacist), Dr. med. dent. Helmut Pfeffer and Prof. Dr. med. Frank Ulrich Montgomery will step down from the Supervisory Board at the conclusion of this year's Annual General Meeting. They may stand for re-election.

Via the realignment measures taken in its VorWERTs future programme, apoBank has raised its profile as a bank for the health care professions. The Supervisory Board believes that apoBank is on the right track and considers it well equipped for the upcoming challenges, both in the health care sector and in the banking industry.

The Supervisory Board would like to thank the members of the Board of Directors and the entire workforce of apoBank for their good work, their dedication and their extensive personal commitment in 2013.

Dusseldorf, March 2014

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

Corporate Governance Report

The “German Corporate Governance Code” government commission published the first German Corporate Governance Code (DCGK) in 2002. The Supervisory Board and Board of Directors of Deutsche Apotheker- und Ärztebank eG understood the importance of the Code as the basis for good business management at the outset and examined its objectives closely.

Although the Code was developed for listed companies, the Bank has voluntarily drawn up a corporate governance code of its own. It is based on the DCGK but considers specific aspects peculiar to the legal form of apoBank as a cooperative and the legal position and interests of its members. apoBank publishes its code and its Declaration of Conformity, which identifies the various deviations from the Bank’s own corporate governance code, on its website at www.apobank.de.

In May 2013, the “German Corporate Governance Code” government commission made adjustments to the Code to update it and make it leaner. In addition, changes and amendments were made to increase the transparency of the decisions made by the Supervisory Board when determining the remuneration for the Board of Directors.

Based on the new recommendations of the government commission, we have revised apoBank’s corporate governance code. In addition to the recent changes that were taken into account to the extent that they were applicable to the apoBank code, the main amendments made were as follows:

To render the decision of the Supervisory Board on remuneration for the Board of Directors more transparent and comprehensible, apoBank incorporated in its code the recommendation that the Supervisory Board should take into account the relationship between the Board of Directors’ remuneration on the one hand and the remuneration of top management and the workforce on the other and how this has developed over time. A declaration of deviation to this effect was added to the Declaration of Conformity.

In addition, apoBank incorporated into its code the recommendation that the Board of Directors’ remuneration in its entirety and also with regard to its variable remuneration components be subject to upper limits.

With regard to pension arrangements for members of the Board of Directors, the recommendation of the “German Corporate Governance Code” government commission was incorporated into apoBank’s code, specifying that the Supervisory Board set the level of pension provisioning in each case – also depending on the duration of Board membership, thereby taking into account the calculated annual and long-term expenditure for apoBank.

apoBank is still of the opinion that fixed age limits for Supervisory Board members can be inappropriate in individual cases due to the opportunities presented by personal experience and qualification that can be utilised in carrying out the mandate. This regulation has now been deleted from the apoBank code so that a separate declaration of conformity is no longer needed.

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

Company Boards

Board Departments

Organisational chart of Deutsche Apotheker- und Ärztebank

Board Department 1
Spokesman of the Board of Directors

Herbert Pfennig

- Personnel – Dr. Joachim Goldbeck
- Internal Auditing – Wolfgang Freudenmann
- Law – Dr. Klaus Poggemann
- Organisation – Dr. Ralf Gaese
- Office of the Board of Directors – Dr. Barbara Schwoerer
- Corporate Communications – Cassie Kübitz-Whiteley
- Sales Management and Product Management – Andreas Onkelbach
- Private Banking – Ute Szameitat
- Central Business Partner Management – Carsten Padrok
  - apoFinanz

Board Department 2
Retail Clients

Harald Felzen

- Market Region Central (Frankfurt) – Petra Knödler
- Market Region North (Hamburg) – Michael Goltz
- Market Region Northwest (Dortmund) – Michael Kutscher
- Market Region East (Berlin) – Martin Steinkühler
- Market Region South (Munich) – Hartmut Paland
- Market Region West (Dusseldorf) – Werner Höhl / Heiko Drews

Board Department 3
Professional Associations, Large Customers and Markets

Ulrich Sommer

- Professional Associations – Peter Schlögell
  - medisign
- Corporate Clients – Beate Ellinghaus
- Treasury – Rainald Brune
- Institutional Investors – Volker Mauß
- Asset Management – Dr. Hanno Kühn
  - apoAsset
  - APO Immobilien-KAG
- Health Care Markets and Policy – Georg Heßbrügge
  - health care akademie
- Principles of Professional Associations, Large Customers and Markets

Board department | Division | Market regions / Credit control | Units reporting directly to the Board of Directors | Subsidiaries

Board Department 4
Finance and Controlling

Dr. Thomas Siekmann

- Risk Controlling
  Dr. Christian Wiermann
- Overall Bank Controlling
  Dr. Andree Engelmann
- Finance
  Steffen Kalkbrenner
- Cost Management and Purchasing
  Dr. Erich Groher
- Compliance
  Matthias Schmedt auf der Günne

Board Department 5
Risk and Banking Operations

Eckhard Lüdering

- Credit Management
  Frank Steimel
- Credit Control Financial Instruments
  Ines Hochstetter
- Regional Credit Control Dresden
  Dr. Gerald Barth
- Regional Credit Control Dusseldorf
  Karl-Josef Wening
- Regional Credit Control Frankfurt
  Paul Krüger
- Regional Credit Control Hanover
  Andreas Leinz
- Regional Credit Control Munich
  Uwe Paul
- Facility Management
  Heinz Deterding
- Trading Operations
  Axel Schneider
- Service and Transaction Bank
  Klaus Söhler/Martin Pietsch
  - apoData Service
- Provider Management
  Dr. Lars Knohl

The Board of Directors

Herbert Pfennig Spokesman of the Board of Directors

Harald Felzen Member of the Board of Directors

Dr. Thomas Siekmann Member of the Board of Directors

Eckhard Lüdering Member of the Board of Directors

Ulrich Sommer Member of the Board of Directors

Supervisory Board

Hermann S. Keller, pharmacist
Chairman
Mainz

Wolfgang Häck
Deputy Chairman
Dormagen[1]

Ralf Baumann
Dusseldorf[1]

Fritz Becker, pharmacist (since 14 June 2013)
Remchingen

Martina Burkard
Würzburg[1]

Mechthild Coordt
Berlin[1]

Dr. med. dent. Peter Engel
Bergisch-Gladbach

Sven Franke
Hanover[1]

Eberhard Gramsch
Göttingen

Klaus Holz
Essen[1]

Dr. med. Andreas Köhler
Berlin

WP/StB Walter Kollbach
Bonn

Ulrice Krüger
Berlin[1]

Prof. Dr. med. Frank Ulrich Montgomery
Hamburg

Sigrid Müller-Emsters
Meerbusch[1]

Dr. med. dent. Helmut Pfeffer
Wohltorf

Dr. med. dent. Karl-Georg Pochhammer
Berlin

Christian Scherer
Neustadt[1]

Friedemann Schmidt, pharmacist
Leipzig

Ute Szameitat
Mülheim[1]

Heinz-Günter Wolf, pharmacist (until 14 June 2013)
Hemmoor

1) Employee representative

Advisory Board

Dipl.-Betriebsw. Wolfgang Abeln, Pinnow

Stephan Allroggen, dentist, Kassel

Dr./RO Eric Banthien, Hamburg

Mark Barjenbruch, Hanover

Karl-August Beck, pharmacist, Nuremberg

Fritz Becker, pharmacist, Remchingen

Dr. med. dent. Gert Beger, Bad Münster

Dr. med. Jörg Berling, Lüneburg

Dipl.-Volksw. Christoph Besters, Waldkirch

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

Dr. med. Thomas Birker, Heide

Dr. med. dent. Stefan Böhm, Munich

Dipl.-Volksw. Dieter Bollmann, Hamburg

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

Dr. med. dent. Burkhard Branding, Detmold

Burkhard Bratzke, Berlin

Dr. med. dent. Klaus Brauner, Roßlau

Bernhard Brautmeier, Essen

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

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

Frank Dastych, Bad Arolsen

Reinhard Dehlinger, Munich

Dipl.-Stom. Holger Donath, Prebberede

Dr. med. Wolfgang-Axel Dryden, Kamen

Dr. med. Wolfgang Eckert, Rostock

Dipl.-Kfm. Armin Ehl, Berlin

Dr. med. Brigitte Ende, Buseck

Dr. med. Ilka Enger, Munich

Dr. rer. nat. Ralph Ennenbach, Ahrensburg

Dr. med. Karsten Erichsen, Bremen

Heinz-Ulrich Erlemann, pharmacist, Cologne

Dr. med. dent. Wolfgang Eßer, Mönchengladbach

Albert Essink, dentist, Berlin

Dr. med. Johannes Fechner, Emmendingen

Dr. med. dent. Jürgen Fedderwitz, Wiesbaden

Dipl.-Med. Regina Feldmann, Meiningen

Assessor jur. Christian Finster, Bad Schönborn

Christiaan Johannes Gabrielse, veterinarian, Kempen

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

Dr. phil. Jörn Graue, pharmacist, Hamburg

Dr. med. Holger Grüning, Wernigerode

Dipl.-Stom. Dieter Hanisch, Freyburg

Dr. med. Gunter Hauptmann, Saarbrücken

Dr. med. Klaus Heckemann, Dresden

Dr. med. Dirk Heinrich, Hamburg

Dr. med. Peter Heinz, Ober-Hilbersheim

Dr. med. dent. Ulrich Hell, Merchweiler

Dr. med. Hans-Joachim Helming, Bad Belzig

Dr. med. Torsten Hemker, Hamburg

Martin Hendges, dentist, Untereschbach

MdB Rudolf Henke, Aachen

Dr. med. Jörg Hermann, Bremen

Andreas Hilder, Steinfurt

Dipl.-Kfm. Wilfried Hollmann, Essen

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

Stephan Janko, Langenfeld

Dr. med. Burkhard John, Schönebeck

Dipl.-Kfm. Michael Jung, Cologne

Dipl.-Kfm. Daniel F. Just, Munich

Dr. rer. nat. Andreas Kiefer, pharmacist, Koblenz

RA Hartmut Kilger, Tübingen

Dr. med. dent. Rolf Koschorrek, Bad Bramstedt

Dr. med. dent. Alfons Kreissl, Eschborn

Dr. rer. pol. Andreas Kretschmer, Dusseldorf

Dr. rer. soc. Thomas Kriedel, Dortmund

Dr. med. dent. Peter Kriett, Bad Segeberg

Dr. med. dent. Manfred Krohn, Rostock

Dr. med. Wolfgang Krombholz, Isen

Dr. rer. pol. Andreas Lacher, Gauting

Dr. rer. pol. Herbert Lang, Germering

Dipl.-Kfm. Wolfgang Leischner, Lübeck

RA Florian Lemor, Berlin

Dr. med. Steffen Liebscher, Lößnitz

Rainer Linke, Potsdam

Volker Linss, veterinarian, Villmar-Aumenau

Dipl.-Kfm. Thomas Löhning, Cologne

Dr. med. dent. Ute Maier, Dußlingen

Helmut Mälzer, Berlin

Prof. Dr. med. vet. Theodor Mantel, Eichstätt

Lothar Marquardt, dentist, Essen

Dipl.-Verwaltungsw. Eberhard Mehl, Bonn

Dr. med. Norbert Metke, Stuttgart

Johannes M. Metzger, pharmacist, Scheinfeld

Dipl.-Ing. Hartmut Miksch, Dusseldorf

Dr. med. Josef Mischo, St. Ingbert

Dr. med. dent. Dirk Mittermeier, Bremen

Dipl.-Kfm. Karsten Müller-Uthoff, Hildesheim

Dipl.-Math. Gert Nagel, Darmstadt

Christian Neubarth, dentist, Hildesheim

Dr. med. vet. Michael Nieswand, Nossentiner Hütte

Dr. Ralph Nikolaus, Dresden

MUDr. Peter Noack, Cottbus

Dr. med. Gerhard Nordmann, Unna

Dipl.-Kfm. Siegfried Pahl, Haan

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

Walter Plassmann, Hamburg

Prof. Dr. med. habil. Heiner Porst, Dresden

Dr. med. Peter Potthoff, Königswinter

Dr. med. Angelika Prehn, Berlin

Axel Rambow, Schwerin

Dr. med. dent. Janusz Rat, Munich

Dr. med. dent. Bernhard Reilmann, Lippstadt

Dr. med. dent. Michael Reinhard, Nörtershausen

Dr. med. Klaus Reinhardt, Bielefeld

Martin Reiss, Berlin

Dr. med. Bernhard Rochell, Berlin

Dr. med. Annette Rommel, Mechterstädt

Dr. med. Karl-Friedrich Rommel, Mechterstädt

RA Dr. jur. Helmut Roth, Senden

Dr. med. Jochen-Michael Schäfer, Kiel

Günter Scherer, Bremen

Dr. med. dent. Karl Horst Schirbort, Burgdorf

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

Dr. med. Pedro Schmelz, Bad Kissingen

Dr. jur. Sebastian Schmitz, Berlin

Dr. med. Rüdiger Schneider, Trier

Dr. med. dent. Ursula von Schönberg, Barntrup

Dr. med. Thomas Schröter, Weimar

Dipl.-Med. Andreas Schwark, Bernau

Dirck Smolka, dentist, Bonn

Dr. med. Eberhard Steglich, Guben

SR Dr. med. dent. Helmut Stein, Clausen

Dipl.-Volksw. Helmut Steinmetz, Kiel

Dr. med. dent. Helke Stoll, Eilenburg

Dr. med. dent. Karl-Heinz Sundmacher, Heidelberg

Dr. med. Jürgen Tempel, Wunstorf

Dr. med. Christoph Titz, Ganderkesee

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

Ralf Wagner, dentist, Heimbach

SR Dr. med. Egon Walischewski, Koblenz

Ulrich Weigeldt, Berlin

Dr. med. dent. Holger Weißig, Gaußig

Dr. med. Lothar Wittek, Thürnthenning

Dr. med. dent. Walter Wöhlk, Molfsee

Dipl.-Ökon. Oliver Woitke, Bremen

Jürgen Ziehl, Saarbrücken

Honorary Position Holders and Honorary Members

Dr. med. dent. Wilhelm Osing
Honorary Chairman of the Supervisory Board
Dusseldorf

Dipl.-Volkswirt Walter Schlenkenbrock
Honorary Chairman of the Board of Directors
Ratingen

Klaus Stürzbecher, pharmacist
Bearer of apoBank's Karl Winter Medal and honorary member of apoBank
Berlin

Berthold Bisping
Honorary member of apoBank
Neuss

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

Elfriede Girl
Honorary member of apoBank
Munich

Jürgen Helf
Honorary member of apoBank
Meerbusch

Dr. med. Ulrich Oesingmann
Honorary member of apoBank
Dortmund

Dr. med. dent. Rudolf Oschika
Honorary member of apoBank
Moers

Dipl.-Betriebswirt Werner Wimmer
Honorary member of apoBank
Meerbusch

In Memoriam

Dr. med. vet. Wilhelm Blankenburg

Dr. med. vet. Karl Boesing

Hans-Werner Henrichs, dentist

Dr. med. dent. Peter Kuttruff

Klaus Strölin, pharmacist

Prof. Dr. med. Ernst-Eberhard Weinhold

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

We shall honour their memory.

Management Report

Business and General Conditions

apoBank – the leading bank in the health care sector

apoBank, founded in 1902, is a cooperative full-service bank. It tailors its business policy to the specific needs of the medical professions and the health care market. Its business purpose is to assist and support its members – health care professionals and their organisations and institutions – in financial matters.

In connection with this, apoBank sees its objective as allowing its members to participate appropriately in its economic success in the long term. apoBank is a specialist and niche supplier with a strong position in the German health care market, thus securing the leading position of the cooperative FinanzGruppe in financial services for the health care sector.

Business model aligned to growing health care market

apoBank's business model enables it to pursue its goal of sustainably capturing market opportunities in the thriving health care market. In accordance with our statutory purpose, we are a reliable financing partner that contributes to satisfying the growing demand for investment in the health care market.

Our customers are students, active professional or retired members of the academic health care professions, professional associations, cooperatives and companies operating in the health care market, as well as operators of pharmaceutical, medical, dental, inpatient and nursing care structures and other selected customers. As their confidential partner, we offer the complete range of financial and advisory services in the lending and deposit business, as well as in asset management.

Thanks to our many years of experience in the health care market and our professional and market-specific expertise, we can continue to offer our customers sound support, even when the underlying conditions change. In the year under review, we also benefited from our special expertise in the acquisition of new business and in risk control. In this way, we further reinforced our leading position in the market.

Focus on our customers

apoBank's objective is to expand its market-leading position as a provider of high-quality banking services in the health care sector and to further strengthen its operational performance. For this reason, our business policy focuses on student, active professional or retired members of the academic health care professions as well as on the organisations they belong to. In this process, we aim for a balanced earnings and risk ratio based on clear risk guidelines.

Our main strategic objectives are to achieve high levels of customer satisfaction as well as an increase in market share and market penetration while at the same time remaining profitable in the long run and maintaining our independence of the capital markets. We aim to achieve these objectives through efficient processes as well as high levels of training and employee identification with the organisation.

Strategic business segment structure

In the year under review, we successfully completed our VorWERTs future programme. This entailed extensive conceptual and structural adjustments, in particular in the segments "retail clients" and "professional associations, institutional customers and corporate clients", which we intend to use as the basis for implementing our strategic objectives.

In the retail clients segment, we want to grow both in terms of quality and quantity. Our retail clients include students, salaried and self-employed members of the academic health care professions as well as retired health care professionals. The customer care we provide to our retail clients is tailored to their individual needs and the various stages of their lives. In the year under review, we aligned our entire sales organisation to the needs of our clients by introducing new work structures and areas of specialisation. This also includes new advice services, e. g. for the securities business, which enable us to provide even more focused support to our clients.

In the professional associations, institutional investors and corporate clients segment, we are reinforcing and expanding our market position with a systematic sales approach. For example, specialised teams provide customer services in the local branches. The advisors focus on specialised areas of expertise depending on the customer group they serve and are supported by central competence centres for payment transactions, loans and investment.

In the area of asset investment, we complement our range of customer services with the offerings of the associated companies Apo Asset Management GmbH and aik Immobilien-Kapitalanlagesellschaft mbH. Apo Asset Management GmbH specialises in the administration and management of securities funds of retail and institutional customers from the health care sector. The company collaborates with renowned capital investment companies in Germany and Luxembourg. aik Immobilien-Kapitalanlagegesellschaft mbh works for professional pension funds. aik is a real estate investment company specialising in an integrated approach that covers the entire value chain of real estate investment.

In the following sections we will present the main external and internal conditions for apoBank's business as well as its development in financial 2013.

Euro area has overcome the worst

In spite of good levels of consumption, the German economy grew only slightly in financial 2013. Growth was only 0.4% due to a decline in investment by companies.

In 2013, the euro area had not yet managed to move out of recession. While France stagnated again, the Italian, Spanish, Portuguese, Greek and Dutch economies shrank. Although the euro area showed growth in the second quarter of 2013 (for the first time since the end of 2011), the figures for the year as a whole decreased slightly.

Development of gross domestic product of selected EU countries

	2013	2012
	%	%
Germany	0.4	0.7
France	0.2	0.0
Greece	– 3.7	– 6.4
Ireland	0.0	0.2
Italy	–1.8	– 2.6
Netherlands	–1.1	–1.3
Portugal	–1.7	– 3.2
Euro area	– 0.4	– 0.6

As at January 2014

US dollar/euro development in 2013

Cautious tightening of monetary policy in the USA

The beginning of the year was overshadowed by the fear of a “fiscal cliff”, i. e. a considerable increase in tax burdens in combination with a simultaneous decrease in expenditure. A swift agreement reached by the US Congress managed to avoid this happening. In addition, an increase in debt ceilings was under discussion. The lack of agreement incapacitated the government for a good fortnight in October. However, in the end the US Congress voted to raise the debt ceiling, thus securing the solvency of the USA for the time being.

In addition, the year was marked by uncertainty about when the Federal Reserve would tighten its monetary policy – initial cautious steps in this direction were decided upon by the Fed in December 2013.

Global economic growth decreased slightly overall, primarily due to the weak growth of the US economy, which grew by just 1.9% in 2013, down one percentage point on the previous year. Consumption remained quite stable, with growth of just under 2%, while investment weakened significantly.

Development of the yield on federal bonds in 2013

Slight increase in interest rates

In spite of the ongoing discussion about restraining loose US monetary policy, the financial sector benefited from the tailwind of the central banks. The yield on ten-year US government bonds rose by a good percentage point from less than 1.7% at the end of April 2013 to 3.0% at the end of the year. In Germany, yield increases were more conservative (see chart), rising from 1.2% at the end of April to peak at 2.0% in September. The yield had not dropped much by the end of the year (1.9%), but was still one percentage point below the US level. Due to the European inflation rate, which decreased to 0.7% in October 2013, the European Central Bank (ECB) reduced the key interest rate from 0.5 to 0.25%.

The euro was strengthened by weakening economic performance in the USA in the summer, while the euro area showed a surprisingly positive performance, resulting in increasing demand for the euro.

Shares were also in demand. The DAX rose by over 25%, while the EURO STOXX 50 trailed far behind with growth of 13%. In addition, the residential real estate markets in the USA, UK and Germany performed well. However, real estate prices in Spain, the Netherlands and Italy continued to fall.

Health care remains a growth market

Germany has a very high-performing health care market. In the year under review, it remained a stable growth market due to medical and technical progress, demographic trends and increasing health awareness. The statutory health insurers benefited from the increasing number of work contracts subject to social insurance payments.

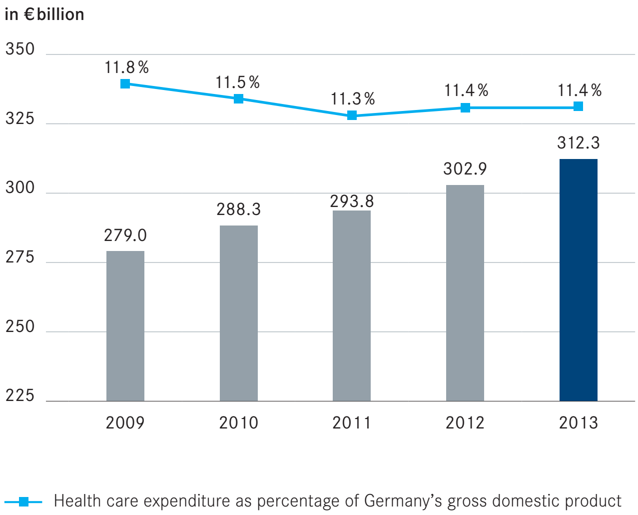
Further increase in health care expenditure

We expect health care expenditure to have increased again in 2013. Based on current figures, we expect an increase of 3.1%, which would mean that the share of health care expenditure in gross domestic product would be 11.4%.

The statutory health insurance (GKV) covered around 57% of health care expenditure and remained the most important source of income for the majority of medical service providers. The latest figures available are from the end of the third quarter of 2013. They indicate that health care expenditure per person insured by the GKV rose by 4.8% compared to the previous year. In spite of this, the financial situation of the statutory health insurers continued to show a positive development in the year under review. By the end of the third quarter, they were able to post a surplus of around €1.5 billion.

The private health insurance (PKV) also continued to be an important source of income for medical service providers. In the previous year, expenditure by the PKV had risen by 4.8% and we expect this trend to have continued in the year under review.

Development in health care expenditure[1]



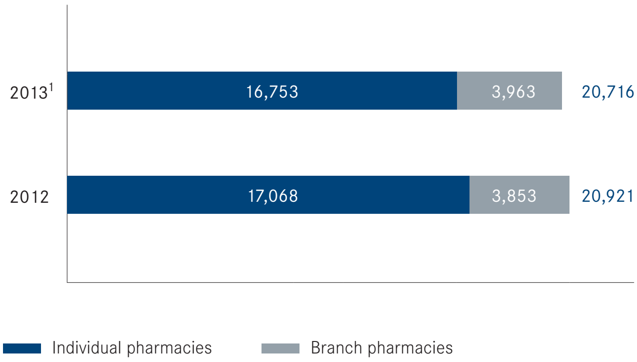
1) Figures contain estimates or forecasts.
Source: Statistisches Bundesamt, Gesundheitsausgabenrechnung

Consolidation in pharmacy market continues

The number of pharmacies in Germany decreased by 1.0% by 30 September 2013 compared with 31 December 2012. This was a continuation of the downward trend of the previous year. In addition, an increasing number of pharmacies are operated as branches. Both trends are the expression of a concentration and consolidation process on the pharmacy market that has been caused, among other things, by social legislation passed in recent years on cost reduction measures.

The trend towards branch pharmacies in particular led to an increase in the number of pharmacists employed at pharmacies. 65% of all pharmacists were employed at pharmacies at the end of 2012 (31 December 2011: 64%). We expect this trend to have continued in the year under review.

Number of pharmacies



1) As at 30 September 2013
Source: Bundesvereinigung Deutscher Apothekerverbände (ABDA)

Pharmacists' earnings situation improved

Based on current forecasts, pharmacy earnings increased in 2013. The reasons for this include the increase in pharmacy fees, the newly introduced night and emergency fees as well as improved purchasing conditions with wholesalers. In addition, the GKV discount payable by pharmacists to health insurers was reduced in 2013.

Trend towards cooperation and salaried employment continues in the outpatient medical sector

Cooperative structures in outpatient care and at the interfaces between outpatient and inpatient care have gained significance in recent years. We expect this trend to have continued in 2013. Our analyses show that since 2010, almost as many physicians have been setting up as part of cooperative medical practices as in individual practices. Based on the data available, we expect the number of medical care centres (MVZ) to have risen again by year-end 2013.

According to our estimates, by the end of 2013 more physicians were also working in professional cooperatives than in the previous year. Monetary reasons for this were on the one hand synergy effects physicians expect to gain from a cooperative professional structure. On the other hand, many medical professionals appreciate the non-monetary benefits of cooperatives, e. g. exchange with other experts, a broader service offering and the opportunity for better time management.

Young physicians in particular see salaried employment as an attractive alternative to having their own practice. We forecast that more physicians were in salaried employment in outpatient care in 2013 than in the previous year.

Higher expenditure on medical treatment

In the first half of 2013, according to the calculations of the National Association of Statutory Health Insurance Funds (GKV-Spitzenverband), expenditure on medical treatment rose to €15.8 billion, a 10.3% increase on the same period in 2012.

The long-planned and much-discussed reform of the fee schedule for physicians (GOÄ) remained unimplemented in 2013.

Increase in number of salaried dentists

The total number of dentists employed at practices rose slightly in 2012. While the number of dentists with their own practices decreased by just under 1%, the number of dentists employed at practices rose by 10.5%. A total of 19% of all dentists were in salaried employment. We forecast that the trend towards dentists in salaried employment continued in 2013.

Similar to the situation among physicians, this continuous growth indicates that more and more dentists see salaried employment as an alternative to setting up their own practices.

Cooperative structures are also of growing importance. Our analyses show that a good quarter of all dentists decide to set up as part of a cooperative.

Improvement in dentist fees

The GKV's expenditure on dental treatment in the first half of 2013 rose by approximately 7.3% compared to the previous year's period. We forecast that this trend will have remained at a similar level for the year as a whole.

According to internal apoBank data, the amended fee schedule for private dental services, which came into force on 1 January 2012, had a positive effect on PKV fees.

Retail Clients

Positive development in retail clients segment

As the specialist bank for health care professionals, apoBank provides services to pharmacists, physicians, dentists and veterinarians in its retail clients segment – and has done so for more than one hundred years. With its services, apoBank focuses on fulfilling the financial needs of academic health care professionals. Its range of products and client advisory services are tailored to the respective life phases of its customers.

Employee expertise in all aspects of the health care market gives apoBank an important competitive advantage. In addition to new business start-ups as well as investment and private financing, our expertise in real estate financing continued to be in particularly high demand last year. In addition, we were pleased to see growth in the deposit business, i. e. in demand, saving and term deposits. With our VorWERTs programme, we introduced new products, services and a support concept including specialised advisers for our clients. This enables us to provide advice to our clients that is even more closely tailored to their individual needs. The initial feedback from our clients has been positive.

apoBank's retail client segment showed positive development overall in 2013. The lending and deposit businesses were the main drivers here.

New lending business continues at high level

As was the case in the previous years, 2013 was marked by a high level of new lending business. The key success factor here remained the specialised and comprehensive expertise of our customer advisers. Due to the continuingly low interest level and the resulting low yield opportunities on investments, redemptions remained high. Thus, the loan portfolio in the retail clients segment remained more or less on a par with the level of the previous year, at € 22.6 billion (31 December 2012: € 22.7 billion).

Stable development in business start-up financing

The share of physicians setting up individual practices in the year under review decreased nationwide compared to the previous years; by contrast, the share of doctors setting up as part of cooperatives increased. For the individual health care professional, cooperatives require a significantly lower financing volume.

Business start-up financing is one of apoBank's main core competencies. We are market leaders in this area, with our clients profiting again from our comprehensive expertise in the sector. As at 31 December 2013, the volume of business start-up financing in the retail clients segment was unchanged, at € 6.1 billion (31 December 2012: € 6.1 billion).

Strong demand for real estate financing

Due to the low interest rates, the real estate financing segment continued to profit in the year under review from higher client demand for real estate. apoBank performed very well despite intense competition on price and conditions in the financial sector: On 31 December 2013, real estate financing in the retail clients segment amounted to € 11.0 billion (31 December 2012: € 10.8 billion).

Investment and private financing remain stable

Due to the low interest rates, there was stronger investment activity in the retail clients segment. The focus here was on modernisation of practice premises and technical equipment. We also took into account low-interest development loans when advising our customers. In addition, we initiated a zero-interest special loan programme to support clients affected by the floods in June 2013.

As at 31 December 2013, investment and private financing in the retail client segment amounted to € 5.5 billion. Due to scheduled redemptions, this was more or less on a par with the previous year's level (31 December 2012: € 5.7 billion).

Continued expansion of account business

The number of current accounts went up by 2.4%, to over 501,000 in the year under review. The current account full service package and the student package (around 4,000 new clients) were in strong demand. In addition, our clients can choose from a range of credit cards. Here, too, we saw an increase of 5.6%.

Continuing growth in deposit business

We were pleased to see an increase in the average volume of retail clients' demand, savings and term deposits of 10.7% to over € 10.2 billion in the year under review (31 December 2012: € 9.2 billion). The main reason for this increase is the low interest rate, which led to higher client demand for investments with short-term maturity and high availability. The growth drivers here were demand deposits. To increase the attractiveness of deposits, new time-deposit products were introduced in 2013, among other things. The initial reaction of our clients to the new products has been positive.

The average volume of demand deposits was € 4.6 billion in the year under review, 17.9% above the previous year's level (31 December 2012: € 3.9 billion). The average volume of the apoZinsPlus call account, at € 4.8 billion, exceeded the previous year's level by 9.1% (31 December 2012: € 4.4 billion).

The average volume of term deposits decreased to € 721.0 million (31 December 2012: € 812.1 million). Clients extended their mature time deposits less frequently, preferring to transfer them to the apoZinsPlus call account.

Average savings deposits of retail clients rose slightly in 2013 to around € 64.9 million (31 December 2012: € 64.0 million).

Client reticence on securities

In the year under review, historically low interest rates, the budget debate in the USA and the continuingly uncertain situation in the European crisis states led to general investment reticence on the part of clients.

Therefore, most investors only participated to a very limited extent in the stock market, which rose significantly again, with the DAX – the German bluechip index – reaching an all-time high. There was little demand for more volatile investments.

Most mature fixed-interest securities were shifted to short or medium-term investments. This led to an overall decline in the deposit volume in the retail clients segment to € 6.6 billion (31 December 2012: € 6.8 billion).

Positive development in private asset management

apoBank's private asset management business was successful in the year under review. The Bank's past performance and the resulting "excellent" rating received again from Focus-Money and n-tv contributed towards an increase in client numbers to over 3,600 in the year under review (31 December 2012: 3,043 clients). The volume managed increased by over € 350 million to a total of € 1.7 billion (31 December 2012: € 1.3 billion).

Reticent client demand in insurance business

At a brokerage volume of € 192.6 million, new insurance business was considerably down on the previous year's level of € 346.7 million. Client reticence is due to the fact that the guaranteed interest rate on life and pension insurance policies is still low. Products with fixed long-term interest rates in particular were therefore in less demand.

In 2013 again, the brokered insurance business focused on products exclusively designed for pension planning purposes. Its share in the total insurance business in the year under review was 47.3%.

Continued high growth in building society savings

apoBank continues to grow in the area of building society savings: At € 336.6 million, the brokered building society savings total was significantly higher than in the previous year (31 December 2012: € 235.2 million). This confirms the trend towards private real estate and the modernisation and expansion of existing buildings. In addition, the guaranteed terms and conditions for credit balances and loans continued to be in high demand among our clients.

Professional Associations, Institutional Customers and Corporate Clients

Close collaboration with the professional associations representing groups of health care professionals

apoBank traditionally works closely with associations representing all groups of health care professionals. Our clients in this area include the associations of panel doctors and dentists, private medical clearing centres, professional pharmacy data processing centres as well as chambers, organisations and associations of the health care professionals. Our relationship with them is based on partnership and trust. It constitutes a central element of our mission, and is thus key in fulfilling our statutory support mandate. This is also reflected in the stable business relationships that have developed over decades.

Within the customer group of professional associations, advice in financial matters, against the backdrop of health policy, plays a major role. At the same time, their deposits are an important part of apoBank's customer deposit business.

As part of our VorWERTs future programme, we realigned the area of Professional Associations to place more focus on local services in particular. By installing the first local advisers, we have begun to intensify customer contact and are aiming to improve the quality of our advisory services.

In the year under review, we were successful in expanding our business relations and the deposit business with the professional associations. Demand deposits by this customer group rose while the volume of term deposits decreased. The lending business declined slightly, with the focus again being on providing pre-financing lines to professional pharmacy data processing centres.

Successful cooperation with institutional investors

The customer group of institutional investors primarily comprises the occupational pension funds. apoBank offers them a wide range of securities products, banking and consulting services.

Financial 2013 was characterised by regulatory changes. In the second half of the year, the Investment Act (InvG) was replaced by the new Capital Investment Code (KAGB). Among other things, the KAGB places more stringent requirements on the Bank's role as a deposit bank. apoBank made all necessary preparations for this in a timely manner.

The capital market environment remained challenging in 2013. Thus it continued to be difficult for our investors to achieve their statutory target returns of between 3.0 and 4.0%. As the depository for special, master and public funds, we continued to be successful in supporting our customers in the implementation of their investment strategies.

As at 31 December 2013, apoBank managed a total of 120 fund mandates. Two counteracting effects were at work here: On the one hand, we were able to gain new mandates; on the other hand, there was some consolidation. As a result, the total number of fund mandates dropped year on year (31 December 2012: 125). The volume amounted to €10.5 billion (31 December 2012: €11.3 billion). Here, the outflows of funds partially resulted from reallocations and therefore led to a decrease in the depository volume.

At the end of the year, the volume managed by apoBank had risen to € 2.0 billion (31 December 2012: € 1.9 billion) in institutional portfolios. Our expertise was in particular demand in the administration of direct investment pension funds. Apart from comprehensive experience and good market access, qualitative aspects are very important in an environment of continuingly low interest rates. For example, we consider issuers' cover funds and carry out cover pool analyses.

In addition to modern investment products and a high-performing depository, our customers also focus on management of capital investments. We support our institutional customers in this area by providing professional advisory services. In our asset liability studies, we make projections of capital market scenarios which help our investors to reach their targeted returns. We support our customers in their communications with supervisory authorities and decision-makers by providing regular reporting and analyses.

Business with corporate clients expanded

The corporate client business segment pools client relations with companies on the health care market, clinics, care facilities as well as medical centres and health care centres.

In financial 2013, we continued to expand our business in this segment. For example, we provided our financial expertise to support innovative projects in out-patient and in-patient care. We offer our comprehensive knowledge of the tasks and requirements of companies associated with the health care sector and providers of out-patient and in-patient care as well as our familiarity with the respective regional market conditions, providing them with tangible benefits in the implementation of their projects.

In the second half of the year, demand for financing solutions increased significantly again among corporate clients. The continuingly low interest rates and the expected economic recovery played a key role here.

apoBank was therefore able to further expand the financing volume in the area of corporate clients in 2013. At the end of the year, lending volume amounted to € 1.5 billion (31 December 2012: € 1.4 billion).

Net Assets, Financial Position and Results

Positive business performance in 2013

Conditions in the German banking sector remained difficult in financial 2013. Banks faced considerable challenges due to the effects of the ongoing European sovereign debt crisis, extremely low interest rates, more and stricter regulatory requirements and intense competition in the retail clients segment.

In view of these conditions, apoBank closed the year under review with a positive business performance that was better than expected. This was due to our strong market position in the health care sector as well as generally stable conditions in the out-patient sector.

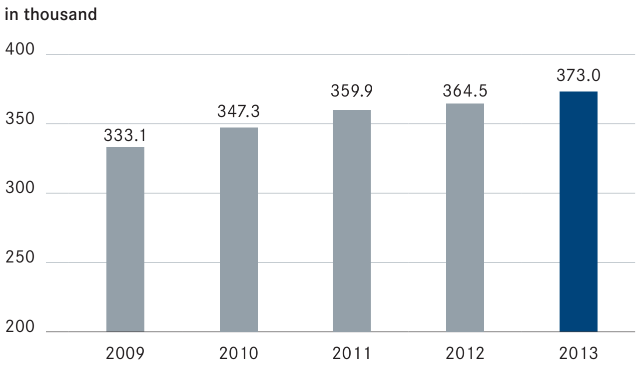
apoBank achieved its main economic goal of being able to regularly pay out a dividend to its members, and was able to make additions to its reserves.

Customer and member base expanded

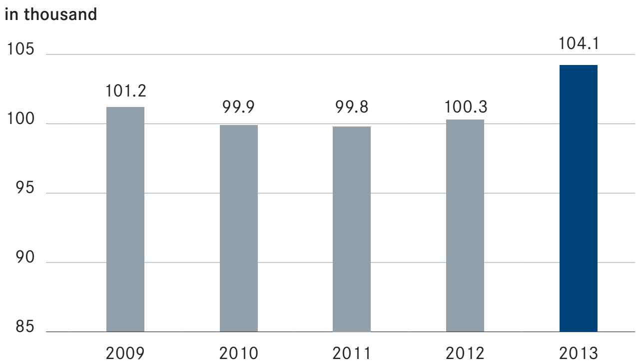
The completion of the VorWERTs future programme was the focus of our business policy measures in 2013. By implementing this strategic package of measures, apoBank created the basis on which to expand its market position and continue to increase its economic performance. In addition to optimising the cost structure, this also entailed the introduction of a differentiated customer care concept. Customers now profit from integrated services provided by specialised advisers who support them in every phase of their lives.

In the year under review, we continued to focus on fulfilling our statutory support mandate. With its specialised banking services, apoBank supports its members and customers in achieving their professional and private objectives.

Customer numbers



Member numbers



The results of this approach are as follows: In spite of its already high market penetration, apoBank once again increased the number of its customer accounts to 373,000 (31 December 2012: 364,500). This success can also be seen in the increase in member numbers: As at the end of financial 2013, apoBank had 104,092 members (31 December 2012: 100,332).

The following sections elaborate on the main income and expenditure items in financial 2013.

Net interest income at the level of the previous year

At year-end, net interest income amounted to € 679.2 million (31 December 2012: € 694.0 million), almost at the previous year's level.

apoBank expanded its new lending business once again. However, the loan portfolio remained more or less unchanged overall due to higher redemptions.

The increase in customer deposits had a positive effect on net interest income. Here, the contributions to profit benefited from shifts towards short-term demand deposits.

In addition, the success of our strategic interest rate risk management had a positive effect on net interest income.

The interest margin was slightly up on the previous year's level, at 1.87% (31 December 2012: 1.81%).

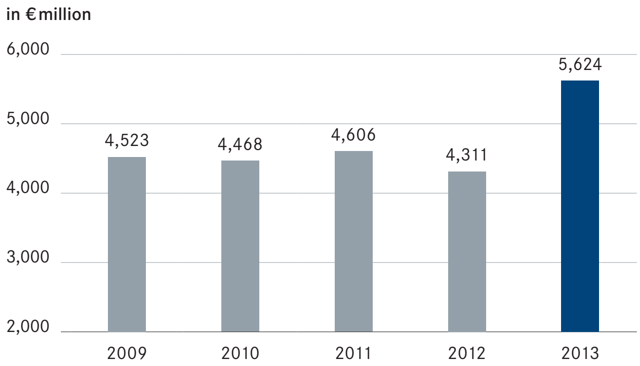
Net commission income below previous year's level

apoBank's net commission income amounted to € 103.7 million, a decline compared to the previous year (31 December 2012: € 116.2 million).

Here, the challenges facing the German banking sector were particularly noticeable. Due to the ongoing European sovereign debt crisis, the classical securities business in particular was affected by private investor reticence. In addition, low interest rates lead to a decrease in the sale of investments with long-term fixed interest rates. Compared with the previous year, new business with life insurances and pension insurances declined.

In this environment, private asset management posted growth in consulting-based fees. apoBank also expanded the contributions to profit in the securities business with institutional customers.

New loan agreements[1]



1) Including loan transfers

Administrative expenses reduced

At € 460.7 million, administrative expenses were considerably lower than in the previous year (31 December 2012: € 479.7 million). Materials expenses (including depreciation) amounted to € 234.9 million (31 December 2012: € 245.6 million). Personnel expenses decreased to € 225.7 million (31 December 2012: € 234.1 million).

The decrease in administrative expenses is one of the successes of the VorWERTs programme, which optimised cost structures, among other things. The previous year's period was also marked by expenditure on IT migration as well as investments in connection with VorWERTs.

Stable development in operating result

Against the backdrop of market conditions, the development of the operating business was positive overall. Operating profit before risk provisioning showed a stable performance and amounted to € 314.8 million as at the balance sheet date (31 December 2012: € 324.1 million).

Income statement

in € million	31 Dec 2013	31 Dec 2012	Change %[1]
Net interest income	679.2	694.0	– 2.1
Net commission income	103.7	116.2	–10.7
Administrative expenses	– 460.7	– 479.7	– 4.0
Net trading revenues/expenses	– 0.5	0.6	– – –
Balance of other operating income/expenses	– 6.9	–7.1	– 2.7
Operating profit before risk provisioning	314.8	324.1	– 2.8
Risk costs and precautionary measures[2]			
for the customer lending business	– 53.9	– 81.3	– 33.7
for financial instruments and participations	– 55.4	– 92.1	– 39.8
Allocation to the fund for general banking risks	116.0	70.0	65.7
Taxes	– 41.9	– 35.3	18.7
Net profit	47.4	45.4	4.4

1) Deviations due to rounding differences
2) Including general value adjustments and provisioning reserves pursuant to Section 340f of the German Commercial Code (HGB) as well as extraordinary expenses

Risk provisioning reduced

Risk costs and precautionary measures for the customer lending business, at € 53.9 million, were significantly lower than in the previous year (31 December 2012: € 81.3 million). The low default rates reflected here are the result of the above-average creditworthiness of health care professionals in the out-patient sector as well as apoBank's comprehensive financing expertise and risk management.

Risk costs and precautionary measures for financial instruments and participations amounted to € 55.4 million net (31 December 2012: € 92.1 million) in the year under review. This also takes account of extraordinary expenses associated with the accelerated reduction in the structured financial instruments sub-portfolio. In addition, we strengthened our core capital by reallocating provisioning reserves according to Section 340f of the German Commercial Code (HGB) to the fund for general banking risks.

Increase in tax burden

Tax expenses increased in financial 2013 to € 41.9 million (31 December 2012: € 35.3 million).

Net profit up from previous year

Net profit of € 47.4 million was above the previous year's level (31 December 2012: € 45.4 million). The reasons for this were the trend in the operating result described above as well as the low risk costs in the customer lending business. apoBank allocated € 116.0 million to the fund for general banking risks (31 December 2012: € 70.0 million); this also includes the reallocation of the provisioning reserves according to Section 340f HGB, which will no longer be offsettable as supplementary capital.

The net income achieved enables the Board of Directors and Supervisory Board to propose to the Annual General Meeting a stable dividend payout of 4% as well as an allocation of € 12 million to its disclosed reserves.

Balance sheet affected by reduction in structured financial products

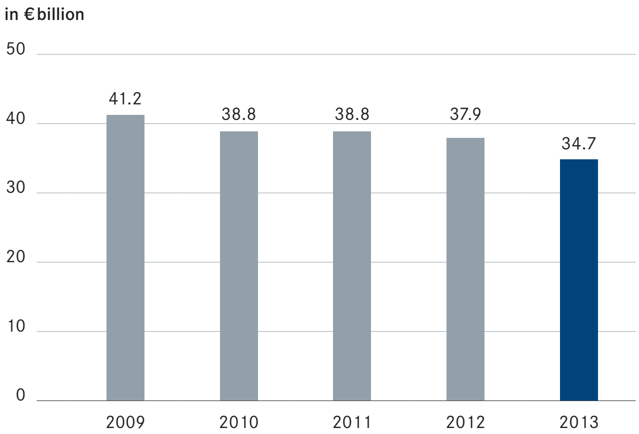
At the end of the year under review, the balance sheet total, at € 34.7 billion, was down 8.4% on the previous year's level (31 December 2012: € 37.9 billion). This development is mainly the result of the reduction in the structured financial products sub-portfolio, which progressed faster than planned. At the same time, capital market refinancing was also reduced.

On the asset side, the balance sheet item "Loans and advances to customers", at € 26.8 billion, was slightly below the level at year-end 2012 (31 December 2012: € 27.1 billion). New loans, at € 5.6 billion, were up on the level achieved in the previous year (31 December 2012: € 4.3 billion). Against the backdrop of continuing low interest rates, redemptions remained at a high level.

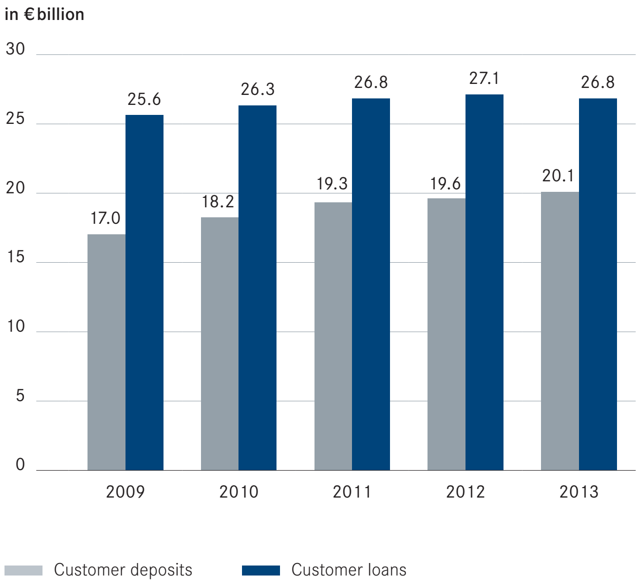
The securities portfolio decreased in the year under review to € 5.2 billion (31 December 2012: € 7.9 billion). This decline is mainly due to the reduction in the financial instruments.

On the liabilities side, apoBank expanded its portfolio of liabilities to customers to € 20.1 billion (31 December 2012: € 19.6 billion). Due to maturities and ongoing restraint in issuing activities, debt security inventories, which are allocated to the balance sheet item "Securitised liabilities", were reduced as planned. This item amounted to € 2.9 billion on the reporting date (31 December 2012: € 5.4 billion).

Balance sheet total



Customer deposits and loans



Liquidity situation remains comfortable

Throughout financial 2013, apoBank's liquidity situation was comfortable. Refinancing was based on a widely diversified customer and investor base. In addition to drawing on customer funds, refinancing was secured by issuing unsecured bonds with its institutional customers, members of the cooperative FinanzGruppe and in the capital market. Furthermore, existing refinancing options via the Kreditanstalt für Wiederaufbau (KfW) and the state development institutes proved their worth once again.

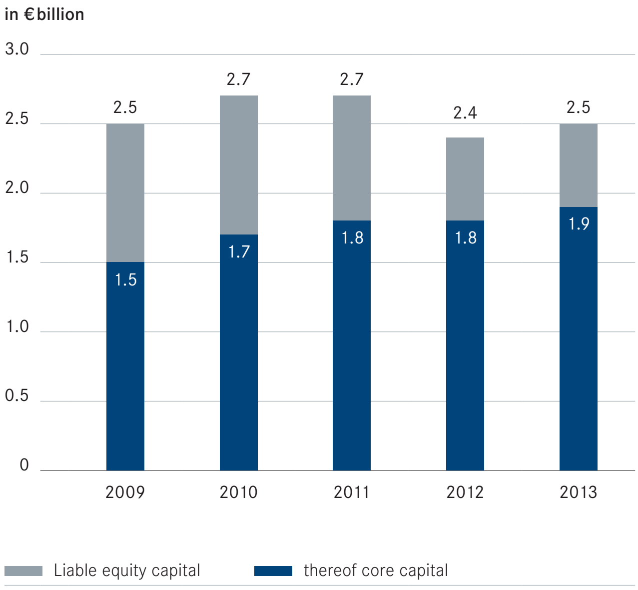
In financial 2013, we paid back the entire long-term tender that we drew down from the European Central Bank (ECB) at the beginning of the previous year.

The portfolio of ECB-eligible securities dropped slightly in the year under review. We replaced mature securities with securities that comply with future liquidity standards.

Further growth in share of customer funds in refinancing

Customer funds amounted to € 21.5 billion as at the balance sheet date (31 December 2012: € 21.4 billion); they accounted for over half of the liabilities side of the balance sheet. Customer funds comprise customer deposits as shown on the balance sheet, i. e. classical deposits, registered securities and promissory note funds placed with institutional customers, as well as apoObligations placed with retail clients. apoObligations, which comprise medium-term maturities of twelve months or more, dropped to € 1.3 billion (31 December 2012: € 1.7 billion).

Liable equity capital and core capital

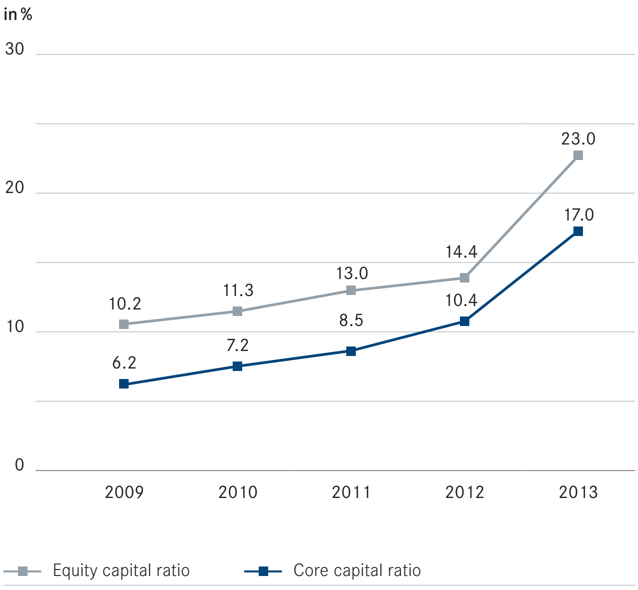


Capital-market-based refinancing funds, including promissory note funds placed with banks, were considerably below the previous year's level, at € 2.1 billion (31 December 2012: € 4.8 billion). With new issues amounting to € 290 million, the volume of the outstanding Pfandbriefe was € 1.1 billion, below the level of the previous year due to higher redemptions (31 December 2012: € 1.7 billion).

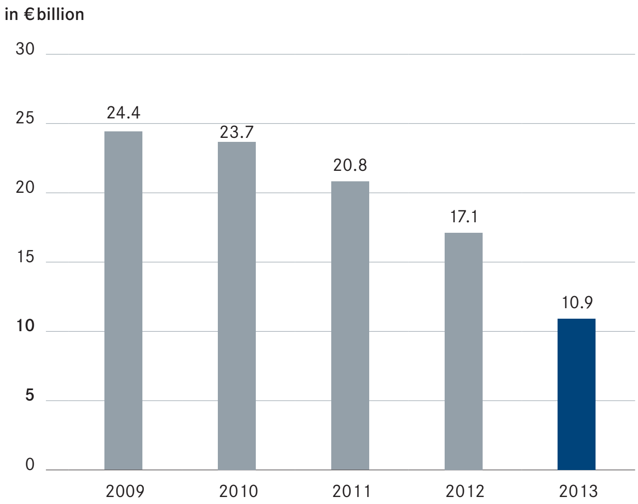
Further improvement in equity situation

In the year under review, apoBank managed again to further improve its regulatory equity ratios. At year-end, the equity ratio amounted to 23.0% (31 December 2012: 14.4%) and the core capital ratio was at 17.0% (31 December 2012: 10.4%).

Equity and core capital ratio



Risk positions requiring equity



Regulatory equity capital rose to € 2,499 million (31 December 2012: € 2,449 million), core capital amounted to € 1,849 million (31 December 2012: € 1,776 million). The growth is mainly due to the increase in capital shares of € 132 million to € 943 million (31 December 2012: € 811 million). The number of members increased by just under 4,000 in the year under review.

On 19 November 2013, the Board of Directors of apoBank decided to terminate the € 150 million silent partnership of Capital Issuing GmbH in apoBank, issued in 2003. This took effect from 31 December 2013. The reason for the termination is the upcoming changes in supervisory law and the positive trend in the capital situation. Under Basel III, this shareholding will no longer be recognised as liable equity capital according to the German Banking Act (KWG). The contractual repayment is scheduled to take place on 31 July 2014.

The ongoing reduction in risk positions requiring equity also made an essential contribution to improving capital ratios, in particular in the area of financial instruments. In total, the risk-weighted assets decreased by € 6.2 billion to € 10.9 billion (31 December 2012: € 17.1 billion).

apoBank's rating remains stable

apoBank's creditworthiness, i. e. its ability to meet all financial obligations fully and in a timely manner, is assessed by rating agencies Moody's Investors Service and Standard & Poor's.

In addition, Standard & Poor's and Fitch Ratings assess the creditworthiness of the entire cooperative FinanzGruppe. As apoBank is part of the cooperative FinanzGruppe and is a member of the cooperative protection scheme, these ratings also indirectly apply to apoBank.

Standard & Poor's confirmed its long-term AA rating of apoBank on 8 November 2013.

Rating

Rating	Standard & Poor's	Moody's	Fitch Ratings (group rating)
Long-term rating	AA–	A2	A+
Short-term rating	A–1+	P–1	F1+
Outlook	stable	stable	stable
Silent partnership	A	Baa3	– – –

On 3 December 2013, rating agency Moody's raised the outlook for apoBank from negative to stable. Its long-term A2 rating was confirmed. At the same time, the agency increased the financial strength rating of the Bank. In line with the rating method, the ratings of the subordinate debt and the silent partnerships improved by one grade each, to Baa1 and Baa3 respectively. Moody's justified the decision by stating that apoBank had tangibly improved its core profitability, reduced risky assets and thus significantly increased capital ratios.

Summary of net assets, financial position and results

apoBank's business model and its consistent focus on its core business proved its worth again in the year under review. In an environment of intensifying competition in the German banking sector, our integrated advisory services and comprehensive expertise were still in high demand.

Thanks to our strong market position and profound knowledge of the health care market, we were able to expand our customer and member base. With the measures taken in the VorWERTs future programme, we also created the basis for long-term development.

Net profit was up on the previous year's level, enabling apoBank to pay out a stable dividend to its members. At the same time, the Bank is adding considerably to its reserves in order to prepare for increasing capital requirements.

There were tangible improvements in the risk profile and regulatory capital ratios. The liquidity situation remained comfortable throughout 2013 and was supported by a widely diversified refinancing base.

Customer confidence in apoBank is also supported by the stability of the cooperative FinanzGruppe and its integration into the protection scheme of the Federal Association of German Cooperative Banks (BVR). Thanks to its strong market position in the health care sector, apoBank continued to contribute to the success of the cooperative FinanzGruppe as a whole.

Events After the Reporting Date

No events took place that were subject to reporting requirements between 31 December 2013 and 20 March 2014 when the Annual Report was prepared by the Board of Directors.

Risk Report

Principles of risk management and risk control

Business and risk strategy

apoBank's strategic objectives and business activities are laid down in its business and risk strategy. This also includes planned measures to secure company success in the long run. This strategy contains the results of the strategy process, which is carried out annually.

In order to manage apoBank in a risk and earnings-oriented manner, risk management aims to identify, evaluate, limit and monitor risks connected to the business activities as well as to avoid negative deviations from the targeted performance, equity and liquidity. The risk strategy, which defines binding risk guidelines for all types of risk, provides the framework for risk management. Compliance with these guidelines is monitored as part of overall bank control and is communicated to the responsible decision makers through regular reporting.

Risk inventory

An annual risk inventory defines fundamental risk as risks that can have significant influence on the earnings, asset and financial position due to their type and scope as well as how they interact. This includes credit risk, market risk, liquidity risk, business risk including strategic and reputation risk as well as operational risk.

The fundamental risks identified in the risk inventory are measured and limited in the risk-bearing capacity calculation.

Credit risk

Credit risk refers to the potential loss that may be incurred as a result of a borrower or contracting party defaulting either in part or in full, or of their creditworthiness deteriorating.

Market risk

apoBank uses the term “market risk” to refer to potential losses that may be incurred with respect to our positions as a result of changes in market prices (e. g. share prices, interest rates, credit spreads and exchange rates) and market parameters (e. g. market price volatilities).

Liquidity risk

Liquidity risk is split up into insolvency and refinancing risk.

apoBank describes insolvency risk as the risk that current or future payment obligations cannot be met at all or not in full.

Refinancing risk is the risk of refinancing costs rising due to a markdown of apoBank's credit rating and/or a change in its liquidity positions in the money and capital markets.

Business risk, strategic risk and reputation risk

Business risk refers to the risk of the actual net interest and commission income deviating from the target performance in the customer business. This also includes apoBank's strategic risk, meaning the risk of a negative deviation from the target figures due to market changes to the Bank's disadvantage that were not taken into account in the planning stage.

Reputation risk is also included. This describes the risk of direct or indirect economic disadvantages due to a loss of trust in apoBank on the part of its members, customers, employees, business partners or the general public.

Operational risk

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

Risk concentrations

apoBank regularly reviews the risk concentrations associated with the above-mentioned risk categories (at least once a year). Here, it differentiates between strategic and specific risk concentrations.

Strategic risk concentrations result from apoBank's business model and refer to the health care sector. apoBank defines specific risk concentration as the risk of potential negative consequences resulting from an undesired uneven distribution among customers and/or between or within regions/countries, industries or products.

Concentrations are analysed and monitored within and between the fundamental risk types and are also included in the risk guidelines when there is a fundamental need for control.

Risk-bearing capacity

The measuring and monitoring of all fundamental risks flows into the risk-bearing capacity calculation. This makes it possible to analyse the capacity of apoBank from various perspectives. apoBank distinguishes between three aspects of risk-bearing capacity: capital, liquidity and profitability. The capital aspect includes regulatory as well as economic capital requirements. The capital provided in the economic capital aspect of the risk-bearing capacity forms the starting point for limiting the individual key risk types and for further differentiated operational limitations.

The risk-bearing capacity base case determines whether apoBank still fulfils the regulatory requirements to continue business operations after all risks have occurred that the Bank has defined as fundamental. Risks are measured based on a 97% confidence level at a holding period of one year, and are set against a risk cover pool which is derived from the total risk cover potential of apoBank. The latter comprises regulatory capital components, parts of the result generated during the course of the year, as well as hidden reserves in interest rate derivatives and securities. Diversification effects between the risk types are not taken into account.

Building on the analysis of risk-bearing capacity, stress calculations are carried out as scenario analyses.

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

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

In the crisis of confidence stress scenario, the impact of extensive reputational damage and an accompanying loss of customer confidence in apoBank is considered.

In addition, apoBank analyses a scenario in which the financial instruments of fixed assets with a holding period of one year or less are liquidated. This scenario focuses on determining whether apoBank can bear the realisation of hidden burdens resulting from financial instruments in a stressed market environment. In this scenario, risk is measured based on a confidence level of 99.9%. The calculated risks are set against the total risk cover potential of apoBank, taking account of security discounts.

Risk control, risk measurement and limitation

Credit risk

Credit risk represents the most significant risk for apoBank.

In managing credit risk, a distinction is made between the retail clients/branch business, organisations and large customers, and the financial instruments and participations portfolios.

The unexpected loss for credit risks, recognised in the risk-bearing capacity is determined based on portfolio data and under consideration of concentration effects and limited at overall bank level.

In addition, in the credit risk, the volume at portfolio and individual borrower level is limited and monitored. In order to monitor regional distribution of credit exposure at overall portfolio level, apoBank implemented a system of country limits. The risks are limited depending on fundamental country-specific macro-economic data, the current creditworthiness of the respective country and the equity situation of apoBank.

Different internal and external rating approaches are applied for the various portfolios. The results of these are compared using a master scale. The internal rating systems are monitored for quality on an ongoing basis, reviewed annually, and adapted if necessary.

Retail clients/branch business portfolio

The retail clients/branch business portfolio mainly comprises loans to health care professionals, cooperatives in outpatient care and small companies in the health care market, if these companies' risks can be assigned to health care professionals.

In addition to economic sustainability analyses for individual customers, apoBank uses the internally developed apoRate rating procedure, specially tailored to the Bank's customers, to control this portfolio. In combination with the long-standing experience and competence of apoBank in supporting the health care professions, these instruments are excellent risk and early warning indicators. They serve as a reliable basis for the early identification of imminent defaults.

The processes of intensive and problem credit management have proven their worth when dealing with customers in this portfolio. As long as the risk factors that have occurred have no discernible influence on the customers' account management, these customers are given intensive support so that they can return to standard management as swiftly as possible.

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.

Problem credit management involves elaborating a catalogue of measures together with the customers to solve their liquidity or earnings problems. Here, the customers are mainly supported by special customer service teams formed in the regional credit control units. Their task is to assist the customers in their period of financial recovery or – if financial recovery of the customer is impossible – to pursue the termination of the commitment. The regional credit control units and the branches are supported by the problem credit and claim management unit at headquarters in enforcing apoBank's claims against non-payers.

Organisations and large customers portfolio

apoBank has assigned loans to institutional organisations in the health care sector, larger medical care structures, companies in the health care market and other institutional customers to the organisations and large customers portfolio.

Sophisticated rating procedures are used in this portfolio: Commitments to institutional organisations in the health care sector concern loans to legal entities of public law, mainly to professional organisations and associations of the health care professions. According to the German Solvency Regulation (Solvabilitätsverordnung, SolvV), this portfolio is part of the institutions portfolio and is assessed by a rating system developed by apoBank. Apart from including qualitative criteria, the procedure takes into account the sponsor of the respective entity in particular because of the special character of these counterparties.

Loans to companies in the health care market are granted in particular to companies that produce and sell pharmaceutical, dental and medical products and to private clearing centres for the medical professions. The Corporates rating procedure of CredaRate GmbH is used to assess corporate risk.

For other commercial real estate financing in the medical sector, apoBank uses the rating procedure Commercial Real Estate from CredaRate GmbH, which emerged from a pool solution of the Bundesverband deutscher Banken (Federal Association of German Banks). This procedure evaluates relevant real-estate-specific risk drivers in order to make an objective credit rating of the borrower. In December 2013, this procedure was approved by the Federal Financial Supervisory Authority as the final procedure to determine minimum capital requirements for supervisory purposes; this means that the minimum coverage requirements pursuant to SolvV were fulfilled by means of internal rating procedures. In this context, the health care structures in the medical sector that had previously been assessed based on a rating procedure for special financing were transferred to the commercial real estate rating.

Financial instruments portfolio

Money and capital market investments as well as derivative transactions are summarised in the financial instruments portfolio. The investment of free funds helps apoBank to manage its liquidity and balance sheet structure.

Apart from traditional securities and money market instruments for short and medium-term liquidity management as well as derivatives, the financial instruments portfolio also includes the structured financial products sub-portfolio, which is in the process of being reduced and which comprises asset backed securities (ABS).

As part of the customer business, apoBank takes up a limited number of positions in foreign exchange and securities trading. In addition, apoBank invests to a limited extent in start-up financing and co-investments in fund products sold to customers.

apoBank also constantly works to further develop and fine-tune its instruments for early recognition of risks. The processes established in connection with this include ongoing and systematic monitoring of relevant risk indicators and thus enable a direct and timely response, should action be necessary.

In order to continually reduce the counterparty risk from derivative commercial transactions, apoBank enters into multi-product master netting agreements. It also utilises collateral management.

In addition to ongoing monitoring, ABS papers in the structured financial products sub-portfolio are subject at least once per quarter to an extensive quantitative impairment test to take account of the latest market developments. ABS that do not allow for a system-based quantitative analysis because of their heterogeneity are regularly subjected to a systematic credit analysis.

Participations portfolio

apoBank's participations are pooled in the participations portfolio. Depending on their business purpose, they are subdivided into strategic, credit-substituting or financial participations.

Market risk

In addition to risks from credit spread changes in the financial instruments portfolio, apoBank's market risks primarily consist of its interest rate risk. Foreign exchange risks are hedged as far as possible. Other market risks are of subordinate importance.

The market risks are integrated into the overall risk management framework. This is based on a differentiated risk measurement and control system, in which risk is controlled and monitored up to portfolio level. In managing and measuring market risks, a distinction is made between managing interest rate risks from the perspective of the Bank as a whole (strategic interest rate risk management) and the operational market risks in the financial instruments portfolio. In line with apoBank's business and risk strategy, no active trading is carried out to take advantage of short-term price fluctuations.

To reduce risk and hedge its transactions, apoBank regularly employs interest and currency derivatives. These hedges are implemented for interest rates both at the level of individual transactions (micro hedge) and as part of strategic interest rate risk management at portfolio and overall bank level. For example, asset swaps are concluded as micro hedges for individual securities transactions, and correspondingly structured derivatives for simply structured passive products to hedge against interest rate risks. Moreover, interest rate derivatives are used to hedge customer transactions (e. g. interest limit agreements) as part of portfolio and global control of interest rate risks as well as to consolidate the interest rate risk profile.

apoBank also uses forward exchange transactions and foreign currency swaps to hedge foreign currency items. Portfolio hedges are also used to control foreign exchange risks.

Strategic interest rate risk management

As part of Bank-wide control of interest rate risks, market risk management pursues both present-value and periodic approaches. The purpose is to achieve a moderate interest rate risk profile at overall bank level. The results are included in risk control and in the planning calculations.

The strategic management of interest rate risks is therefore understood as an integral part of profit and loss management with a focus on risk hedging and sustainability of the results over time.

The interest rate risks at apoBank are determined above all by its core business in the area of lending and deposits. Based on the particularities of its business and refinancing structure, apoBank's interest rate positions are managed according to a multi-period elasticity approach based on profit and loss, in which the consolidated interest rate risks are recorded, simulated and controlled at the overall bank and portfolio levels. In doing so, apoBank follows the principle of entering into open positions to a limited extent only, taking planned new business into account. These positions are limited.

On the basis of regular simulations, apoBank adopts on-balance-sheet and derivative hedging measures which contribute to ensuring that its interest rate risk profile remains moderate and that results are stable. Apart from the multi-period management based on profit and loss mentioned above, apoBank carries out a present-value analysis under various interest rate scenarios for the Bank as a whole and for each portfolio.

Operational market risk management in the financial instruments portfolio

The value-at-risk approach and supplementary stress tests are used to measure the market risks in the financial instruments portfolio (operational market risk management).

For day-to-day management, value at risk (VaR) is calculated with a confidence level of 97% and a holding period of 250 days. The calculation is based on the historical simulation approach and a monitoring period of 250 days. The credit spread risks of the ABS are measured using the variance-covariance approach.

The scenario and stress analyses comprise standardised scenarios which are supplemented by individual, situation-specific considerations.

apoBank uses backtesting procedures to validate the models employed.

Liquidity risk

apoBank's management of liquidity risk includes short-term and longer-term liquidity management. Liquidity management is based on the ongoing analysis and comparison of incoming and outgoing cash flows, which are compiled in a liquidity gap analysis and limited to different degrees. It is complemented by structural and regulatory requirements, stress analyses and a liquidity contingency plan which ensures an adequate response in the event that apoBank's liquidity is in jeopardy.

The purpose of short-term liquidity management is to secure apoBank's solvency at all times. The purpose of longer-term liquidity management is to secure the refinancing of apoBank's business model in the long run. The corresponding refinancing plans are linked with the business planning process and the requirements of the business and risk strategy. The main aspects of the refinancing planning are to secure an appropriate maturity structure and sufficient diversification of apoBank's refinancing sources.

The refinancing risk is included in the risk-bearing capacity analysis and is calculated and limited under consideration of the required refinancing volume and costs in case of risk occurring.

apoBank has an internal funds transfer pricing system to ensure that liquidity risks are allocated according to their cause and their costs offset.

apoBank maintains an extensive liquidity buffer primarily consisting of ECB-eligible securities and cash reserves. Securities used as reserve can be sold or used as collateral at any time. On the one hand, this ensures apoBank has sufficient liquidity for potential crisis situations and on the other hand it fulfils regulatory requirements. The costs of the liquidity buffer to be held by apoBank are to be borne by the responsible business divisions, based on the internal funds transfer pricing system.

One of apoBank's main refinancing sources is the issuing of mortgage Pfandbriefe. To ensure liquidity for all contractual payments due for Pfandbrief issues, a daily process for monitoring and controlling is in place. Risks are limited conservatively beyond the legal requirements. The loans in the cover pool are selected defensively.

Business risk, strategic risk and reputation risk

Business risk, encompassing strategic and reputation risk, is encountered in the retail clients/branch as well as the organisations and large customers businesses. Customer contributions and net commission incomes, among other things, are planned in annual planning calculations and fixed as the planned sales performance for the coming financial year. Risk is calculated based on plan/actual deviations in past customer business.

During the regular risk inventory taken in 2013, it was decided to further develop the method of calculating business risk.

Operational risk

The starting point for controlling operational risk is the identification of potential operational risks by local risk managers, conducted via self-assessments. The local risk managers are also responsible for measures to control these risks, where applicable. The results of these local self-assessments are compiled and analysed at apoBank's Risk Controlling division.

Control measures are reviewed for all identified substantial operational risks. The local risk managers are responsible for their implementation. This includes taking out suitable insurance policies to manage the risks. Legal risks from standard operations are reduced using standardised contracts.

The main data on the losses that occur from operational risks are captured in the centrally managed loss database. apoBank uses the standard approach for reporting operational risk according to regulatory requirements.

The security and stability of IT operations are ensured in particular by a variety of technical and organisational measures. GAD – a specialised, quality-controlled IT provider – provides all services in the area of operational processing and data storage as well as the majority of services in connection with data archiving. The contractual agreements are based on the usual standards and ensure the secure and high-performance operation of apoBank's applications and IT services.

Risk reporting

apoBank has a comprehensive, standardised reporting system. Risk reporting on the risk-bearing capacity calculation, including limit monitoring of the main risk types, is carried out monthly, reporting of market risk limit utilisation in the financial instruments portfolio to the Board of Directors is carried out daily. Early-warning-relevant issues are reported via an established ad-hoc process to a fixed group of addressees.

The reporting system forms the basis for detailed analyses and for deriving and evaluating options for action as well as deciding on risk control measures.

As supervisory bodies, the Supervisory Board and the Audit, Loan and Risk Committee that is mandated by the Supervisory Board are regularly informed about the current risk situation as well as about measures to control and limit risk. In addition, the Supervisory Board's Economic and Financial Committee discusses substantial investments, the purchase and sale of land as well as the acquisition and divestment of long-term participations.

Organisation of risk management

Organisational principles

The functional and organisational separation of front-office/sales functions from back-office/risk management and risk control functions is implemented up to the Board level to avoid conflicts of interest and to maintain objectivity. The principle of dual control is also guaranteed up to the Board level to ensure decision-making and process reliability.

The individual responsibilities are allocated as follows:

The Board of Directors as a whole is responsible for the business and risk strategy, the concept of risk-bearing capacity and the limitations derived from this, as well as the adequate organisation and implementation of risk management.

The Board departments Retail Clients as well as Professional Associations, Large Customers and Markets are responsible for the front-office functions in the customer business. This includes the first-vote function and the management of the risks assumed. The Treasury division in the Professional Associations, Large Customers and Markets Board department is responsible for the front-office function for financial instruments.

The Treasury division is also responsible for the operative management of market and liquidity risks and apoBank's refinancing through securitised liabilities, among other things. The overall strategic management of the interest rate risks on the banking book is based on the framework conditions passed by the Board of Directors.

The Risk Controlling division within the Finance and Controlling Board department has responsibility for the methods and models used to identify, measure and limit risks as well as compliance with the defined general conditions and independent monitoring and risk reporting with respect to all types of risks.

The central credit control divisions Credit Management and Credit Control Financial Instruments assigned to the Risk and Banking Operations Board department are responsible for monitoring credit risk at the level of individual borrowers in the customer portfolios and financial instruments portfolio. In addition to individual credit assessments and second opinions on limit applications for customers, counterparties and issuers, this includes both ongoing risk monitoring, responsibility for individual limits and organising the lending business as well as sole responsibility for problem credit management. In the retail clients/branch business portfolio, monitoring is also carried out by five regional credit control units in collaboration with the branches.

Participations management continuously supports the development of the Bank's participations and is responsible for reporting on the participations portfolio.

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

The Compliance division of apoBank is responsible for Securities Trading Act and capital market compliance, and carries out the functions of the central office as well as of the money laundering officer. The Organisation division is responsible for IT compliance. The Law division is responsible for the tasks of the data protection officer and the compliance officer in accordance with MaRisk. In line with increasingly stringent statutory requirements for banks, the training, advisory services and control processes with regard to the compliance functions are being continually adapted.

Controlling and managing accounting procedures

apoBank employs an internal control system (ICS) with a focus on accounting procedures. The system sets out principles, processes and measures to ensure that the Bank's accounting systems are effective and efficient, that its accounts are true and fair and that the relevant legal rules are complied with.

The accounting ICS ensures that business transactions are always recorded, prepared and recognised properly and included in the accounts correctly. Suitably trained staff, the use of adequate software as well as clear legal and internal guidelines form the basis for a fully compliant, standardised and continuous accounting process. Areas of responsibility are clearly defined and various control and verification mechanisms, which undergo continuous improvement, guarantee correct accounting. In this way, business transactions are recorded, processed and documented in accordance with legal and statutory provisions as well as internal guidelines, in a timely and accurate manner from an accounting perspective. At the same time, it ensures that assets and liabilities are correctly recognised, reported and assessed in the annual financial statements and that reliable and relevant information is provided in full and in a timely manner.

apoBank's Internal Auditing division has a process-independent control function. Internal Auditing reports to the Spokesman of the Board of Directors on the basis of the organisational chart, regardless of management's overall responsibility for setting up the Internal Auditing division and ensuring that it is operational. In addition to ensuring that processes and systems are compliant and operationally reliable, Internal Auditing evaluates the effectiveness and suitability of the ICS in particular. The framework conditions laid down by the Board of Directors form the basis of Internal Auditing activities. apoBank has incorporated a complete and unrestricted right to information for Internal Auditing in these framework conditions.

Details of the development of the risk situation in 2013

Credit risk

In financial 2013, apoBank's overall credit risk decreased significantly, primarily due to the successful reduction of the structured financial products and country risks.

The main developments with respect to credit risks regarding the individual portfolios are described below.

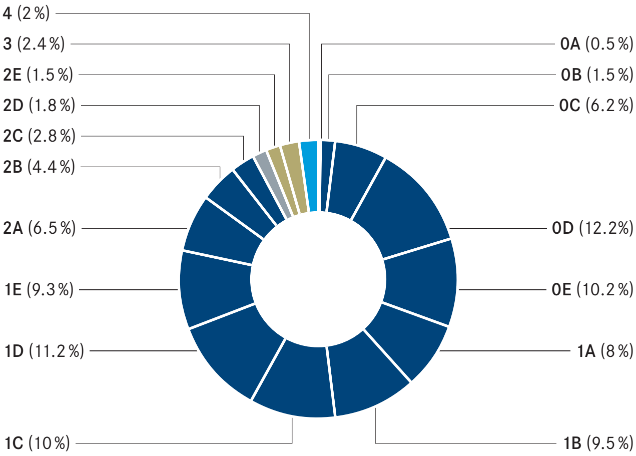
Retail clients/branch business portfolio

Due to low interest rates, special redemptions in the retail clients/branch business portfolio were high. For this reason, drawdowns in this portfolio declined in 2013 despite the high volume of new business. The amounts granted decreased by €0.3 billion to €25.2 billion as at 31 December 2013.

Rating class distribution in the retail clients/branch business portfolio

Volume distribution based on drawdowns

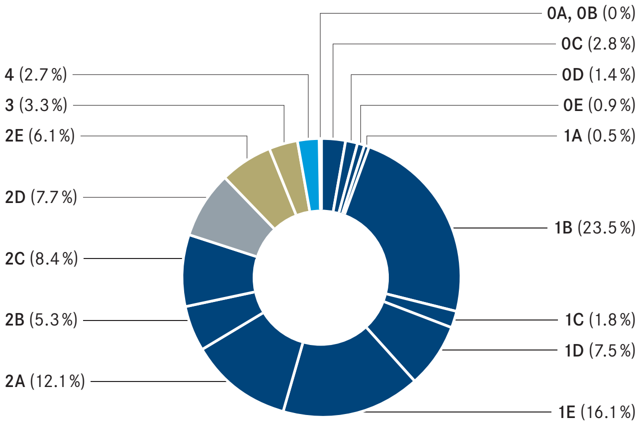
total of € 25,174 million



Rating class distribution in the organisations and large customer portfolio

Volume distribution based on drawdowns

total of € 2,655 million



The rating structure shows a rating distribution with an emphasis on good and average rating classes, which is typical of this customer group. The rating coverage is almost complete.

The portfolio is highly diversified. With around 170,000 borrowers, the largest individual risk has a share of less than 0.1% of the total drawdowns in this portfolio.

The risk costs in financial 2013 were at almost the same level as in 2012. This confirms the above-average credit-worthiness of health care professionals, as well as the comprehensive expertise and successful risk management of apoBank.

All identifiable risks were considered in the risk costs in an appropriate manner.

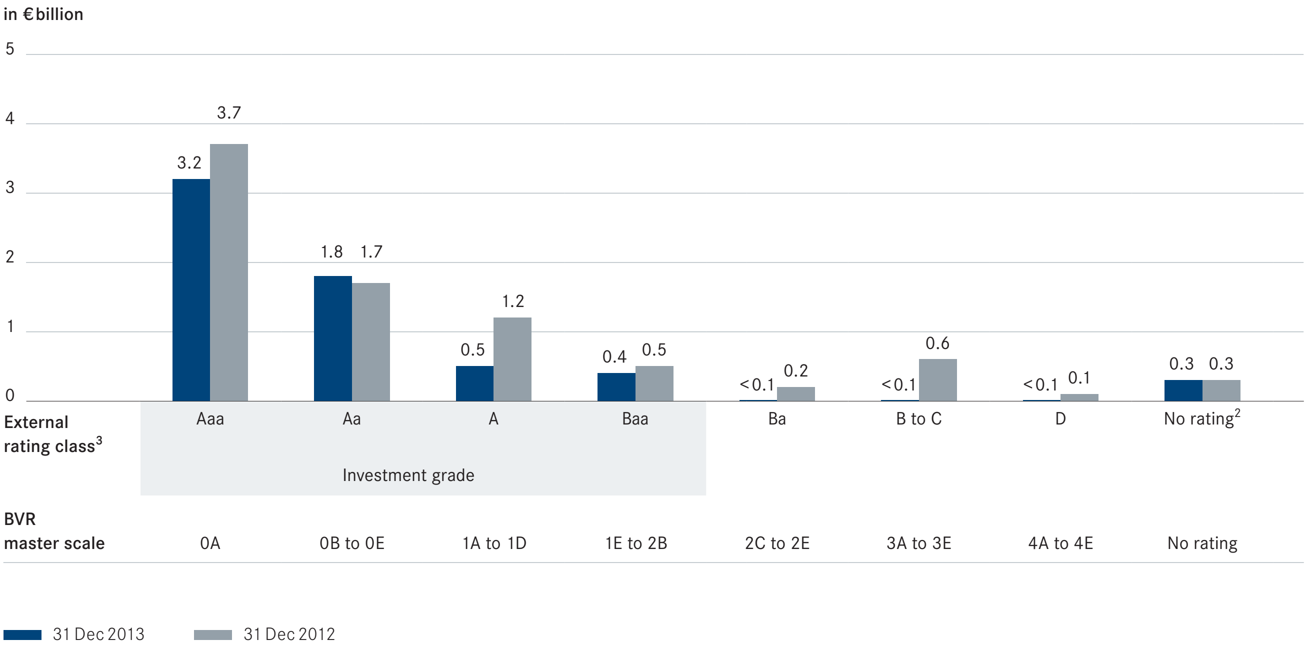
Organisations and large customers portfolio

Drawdowns in the organisations and large customers portfolio were almost unchanged at € 2.7 billion as at 31 December 2013 compared to the level of the previous year.

The rating distribution in the portfolio continued to be well balanced. The rating coverage was almost complete.

As at 31 December 2013, the risk costs for the organisations and large customers portfolio were considerably down on the previous year's level.

Total exposure of financial instruments by rating[1]



1) This is generally the book value (drawdowns or credit equivalent amount) taking account of provisions for contingent losses. Exceptions are e. g. credit default swaps (CDS) and total return swaps (TRS), for which the nominal value of the reference entity is used. For foreign currency items, the exchange rate on the date of purchase (direct ABS portfolio) and the current exchange rate (TRS) are used for conversion. The exposure for the UIL fund and the INKA funds is determined by looking through on the underlying assets. The exposure is accounted for on a cost value basis with exchange rates of the day of transfer.
2) The unrated exposures are mainly composed of the LAAM fund.
3) The letter ratings shown here comprise all rating classes of the relevant rating segment (i. e., Aa comprises Aa1 to Aa3).

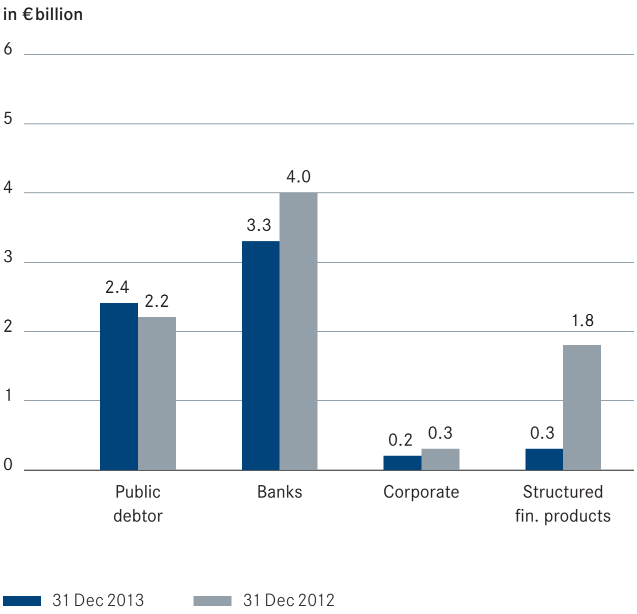
Financial instruments portfolio

The risk volume of the financial instruments portfolio was € 6.2 billion on the reporting date (31 December 2012: € 8.3 billion) and thus sank again by a total of € 2.1 billion.

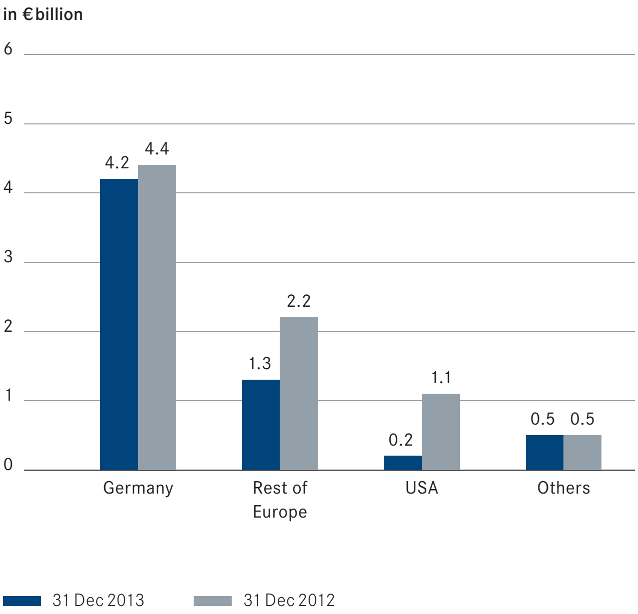
Supported by market improvements and the positive business performance of apoBank, the structured financial products sub-portfolio was significantly reduced again in 2013. The risk volume amounted to € 0.3 billion on 31 December 2013, down from € 1.8 billion in the previous year. The liquidity generated as a result was used to reduce capital market refinancing.

As at 31 December 2013, 95% of the financial instruments portfolio was rated in the investment grade range (31 December 2012: 86%). In the structured financial products sub-portfolio, this share increased year-on-year to 81% as a high number of positions in the non-investment grade range were reduced (31 December 2012: 47%).

Total exposure of financial instruments by sector



Total exposure of financial instruments by country



In the year under review, country risks related to the countries in focus in the euro area were further reduced. Thus the direct country risk regarding Italian government bonds as at 31 December 2013 amounted to € 90 million (31 December 2012: € 234 million). Indirect country risks in the form of deposits in banks and ABS in Italy, Spain, Portugal and Ireland decreased during the course of the year to € 320 million (31 December 2012: € 650 million). The current total indirect country risk in the USA – mainly in banks and companies – also decreased significantly in 2013 and now amounts to € 217 million (31 December 2012: € 1,071 million).

In the 2013 financial year, risk costs for financial instruments were generated in connection with the accelerated reduction in the structured financial products sub-portfolio.

Participations portfolio

The following key changes occurred in the participations portfolio in the course of the year:

In the third quarter of 2013, the capital contribution was increased as part of the compulsory participation in GAD eG of 40% of the relevant service turnover.

For reasons of prudence, apoBank made a total of € 5 million in value adjustments to the participations portfolio.

Structured financial products (on-balance sheet and off-balance sheet) by rating class, country and residual term

as at 31 Dec 2013/31 Dec 2012	MBS €m 2013	MBS €m 2012	CDO €m 2013	CDO €m 2012	ABS in the narrower sense €m 2013	ABS in the narrower sense €m 2012	LAAM fund €m 2013	LAAM fund €m 2012	Total €m 2013	Total €m 2012
Total exposure by rating class (external rating class)										
Aaa	–	71	6	9	–	23	–	–	6	102
Aa	0	114	–	15	8	66	–	–	8	195
A	110	398	4	3	2	26	–	–	116	427
Baa	96	105	6	7	–	7	–	–	102	120
Ba	9	52	–	–	–	74	–	–	9	126
B to C	38	494	5	5	–	49	–	–	44	548
D	3	67	–	–	–	–	–	–	3	67
No rating	–	–	–	–	–	–	–	206	–	206
Total exposure by country										
USA	16[1]	542[1]	–	–	8	194	–	–	24	736
Europe	241	740	21	39	2	51	–	–	264	829
Others[2]	–	20	–	–	–	–	–	206	–	225
Total exposure by residual term[3]										
0 to 1	68	125	7	15	–	4	–	–	75	144
> 1 to 5	15	234	14	24	10	114	–	–	39	373
> 5	174	942	–	–	–	127	–	206	174	1,274
Total	**257**	**1,301**	**21**	**39**	**10**	**245**	**–**	**206**	**288**	**1,791**

1) Primarily comprises Alt-A residential mortgage backed securities (RMBS)
2) Securitisation structures from other countries as well as an LAAM fund with securitisation structures without country focus
3) Residual term in years = expected maturity

Market risk

Market risk in the financial instruments portfolio decreased significantly in 2013. This decline was driven by the reduced volume in the financial instruments portfolio. The limits on market risk in risk-bearing capacity were observed at all times in financial 2013. The backtesting results confirm in principle the validity of the models applied.

apoBank's interest rate risk was moderate both periodically and in terms of present value. In 2013, the results of the regulatory stress calculations were well below the prescribed limit at all times (20% of liable equity capital). Maximum utilisation in the 2012 financial year was 13.5% (2012: 10.8%).

Liquidity risk

apoBank's liquidity was assured at all times in 2013. The limits regarding the liquidity gap analysis and the regulatory requirements were met at all times. The liquidity ratio ranged from 1.4 to 1.8 during the course of the year. The limiting of the liquidity risk in risk-bearing capacity as well as all limits connected with the Pfandbrief cover stock were also met at all times in 2013.

The consistently comfortable liquidity situation in the past financial year was again influenced by growing customer deposits. As a result of this and a further reduction of structured financial instruments exposure, the volume of capital market refinancing could be reduced.

Business risk, strategic risk and reputation risk

In the past financial year, the business risk (including strategic and reputation risk) was consistently below the defined risk-bearing capacity limit. Overall, the sales results developed as planned.

Operational risk

Total operational loss was above the expected loss amount in the year under review. The main reason for this is an increase in provisions for potential losses from legal risks.

Risk-bearing capacity

apoBank's risk-bearing capacity was ensured at all times in the year under review.

In the base case of risk-bearing capacity, a risk cover pool of € 686.9 million was set against risks of € 347.1 million as at 31 December 2013. In the course of the year, risk utilisation dropped to 50.5% (as at 31 December 2013) as a result of the positive business performance as well as the reduction of credit risk, in particular in the financial instruments portfolio. In addition, increasing relief of tension on the European financial markets led to a significant reduction in market-price-induced risks.

The improvement in the risk-bearing capacity was also reflected in the scenario calculations. In the financial market and sovereign debt crisis scenario in particular, the reduction measures in the financial instruments portfolio had a particularly strong easing effect.

At all times in the year under review, apoBank was able to carry the burdens arising from the liquidation scenario for financial instruments, in which the financial instruments of fixed assets are liquidated within the holding period of one year in a stressed market environment.

The existing guarantee agreement concluded with the Federal Association of German Volksbanken und Raiffeisenbanken (BVR) also had an easing effect on risk-bearing capacity in the year under review. As a result of the continued reduction of risk in the structured financial products sub-portfolio, the guaranteed amount was reduced significantly again in the course of the year. As at 31 December 2013, the guarantee, which originally had a maximum volume of € 640 million, amounted to some € 30 million (31 December 2012: € 380 million).

Summary of the risk situation

apoBank's risk-bearing capacity was ensured at all times in financial 2013. Utilisation of the risk-bearing capacity was significantly reduced in the course of the year. This was mainly due to the continued reduction of credit risk as well as a reduction in market-price-induced risks. Business risk, liquidity risk and operational risk remained more or less stable.

In the area of credit risk, there was little change in drawdowns in the customer credit portfolios and there was a significant reduction in the financial instruments portfolio. The key driver was continued reduction of risks in the structured financial products sub-portfolio. In addition, apoBank further reduced its country risk in the focus countries in the euro area.

While credit quality in the customer credit portfolios remained good or at least balanced, the share of positions in the financial instruments portfolio that were rated in the investment grade range improved significantly.

As a result, in the customer credit portfolio, risk costs were on a low level in the past financial year.

In the area of financial instruments, risk costs are characterised by the accelerated reduction measures described above.

This is accompanied by the considerable reduction of the amount guaranteed by BVR. In the course of the year, this decreased by around € 350 million to the current € 30 million.

Outlook

Increasing economic growth

The global economy is expected to grow from 2.4 to over 3% in 2014, among other things due to the positive developments in Europe and the USA.

Forecasts for the German economy are predicting an increase of the growth rate to 1.8%. This is due to a generally optimistic mood, which has led to higher consumption as well as increasing investment.

For the euro area, gross domestic product (GDP) is expected to grow by just under 1%, a considerable improvement on the declining rate of the previous year. The economic expansion of Spain and Italy is a particularly welcome prospect. Growth in these economies could reach 0.5 and 0.7%, respectively; they had still been posting considerable declines last year. The main reason for this was a significant drop in consumption. However, in 2014 demand is expected to stabilise. In parallel, the trade balance surplus achieved again for the first time in both countries is expected to increase. By contrast, the high trade balance deficit and increasing unemployment are forecast to continue in France.

The USA is profiting from steady relief on the labour market, which forms the basis for domestic consumption, a key economic factor in the USA. And US companies are becoming more optimistic – investment growth is therefore expected to double, to 4.6%. Forecasts predict GDP growth of 2.6% for the USA.

Key interest rates remain low

The US Federal Reserve is generally expected to reduce its purchase of bonds in 2014, but also to leave the key interest rate at its all-time low of 0.25% beyond the end of the year.

According to forecasts, the euro area will see inflation rates of under 2% over the next three years; in Germany, too, the rates are expected to remain low. The European Central Bank (ECB) will also probably leave the key interest rate at its current low level of 0.25%. A slight increase in yields is anticipated on the capital markets.

Challenges in the health care sector

In the coming years, the structural and economic trends in the health care sector laid out in the “Business and General Conditions” section, will remain a challenge.

Answers will still need to be found to the structural challenges in medical care. The implementation of initial measures to introduce out-patient consultant care services is scheduled for the coming year. This has been designed to eliminate existing issues at the interface between out-patient and in-patient care. Participating specialist physicians with their own practices benefit from the expansion of cooperation with hospitals, for example from the associated expansion in invoicing options.

It remains to be seen how exactly the coalition agreement on the health care sector will be implemented in 2014. The main areas of focus will be to secure medical care in rural areas, promote integrated care models and improve the situation of those in need of care.

Continuing trend towards professional cooperatives

There will be further increases in salaried employment for pharmacists, physicians and dentists in the out-patient sector. Cooperative arrangements will also continue to gain in importance and will generally result in larger-scale physician and dentist cooperation.

Improvement in earnings situation for pharmacists

The Federal Ministry of Health expects the new night and emergency service fees introduced in 2013 to lead to an increase in remuneration for pharmacists by a total of € 120 million in the current year. Particularly smaller and rural pharmacies will benefit from the flat fee.

Moderate fee increases for physicians and dentists

Physicians can expect moderate fee increases. According to the negotiations between the National Association of Statutory Health Insurance Physicians (KBV) and the National Association of Statutory Health Insurance Funds (GKV-Spitzenverband) at federal level, remuneration for contractual out-patient medical services is to increase by around 3% in 2014. Physicians in primary care will benefit most from this. The exact amount of the increase will be agreed upon in regional negotiations between the associations of panel doctors and the health insurance companies. An amendment of the physician fee schedule (GOÄ) is planned for 2014, as a basis for remuneration of services provided by private physicians.

We also expect the positive trend in remuneration for contractual dentists to continue to improve. Dentist fees for prosthesis treatment will rise by 2.8% in 2014. Negotiations between the associations of panel dentists (KZV) and the health insurance companies to agree on remuneration for other dental services are scheduled for 2014.

Financial buffer for health insurers

The GKV began 2014 with a financial buffer. How the financial situation of the health funds and the health insurers will develop in the medium term depends on potential changes in contributions, the trend in health care expenditure, and general economic conditions.

Health care market will continue to grow

Although cost reductions are expected in the part of the health care sector financed collectively, health care remains a growth market. Medical and technical progress, demographic trends, and the increasing awareness of health issues on the part of the population will lead to a rise in health care expenditure, from which the health care professions will also benefit.

Towards becoming the trusted bank of the health care professions

In the coming year, apoBank will continue to benefit from the opportunities and business potential of the steadily growing health care market. The overriding aim of our business activities remains to provide support to health care professionals, their organisations and institutions.

The completion of our VorWERTs future programme in financial 2013 laid the foundations for this. We now want to leverage the resulting potential in the coming years and will benefit from the improved processes and optimised cost structure. Going forward, apoBank wants to further reinforce and expand its market position as a specialist and niche provider with comprehensive experience in the German health care market. This is how we aim to achieve our vision and become the trusted bank of the health care professions.

The following outlook for apoBank's performance in 2014 and 2015 is based on our business planning.

Challenging banking environment

We expect the German banking sector to continue to be faced with challenging conditions in the coming years. In future, apoBank will be subject to direct supervision by the European Central Bank (ECB). It will take part in the complex Europe-wide balance sheet and risk analysis as well as the stress test. We believe that we are well equipped to deal with these reviews, even though the exact rules and processes have not yet been finalised.

Regulatory pressure on the capital and liquidity situation of the banking sector will increase significantly once again. As a result of expectations for the market in general, many banks already have the equity capital ratios and liquidity levels required by the supervisory authorities, although the requirements will not apply until the coming years according to the Basle transitional scheme. Based on this, competition in business areas with balanced risk-return profiles will continue to intensify. We are seeing a significant increase in market activity by competitors particularly in the retail clients business with health care professionals, which will not let up in the coming years.

The VorWERTs future programme counters this trend with more efficient processes and structures. What's more, by making our sales organisation even more customer-oriented, we aim not only to consolidate our position on the health care market but also to expand our market penetration.

The uncertainty in the peripheral states of Europe will remain in the coming years. To promote the stabilisation of these markets, ECB will continue with its low-interest policy. Although the low interest rate set by the ECB in combination with clients' wishes for secure investments leads to positive refinancing conditions, the pressure on the earnings situation of banks due to sinking margins and low contributions to profit from the banking book will continue to intensify and will result in great challenges for financial institutions.

Focus on dividend

The primary objective of apoBank's business planning is to achieve an annual surplus that enables us to pay out a dividend to our members and to make adequate allocations to our reserves.

Challenging conditions impact operating performance

Net interest income remains the primary source of earnings for apoBank. We expect a slight increase here in 2014, followed by a decline in 2015. The main reason for this will be continuingly low interest rates, which are likely to lead to a further shift towards demand deposits on the liabilities side of the balance sheet. Demand deposits are more economical for the Bank. We expect stable development in the lending business, and anticipate positive effects from strategic interest rate risk management, which will, however, decline gradually over time.

We aim to significantly increase net commission income. In the next two years, we expect the trend to change, with more focus placed on apoBank's classical securities business with its customers. We see impetus coming in particular from our repositioned sales organisation and the expansion of adviser capacity in this area. After completion of VorWERTs in the year under review, apoBank now faces the challenge of anchoring the newly aligned structures in its day-to-day business. Thus, the positive effects of this will gradually become tangible.

Administrative expenses will increase both for personnel as well as material costs. With regard to personnel expenses, this is due to the expansion of our adviser capacity. The planned increase in material costs is due to a large number of individual measures which on the one hand can be considered investments, but on the other hand are the result of the significant increase in regulatory requirements.

In the next two years, we do not expect profit before risk provisioning to reach the pleasing levels of 2012 and 2013.

We plan to make risk provisions at the level of standard risk costs in the lending business and for financial instruments. In the customer lending business, they are therefore above the low level of the previous year. We do not expect any higher burdens to result from the structured financial instruments portfolio, but instead considerable relief due to the reduction measures taken in 2013.

In line with this, we plan to achieve a net profit in 2014 and 2015 that will be above that of the year under review. This positive overall trend will enable us to continue to make allocations to our reserves and pay out a dividend to our members.

Positive trend in regulatory equity capital and liquidity

After the already positive trend in financial 2013, we expect a stable development in regulatory capital ratios in the next two years. In particular, we forecast growth in members' capital contributions. In combination with the planned further allocations to reserves, this will lead to a robust capital position. In the next two years, the risk positions requiring equity are expected to remain more or less on a par with those in the year under review.

The results of the Asset Quality Review and the stress test of the ECB are scheduled to be announced in the second half of 2014. Due to the developments in our risk profile and our current capital base described above, we do not expect to have to make any extensive additional risk provisions or take any major capitalisation measures.

apoBank expects to maintain its comfortable liquidity situation, which is anchored in a widely diversified investor base. The funding matrix shows a solid liquidity situation, both in the short and long term. We want to further expand customer deposits. In addition, we are preparing thoroughly for the Basel III liquidity requirements.

Opportunities and risks for business development

In the coming year, apoBank will continue to work on establishing the measures of the VorWERTs strategic future programme in its day-to-day business. We want to use every opportunity that presents itself from the implementation of this programme, for the benefit of our customers and apoBank itself. The main focus will be on the effective implementation of our redesigned customer support concept, which we hope will enable us to penetrate our target customers' market even more. In connection with this, we also want to provide higher levels of customer satisfaction. In this way, we intend to respond to their needs even more effectively, strengthen our business profile and improve our profitability.

Developments in the European debt crisis will be one of the uncertainties in the coming years. Today, it is not possible to predict when and at what price European governments will solve the debt problems and debt structure in the peripheral states. Although apoBank has already significantly reduced its investments in the countries concerned, we cannot exclude the possibility of having to make additional risk provisions should the situation take a turn for the worse again.

Additional burdens may be incurred if there are further politically-induced requirements for the lending business, such as the introduction of a financial transaction tax or a contribution to a European deposit protection as part of the European bank union that is currently under discussion.

Annual Financial Statements 2013

Balance Sheet

Assets

	(Notes)	31 Dec 2013 €	31 Dec 2012 €
1. Cash reserve		**404,984,910.09**	**610,120,085.65**
a) Cash on hand		39,883,297.74	39,841,395.12
b) Cash in central banks		365,101,612.35	570,278,690.53
Including: in the German Federal Bank (Bundesbank)		(365,101,612.35)	(570,278,690.53)
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, 14, 15)**	**1,127,650,149.31**	**967,044,179.35**
a) Mortgage loans		0.00	0.00
b) Local authority loans		81,599,035.62	81,599,035.62
c) Other receivables		1,046,051,113.69	885,445,143.73
Including: due on demand		(591,520,479.43)	(309,109,547.52)
Including: lending against securities		(0.00)	(0.00)
4. Loans and advances to customers	**(2, 14, 15, 18, 24, 28)**	**26,794,440,066.35**	**27,116,098,733.73**
a) Mortgage loans		6,522,476,766.95	5,840,593,020.39
b) Local authority loans		45,268,011.05	43,116,222.65
c) Other receivables		20,226,695,288.35	21,232,389,490.69
Including: lending against securities		(0.00)	(0.00)
5. Debt securities and other fixed-interest securities	**(3, 5, 15, 16, 17, 18, 20, 24, 28)**	**3,141,843,892.62**	**3,948,823,636.91**
a) Money market papers		0.00	99,988,950.05
aa) of public issuers		0.00	0.00
Including: acceptable as collateral by the Bundesbank		(0.00)	(0.00)
ab) of other issuers		0.00	99,988,950.05
Including: acceptable as collateral by the Bundesbank		(0.00)	(99,988,950.05)
b) Bonds and debt securities		3,141,843,892.62	3,848,834,686.86
ba) of public issuers		1,054,910,954.27	1,029,907,283.16
Including: acceptable as collateral by the Bundesbank		(1,037,482,850.00)	(1,014,214,928.31)
bb) of other issuers		2,086,932,938.35	2,818,927,403.70
Including: acceptable as collateral by the Bundesbank		(2,049,816,187.00)	(2,615,465,498.66)
c) Own debt securities		0.00	0.00
Nominal amount		(0.00)	(0.00)
6. Shares and other non-fixed-interest securities	**(3, 5, 17, 18, 19, 20, 24)**	**1,970,161,275.34**	**3,770,472,303.67**
6a. Trading assets	**(4, 17, 21)**	**110,792,995.10**	**135,669,427.18**
7. Participations and capital shares in cooperatives	**(6, 17, 22, 24)**	**168,387,982.84**	**169,542,946.48**
a) Participations		164,721,492.28	168,129,841.85
Including: in banks		(132,820,308.79)	(132,820,308.79)
Including: in financial services institutions		(14,755,031.03)	(14,755,031.03)
b) Capital shares in cooperatives		3,666,490.56	1,413,104.63
Including: in cooperative banks		(0.00)	(0.00)
Including: in financial services institutions		(0.00)	(0.00)
8. Shares in affiliated companies	**(6, 17, 22, 24)**	**9,363,179.61**	**9,363,179.61**
Including: in banks		(0.00)	(0.00)
Including: in financial services institutions		(1,292,236.21)	(1,292,236.21)
9. Trust assets	**(23)**	**2,744,913.51**	**2,745,692.71**
Including: fiduciary loans		(7,392.88)	(8,172.08)
10. Compensation claims against the public sector including debt securities from their exchange		**0.00**	**0.00**
11. Intangible assets	**(8, 24)**	**1,059,028.62**	**1,218,697.92**
a) Registered industrial property rights 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 for such rights and assets		1,058,347.00	749,311.00
c) Goodwill		0.00	0.00
d) Payments in advance		681.62	469,386.92
12. Tangible assets	**(7, 24)**	**196,203,917.82**	**207,712,961.28**
13. Other assets	**(25)**	**671,137,556.56**	**861,052,311.09**
14. Prepayments and accrued income	**(26)**	**96,063,912.03**	**88,428,432.81**
a) from issuing and loan transactions		1,582,631.11	6,779,376.03
b) Others		94,481,280.92	81,649,056.78
15. Deferred tax assets	**(27)**	**0.00**	**0.00**
Total assets		34,694,833,779.80	37,888,292,588.39

Liabilities

	(Notes)	31 Dec 2013 €	31 Dec 2012 €
1. Liabilities to banks	**(9, 36, 37)**	**8,231,308,717.40**	**9,676,852,201.66**
a) Registered mortgage Pfandbriefe issued		17,251,313.84	10,193,903.69
b) Registered public Pfandbriefe issued		0.00	0.00
c) Other liabilities		8,214,057,403.56	9,666,658,297.97
Including: due on demand		(1,194,601,902.79)	(1,460,399,661.74)
Including: mortgage Pfandbriefe and registered public Pfandbriefe delivered to the lender as collateral		(0.00)	(0.00)
2. Liabilities to customers	**(9, 36, 37)**	**20,121,631,705.39**	**19,590,612,723.64**
a) Registered mortgage Pfandbriefe issued		816,545,749.36	764,006,470.09
b) Registered public Pfandbriefe issued		0.00	0.00
c) Saving deposits		70,501,561.48	66,012,788.55
ca) with an agreed notice period of three months		63,242,724.27	60,114,421.93
cb) with an agreed notice period of more than three months		7,258,837.21	5,898,366.62
d) Other liabilities		19,234,584,394.55	18,760,593,465.00
Including: due on demand		(14,252,703,948.16)	(12,906,894,800.21)
Including: mortgage Pfandbriefe and registered public Pfandbriefe delivered to the lender as collateral		(0.00)	(0.00)
3. Securitised liabilities	**(9, 36, 37)**	**2,945,842,405.81**	**5,404,899,368.34**
a) Debt securities issued		2,945,842,405.81	5,404,899,368.34
aa) Mortgage Pfandbriefe		337,415,208.44	912,447,967.66
ab) Public Pfandbriefe		0.00	0.00
ac) Other debt securities		2,608,427,197.37	4,492,451,400.68
b) Other securitised liabilities		0.00	0.00
Including: money market papers		(0.00)	(0.00)
Including: own acceptances and promissory notes outstanding		(0.00)	(0.00)
3a. Trading liabilities	**(4, 31)**	**16,164,072.42**	**1,554.81**
4. Trust liabilities	**(32)**	**2,744,913.51**	**2,745,692.71**
Including: fiduciary loans		(7,392.88)	(8,172.08)
5. Other liabilities	**(33)**	**296,170,549.23**	**308,898,843.15**
6. Prepayments and accrued income	**(34)**	**21,179,264.45**	**19,711,980.08**
a) from the issuing and lending business		12,248,038.57	16,152,451.24
b) Others		8,931,225.88	3,559,528.84
6a. Deferred tax liabilities		**0.00**	**0.00**
7. Provisions	**(10)**	**319,364,114.03**	**309,793,137.86**
a) Provisions for pensions and similar obligations		138,287,246.00	130,893,104.00
b) Tax provisions		5,117,029.00	28,675,652.00
c) Other provisions		175,959,839.03	150,224,381.86
8. Subordinated liabilities	**(35)**	**432,419,752.28**	**453,137,766.23**
9. Participating certificate capital		**110,000,000.00**	**160,000,000.00**
Including: due within two years		(110,000,000.00)	(80,000,000.00)
10. Fund for general banking risks		**353,685,021.98**	**237,715,120.98**
Including: special items according to Section 340e (4) of the German Commercial Code (HGB)		(1,715,120.98)	(1,715,120.98)
11. Capital and reserves	**(38)**	**1,844,323,263.30**	**1,723,924,198.93**
a) Subscribed capital		1,313,444,975.59	1,207,055,409.76
b) Capital reserves		0.00	0.00
c) Revenue reserves		483,491,249.19	471,491,249.19
ca) Legal reserves		382,250,000.00	376,250,000.00
cb) Other revenue reserves		101,241,249.19	95,241,249.19
d) Balance sheet profit		47,387,038.52	45,377,539.98
Total liabilities		**34,694,833,779.80**	**37,888,292,588.39**

1. Contingent liabilities	**(40)**	**848,438,173.99**	**1,125,360,207.75**
a) Contingent liabilities from rediscounted, settled bills		0.00	0.00
b) Liabilities from guarantees and indemnity agreements		848,438,173.99	1,125,360,207.75
c) Liabilities arising from the provision of collateral for third-party liabilities		0.00	0.00
2. Other obligations		**2,901,288,469.70**	**3,148,896,735.56**
a) Obligations under optional repurchasing agreements		0.00	0.00
b) Placement and underwriting obligations		0.00	0.00
c) Irrevocable loan commitments		2,901,288,469.70	3,148,896,735.56

Income Statement

Income statement

	(Notes)	1 Jan – 31 Dec 2013 €	1 Jan – 31 Dec 2012 €
1. Interest income from		**1,183,247,739.86**	**1,336,521,540.27**
a) lending and money market transactions		1,159,436,730.03	1,292,159,806.33
b) fixed-interest securities and debt register claims		23,811,009.83	44,361,733.94
2. Interest expenses		**– 515,065,429.35**	**– 665,410,167.78**
3. Current income from		**11,042,911.08**	**22,848,022.10**
a) shares and other non-fixed-interest securities		192,409.26	12,717,585.11
b) participations and capital shares in cooperatives		8,064,454.75	7,099,004.62
c) shares in affiliated companies		2,786,047.07	3,031,432.37
4. Income from profit pooling, profit transfer agreements and partial profit transfer agreements		**0.00**	**79,093.09**
5. Commission income	(43)	**170,499,959.39**	**179,657,070.41**
6. Commission expenses		**– 66,808,774.86**	**– 63,478,638.66**
7. Net trading revenues	(44)	**– 479,212.60**	**597,116.67**
8. Other operating income	(45)	**41,873,251.08**	**49,975,608.11**
Including: from compounding		(512,067.74)	(2,934,494.32)
9. General administrative expenses		**– 447,172,020.62**	**– 462,626,435.01**
a) Personnel expenses		– 225,742,458.31	– 234,089,146.20
aa) Wages and salaries		–189,989,475.66	–196,097,726.14
ab) Social security contributions and expenses for pensions and benefits		– 35,752,982.65	– 37,991,420.06
Including: for pensions		(–11,234,644.28)	(–12,940,867.60)
b) Other administrative expenses		– 221,429,562.31	– 228,537,288.81
10. Depreciation, amortisation and write-downs in respect of intangible and tangible assets		**–13,516,068.29**	**–17,030,595.78**
11. Other operating expenses	(45)	**– 48,784,090.78**	**– 57,080,767.36**
Including: from compounding		(– 7,536,367.01)	(– 6,775,521.00)
12. Write-downs and value adjustments in respect of receivables and specific securities and allocations to provisions for credit risks		**0.00**	**–132,943,665.82**
13. Income from write-ups in respect of receivables and specific securities and release of provisions for credit risks		**3,503,260.19**	**0.00**
14. Write-downs and value adjustments in respect of participating interests, shares in affiliates and securities treated as fixed assets		**0.00**	**–12,758,159.12**
15. Income from write-ups in respect of participations, shares in affiliates and securities treated as fixed assets		**12,022,363.30**	**0.00**
16. Expenses from the assumption of losses		**218,360.33**	**0.00**
17. Operating result		**330,145,528.07**	**178,350,021.12**
18. Extraordinary income		**0.00**	**0.00**
19. Extraordinary expenses	(46)	**–124,878,280.05**	**– 27,656,191.16**
20. Extraordinary result		**–124,878,280.05**	**– 27,656,191.16**
21. Taxes on income	(47)	**– 42,792,544.52**	**– 34,811,173.52**
22. Other taxes not reported in item 11 (income, previous year: expense)		**873,025.32**	**– 514,113.93**
23. Allocation to the fund for general banking risks		**–115,969,901.00**	**–70,000,000.00**
24. Net profit		**47,377,827.82**	**45,368,542.51**
25. Profit carried forward from the previous year		**9,210.70**	**8,997.47**
26. Withdrawals from revenue reserves			
a) From legal reserves		0.00	0.00
b) From other revenue reserves		0.00	0.00
27. Balance sheet profit	(48)	**47,387,038.52**	**45,377,539.98**

Statement of Changes in Equity

Capital development

In the year under review, the amounts shown under liability item 11, 'Capital and reserves', developed as follows:

Capital development

	Subscribed capital		Capital reserves	Revenue reserves		Balance sheet profit/loss
	Members' capital contributions[1]	Contributions of silent partners		Legal reserves	Other revenue reserves	
	€ thous	€ thous	€ thous	€ thous	€ thous	€ thous
31 Dec 2012	859,355	347,700	0	376,250	95,241	45,378
Withdrawals	56,685	0	0	0	0	12,000
Additions	163,075	0	0	6,000	6,000	47,377
Distribution of annual result	0	0	0	0	0	33,368
31 Dec 2013	**965,745**	**347,700**	**0**	**382,250**	**101,241**	**47,387**

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

Cash Flow Statement

Cash flow statement

	2013 €m	2012 €m
Net profit	**47.4**	**45.4**
Non-cash items included in net profit and carry-forward to cash flow from operating activities		
Write-downs, value adjustments and write-ups in respect of financial and tangible assets	– 2.0	162.7
Changes in provisions	– 64.1	161.7
Changes to other non-cash items	117.7	70.1
Profit from the sale of financial and tangible assets	7.8	18.9
Other adjustments (on balance)	– 510.7	– 631.4
Subtotal	**– 403.9**	**– 172.6**
Change in assets and liabilities from operating activities after correction with non-cash components		
Loans and advances to banks	– 160.7	479.4
Loans and advances to customers	404.8	– 337.8
Securities (unless financial assets)	308.7	129.2
Other assets from operating activities	164.3	226.1
Liabilities to banks	– 1,445.6	140.9
Liabilities to customers	531.0	289.6
Securitised liabilities	– 2,459.1	– 1,371.4
Other liabilities from operating activities	– 10.0	– 5.5
Interest and dividends received	826.2	840.0
Interest paid	– 241.5	– 409.7
Extraordinary deposits	0.0	0.0
Extraordinary payments	– 25.6	– 27.7
Income tax payments	– 43.5	– 34.8
Cash flow from operating activities	**– 2,554.9**	**– 254.3**
Deposits from the sale of		
financial assets	3,178.4	1,448.8
tangible assets	3.7	19.6
Payments for the acquisition of		
financial assets	– 831.3	– 773.1
tangible assets	– 3.3	– 17.2
Effects of changes in the scope of consolidation	0.0	0.0
Fund changes from other investment activities (on balance)	0.0	– 0.5
Cash flow from investment activities	**2,347.5**	**677.6**
Payments from increases in equity capital	158.1	44.4
Dividend payments	– 33.4	– 33.1
Other payments to members	– 51.7	– 48.1
Fund change from subordinated capital and other hybrid capital (on balance)	– 70.7	– 45.2
Cash flow from financing activities	**2.3**	**– 82.0**
Cash and cash equivalents at the end of the previous period	**610.1**	**268.8**
Cash flow from operating activities	– 2,554.9	– 254.3
Cash flow from investment activities	2,347.5	677.6
Cash flow from financing activities	2.3	– 82.0
Changes to liquid assets due to foreign currency and valuation	0.0	0.0
Cash and cash equivalents at the end of the reporting period	**405.0**	**610.1**

Notes

A. General information

1. Framework for the preparation of the annual financial statements

The annual financial statements of Deutsche Apotheker- und Ärztebank eG (apoBank), Dusseldorf, as of 31 December 2013 were prepared according to the regulations of the German Commercial Code (Handelsgesetzbuch, HGB), the Accounting Ordinance for Banks and Financial Services Institutions (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute, RechKredV) as well as the Securities Trading Act (Wertpapierhandelsgesetz, WpHG). At the same time, the annual financial statements meet the requirements of the Cooperative Societies Act (Genossenschaftsgesetz, GenG), the German Pfandbrief Act (Pfandbriefgesetz, PfandBG) and the Articles of Association of apoBank.

In accordance with Section 244 HGB, the annual financial statements are drawn up in German and in euros. Advantage has been taken 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 cost, with the difference between the higher nominal value and the amount disbursed being posted to accruals and deferred income. Identifiable credit risks in loans and advances to customers are covered by individual loan loss provisions. A general value adjustment was made 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 were calculated for securities of the same type using the averaging method.

All ABS are contained in the UIL special bond portfolio Special-Bonds 1 (UIL fund). They are valued by Union Investment Luxembourg S.A. (Union Investment).

When analysing the impairment of ABS structures in the UIL fund, the anticipated losses of the tranches held by apoBank are calculated for the total residual term using the software solution Intex and taking as a basis the parameters default rate, delays in payment, loss ratio and voluntary repayment rate. The parameters are determined on the basis of market forecasts or on the basis of customised performance data for the individual ABS transactions. An impairment exists if losses are reported using these parameters. In the case of ABS and commerical mortgage backed securities (CMBS) that cannot be modelled in Intex, individual securities are identified using defined applicability criteria (e. g. significant rating deterioration). For these securities, the durability of an impairment is assessed on the basis of detailed individual analyses and the anticipated loss determined. If the total of the discounted expected losses of all securities in the UIL fund are no longer covered by the total from the risk hedge at securities level, BVR guarantee and risk hedge at portfolio level, depreciation is carried out on the fund deposit reported in the balance sheet.

4. Trading assets and liabilities

Financial instruments in the trading portfolio are reported under balance sheet items trading assets, 6a, and trading liabilities, 3a. They 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, the valuation of trading assets should generally be based on the lower bid price and that of trading liabilities on 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. Please also refer to note 41.

The adjustment for risk is made 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 criteria defined internally for including financial instruments in the trading portfolio were not changed from the previous year. The value of the derivative financial instruments in the trading portfolio is determined by how the foreign exchange and interest rates develop.

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. In general, this relates to the hedging of interest rate risks.

Portfolio valuation units are used to hedge the currency risk in various, independently controlled portfolios. The principal hedging instruments are forward exchange transactions and FX swaps.

If valuation units are taken into account on the balance sheet, a prospective and a retrospective effectiveness test is performed.

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.

In micro-valuation units, the prospective effectiveness test is conducted using the critical terms match method. Effectiveness is assumed if the essential value drivers for the hedged risks of the underlying transaction and hedging instrument correspond with each other.

For micro-hedge units with underlying transactions on the asset side, market value changes to underlying and 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, the fixed valuation continues to be applied 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 similarity of the underlying transactions relates to their appropriation (currency, maturity, coupon).

The portfolio valuation units concern FX forward transactions, FX swaps and syndicated loans. A portfolio is formed for each currency and each underlying transaction in which the sums of the underlying transaction and 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 shown as expenditure as a provision for valuation units.

As at the balance sheet date, the total volume of the risks hedged amounted to € 910 million (31 Dec 2012: € 1,344 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 787 micro hedges with a nominal value of € 8,805.3 million:

- 703 hedges on own issues against the interest rate risk with a nominal value of € 7,190.8 million, including
  - 10 caps with a nominal value of € 182.0 million
  - 43 floors with a nominal value of € 299.5 million
  - 42 swaptions with a nominal value of € 369.8 million
  - 608 swaps with a nominal value of € 6,339.5 million
- 84 asset swaps to hedge against the interest rate risk of 45 acquired securities with a nominal value of € 1,614.5 million

As at 31 December 2013, a volume of foreign currency swaps from foreign exchange trading was used in the amount of € 692 million as valuation units, of which € 659 million to hedge offsetting FX swaps, € 33 million to hedge syndicated loans.

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

- € 433 million in US dollars
- € 186 million in British pounds
- € 56 million in Japanese yen
- € 17 million in other currencies

At the reporting date, a volume of FX forward transactions was used in the amount of € 277 million as valuation units, of which € 178 million to hedge offsetting FX forward transactions and € 99 million to hedge foreign exchange risks of the guarantee with the BVR. The FX forward transactions can be broken down based on their currency as follows:

- € 233 million in US dollars
- € 38 million in British pounds
- € 2 million in Swiss francs
- € 4 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 attributable value.

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) Income Tax Act (EStG) were completely written off.

8. Fixed assets/intangible assets

Intangible assets are valued at cost of acquisition and depreciated on a straight-line basis according to plan. 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 written back on an accrual basis. Zero bonds and commercial papers are carried as liabilities at their issuance price plus accrued interest.

10. Provisions

The provisions for pension liabilities as at 31 December 2013 were calculated based on the actuarial tables 'Richttafeln 2005 G' (Heubeck) using the projected unit credit method on the basis of an interest rate of 4.89%, a wage increase trend of 3.00% and a pension increase trend of 1.75%. The Bank 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 acquision costs, in the amount of € 9,719 thousand in accordance with Section 246 (2) 2 HGB. The difference between income of € 1,745 thousand and expenses of € 1,534 thousand in connection with the reinsurance for pension obligations was netted with the expenses from the discounting of pension provisions amounting to € 6,818 thousand.

The provisions for part-time retirement and anniversary payments were also made on the basis of an interest rate of 4.89% and a wage increase trend of 3.00%.

Provisions with a remaining term of more than one year were discounted or compounded in accordance with Section 253 (2) HGB. The current profit/loss from discounting and compounding is posted to 'Other operating income' or 'Other operating expenses'.

Adequate provisions were also made 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. HGB) and taking account of the realisation and imparity principle, unless valuation units are made to an acceptable extent in order to hedge balance sheet items or the derivatives are used for the overall bank control of the interest rate risk.

Credit default swaps (CDS) where apoBank is the protection seller are recorded at their nominal value as contingent liabilities according to the principles for the non-trading portfolio pursuant to IDW RS BFA 1, and are shown in the balance sheet under the item 'Liabilities from guarantees and indemnity agreements', less any provisions made.

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

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

apoBank has carried out a test pursuant to IDW RS BFA 3 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 into account credit risk and portfolio management costs. As a result, no need for provisioning was identified.

12. Currency translation

Items based on amounts in foreign currency or which were originally based on foreign currency were translated into euros as follows:

Items denominated in foreign currencies are in principle valued in accordance with Section 340h in conjunction with Section 256a HGB. Valuation units have been formed for material holdings in foreign currencies in accordance with Section 254 HGB.

apoBank considers the special coverage pursuant to Section 340h HGB as given when the total item is balanced in respect of every foreign currency as at the balance sheet date. If special coverage existed, income and expenditure from currency translation are shown in the income statement in the other operating income or expenses.

13. Guarantee

The guarantee agreement granted by the Federal Association of German Cooperative Banks (BVR) amounting to a maximum of originally €640 million relates to the structured financial instruments in the UIL fund and is part of the fund’s assets. As at the balance sheet date, the value of the guarantee amounted to approximately €30 million (31 Dec 2012: approximately €380 million).

Based on a debtor warrant, benefits from the guarantee paid in the form of cash over time have to be repaid by the Bank.

C. Notes to the balance sheet

Notes to assets

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

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

Breakdown of loans and advances by residual terms

	Loans and advances to banks (A 3) €thous		Loans and advances to customers (A 4) €thous	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Accrued interest	365,449	500,066	8,062	5,992
Up to 3 months	682,201	386,978	812,185	738,678
More than 3 months to 1 year	0	0	1,782,999	1,750,388
More than 1 year to 5 years	80,000	80,000	8,167,054	8,147,147
More than 5 years	0	0	14,181,620	14,267,959

Loans and advances to banks (assets, 3) include € 503,944 thousand (31 Dec 2012: € 97,149 thousand) of receivables from the relevant central cooperative bank (WGZ BANK AG).

The loans and advances to customers (assets, 4) include € 1,842,520 thousand (31 Dec 2012: € 2,205,934 thousand) of loans and advances with unspecified maturities.

15. Affiliated and associated companies

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

Affiliated and associated companies

	Loans and advances to banks (A 3) €thous		Loans and advances to customers (A 4) €thous		Debt securities and other fixed-interest securities (A 5) €thous	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Loans and advances to affiliated companies	0	0	0	0	0	0
Loans and advances to associated companies	680,454	159,532	296,503	287,152	0	50,027

16. Debt securities and other fixed-interest securities

Of the debt securities and other fixed-interest securities (assets, 5) stated in the balance sheet, €217,261 thousand (31 Dec 2012: €393,016 thousand) will mature during the financial year following the balance sheet date. These amounts do not include accrued interest.

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

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

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

	Debt securities and other fixed-interest securities (A 5) €thous		Shares and other non-fixed-interest securities (A 6) €thous		Trading portfolio (A 6a) €thous	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Non-negotiable	0	0	1,970,161	3,748,864	0	10,226
Negotiable	3,141,844	3,948,824	0	21,608	95,145	125,443
Quoted	3,141,844	3,755,572	0	6,348	58,887	92,953
Unquoted	0	193,252	0	15,260	36,258	32,490
Negotiable securities not valued at the lower of cost or market	664,680	1,748,707	21,855	0		

	Participating interest and capital shares in cooperatives (A 7) €thous		Shares in affiliated companies (A 8) €thous	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Non-negotiable	133,173	134,328	9,363	9,363
Negotiable	35,215	35,215	0	0
Quoted	2	2	0	0
Unquoted	35,213	35,213	0	0

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

18. Securities portfolio/receivables by purpose

The securities portfolio is divided by purpose into the following categories:

Securities portfolio/receivables by purpose

	31 Dec 2013 € thous	31 Dec 2012 € thous
Debt securities and other fixed-interest securities		
Fixed assets	2,626,366	3,202,491
Liquidity reserve	515,478	746,333
Total	**3,141,844**	**3,948,824**

	31 Dec 2013 € thous	31 Dec 2012 € thous
Shares and other non-fixed-interest securities		
Fixed assets	718,059	2,472,107
Liquidity reserve	1,252,102	1,298,365
Total	**1,970,161**	**3,770,472**

In addition, loans and advances to customers include fixed-asset securities of € 17,498 thousand (31 Dec 2012: € 18,802 thousand).

19. Shares in special investment funds

apoBank holds more than 10% of the shares in domestic investment funds in accordance with Section 1 InvG or comparable international investments in accordance with Section 2 (9) InvG:

Shares in special investment funds in accordance with Section 1 or Section 2 (9) InvG

Name of fund	Investment objective	Value in accordance with Section 36 InvG or comparable international regulations	Difference to book value	Distributions made for the total financial year	Restriction of redemption
		€ thous	€ thous	€ thous	
APO 1 INKA	Domestic and international bonds	831,898	79,796	0	no
APO 2 INKA	Domestic and international bonds	279,200	29,200	0	no
APO 3 INKA	Domestic and international bonds	279,200	29,200	0	no
arsago STIRT 2 XL	Domestic and international bonds	21,850[1]	– 5	0	yes
Master fund co-investments	Domestic and international equities, domestic and international bonds, FX forward transactions, futures	57,602	2,602	0	no
UIL fund	Domestic and international bonds, FX forward transactions	632,370	10,175	0	no

1) For these special funds issued outside Germany, the official calculation of the share value according to the regulations comparable to Section 36 InvG has been suspended until further notice. The values stated were determined by the Bank using internal valuation models based on available market indicators and in part on model prices by looking through on the assets held by the fund.

20. Financial instruments classified as fixed assets

Financial instruments classified as fixed assets[1]

	Book value as at 31 Dec 2013	Fair value as at 31 Dec 2013	Omitted depreciation
	€ thous	€ thous	€ thous
Banks	349,527	348,509	1,018
Public debtors	310,000	309,462	538
Companies	28,855	27,964	891
Total	**688,382**	**685,935**	**2,447**

1) Includes only financial instruments classified as fixed assets that show 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.

21. Trading assets

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

Trading assets

	31 Dec 2013[1] €thous	31 Dec 2012[1] €thous
Derivative financial instruments		
Caps	0	0
FX forward transactions	2,418	2
FX swaps	14,464	0
Loans and advances to banks	0	10,252
Debt securities and other fixed-interest securities	95,145	125,443
Shares and other non-fixed-interest securities	0	0
Less VaR adjustment	-1,234	-28
Total	**110,793**	**135,669**

1) The fair values are shown.

The nominal values of the derivative financial instruments included in the item 'trading assets' were composed of caps amounting to € 20,000 thousand (31 Dec. 2012: € 0 thousand), FX forward transactions amounting to € 177,894 thousand (31 Dec 2012: € 2,647 thousand) and FX swaps amounting to € 668,942 thousand (31 Dec 2012: € 0 thousand).

22. List of holdings

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

List of holdings

Company	Share in company capital %	Year	Equity of the company €thous	Result of the past financial year €thous
Apo Asset Management GmbH, Dusseldorf	70	2013	5,412	3,767
APO Beteiligungs-Holding GmbH, Dusseldorf	100	2013	4,164	0 (– 218)[2]
APO Consult GmbH, Dusseldorf[1, 3]	100	2013	51	0 (–1)[2]
APO Data-Service GmbH, Dusseldorf[1]	49	2013	3,721	439
APO Leasing GmbH, Dusseldorf[1, 3]	100	2013	94	0 (–1)[2]
APO Reiseservice GmbH, Dusseldorf[1, 3]	100	2013	– 4	0 (–1)[2]
apokom GmbH, Dusseldorf[1, 3]	100	2013	75	0 (– 2)[2]
Kock & Voeste Existenzsicherung für die Heilberufe GmbH, Berlin[1]	26	2013	221	24
medisign GmbH, Dusseldorf[1]	50	2013	27	–195
aik Immobilien-Kapitalanlagegesellschaft mbH, Dusseldorf	67	2013	9,507	2,590
aik Management GmbH, Dusseldorf[1]	100	2013	70	45
CP Capital Partners AG, Zurich	24	2013	452	17
Deutsche Ärzte Finanz Beratungs- und Vermittlungs-Aktiengesellschaft, Cologne	25	2012	9,937	5,236
Finanz-Service GmbH der APO-Bank, Dusseldorf	50	2013	1,528	15
IWP Institut für Wirtschaft und Praxis Bicanski GmbH, Münster	26	2013	43	2
patiodoc AG, Berlin	49	2013	971	– 6,929
PROFI Erste Projektfinanzierungs- und Beteiligungsgesellschaft AG, Zurich	24	2013	4,350	2,504
Treuhand Hannover GmbH Steuerberatungsgesellschaft, Hanover	26	2012	25,898	1,716
ZA Zahnärztliche Abrechnungsgesellschaft Düsseldorf AG, Dusseldorf	50	2013	6,365	2,549

1) Indirect participations
2) Before profit transfer or loss assumption
3) Liquidation underway

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

23. Trust transactions

The trust transactions shown in the balance sheet are fiduciary loans totalling €7 thousand (31 Dec 2012: €8 thousand) and contributions held in trust totalling €2,738 thousand (31 Dec 2012: €2,738 thousand).

Trust assets comprise the following balance sheet items:

Balance sheet items

	31 Dec 2013	31 Dec 2012
	€thous	€thous
Loans and advances to banks	7	8
Participations	2,738	2,738
Total	**2,745**	**2,746**

apoBank holds in trust its limited partner's interests for the holders of share certificates in various Medico funds.

24. Development of fixed assets

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

Tangible assets

	31 Dec 2013	31 Dec 2012
	€thous	€thous
Owner-occupied land and buildings	151,646	159,033
Office furniture and equipment	42,759	46,077

Development of fixed assets

	Acquisition/ production costs	Additions	Write-ups	Changes in the reporting period Transfers	Disposals	Subsidies	Carried forward
	€thous	€thous	€thous	€thous	€thous	€thous	€thous
Intangible assets	47,116	567	0	0	0	0	47,683
Tangible assets							
Land and buildings	275,455	218	0	0	2,505	0	273,168
Office furniture and equipment	98,761	2,475	0	0	1,160	0	100,076
Total	**421,332**	**3,260**	**0**	**0**	**3,665**	**0**	**420,927**

	Carried forward	Depreciation (accumulated)	Depreciation in the reporting year	Book values at the balance sheet date
	€thous	€thous	€thous	€thous
Intangible assets	47,683	–46,624	–726	1,059
Tangible assets				
Land and buildings	273,168	–119,723	–7,056	153,445
Office furniture and equipment	100,076	–57,317	–5,734	42,759
Total	**420,927**	**–223,664**	**–13,516**	**197,263**

	Acquisition costs[1]	Changes (net)	Book values at the balance sheet date
	€thous	€thous	€thous
Receivables from customers	28,958	–11,958	17,000
Fixed-asset securities	5,793,336	–2,468,148	3,325,188
Participating interests and capital shares in cooperatives	182,676	–14,288	168,388
Shares in affiliated companies	9,942	–579	9,363
Total	**6,014,912**	**–2,494,973**	**3,519,939**

Total book values at the balance sheet date	**3,717,202**

1) The calculation of the acquisition costs was corrected.

25. Other assets

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

Other assets

	31 Dec 2013	31 Dec 2012
	€ thous	€ thous
Capitalised premiums from options	504,203	688,681
Tax receivables	94,126	125,862
Including: corporation tax credit according to Section 37 (5) KStG	(66,149)	(84,780)

26. Prepayments and accrued income (assets)

The prepayments and accrued income items include discount amounts from assumed liabilities of € 1,583 thousand (31 Dec 2012: € 6,779 thousand) as well as premiums for swaptions exercised of € 90,411 thousand (31 Dec 2012: € 75,522 thousand).

27. Deferred tax assets

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

As at 31 December 2013, 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, intangible assets, and provisioning reserves according to Section 340f HGB.

The net deferred tax assets amounted to € 156.2 million, thereof deferred tax assets of € 156.8 million and deferred tax liabilities of € 0.6 million.

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

28. Subordinated assets

Subordinated assets are included in the items 'Loans and advances to customers' with € 29,409 thousand (31 Dec 2012: € 37,584 thousand). The item 'Debt securities and other fixed-interest securities' did not include any subordinated assets as at 31 December 2013 (31 Dec 2012: € 50,027 thousand). Subordinated assets amounted to a total of € 29,409 thousand (31 Dec 2012: € 87,611 thousand).

29. Repurchase agreements

Repurchase agreements did not exist at the balance sheet date.

30. Foreign currency items

Assets include foreign currency items with a value of € 222,153 thousand (31 Dec 2012: € 252,642 thousand).

Notes to liabilities

31. Trading liabilities

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

Trading liabilities

	31 Dec 2013 € thous	31 Dec 2012 € thous
FX forward transactions	2,322	2
FX swaps	13,841	0
Caps	1	0
Total	**16,164**	**2**

The nominal values of the derivative financial instruments included in the item 'trading liabilities' were composed of caps amounting to € 20,000 thousand (31 Dec. 2012: € 0 thousand), FX forward transactions amounting to € 176,927 thousand (31 Dec 2012: € 2,647 thousand) and FX swaps amounting to € 645,277 thousand (31 Dec 2012: € 0 thousand).

32. Trust liabilities

Trust liabilities are subdivided into the following balance sheet items:

Trust liabilities

	31 Dec 2013 € thous	31 Dec 2012 € thous
Liabilities to banks	7	8
Liabilities to customers	2,738	2,738
Total	**2,745**	**2,746**

apoBank holds in trust its limited partner's interests for the holders of share certificates in various Medico funds.

33. Other liabilities

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

Other liabilities

	31 Dec 2013	31 Dec 2012
	€ thous	€ thous
Premiums from options and caps carried as liabilities	101,900	168,597
Liabilities to the BVR due to the guarantee	121,441	22,188

34. Prepayments and accrued income (liabilities)

Prepayments and accrued income (liabilities) include:

Prepayments and accrued income (liabilities)

	31 Dec 2013	31 Dec 2012
	€ thous	€ thous
Premium from liabilities (securitised or unsecuritised)	172	112
Discount from claims	12,076	16,040
Other prepayments and accrued income	8,931	3,560

35. Subordinated liabilities

Expenses of € 25,398 thousand were incurred in the past financial year (31 Dec 2012: € 26,861 thousand). Early redemption of the subordinated liabilities is excluded.

Subordination has been arranged as follows: In the event of the insolvency or liquidation of apoBank, these liabilities are repayable only after all higher-ranking creditors have been satisfied. The liabilities, most of which are due for repayment by 2019, have a residual term of one to 14 years.

Subordinated liabilities with a nominal value of € 420.8 million (31 Dec 2012: € 440.8 million) carry the following rates of interest:
- Subordinated bearer bonds with a 6-month Euribor variable rate plus 1% as well as fixed interest rates of 5.00 to 6.35%
- Subordinated promissory note bonds with fixed interest rates of 4.80 to 7.47%

Borrowings exceeding 10% of the balance sheet item amounted to €47,369 thousand as at the balance sheet day (31 Dec 2012: €47,369 thousand). They bear an interest of 5.00% and will mature on 1 September 2014.

36. Liabilities due from affiliated or associated companies

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

Liabilities due from affiliated or associated companies

	Liabilities to affiliated companies €thous		Liabilities to associated companies €thous	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Liabilities to banks (P 1)	0	0	739,747	705,510
Liabilities to customers (P 2)	8,029	9,045	40,665	57,155
Securitised liabilities (P 3)	0	0	0	354

37. Breakdown of liabilities by residual terms and other items

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

Breakdown of liabilities by residual terms

	Liabilities to banks (P 1) €thous		Saving deposits (P 2c) €thous		Liabilities to customers without saving deposits (P 2a, 2b, 2d) €thous		Securitised liabilities (P 3) €thous	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Accrued interest	94,415	144,264	0	0	106,668	116,866	41,064	98,021
Up to 3 months	1,383,173	1,646,633	63,342	60,197	14,876,974	13,836,944	464,018	1,583,031
More than 3 months to 1 year	723,622	547,418	4,281	3,853	900,817	1,181,979	1,259,243	1,974,414
More than 1 year to 5 years	2,729,203	3,418,226	2,717	1,887	2,447,239	1,777,044	1,101,517	1,704,433
More than 5 years	3,300,896	3,920,311	162	76	1,719,432	2,611,767	80,000	45,000

Liabilities to banks include € 119,578 thousand (31 Dec 2012: € 107,684 thousand) of liabilities to the relevant central cooperative bank (WGZ BANK AG).

Of the liabilities to banks, € 6,358,357 thousand (31 Dec 2012: 6,658,608) are secured by transfer of assets. These liabilities are mainly publicly funded loans.

Further securities with a book value of € 347.0 million (31 Dec 2012: € 766.3 million) have been pledged as additional security for public refinanced loan programmes. Irrespective of an assigned liability, we deposited cash collaterals of € 26.3 million (31 Dec 2012: € 44.5 million) within the framework of our collateral management for interest rate derivatives. Moreover, securities with a book value of € 535.2 million (31 Dec 2012: € 792.2 million) were pledged as collateral for margin obligations at futures and options exchanges and to secure payment obligations from securities transactions.

Of the debt securities issued (liabilities, 3.a)), € 1,722,234 thousand (31 Dec 2012: € 3,556,387 thousand) will mature in the financial year following the balance sheet date.

38. Capital and reserves

The amounts shown under 'Subscribed capital' (liabilities, 11.a)) are structured as follows:

Subscribed capital

	31 Dec 2013	31 Dec 2012
	€ thous	€ thous
Contributions of silent partners	**347,700**	**347,700**
Members' capital contributions	**965,745**	**859,355**
Of remaining members	943,291	811,155
Of departing members	18,621	40,897
Of terminated cooperative shares	3,833	7,303
Compulsory contributions due on shares in arrears	4	4

In the context of the upcoming regulatory changes and in line with the participation contract, apoBank terminated the silent participation in the amount of € 150 million issued to Capital Issuing GmbH (ISIN DE 0001365880) in 2003 as at 31 December 2013. It will be repaid on 31 July 2014, which is also in line with the contract.

The revenue reserves (liabilities,11.c)) developed as follows in 2013:

Revenue reserves

	Legal reserves € thous	Other revenue reserves € thous
As at 1 Jan 2013	376,250	95,241
Transfers		
from balance sheet profit of the previous year	6,000	6,000
from net profit of the financial year	0	0
Withdrawals	0	0
As at 31 Dec 2013	**382,250**	**101,241**

39. Foreign currency items

Foreign currency items with an equivalent value of € 185,747 thousand (31 Dec 2012: € 140,281 thousand) are included in liabilities and with an equivalent value of € 167,691 thousand (31 Dec 2012: € 267,149 thousand) in off-balance-sheet contingent liabilities and other obligations.

40. Contingent liabilities

Acute risks of a claim in connection with off-balance-sheet contingent liabilities are covered by provisions. The liabilities shown mainly refer to contracts of guarantee or open loan commitments to customers as well as credit default swaps. The risks were assessed in the context of an individual evaluation of the creditworthiness of these customers. They are subject to the risk identification and controlling procedures which apply to all loan agreements and guarantee a timely identification of the risks.

Derivative financial instruments

41. Derivative financial instruments

The volume of unsettled forward transactions affected by a settlement risk or currency, interest rate and/or other market risk arising from open positions, and in the event of counterparty default also from closed positions, amounted to €43,923 million as at 31 December 2013 (31 Dec 2012: €57,044 million). As at 31 December 2013, 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	Credit derivatives	Other transactions
▪ Interest rate swaps ▪ Swaptions ▪ Caps/floors ▪ Interest rate futures	▪ Forward exchange transactions ▪ FX swaps		▪ Credit default swaps	

These forward transactions, which are subject to fluctuations as regards interest rates, exchange rates and market prices as well as fluctuations due to creditworthiness, are entered into 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.

The fair values shown were calculated using the following valuation models: Interest rate swaps were measured at their net present value on the balance sheet date. The various interest payment flows were calculated with forward rates derived from the current interest structure curve and then discounted with the swap curve in the same way as fixed payment flows. Swaptions and interest limit agreements were measured on the basis of the Black model for interest rate options. The interest rate futures were measured based on the current variation margins to be provided.

Credit default swaps were measured according to the par-floater-replication method. Here the difference is formed from a risk-free floater (cash value using the swap curve) and a risky floater (cash value using the corresponding credit spread curve).

The fair value of the forward exchange 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.

Most 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.

Risk structure

	Nominal value €m		Fair value €m	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Interest rate-related transactions[1]				
Time to maturity up to 1 year	10,437	12,728	261	564
more than 1 to 5 years	22,321	28,311	588	578
more than 5 years	10,714	12,136	208	249
Subtotal	**43,472**	**53,175**	**1,057**	**1,391**
Currency-related transactions				
Time to maturity up to 1 year	136	2,977	1	–1
more than 1 to 5 years	0	250	0	0
more than 5 years	0	76	0	0
Subtotal	**136**	**3,303**	**1**	**–1**
Credit derivatives				
Time to maturity up to 1 year	250	50	1	0
more than 1 to 5 years	65	498	0	–8
more than 5 years	0	18	0	–2
Subtotal	**315**	**566**	**1**	**–10**
Total	**43,923**	**57,044**	**1,059**	**1,380**

1) Interest rate-related transactions are reported under the items ‘Other assets’ (€ 504 million), ‘Prepayments and accrued income (assets)’ (€ 93 million) as well as under the items ‘Other liabilities’ (€ 0.5 million) and ‘Prepayments and accrued income (liabilities)’ (€ 1.2 million).

D. Notes to the income statement

42. Breakdown of income by geographic markets

The income of apoBank was primarily generated in Germany.

43. Commission income

Commission income includes insurance brokerage services rendered for third parties amounting to € 12,755 thousand (31 Dec 2012: € 20,837 thousand).

44. Net trading result

In addition to the foreign currency result and the valuation of trading portfolio securities, the net trading result also includes valuation differences for derivatives in the trading portfolio including risk discounts/surcharges applied.

A reserve under Section 340g HGB in accordance with Section 340e (4) HGB was calculated as at 31 December 2013. No adjustment to the net trading result was made in 2013 (31 Dec 2012: € 66 thousand). Current interest income and expenses from the trading portfolio are included in interest income.

45. Other operating expenses and income

Other operating income amounting to € 41,873 thousand (31 Dec 2012: € 49,976 thousand) includes, among other things, rental income amounting to € 3,891 thousand (31 Dec 2012: € 4,021 thousand), income from the release of reserves amounting to € 25,295 thousand (31 Dec 2012: € 19,775 thousand), accounting profits from the disposal of fixed assets and intangible assets of € 2 thousand (31 Dec 2012: € 11,270 thousand), interest income from tax refunds of € 870 thousand (31 Dec 2012: € 3,818 thousand), other income from discounting of € 512 thousand (31 Dec 2012: € 2,934 thousand) as well as income from currency translation of € 930 thousand.

Other operating expenses amounting to € 48,784 thousand (31 Dec 2012: € 57,081 thousand) mainly result from provisions for litigation costs of € 28,286 thousand (31 Dec 2012: € 40,446 thousand), accounting losses from the disposal of fixed assets and intangible assets of € 634 thousand (31 Dec 2012: € 2,734 thousand), other expenses from compounding of € 7,536 thousand (31 Dec 2012: € 6,776 thousand) as well as expenses from currency translation of € 74 thousand.

46. Extraordinary expenditure

Extraordinary expenditure of €124,878 thousand (31 Dec 2012: €27,656 thousand) accounts for payments to BVR for reimbursement of guarantee claims by the UIL fund.

47. Taxes on income

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

48. Proposal for the appropriation of balance sheet profit

In 2013, apoBank recorded a net profit of €47,378 thousand; the profit carried forward from the previous year amounted to €9 thousand.

The Supervisory Board and Board of Directors will propose the following appropriation of profit at the Annual General Meeting:

Appropriation of balance sheet profit

	31 Dec 2013 Euro	31 Dec 2012 Euro
Net profit	47,377,827.82	45,368,542.51
Profit carried forward from the previous year	9,210.70	8,997.47
Balance sheet profit	47,387,038.52	45,377,539.98
Allocations to legal reserves	6,000,000.00	6,000,000.00
Allocations to other revenue reserves	6,000,000.00	6,000,000.00
Dividends (4%)	35,377,372.03	33,368,329.28
Carried forward to new accounts	9,666.49	9,210.70

E. Other notes

49. Other financial liabilities

apoBank is obliged to indemnify the deposit insurance institution of the BVR for the BVR's guarantee to the UIL fund.

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

The following information is provided with respect to the mortgage Pfandbriefe included in the items 'Liabilities to banks', 'Liabilities to customers' and 'Securitised liabilities' in accordance with Section 28 of the German Pfandbrief Act (Pfandbriefgesetz, PfandBG):

Total amount and maturity structure

	Total amount of outstanding Pfandbriefe €m		Total amount of cover pool €m		Overcollateralisation %	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Nominal value	1,144	1,644	3,192	3,446	179	110
Net present value	1,261	1,828	3,466	3,803	175	108
Risk net present value[1] (upward shift)	1,209	1,784	3,305	3,656	173	105
Risk net present value[1] (downward shift)	1,314	1,866	3,630	3,939	176	111

	Maturity profile of outstanding Pfandbriefe €m		Maturity profile of cover pool €m	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Up to 1 year	107	790	353	374
More than 1 year to 2 years	184	107	443	334
More than 2 years to 3 years	38	184	284	851
More than 3 years to 4 years	70	10	275	245
More than 4 years to 5 years	126	45	290	219
More than 5 years to 10 years	620	508	1,275	1,177
More than 10 years	0	0	272	246

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

The cover pool comprises no derivatives.

Composition of the cover pool

			Share in the total amount of cover pool	
	€m	€m		%
Total amount of receivables used as cover	**31 Dec 2013**	**31 Dec 2012**	**31 Dec 2013**	**31 Dec 2012**
By size class				
Up to €300 thousand	2,583	2,501	---	---
More than €300 thousand to €5 million	359	258	---	---
More than €5 million	33	35	---	---
By type of use (I) in Germany				
Residential	2,616	2,550	---	---
Commercial	360	245	---	---
By type of use (II) in Germany				
Flats	691	662	22	19
Single-family homes	1,521	1,500	48	44
Multi-family homes	404	389	13	11
Office buildings	0	0	0	0
Retail buildings	0	0	0	0
Industrial buildings	0	0	0	0
Other commercially used buildings	360	245	11	7
Unfinished new buildings not yet ready to generate a return as well as building sites	0	0	0	0
Thereof: building sites	0	0	0	0

There are no mortgage cover assets outside Germany.

Summary of overdue claims

	31 Dec 2013	31 Dec 2012
	€m	€m
Total amount of claims being more than 90 days past due	0	0

Other data

	31 Dec 2013	Residential 31 Dec 2012	31 Dec 2013	Commercial 31 Dec 2012
Number of pending forced auctions and forced administrations	0	0	0	0
Number of forced auctions carried out in the financial year	0	0	0	0
Number of real estate taken over in the financial year to prevent losses	0	0	0	0
Total amount of overdue interest payments in € m	0	0	0	0

51. Cover statement mortgage Pfandbriefe

Cover statement mortgage Pfandbriefe

	31 Dec 2013 € thous	31 Dec 2012 € thous
Loans and advances to customers		
Mortgage loans	2,975,651	2,794,592
Tangible fixed assets (land charges on the Bank's own property)	0	0
Debt securities and other fixed-interest securities (book value as at 31 Dec 2013: € 240,000 thousand, 31 Dec 2012: € 723,989 thousand)	216,000[1]	651,850[1]
Total cover assets	3,191,651	3,446,442
Total of mortgage Pfandbriefe requiring cover	1,143,900	1,643,900
Overcollateralisation	2,047,751	1,802,542

1) In the cover statement, apoBank takes account of the Bank's own safety discount in the amount of 10% of the nominal value.

52. Average number of employees

The average number of employees in 2013 was 2,036 (31 Dec 2012: 2,124) full-time and 316 (31 Dec 2012: 292) part-time employees. In addition, 85 (31 Dec 2012: 93) apprentices were employed on average.

53. Changes in membership

Changes in membership

	Number of members	Number of cooperative shares	Uncalled liabilities € thous
Beginning of 2013	100,332	540,784	811,176
Additions 2013	6,226	108,718	163,077
Departures 2013	2,466	20,626	30,939
End of 2013	104,092	628,876	943,314

54. Cooperative shares and uncalled liabilities of members

Cooperative shares and uncalled liabilities of members

	31 Dec 2013 € thous	31 Dec 2012 € thous
The capital contributions of the remaining members increased in the year under review (2012: declined) by	132,136	3,759
Uncalled liabilities declined in the year under review by	132,138	3,770

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

55. Auditors' fee

The expenses for the audit of the annual financial statements, other certification services, tax advice and other services of the auditor, RWGV (Rheinisch-Westfälischer Genossenschaftsverband e. V.), were € 1,471 thousand in the year under review (31 Dec 2012: € 1,471 thousand).

The expenses can be broken down as follows:

Auditors' fee

	31 Dec 2013	31 Dec 2012
	€ thous	€ thous
Audit of the annual financial statements	992	924[1]
Other assurance services	473	390
Tax advice	0	0
Other services	6	157

1) In the reporting year, the provisions formed in 2012 were fully utilised.

56. Remuneration of Board members

According to Section 285 (1) 9a HGB, the total remuneration granted to the Board of Directors amounted to € 4,936 thousand in 2013 (31 Dec 2012: € 4,048 thousand); the performance-related share of this total remuneration was 40.5% (2012: 42.9%). The total remuneration paid to Board members in 2013 amounted to € 3,511 thousand (2012: € 2,647 thousand).

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

A remuneration structure that takes account of the changed legal and regulatory requirements – in particular the provisions of the German regulation governing supervisory requirements for remuneration systems of institutions (InstitutsVergV) – has been agreed upon.

The total remuneration for former members of the Board of Directors and their surviving dependants amounted to € 1,431 thousand (31 Dec 2012: € 1,195 thousand). Pension provisions for this group of persons as at 31 December 2013 amounted to € 24,528 thousand (31 Dec 2012: € 23,831 thousand).

The total remuneration for members of the Supervisory Board was € 769 thousand (31 Dec 2012: € 762 thousand), which was divided up as follows: annual remuneration € 497 thousand (31 Dec 2012: € 480 thousand), attendance fees € 265 thousand (31 Dec 2012: € 276 thousand) and other remuneration € 7 thousand (31 Dec 2012: € 6 thousand).

57. Amounts due from Board members

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

Amounts due from Board members

	31 Dec 2013	31 Dec 2012
	€ thous	€ thous
Members of the Board of Directors	167	188
Members of the Supervisory Board	2,957	3,312

58. Board of Directors

Members of the Board of Directors

- Herbert Pfennig, Spokesman
- Harald Felzen
- Eckhard Lüdering
- Dr. Thomas Siekmann
- Ulrich Sommer

59. 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 (since 14 June 2013), pharmacist
- Martina Burkard[1], bank employee
- Mechthild Coordt[1], bank employee
- Dr. med. dent. Peter Engel, dentist
- Sven Franke[1], bank employee
- Eberhard Gramsch, physician
- Klaus Holz[1], trade union secretary
- Dr. med. Andreas Köhler, physician
- Walter Kollbach, tax consultant/auditor
- Ulrice Krüger[1], bank employee
- Prof. Dr. med. Frank Ulrich Montgomery, physician
- Sigrid Müller-Emsters[1], bank employee
- Dr. med. dent. Helmut Pfeffer, dentist
- Dr. med. dent. Karl-Georg Pochhammer, dentist
- Christian Scherer[1], bank employee
- Friedemann Schmidt, pharmacist
- Ute Szameitat[2], bank employee
- Heinz-Günter Wolf (until 14 June 2013), pharmacist

1) Employee representative
2) Representative of the executive staff

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

In 2013, members of the Board of Directors and employees of the Bank held seats on the supervisory boards or comparable boards of the following joint-stock companies pursuant to Section 267 (3) HGB or comparable organisations:

Name	Company	Function
Herbert Pfennig	AllianceHealthcare AG (ehemals Andreae-Noris Zahn AG), Frankfurt	Member of the Supervisory Board
	Apotheken-Rechen-Zentrum GmbH, Darmstadt	Chairman of the Administrative Board
	DFV Deutsche Familienversicherung AG, Frankfurt	Member of the Supervisory Board
	GML Aktiengesellschaft für Medizintechnik und Logistikmanagement, Neu-Isenburg	Member of the Supervisory Board (since 20 Sep 2013)
	PEIKER acustic GmbH & Co. KG, Friedrichsdorf	Deputy Chairman of the Supervisory Board
Harald Felzen	Apo Asset Management GmbH, Dusseldorf	Member of the Supervisory Board
	Deutsche Ärzte Finanz Beratungs- und Vermittlungs-AG, Cologne	Deputy Chairman of the Supervisory Board
	Finanz-Service GmbH der APO-Bank, Dusseldorf	Deputy Chairman of the Supervisory Board
	Treuhand Hannover GmbH Steuerberatungsgesellschaft, Hanover	Deputy Chairman of the Supervisory Board
Eckhard Lüdering	APO Data-Service GmbH, Dusseldorf	Chairman of the Supervisory Board
	CP Capital Partners AG, Zurich	Member of the Administrative Board
	PROFI Erste Projektfinanzierungs- und Beteiligungsgesellschaft AG, Zurich	Member of the Administrative Board
Dr. Thomas Siekmann	CredaRate Solutions GmbH, Cologne	Member of the Supervisory Board
	Treuhand Hannover GmbH Steuerberatungsgesellschaft, Hanover	Member of the Supervisory Board
	ZA Zahnärztliche Abrechnungsgesellschaft AG, Dusseldorf	Member of the Supervisory Board
Ulrich Sommer	Apo Asset Management GmbH, Dusseldorf	Deputy Chairman of the Supervisory Board
	aik Immobilien-Kapitalanlagegesellschaft mbH, Dusseldorf	2nd Deputy Chairman of the Supervisory Board
	Börse Düsseldorf AG, Dusseldorf	Member of the Exchange Council
	Deutsche Ärzteversicherung AG, Cologne	Member of the Supervisory Board
	Internationale Kapitalanlagegesellschaft mbH, Dusseldorf	Member of the Supervisory Board
Mirko Engels	aik Immobilien-Kapitalanlagegesellschaft mbH, Dusseldorf	Member of the Supervisory Board
Hans Fells	Finanz-Service GmbH der APO-Bank, Dusseldorf	Member of the Supervisory Board (until 15 Jul 2013)
Thilo Gewaltig	patiodoc AG, Berlin	Member of the Supervisory Board (until 21 Feb 2013)
Georg Heßbrügge	patiodoc AG, Berlin	Deputy Chairman of the Supervisory Board
Dr. Lars Knohl	APO Data-Service GmbH, Dusseldorf	Member of the Supervisory Board
Dr. Hanno Kühn	Apo Asset Management GmbH, Dusseldorf	Member of the Supervisory Board (since 1 Mar 2013)
	aik Immobilien-Kapitalanlagegesellschaft mbH, Dusseldorf	Member of the Supervisory Board (since 1 Apr 2013)
Carsten Padrok	Finanz-Service GmbH der APO-Bank, Dusseldorf	Member of the Supervisory Board (since 15 Jul 2013)
Dr. Barbara Schwoerer	ARZ Haan AG, Haan	Member of the Supervisory Board (until 12 Dec 2013); Deputy Chairman of the Supervisory Board (since 12 Dec 2013)
Uwe Zeidler	Apo Asset Management GmbH, Dusseldorf	Member of the Supervisory Board (since 28 Feb 2013)
	aik Immobilien-Kapitalanlagegesellschaft mbH, Dusseldorf	Member of the Supervisory Board (until 31 Mar 2013)

61. Name and address of the responsible auditing association

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

Dusseldorf, 20 March 2014
Deutsche Apotheker- und Ärztebank eG
The Board of Directors

Herbert Pfennig | Harald Felzen | Eckhard Lüdering | Dr. Thomas Siekmann | Ulrich Sommer

Certifications

Report of the Auditing Association

We have audited the annual financial statements comprising the balance sheet, income statement, statement of changes in equity, cash flow statement and the notes, together with the financial accounts and the management report of Deutsche Apotheker- und Ärztebank eG, Dusseldorf, for the business year from 1 January 2013 to 31 December 2013. The financial accounting and the preparation of the annual financial statements and the management report in accordance with the regulations of the German Commercial Code (Handelsgesetzbuch, HGB) and the supplementary provisions of the Articles of Association are the responsibility of the Board of Directors of the cooperative. Our responsibility is to express an opinion on the annual financial statements together with the financial accounts and the management report based on our audit.

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

Our audit has not led to any reservations.

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

Münster, 26 March 2014

On behalf of
Rheinisch-Westfälischer Genossenschaftsverband e. V.

Ludwig Lippes Certified Auditor	Thomas Kulina Certified Auditor

Responsibility Statement by the Legal Representatives

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

Dusseldorf, 20 March 2014
Deutsche Apotheker- und Ärztebank eG
The Board of Directors

Herbert Pfennig | Harald Felzen | Eckhard Lüdering | Dr. Thomas Siekmann | Ulrich Sommer

Imprint

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The German version is legally binding.