Annual Financial Report 2012
Trust unites

deutsche apotheker- und ärztebank

Overview of Business Development

Overview of the 2012 financial year

About the Bank	31 Dec 2012	31 Dec 2011	Change %
Members	100,332	99,759	0.6
Customers	364,500	359,900	1.3
Employees	2,360	2,470	-4.5
Locations	76	79	-3.8

Balance sheet	€m	€m	%
Balance sheet total	37,888	38,840	-2.4
Equity capital	1,724	1,701	1.3
Customer loans	27,116	26,830	1.1
Customer deposits	19,591	19,301	1.5

Income statement	€m	€m	%
Net interest income	694.0	646.7	7.3
Net commission income	116.2	119.1	– 2.5
General administrative expenses	– 479.7	– 485.4	–1.2
Operating profit before risk provisioning	324.1	280.4	15.6
Risk costs and precautionary measures[1]			
for the customer lending business	– 81.3	– 65.1	24.8
for financial instruments and participations	– 92.1	–125.0	– 26.3
Allocation to the fund for general banking risks	70.0	0.0	---
Net profit	45.4	43.1	5.2

Key figures	%	%	ppts
Equity ratio	14.4	13.0	1.4
Core capital ratio	10.4	8.5	1.9
Cost-income ratio	62.4	65.4	-3.0
Return on equity (after tax)	3.4	3.3	0.1

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	negative	stable
Pfandbrief rating	AAA	---	---

1) 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 of the Spokesman of the Board of Directors

Dear Members, Customers and Business Partners,

2012 was a game-changing year for apoBank. After concentrating in recent years on ensuring the Bank's stability, the focus in 2012 was on setting our strategic course and smoothing the way for a modern apoBank.

Looking to the future with a new customer care strategy and leaner structures

As I reported last year, we introduced our VorWERTs future programme, both to expand our market position and to improve our performance.

As part of this process, we developed a new customer care strategy during 2012, one that we will use to provide our customers with the appropriate support during the various stages of their lives. For each stage – from university to their first job or practice, right up to retirement – we have put specialised consultants in place to support health care professionals in dealing with all financial and economic questions that arise in both their professional and private spheres.

Specialising in this way sets apoBank apart from its competitors: No other bank in Germany has the same level of specialisation with respect to the various requirements of health care professionals. No other financial institution can offer the same depth of consultancy as apoBank.

In specialising in this way, we are pursuing a clear goal: We want to provide more in-depth and more varied support for health care professionals and thus further bolster the Bank's core business.

At the same time, we have started to make improvements to our cost structure as part of the VorWERTs programme, as well as streamlining our in-house processes and improving our efficiency to give the Bank that much more of an edge. Besides VorWERTs, a further contribution in this regard came from the IT migration we completed in April.

Positive business performance despite added burdens and difficult general conditions

In the past year, we succeeded in increasing our member and customer numbers despite the added burdens associated with VorWERTs and the IT migration. This confirms that health care professionals identify with our cooperative business model and have faith in the stability of their professional bank. I thank all of our staff whose commitment has made this possible, and who look after our customers' interests and the future of the Bank itself with such vigour and tireless enthusiasm.

On the whole, our performance developed positively in 2012: We built up much higher reserves than expected, and ended the financial year with a surplus of €45.4 million, which was a little higher than in the previous year. This is a considerable achievement when we consider the challenging environment in which we are operating. It also enables us to propose to the Annual General Meeting a dividend payout of 4% to our members.

In 2012, we again did justice to our role as a bank in the health care sector: New loans in the order of €4 billion make this abundantly clear. Some €2 billion of these were earmarked for start-ups and investments in the outpatient sector. This means that apoBank financed about half of all investment in the area of outpatient medical care. This is our contribution toward maintaining a high-performance health care system.

In the investment market, we – like all other banks – continued to feel the impact of the crises affecting the euro and the financial markets, with investors still acting cautiously. This was evident in the slight fall in revenues in this area.

We are glad to report that we were able to decrease administrative expenses compared to the previous year, despite significant initial investments in VorWERTs and the final expenditure on IT migration. The improved cost structure and the initial gains in efficiency achieved as part of VorWERTs are the main reasons why we were able to offset the expenditure on these two major projects in 2012.

We were also able to lend further strength to the substance of apoBank, with equity ratios up on the previous year. An essential factor here was the further reduction of structured financial products, with which we were able to proceed more quickly than planned. Overall, we reduced the volume by about 40%, i. e. from €3.0 to €1.8 billion, within a year. This will also reduce the burdens to be expected in future from this portfolio. Using the appropriate measures, we will press on during the coming months with the positive developments in equity ratios. This will enable us to stay ahead of the play when it comes to meeting the stringent equity rules that will apply to the entire banking sector under Basel III.

Our main vision: to be the trusted bank for health care professionals

To our members, customers and business partners: I would like to thank you all for placing your trust in apoBank once again in 2012. And I would be pleased if we remained partners on the Bank's future path.

apoBank is in a good starting position. The VorWERTs programme brought us the first successes in this regard in 2012 by way of the improvements in efficiency described above. However, it is clear that it will still be some time before we can reap the full benefits of this programme. We are currently expecting clear benefits from the changes initiated by VorWERTs from 2014 onwards.

We are presently bringing our new customer care strategy to life. Our goal is every bit as clear as it is simple: We want health care professionals to be won over by both the Bank and the quality of its work. Our focus is on the customer. Every product has to be useful to our customers, and they must be confident that they are getting the best banking advice by dealing with us. Heeding this requirement will turn our vision of being the trusted bank for health care professionals into reality.

Yours sincerely

Herbert Pfennig

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

Report of the Supervisory Board

Exchanges between the Supervisory Board and the Board of Directors during the year under review centred on the further development and restructuring of apoBank. During its regular sessions, the Supervisory Board received information from the Board of Directors about the current status of the VorWERTs future programme and the measures developed during the year. Migration to the cooperative bank21 system was a topic for the last time. Implementing both projects in succession during the same period posed a major challenge and burden to both the Board of Directors and the workforce. In this exceptional situation, the Supervisory Board kept itself up to date on the restructuring of employment conditions, ensuring that the process was fair and just, and also encouraged contract negotiations between the Board of Directors and the employee representatives in an atmosphere of trust.

In what was a difficult year for the sector as a whole, apoBank managed to achieve a good operating result despite a range of challenges that persisted throughout the entire banking sector on account of the global financial and economic crisis and the ongoing EU debt crisis. During the year under review, the Supervisory Board concluded that apoBank's business model and its consistent focus on its core business were continuing to prove their value. In accordance with its Articles of Association, the Bank continues to fulfil its purpose of providing economic support to the health care professions.

The Bank was able to further broaden its customer base during the year under review. Of particular note is the fact that the number of members once again crossed the 100,000 mark. The net profit for the year will also enable the Bank's members to share in its economic success in the form of a dividend payment.

During the year under review, the Supervisory Board concluded that the Board of Directors was pressing on consistently with the reduction of its structured financial products while at the same time preserving their value, and was pleased to observe that this programme was proceeding much more quickly than planned. In this regard, the Bank is drawing on the expertise of Union Investment, which is in charge of reducing the majority of the structured financial products as part of a special fund. The Bank's stability continues to benefit noticeably from the guarantee agreement made with the Federal Association of German Cooperative Banks (BVR). The Supervisory Board would like to thank its cooperative partners for their support in this regard.

In fulfilling its legal and statutory tasks, the Supervisory Board frequently obtained advice from the Board of Directors during the financial year about all significant events in the regular meetings, the meetings of the Audit, Credit and Risk Committee, the Economic and Finance Committee, the Employee Committee and the Presiding Committee. The Regulatory Committee, which deals with charges brought against former members of the Board of Directors, regularly reported to the plenary session of the Supervisory Board to keep it abreast of the latest developments. These sessions dealt with fundamental questions of business policy in the investment and lending sector and other service areas, as well as current economic developments.

Rheinisch-Westfälische Genossenschaftsverband e.V. carried out the audit of the annual financial statements and management report for the 2012 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 Deutsche Apotheker- und Ärztebank was amended in September of the year under review to comply with new requirements. The currently valid version of the code and the joint declaration of conformity by the Supervisory Board and the Board of Directors are published on the Bank's website. In addition, the corporate governance report is published in this annual financial report.

Following approval by the Federal Financial Supervisory Authority (BaFin), Ulrich Sommer, previously a divisional director, was appointed to the Board of Directors with responsibility of the Professional Associations, Large Customers and Markets Board department on 1 July 2012.

At the 2012 Annual General Meeting, Walter Kollbach was re-elected as one of the shareholder representatives on the Supervisory Board. Prof. Dr. Frank Ulrich Montgomery was elected for the first time as a shareholder representative, having previously been appointed by the court in December 2011 as a member of the Supervisory Board until the Annual General Meeting to replace Prof. Jörg-Dietrich Hoppe, who died in November of that year.

As planned, shareholders Heinz-Günter Wolf, Dr. Andreas Köhler and Dr. Peter Engel will step down from the Supervisory Board at the conclusion of this year's Annual General Meeting. They may stand for re-election.

The Supervisory Board is convinced that the Bank has pursued the right course during the year under review: Particularly on account of imminent changes in health care and the challenges that the financial sector still faces, apoBank is deliberately focusing on the needs of the health care professions.

The Supervisory Board would like to thank the members of the Board and the entire workforce of apoBank for their reliable work and extraordinary personal commitment in 2012.

Dusseldorf, March 2013

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- and 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. The Bank’s code and the declaration of conformity, which identifies the various deviations from the Bank’s own corporate governance code, are published on its website at www.apobank.de.

There were no amendments or updates to the DCGK in 2011, but the Government Commission made minor adjustments to the Code in May 2012. The Bank’s own corporate governance code was revised on that basis.

Besides editorial revisions, there are essentially three aspects to the adjustments: firstly, reinforcing the already close cooperation in an atmosphere of trust between the Supervisory Board and the Board of Directors by having the Chairman of the Supervisory Board consult with the Board of Directors, between meetings, on questions of strategy, planning, business performance, risk and risk management, as well as compliance.

Secondly, the Government Commission has stressed the need for an independent supervisory board. The supervisory board must set concrete goals for its own composition, which must now include a suitable number of independent supervisory board members. Supervisory board members are considered not to be independent if they have a personal or business connection with the Bank, its committees or an associated company that could form the basis for a substantive and not merely temporary conflict of interests. The Bank has adopted this new provision as part of its corporate governance code in its entirety.

In addition, and independently of the adjustments to the DCGK, the Bank has set down in its own code that former members of the Board of Directors may not become members of the Supervisory Board, as a way of best ensuring that the Supervisory Board remains independent.

Apart from these requirements based on the adjustments to the DCGK, the opportunity was taken to revise the Bank’s own code. In its last declaration of conformity in 2011, to satisfy regulatory changes affecting banks, the Bank declared that it still deviated in one regard from the recommendations of the Government Commission on the remuneration structure for its Board members. The relevant section in the code has now been adjusted in accordance with the revised legal situation. This means that there is no further need for a declaration of conformity to cover this point of difference.

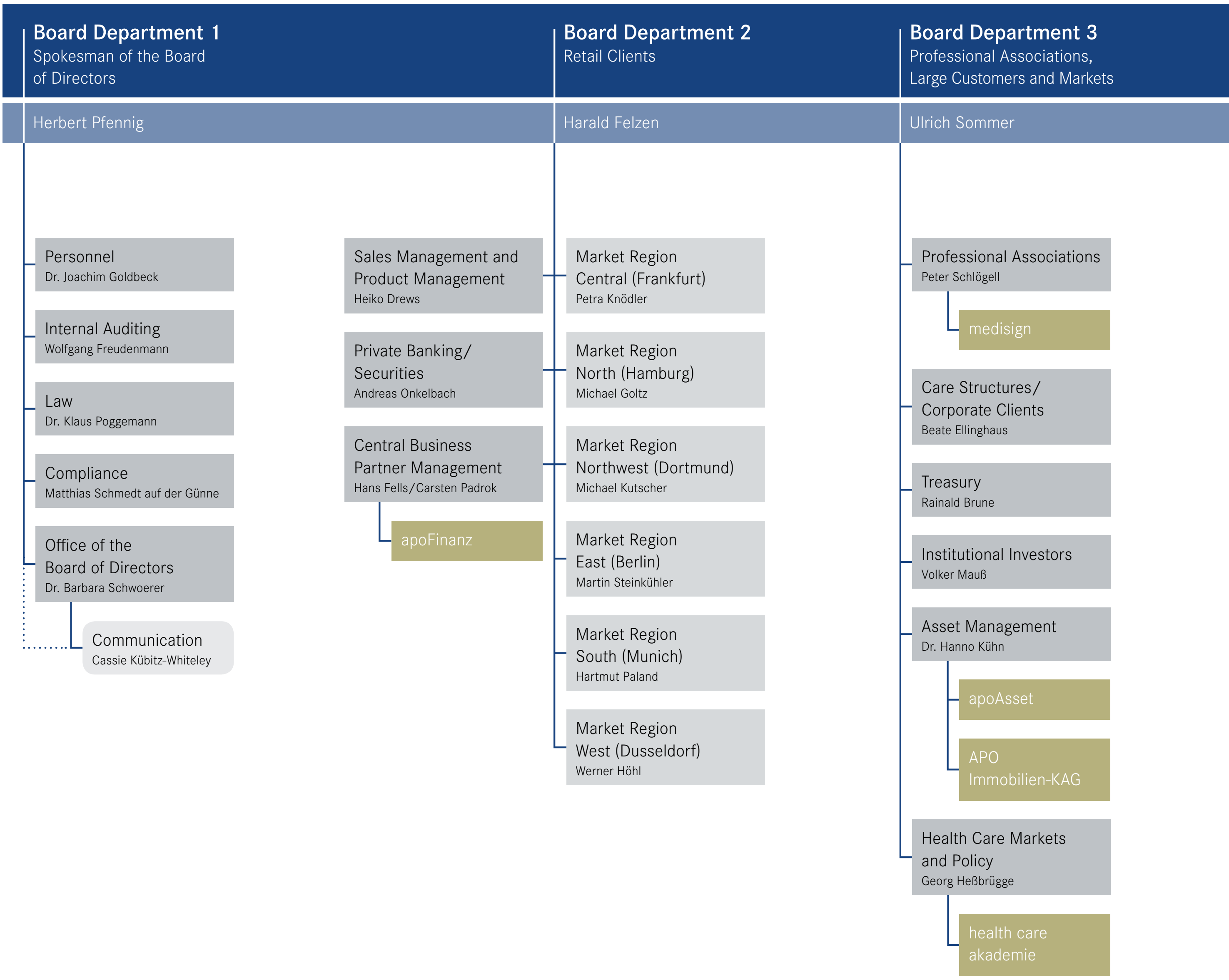
The Bank is still of the opinion that fixed age limits for supervisory board members can be inappropriate in individual cases due to the opportunities presented by personal experience and qualification that can be utilised in carrying out the mandate. Thus, the declaration of conformity again includes one deviation, this time with respect to age limits.

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 | 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**
  Holger Brettschneider
- **Overall Bank Controlling**
  Dr. Andree Engelmann
- **Finance**
  Steffen Kalkbrenner
- **Cost Management and Purchasing**
  Dr. Erich Groher
- **Principles of Finance, Controlling and Supervisory Law**

Board Department 5
Risk and Banking Operations

Eckhard Lüdering

- **Credit Management**
  Frank Steimel
- **Credit Control Financial Instruments**
  Ines Wenner
- **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**
  Martin Pietsch/Klaus Söhler
  - apoData Service
- **Provider and Process Management**
  Dr. Lars Knohl

The Board of Directors

Herbert Pfennig
Spokesman of the Board of Directors

Harald Felzen
Member of the Board of Directors

Eckhard Lüdering
Member of the Board of Directors

Dr. Thomas Siekmann
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]

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[2]

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
Hemmoor

1) Employee representative
2) Appointed in replacement for Prof. Dr. med. Dr. h. c. Jörg-Dietrich Hoppe until 15 June 2012, since then elected member

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

Reinhard Dehlinger, Munich

Dipl.-Stom. Holger Donath, Prebberede

Dr. med. Wolfgang-Axel Dryden, Kamen

Dr. med. Wolfgang Eckert, Schwerin

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

Erika Fink, pharmacist, Frankfurt/Main

Assessor jur. Christian Finster, Bad Schönborn

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

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

Hartmut Kilger, lawyer, Tübingen

MDB 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

Florian Lemor, lawyer, Berlin

Prof. Dr. rer. pol. Dirk Lepelmeier, Dusseldorf

Dr. med. Steffen Liebscher, Lößnitz

Rainer Linke, Potsdam

Volker Linss, veterinary, 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. vet. Rainer Mertens, 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. Karl-Friedrich Rommel, Mechterstädt

Dr. jur. Helmut Roth, lawyer, 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

Dirk Smolka, dentist, Bonn

Dipl.-Volksw. Jochen Stahl, Münster

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

Frank-Rüdiger Zimmeck, Limburg

Dr. med. Gerd W. Zimmermann, Hofheim/Ts.

Dr. med. dent. Gert Zimmermann, Leun

Honorary Position Holders and Honorary Members

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

Dipl.-Kfm. Richard Deutsch, lawyer († 31 July 2012)
Honorary Solicitor of the Supervisory Board
Meerbusch

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

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

Berthold Bisping
Honorary member of the Bank
Neuss

Dr. med. dent. Wolfgang Eßer
Honorary member of the Bank
Mönchengladbach

Elfriede Girl
Honorary member of the Bank
Munich

Jürgen Helf
Honorary member of the Bank
Meerbusch

Dr. med. Ulrich Oesingmann
Honorary member of the Bank
Dortmund

Dr. med. dent. Rudolf Oschika
Honorary member of the Bank
Moers

Dipl.-Betriebsw. Werner Wimmer
Honorary member of the Bank
Meerbusch

In Memoriam

Dipl.-Kfm. Richard Deutsch, lawyer

Honorary member of Deutsche Apotheker- und Ärztebank
Bearer of the Order of Merit of the Federal Republic of Germany, First Class
Awarded badges of honour by the German Pharmacists Association and the German Medical Association, and the golden badge of honour by the German Dentists' Association

The deceased was committed to promoting the success of our Bank for more than 30 years. He was a member of the Board of Directors from 1968 to 1997, and Spokesman of the Board of Directors from 1990. Even after retiring, he continued to provide advice and assistance to the Bank.

As Director of the Bank, he played a key role in shaping the development of apoBank. For example, following German reunification, he worked actively towards providing a functioning service infrastructure for health care professionals in the new federal states and prepared the ground for apoBank's success in former East Germany. Furthermore, he was committed to championing the interests of health care professionals as well as promoting social responsibility. As Honorary Solicitor of the Supervisory Board and a member of the Council of Elders, he remained in close contact with the Bank even after his time as Director.

With his personal commitment, he rendered outstanding services to Deutsche Apotheker- und Ärztebank. Thanks to his competence, his conscientiousness, his dedication and his open-mindedness, he enjoyed great trust and was highly esteemed.

Dr. med. Edith Danda

Pharmazierat Klaus Erdmann

Dr. rer. nat. Hans Jochen Gelberg

Dr. med. Heino Ital

Dr. rer. nat. Walter Leetsch

Dr. med. Klaus Rittgerodt

Dr. med. Kilian Tegethoff

Dr. med. Klaus Wagner

The deceased were closely associated with the Bank 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 has tailored its business policy to the specific needs of the medical professions and the health care market and continues to pursue its business purpose to assist and support its members – health care professionals and their organisations and institutions – in financial matters. In the context of overall bank control, this purpose is of overriding importance. In connection with this, the Bank sees its objective as allowing its members to participate appropriately in the Bank's 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 consistently capturing market opportunities in the thriving health care market. In accordance with its statutory purpose, the Bank contributes to satisfying the growing demand for investment in the health care market as a reliable financing partner. The Bank's customers comprise members of the academic health professions, their professional associations, health care facilities, and companies operating in the health care market.

Thanks to its many years of experience in the health care market as well as its specific professional and market expertise, apoBank is in a position to provide comprehensive support to its customers, even under changing general conditions. In the year under review, the Bank also benefited from its special expertise in the acquisition of new business and risk control, allowing it to further reinforce its leading position in the market.

The Bank offers its customers the complete range of financial and advisory services in the lending and deposit business, as well as in asset management. The Bank undertakes to maintain a trusting relationship to its customers and sees itself as a reliable, high-performance partner for all financial matters.

Focus on core business

The Bank'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, its business policy focuses on the core business with student, active professional or retired members of the academic health care professions as well as on the organisations they belong to. In this process, the Bank aims for a balanced earnings and risk ratio based on clear risk guidelines.

The Bank's 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 increasing its independence of the capital markets. The Bank ensures it achieves these objectives by enhancing the efficiency and quality of processes and ensuring employees identify with the objectives and are trained to fulfil them.

Strategic development with the future programme VorWERTs

The Bank launched its future programme VorWERTs in 2011. With this programme, the Bank consistently pursues its strategic objectives.

apoBank intends to grow its retail clients business segment, both in terms of quality and quantity. For this reason, specific support concepts were developed, comprising ranges of products and services for the respective core customer segments.

Retail clients include students as well as salaried and self-employed health care professionals. Services for health care professionals are tailored to the individual needs and different life phases of the Bank's customers.

In the year under review, apoBank geared its sales organisation to the needs of its customers by introducing new working structures and specialisation. In order to dovetail segment-specific advisory services and to target customers more effectively, new advisor types and specialists were introduced.

In the business with professional associations, corporate clients and institutional investors, the Bank is reinforcing and expanding its market position with a systematic sales approach. For example, in future specialised teams will 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.

The Bank aims to increase its performance by concentrating on its core competencies as well as continuously improving its process landscape.

To optimise its core processes, apoBank will in future no longer run its own IT operations. In the year under review, as part of a full-service agreement, IT operations were outsourced to GAD eG, one of two data processing centres run by the cooperative FinanzGruppe. Needs-based standardised systems which are continuously developed are now available to the Bank, so that it does no longer have to develop or operate its own systems. The system migration and the resulting change in the Bank's central systems form the basis for further improving customer-related processes.

More capital market independence

In the second half of the year under review, financial markets started to show signs of stabilisation. Nevertheless, in order to counteract any remaining uncertainty, the Bank is continuing to implement measures to minimise risk as well as provide capital relief and reinforcement. This includes the measures introduced to improve the result as part of the future programme VorWERTs. Based on its sustainable strategy to reduce the financial instruments portfolio, the Bank is continually reducing risk in this portfolio by way of redemptions and sales.

Differentiation of refinancing sources is gaining increasing strategic significance within the context of liquidity management. Here, apoBank aims to increase the share of customer funds in order to become more independent of the capital market.

Strategic participations complement service spectrum

apoBank's strategic participations include in particular corporations that expand the service spectrum of the Bank by providing financial and health care services:

Apo Asset Management GmbH (apoAsset) specialises in the administration and management of securities funds of private and institutional customers from the health care professions. The company collaborates with renowned capital investment companies in Germany and Luxembourg.

aik Immobilien-Kapitalanlagegesellschaft mbh (aik) works for professional pension funds. aik is an associated company of apoBank. It is a real estate investment company specialising in an integrated approach that covers all value creation levels of real estate investment.

As the sole provider of the official electronic identity card for health care professionals, issued in accordance with the federal organisations of the health care professions that are members of the professional chambers, medisign GmbH supports dentists, doctors and psychotherapists in securing their communications. For this purpose, the joint venture, which was established together with private medical clearing centres, provides electronic signature cards as well as all the services required for identification in electronic business processes.

patiodoc AG (formerly Patiomed AG) is a joint venture of apoBank and other companies associated with the medical professions. The business purpose of patiodoc is to set up cooperative projects between physicians or to participate in such projects as well as to provide management and service support. Thus, patiodoc AG makes a contribution towards physicians meeting the challenges of a competitive environment and being able to individually shape their professional prospects without being burdened by administrative and management tasks.

The following sections present the macro-economic context and the main trends in the health care market that had a significant impact on apoBank's environment in the year under review.

Development of gross domestic product of selected EU countries

	2012	2011
	%	%
Germany	0.7	3.0
Austria	0.6	2.7
Ireland	0.3	1.4
Finland	0.2	2.7
France	0.1	1.7
Belgium	– 0.2	1.8
Euro area	– 0.4	1.5
Netherlands	– 0.9	1.1
Spain	–1.4	0.4
Italy	– 2.1	0.6
Portugal	– 3.0	–1.7
Greece	– 6.5	– 7.1

Slower growth of world economy

Global economic growth slowed down to 2.5% in 2012. While gross domestic product (GDP) in the US grew by 2.3%, showing even stronger expansion than in 2011, total GDP in the euro area decreased by 0.4%. As the table shows, there were considerable differences within the euro region and high negative growth in southern Europe in particular. GDP in Italy shrank by 2.1% as investment and consumption were severely restricted. Economic growth in Spain decreased by 1.4%, mainly due to a very low willingness to invest.

Although the German economy grew by 0.7%, this increase was low compared to previous years. In spite of this, the situation on the German labour market improved slightly once again in 2012: The unemployment rate in 2012 was 6.9%.

US dollar/euro development in 2012

European Central Bank alleviates EU debt crisis

The first six months of 2012 remained difficult in terms of overall economic conditions – however, the EU debt crisis eased slightly in the second half of the year. This was partly due to the fact that the European Central Bank (ECB) clearly stated it would take all means necessary to save the common European currency.

The euro benefited from this development: The exchange rate against the US dollar recovered in the second half of the year and at the end of December 2012 it was at the same level as the year before.

There has been a considerable decrease in risk premiums on government and bank bonds of the crisis-hit countries on the periphery of the EU.

Federal bonds were also considered a “safe haven” in the year under review: The yield on ten-year bonds decreased from 1.8 to 1.2%; two-year federal bonds even closed the year with a negative yield. Investors prefer to accept a loss than to make compromises on creditworthiness.

Stock markets see rise in prices

The economic stabilisation in the euro area was also reflected in the stock markets. The increase in share prices was stimulated by low interest rates and the expansive policies of the central banks. The DAX increased by over 29%, the EURO STOXX 50 rose by just under 9%; only the Spanish market showed negative growth.

Development of the yield on federal bonds in 2012

Trends on relevant real estate markets remain inconsistent

The international real estate markets, which play an essential role in the performance of mortgage backed securities, developed inconsistently in the year under review. The indices showed a slightly positive trend for the US housing market. apoBank sees this trend as confirmation that prices on this market have reached their lowest point.

In Europe, there was a North-South divide: While there was robust development on the northern and central European markets, the housing market in Spain continued to be characterised by oversupply and a growing number of insolvent borrowers in the year under review. As a result, prices on the Spanish housing market continued to fall, with no foreseeable turning point as of the end of the year.

According to apoBank estimates, prices for British residential and commercial real estate remained essentially unchanged in the year under review.

Health care market remains stable

In the year under review, the German health care sector was again a growth market. It benefited from continuing stable conditions in the German economy as a whole. While other industries were strongly dependent on international demand, the health care sector profited from domestic demand. It also remained stable due to its association with the statutory health insurance (GKV). In terms of income, the different branches of social insurance benefited from the growth in the number of work contracts subject to social insurance payments.

Further increase in health care expenditure

Based on current figures, the Bank expects health care expenditure to have gone up by approximately 3.5% in 2012. As a result, the share of health care expenditure in relation to GDP is expected to have been 11.8%.

The GKV covered around 56% of health care expenditure and remained the most important source of income for the majority of medical service providers. The current figures for the end of the third quarter 2012 show that the GKV's expenditure had risen by 3.2% compared to the level of the previous year, in particular due to higher expenditure on pharmaceutical products as well as for outpatient and inpatient medical services. In spite of this, the financial situation of the statutory health insurers continued to show a positive development: By the end of the third quarter, they were able to post a surplus of around €4 billion.

Private health insurers also recorded an increase in expenditure in the year under review. This increase is expected to amount to 4.8%. The private health insurance (PKV) continued to be an important source of income for physicians and dentists.

Continuing consolidation on the pharmacy market

At the end of 2012, the total number of pharmacies in Germany was 20,930, or 1.5% below the previous year's level, thus continuing the downward trend on this market. At the same time, the number of branch pharmacies continued to increase, reaching 18% (31 December 2011: 17%). Both trends are the expression of a concentration and consolidation process on the pharmacy market that was already noticeable in previous years. The trend towards branch pharmacies in particular led to an increase in the number of pharmacists employed at pharmacies to 64% by the end of 2011 (31 December 2010: 63%).

Based on current forecasts, the earnings of many pharmacies in 2012 was at best at the same level as the previous year; at worst, a decline in the average operating result of up to 8.7% (€6,000) is expected. This was mainly due to weakened purchasing conditions for many pharmacies. In addition, the discount on prescription medication that pharmacists have to grant to statutory health insurers increased in 2012.

Salaried employment and cooperatives remain the trend in the outpatient sector

Cooperative structures in outpatient care and at the interfaces between outpatient and inpatient care continued to gain significance in 2012. The Bank assumes that the number of medical care centres (MVZ) continued to increase up to the end of 2012, although the growth rate has probably reached its peak.

At the end of 2012, more physicians were also working in professional cooperatives than in the previous year. On the one hand this is due to synergy effects physicians expect to gain from a professional cooperative 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.

At the end of 2011, a total of approximately 13.5% of physicians participating in contractual medical care were working as salaried employees and the Bank forecasts that this number remained stable for the year under review as a whole.

The total number of dentists continued to increase in 2011 (in this area, too, the figures for 2012 will become available during the course of the current financial year) with the number of dentists with their own practices decreasing slightly again and the number of salaried dentists in outpatient care increasing by 9% compared to the previous year. Thus, at the end of 2011 almost 21% of all dentists were in salaried employment in outpatient care. Here, too, the trend is expected to have continued during the year under review.

The steady growth in the number of salaried doctors suggests that dentists and physicians increasingly see salaried employment as an alternative to running their own practice. apoBank analyses have also shown that there is now an almost even balance between physicians starting up their own practices and those setting up cooperatives. One in three dentists decides to start up in a cooperative. Nevertheless, self-employment in individual practice remains an attractive option, a fact which needs to be communicated to young physicians in particular.

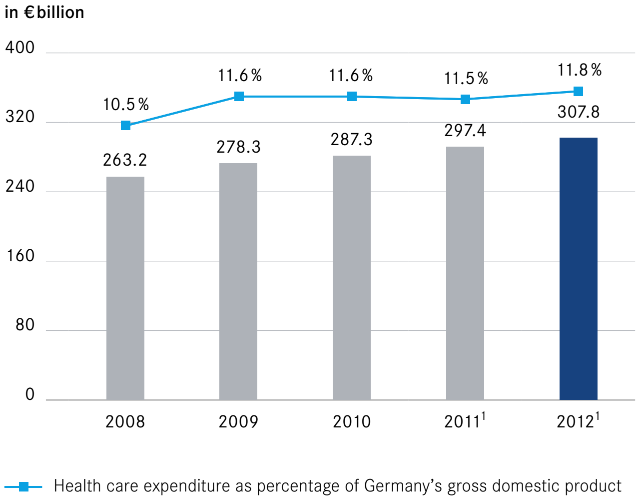
Fees continue to increase

In the first half of 2012, according to the calculations of the National Association of Statutory Health Insurance Funds (GKV-Spitzenverband), expenditure on medical treatment rose to €14.3 billion, a 2% increase on the same period in 2011. The financial situation of contractual physicians thus showed moderate growth.

The reform of the physician fee schedule (GOÄ), which has been planned and discussed for some time now, was not yet implemented in 2012. In the dental care sector, it remains to be seen what effects the amended fee schedule for private dental services, which came into force on 1 January 2012, will have had on fees.

Statutory insurance companies' expenditure on dental treatment also rose in the first two quarters of 2012 by approximately 2% compared to the previous year's period, and the Bank expects this trend to have continued at a similar level for the year as a whole.

Health care expenditure[1]



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

Stable general situation for health care professionals

In general, the economic situation of health care professionals in the year under review can be described as stable. The trend towards salaried employment in outpatient care as well as towards cooperative structures continued as expected. As a result, apoBank generally operated in a stable business environment in 2012.

Retail Clients

Satisfactory development in retail clients segment

As the professional 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, the Bank specialises in fulfilling the financial needs of academic health care professionals. The Bank's range of products and its client advisory services are tailored to the respective life phases of its customers.

Nevertheless, the health care sector was also subject to change in the year under review. Against this backdrop, the Bank's specific expertise in this market gave it an important competitive edge. In addition to new business start-ups as well as investment and private financing, the Bank's expertise in real estate financing was in particularly high demand.

Overall, the retail clients business of apoBank developed satisfactorily in 2012. The lending and deposit businesses were the main drivers here.

New lending business continues at high level

As was the case in the previous year, 2012 was marked by a high level of new lending business. This was also reflected in the loan portfolio, in spite of continuing high redemption levels. On 31 December 2012, the loan portfolio in the retail clients segment amounted to a total of € 22.7 billion (31 December 2011: € 22.4 billion).

This positive trend is proof of the great trust retail clients place in the experience and competence of apoBank in the financing arena. The key success factor here remains the specialised and comprehensive expertise of its customer advisors.

Stable development in business start-up financing

In the year under review, fewer physicians founded individual practices nationwide than in previous years. By contrast, there were more business start-ups in the area of professional cooperatives. For the individual health care professional, cooperatives partly require a comparably low financing volume.

Business start-up financing is one of the main core competencies of the Bank due to its comprehensive expertise in the industry. In the year under review, this expertise was in high demand for all types of business start-ups. The Bank maintained its market leadership with a consistently high level of new business. As at 31 December 2012, the volume of business start-up financing in the retail clients segment was € 6.1 billion.

Strong competition in real estate financing

Due to the low interest rates, the real estate financing segment profited in the year under review from higher customer demand for stably valued real estate. apoBank did well despite intense competition on price and conditions in the financial sector: As at 31 December 2012, real estate financing in the retail customer segment amounted to € 10.8 billion.

High demand for investment and private financing

There was stronger investment activity in the retail clients segment, too, due to the low interest rates. The focus here was on modernisation of practice premises and technical equipment. In the year under review, apoBank also drew on new development loan programmes when tailoring individual financial concepts for health care professionals. As at 31 December 2012, investment and private financing in the retail client segment amounted to € 5.7 billion.

Further expansion of account business

Current accounts are at the core of apoBank customers' everyday private and professional payment transactions. Accordingly, current accounts are the basis for the steady development of deposits in the retail clients business.

The current account full-service package offers retail clients a high-performing product, which again experienced high levels of demand in the year under review: The number of current accounts increased by 5.5%. In addition, clients can choose from a range of credit cards. Here, too, the Bank saw an increase of 4.8%.

Continuing growth in deposit business

The average volume of retail client deposits in demand, savings and term deposits increased by 7.7% to over € 9.2 billion in the year under review (31 December 2011: € 8.5 billion).

Interest rates remained low in 2012. Customer interest therefore remained particularly high for investments with short-term maturity and high availability. Demand deposits were growth drivers while savings deposits again played a subordinate role.

The average volume of demand deposits was € 3.9 billion in the year under review, 10.1% above the previous year's level (31 December 2011: € 3.6 billion). The average volume of the apoZinsPlus call account, at € 4.4 billion, exceeded the previous year's level by 9.0% (31 December 2011: € 4.0 billion).

The average volume of term deposits decreased to € 812 million (31 December 2011: € 862 million). Customers extended their mature apoSafe15 deposits less frequently, preferring to transfer them to the apoZinsPlus call account.

Average savings deposits of retail clients fell in 2012 to around € 64 million (31 December 2011: € 77 million).

Client reticence on securities

The EU debt crisis and the historically low interest rate impacted the investment behaviour of customers in 2012. The resulting uncertainty among customers led to risk-averse investment behaviour. New investments in widely diversified pension funds and inflation-protected products remained popular.

Most customers were very reluctant to invest in the stock markets, which improved considerably in 2012; there was little demand for volatile investments.

Many customers shifted mature fixed-interest securities to short or medium-term deposits. For this reason, the retail client deposit volume decreased to € 6.8 billion (31 December 2011: € 6.9 billion).

Positive development in private asset management

apoBank's private asset management business was successful in the reporting year. It was again awarded an "excellent" rating by Focus Money and n-tv. Customer numbers increased to over 3,000 in 2012. Assets managed rose to €1.3 billion (31 December 2011: €1.2 billion).

Insurance business down on previous year

At a brokerage volume of around € 347 million, new insurance business was considerably down on the previous year's level of around € 630 million. The main reason for client reticence is low interest rates. A further contributing factor was the reduction in the guaranteed interest rate for life insurance; this led to less demand for products with long-term fixed interest rates in particular. This decrease also reflects the decision taken in 2011 by the Kreditanstalt für Wiederaufbau (KfW) to discontinue subsidies for loans on suspension of redemption payments. Thus, pension insurances that could be used as a substitute for redemption within the context of financing have become considerably less attractive.

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 44.7%.

Growth in building society savings

The Bank posted considerable growth in building society savings. At € 235 million, the brokered building society savings total was 19.5% higher than in the year before (31 December 2011: €197 million).

Professional Associations, Institutional Customers, Care Structures and Corporate Clients

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

As the leading bank in the health care sector, apoBank traditionally works closely with the professional associations representing all groups of health care professionals. Relationships with professional associations are characterised by partnership and mutual trust. They constitute a central element of the Bank's mission, and are thus a key element in fulfilling the 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. The deposits made by professional associations, i.e. particularly by occupational pension funds, associations of panel doctors and dentists and private medical clearing centres, represent an important part of the Bank's customer deposits. In the year under review, apoBank was able to further consolidate its business relationships with the professional associations. It was able to maintain volume in terms of deposits. While term deposits declined, demand deposits remained on a high level. The lending business expanded, again with a focus on the provision of prefinancing lines to professional pharmacy data processing centres.

Positive development in institutional customers segment

Business with the Bank's institutional customers, which primarily comprise the professional pension funds of the health care professions, was generally good in 2012, even though historically low interest rates put pressure on the equity markets in spite of positive developments.

In the year under review, the Apo High Yield Spezial INKA fund product for institutional investors – which the Bank had developed in collaboration with its customers in 2005 – made an above-average contribution to the Bank's successful performance in this business segment. The High Yield investment category again played a part in portfolio diversification. In addition, the conservative selection of company bonds in the fund was rewarded by a particularly positive price trend and high coupons. The yield on this product was 13.5% in the year under review.

apoBank's institutional customers can draw upon a specially developed multi-asset mandate. This is based on a risk profile that is defined individually for the respective customer and which can be fine-tuned by applying additional capital preservation concepts.

At the end of the year, apoBank managed a volume of €1.9 billion (31 December 2011: €1.9 billion) in institutional portfolios. In 2012 again, the main focus was on apoBank's role as a deposit bank providing basic services for direct and indirect investments. With an international network of capital investment companies, asset managers and international depositories, apoBank was again able to offer its investors a maximum of flexibility and support in their investments in special funds.

By the end of the year, the deposit volume had risen to €11.3 billion (31 December 2011: € 8.3 billion). This growth was not only due to the inflows to existing funds but was mainly based on additional mandates received from professional pension fund investors. The number of securities and real estate funds managed by apoBank as a deposit bank was 125 mandates (31 December 2011: 106), with the highly flexible master fund mandates being in particularly high demand. This reconfirms the strong market position of apoBank as a high-performance partner in the special funds business.

The Bank's modular consulting services also contributed towards the growth in its deposit volume. apoBank's risk budgeting model, for example, supports customers in allocating their capital investments in a conscious and controlled manner. The asset liability management study allows customers to provide proof of long-term financial feasibility, even in a phase of continuingly low interest rates. This study makes recommendations both for capital investment and for the liability side. These apoBank services are very important to institutional investors and were in high demand in the year under review.

Moderate growth in business with medical care structures and corporate clients

The business with care structures and corporate clients is an important complement to the Bank's core business in the light of constant changes on the health care market. In this business segment, the Bank supports customers such as medical centres, health care centres, clinics, care facilities as well as companies on the health care market. It has a particularly strong market position with private medical clearing centres.

There were considerable changes on the health care market last year, in particular in terms of new types of cooperations, which include, for example, collaborations between hospitals and the outpatient sector. In the year under review, the Bank pooled its services for outpatient and inpatient medical care structures in one unit in order to keep pace with future developments even more efficiently. By doing this, apoBank can provide its specific expertise in this area in an even more focused way when supporting customers in implementing their individual financing concepts.

On 31 December 2012, the loan portfolio in the medical care structures and corporate clients segment amounted to €1.4 billion. Customers were reluctant to apply for loans, mainly due to continuing uncertainty about how the economy will develop. The rehabilitation and care market was one exception to this. Here, the increase in demand for loans is mainly due to demographic trends, which had a positive impact on apoBank's business volume in the year under review.

While the Bank supported its corporate clients with primarily classical bank products, in the area of care structures there was frequent demand for advice concerning the implementation of complex projects and innovative technologies.

Net Assets, Financial Position and Results

Positive business development in 2012 for apoBank

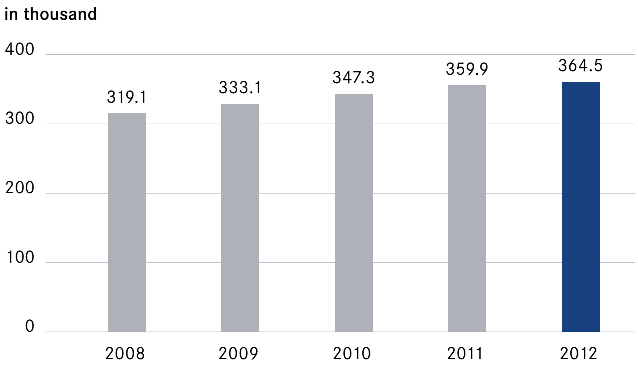
The year under review was marked by continuing difficult general conditions for the German banking industry: Historically low interest rates, increasing regulatory requirements, growing competition in the retail clients business as well as retail client reticence in the face of the EU debt crisis led to considerable challenges for the entire banking sector.

Overall, in spite of the challenging competitive and general conditions, apoBank's business performance was positive in the 2012 financial year, exceeding expectations. The Bank achieved its main business goal of paying out a stable dividend to its members. In addition, it was able to increase its reserves to a much greater extent than expected.

Investment in further core business growth

Business policy in the year under review focused on strategic development based on the Bank's VorWERTs programme. This future programme aims to further expand the Bank's market position and enhance its financial performance. In the year under review, the Bank developed the measures necessary to achieve this and introduced tailored customer support concepts as a first step. The Bank also started to implement measures to optimise its sales and cost structure in the year under review.

Number of customers



Its business activities remained focused on fulfilling its support mandate set down in the Articles of Association, i. e. to offer specialised banking support services to its members and customers to help them achieve their professional and private objectives.

This strategic alignment enabled apoBank to continue its long-term growth trend in its core business in 2012. For example, it managed to increase the number of customer accounts to 364,500 (31 December 2011: 359,900) in spite of its already high level of market penetration. A further positive development was that the Bank was able to return its customer numbers to above the 100,000 mark, achieving a total of 100,332 (31 December 2011: 99,759).

The following sections elaborate on the main income and expenditure items in financial 2012.

Net interest income increased

In the 2012 financial year, apoBank was able to expand its net interest income to € 694,0 million (31 December 2011: € 646.7 million).

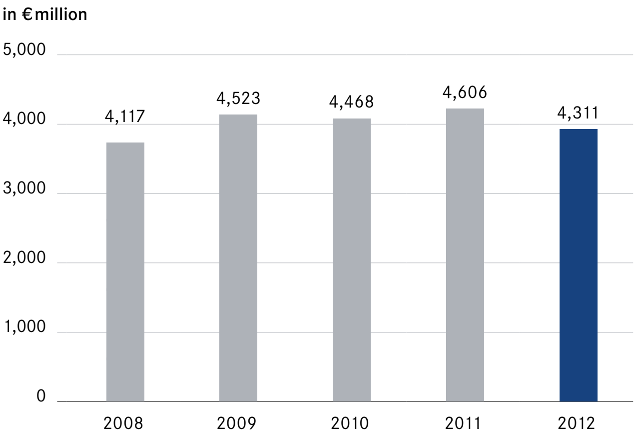
Here, the contributions to profit from the lending business benefited from the stable new lending business with risk-congruent margins and the resulting increase in the loan portfolio. The rise in current account loan volume also had a positive effect on net interest income.

The Bank also further expanded its high volume in the area of customer deposits. However, contributions to profit in the deposit business were impacted by continuing competition on prices.

In the year under review, net interest income also benefited from the contributions to profit from strategic interest rate risk management. Against the backdrop of further decreasing interest levels, the contribution to profit of measures taken in the past to hedge against periods of low interest rates in particular was higher than in the previous year.

In line with the increase in net interest income, apoBank's interest margin in relation to the average balance sheet total for the year rose from 1.67 to 1.81%.

New loan agreements[1]



1) Including loan transfers; previous year's figures adjusted accordingly

Net commission income slightly down compared to previous year

apoBank's net commission income amounted to €116.2 million, a decline compared to the previous year (31 December 2011: €119.1 million).

This trend reflects the reticence of private investors due to the ongoing EU debt crisis. While investors' willingness to invest remained reserved overall, private asset management reported growth in consulting-based fees.

Low interest rates had an impact on decisions regarding products with fixed long-term interest rates in particular; customers were very reticent in this area. New insurance business was especially affected by this, declining considerably compared to the previous year.

In the year under review, the Bank was able to expand contributions to profit of the institutional securities business, including consulting services offered.

Administrative expenses down compared to previous year despite considerable investment

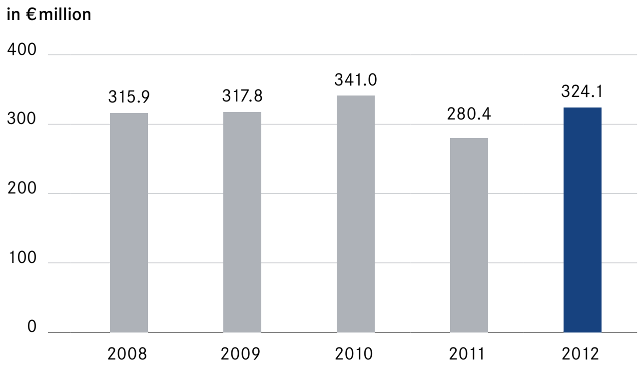
Administrative expenses, at € 479.7 million, were slightly down on the previous year's level (31 December 2011: € 485.4 million) and were thus considerably below the level the Bank had originally planned. Materials expenses (including depreciation) amounted to € 245.6 million (31 December 2011: € 268.8 million). Personnel expenses increased to € 234.1 million (31 December 2011: € 216.6 million).

Thus, the Bank was able to reduce administrative expenses in spite of significant investment in its future viability. In addition to the expenses of IT migration to the cooperative system bank21, which was successfully concluded in spring 2012, investment costs of the future programme VorWERTs had a negative effect. In the year under review, these investments comprised in particular expenses for consulting-based services as well as provisions for organisational measures. However, the Bank's new cost cutting programme more than compensated for the additional expenses from investments in its future.

Positive development in operating result

The operating result, i. e. the operating profit before risk provisioning, was primarily characterised by the positive trends in net interest income and administrative expenses. At € 324.1 million, it was above the level of the previous year on the balance sheet date (31 December 2011: € 280.4 million).

Operating profit before risk provisioning

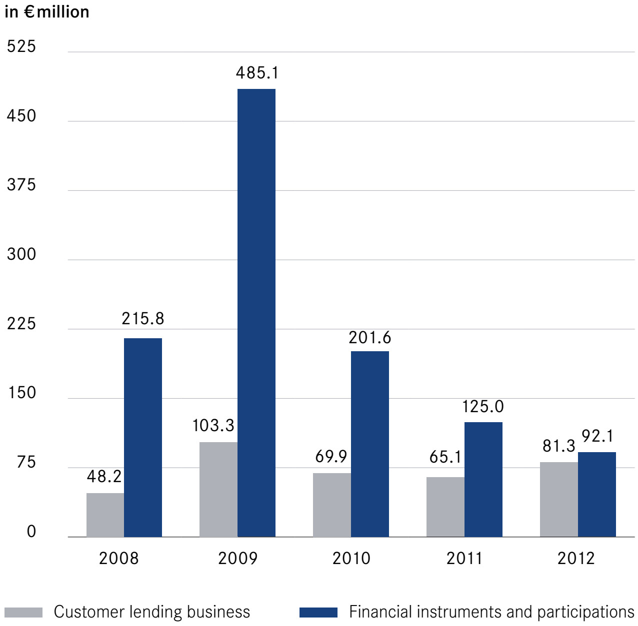


Risk provisioning in line with expectations

Risk provisioning includes risk costs for the Bank's customer lending business as well as for its financial instruments and participations. It also covers provisioning measures that the Bank can use to compensate for unexpected future burdens.

Risk costs and provisioning measures for the customer lending business amounted to € 81.3 million (31 December 2011: € 65.1 million) in total. Here, risk costs were slightly above planned standard risk costs. In spite of this increase, risk costs remain at a low level and reflect the low default rates in the Bank's core business. These result in particular from stable general conditions for health care professionals in the outpatient sector as well as apoBank's comprehensive financing expertise and risk management.

Risk costs and precautionary measures[1]



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

Risk costs and precautionary measures for financial instruments and participations amounted to € 92.1 million (31 December 2011: €125.0 million) in the year under review. Here, risk costs were comparably low and below the level of the previous year. Precautionary measures were up on the level of the previous year.

Lower tax burden

Tax expenditure was € 35.3 million, down on the previous year's level, as expected (31 December 2011: € 47.2 million). A positive contributing factor here were drawdowns of provisions for contingent losses from the previous year that are not tax deductible.

Net profit slightly up from previous year

At € 45.4 million, net profit in the year under review was slightly above the level of the previous year (31 December 2011: € 43.1 million). In addition, € 70.0 million were added to the fund for general banking risks.

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 to its general reserves.

Balance sheet development demonstrates focus on core business

At year-end 2012, the balance sheet total, at € 37.9 billion, was below the previous year's level (31 December 2011: € 38.8 billion). The development of the individual balance sheet items demonstrates that the Bank is focusing on its core business as well as the reduction in structured financial products – which progressed faster than planned – and capital-market-based refinancing funds.

On the asset side, the balance sheet item "loans and advances to customers" increased once again. At € 27.1 billion, this item was slightly up on year-end 2011 (31 December 2011: € 26.8 billion). This was due to the strong new lending business with new loans amounting to € 4.3 billion (31 December 2011: € 4.6 billion). However, against the backdrop of continuing low interest rates, redemptions remained at a high level. As a result, the growth in lending reported on the balance sheet amounted to € 0.2 billion (31 December 2011: € 0.9 billion).

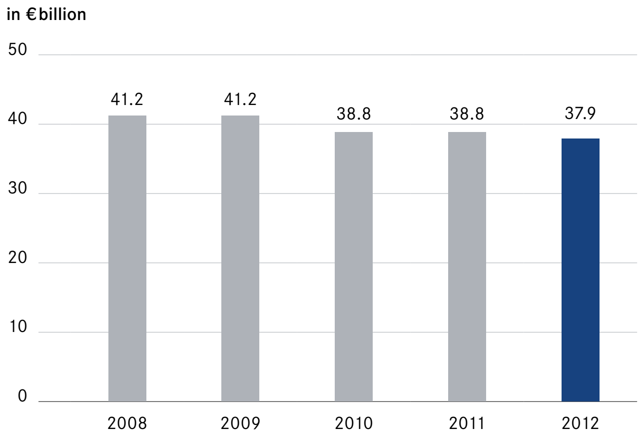
In the year under review, the securities portfolio declined compared to year-end 2011, to € 7.9 billion (31 December 2011: € 8.7 billion). This fall is mainly due to the continued reduction in structured financial products. The majority of these products is concentrated in a special fund managed by Union Investment (UIL fund). apoBank's shares in the fund are allocated to the balance sheet item "Shares and other non-fixed-interest securities". As a consequence of the reduction, the fund volume decreased so that the Bank was able to return a total of over € 700 million in the year under review. This was contrasted by short-term investments in commercial papers within the context of short-term liquidity management.

On the liability side, the Bank expanded its customer deposits portfolio to €19.6 billion in the year under review (31 December 2011: €19.3 billion). Due to maturities and ongoing caution in issuing activities, debt security inventories were reduced as planned in the year under review, in particular in the area of bearer bonds, which are allocated to the balance sheet item "Securitised liabilities".

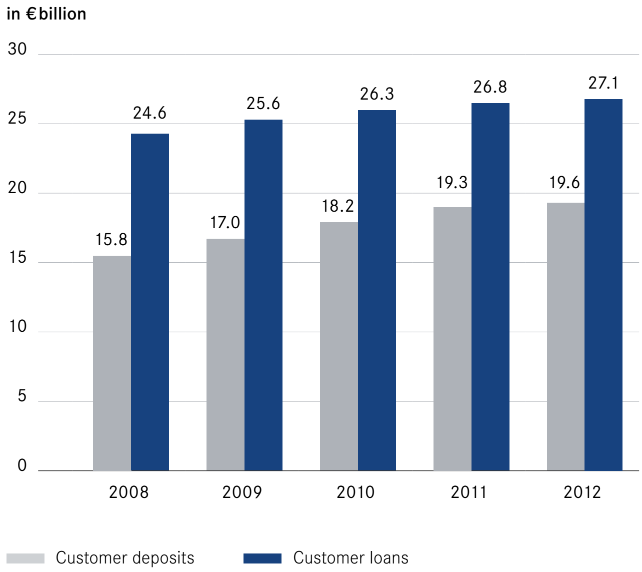
Liquidity situation remains comfortable

Throughout financial 2012, apoBank's liquidity situation was comfortable. Refinancing of the Bank is based on a widely diversified customer and investor base. In addition to drawing on customer funds, as an established market participant with good credit ratings, apoBank is able to secure its refinancing funds by issuing Pfandbriefe as well as unsecured bonds with its institutional customers, members of the cooperative FinanzGruppe and in the capital market.

Balance sheet total



Customer deposits and loans



Existing refinancing options via the Kreditanstalt für Wiederaufbau (KfW) and the state development institutes in the area of publicly refinanced development loans proved their worth once again in the year under review.

At the beginning of the year, apoBank participated in the long-term tender of the European Central Bank (ECB). The majority of the funds granted serve as a substitute for capital market refinancing funds.

In 2012, apoBank slightly reduced its portfolio of ECB-compatible securities. The Bank continued to replace mature securities by papers that are in line with the expected liquidity standards currently being discussed within the context of European implementation of Basel III.

Share of customer funds in refinancing continues to grow

In line with its strategy, the Bank continued to draw its refinancing from customer funds and expanded their share in refinancing funds. Customer funds comprise customer deposits as shown on the balance sheet, i.e. classical deposits and registered securities and promissory note funds placed with institutional customers, as well as apoObligations placed with retail clients. In an environment of strong price competition, customer funds remained almost unchanged, amounting to € 21.4 billion as at the balance sheet date (31 December 2011: € 21.7 billion). apoObligations, which comprise medium-term maturities of twelve months or more, dropped to €1.7 billion (31 December 2011: € 2.3 billion).

Capital-market-based refinancing funds, including promissory note funds placed with banks, were considerably below the previous year's level, at € 4.8 billion (31 December 2011: 5.8 billion). At €1.7 billion, the volume of outstanding Pfandbriefe was almost unchanged (31 December 2011: €1.7 billion).

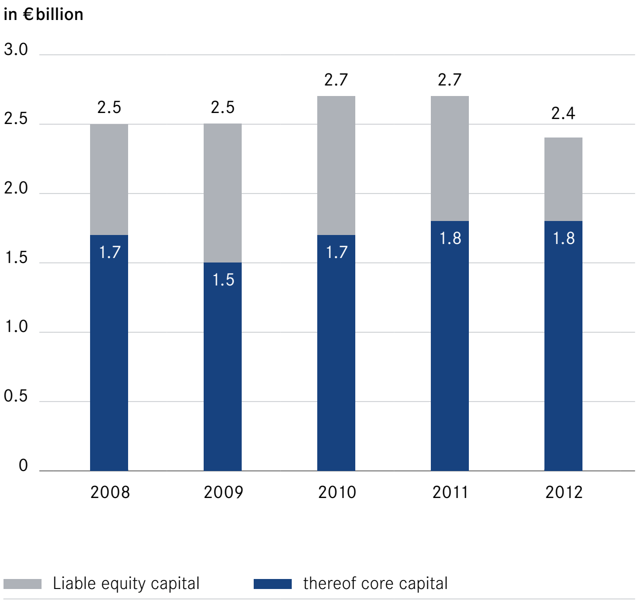
Improvement in equity situation

A solid equity capital base is essential for long-term granting of loans and is a prerequisite for the Bank's ability to cope with unexpected burdens. In addition, against the backdrop of regulatory requirements, which will become much more stringent in the future, it is necessary to strengthen the equity ratio.

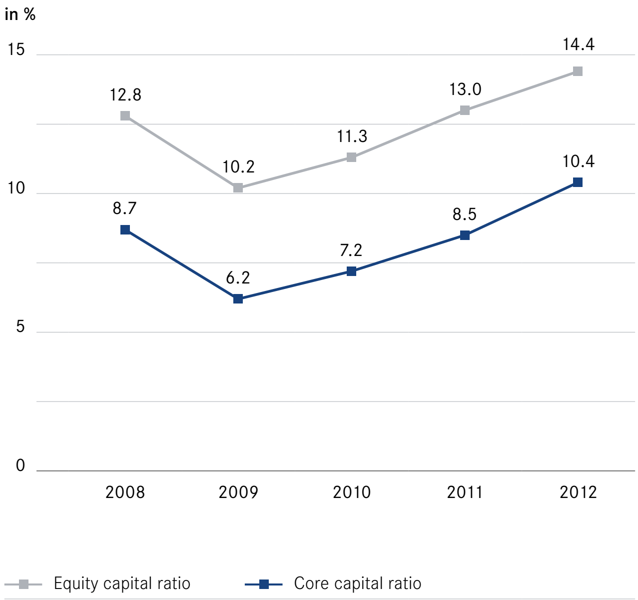
In the year under review, the Bank was able to considerably improve its regulatory equity ratios before European implementation of Basel III will come into force. At the end of the year under review, both the solvency ratio, i.e. the equity ratio, and to an even greater extent the core capital ratio, at 14.4% and 10.4% respectively, were higher than the previous year's level (31 December 2011: 13.0% and 8.5% respectively).

Besides the additions to the revenue reserves from earnings in 2011, the capital ratios benefited in particular from the continued reduction in risk positions requiring equity (i.e. risk-weighted assets, RWA). In spite of continuing growth in the customer lending business, the Bank was able to reduce these positions considerably by a further € 3.7 billion, i.e. around 18%, to €17.1 billion (31 December 2011: € 20.8 billion). The strategic reduction of the structured financial products in particular made a considerable contribution here.

Liable equity capital and core capital



Equity and core capital ratio



The guarantee agreement with the Federal Association of German Cooperative Banks (BVR) continued to have a positive effect on the Bank's equity ratios. As planned, utilisation of the guarantee decreased further in line with the reduction in structured financial products.

The Bank's regulatory equity capital decreased to a total of € 2,449 million (31 December 2011: € 2,697 million). This development is primarily due to planned maturities in supplementary capital.

In terms of members' capital contributions with regulatory relevance, the Bank was able to generate additional shares through new members and through the increase of contributed capital. This was contrasted by cancellations of company shares from 2010, which were higher than in the previous year. apoBank members' portfolio of capital contributions therefore fell slightly in the year under review to € 811 million (31 December 2011: € 815 million). At the end of the 2012 financial year, the Bank's core capital amounted to €1,776 million (31 December 2011: €1,763 million).

apoBank's rating remains stable

apoBank's creditworthiness, i. e. its ability and willingness to meet all financial obligations fully and in a timely manner, is assessed by rating agencies Moody's and Standard & Poor's. The annual rating discussions with the two rating agencies took place in early autumn.

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

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	negative	stable
Silent partnership	A	Ba1	- - -

The ever more difficult macroeconomic market conditions for the entire European banking sector have increased pressure on the ratings of many financial institutions and have led to downgrading. In this environment, all apoBank ratings have remained stable and continue at a good level. The Bank's good market position, its profitable business model and its integration into the protection scheme of the cooperative FinanzGruppe make an essential contribution to its rating stability.

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. Its integrated range of advisory services and its comprehensive expertise remained in high demand in spite of the very competitive environment in the German banking sector.

Thanks to its strong market position and its comprehensive knowledge of the health care market, the Bank was able to expand its customer and member base as well as the business volume in its core business. In addition, the Bank developed measures within the context of the VorWERTs future programme, thus laying the ground for this trend to continue.

The economic stability of apoBank was also confirmed again by the generally positive development in its business: Net profit was slightly up on the previous year's level, enabling apoBank to pay out a stable dividend to its members. At the same time, the Bank was able to add to its reserves.

The Bank was able to markedly improve its risk profile, including regulatory capital ratios. The liquidity situation remained comfortable throughout 2012 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 BVR protection scheme. Thanks to its strong market position in the health care sector, the Bank 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 2012 and 15 March 2013 when the Annual Report was prepared by the Board of Directors.

Risk Report

Principles of risk management and risk control

Risk strategy

apoBank's strategic objectives and business activities are laid down in its business strategy. This also includes planned measures to secure company success in the long run. In order to manage the Bank in a risk and earnings-oriented manner, risk management aims to identify, evaluate, limit and monitor risks connected to the Bank's 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.

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. The Bank distinguishes between classic credit risk in the customer lending business, counterparty risk and issuer's risk from financial instruments, country risk, as well as shareholder risk arising from participations.

Market risk

The Bank uses the term "market risk" to refer to potential losses that may be incurred with respect to the Bank's 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 includes insolvency and refinancing risk. Insolvency risk refers to the risk that current or future payment obligations cannot be met at all or not in full. Refinancing risk refers to the risk of refinancing costs rising, i. e. due to a lower creditworthiness of the Bank and/or a change in the Bank's refinancing structure.

Business risk, strategic risk and reputation risk

Business risk refers to the risk of the net interest and commission income deviating from the target performance in the customer business. This also includes the Bank's strategic risk, meaning the risk of a negative risk report 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 disadvantage due to a loss of trust in the Bank 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.

Concentration risk

The Bank also reviews the concentration risks associated with the above-mentioned risk categories at least once a year. Here, apoBank differentiates between strategic and specific concentration risk.

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

Concentration is analysed and monitored within and between the main risk types and is 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 the Bank from various perspectives. The Bank 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 the Bank still fulfils the regulatory requirements to continue business operations after risks have occurred in all risk types. Risks are measured based on a 95% confidence level at a holding period of one year, and – taking account of a diversification effect of 20% – are compared with a risk cover pool which covers around 30% of the total available risk cover potential. The latter comprises regulatory capital components as well as hidden reserves in interest rate derivatives and securities.

Building on the base case, stress calculations are carried out as scenario analyses in which all aspects as well as the interplay between risk types are modeled.

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 the Bank'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 addition, the bank 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 the Bank 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 the Bank, taking account of security discounts.

Risk control, risk measurement and limitation

Credit risk

Credit risk represents the most significant risk for the Bank.

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.

In all portfolios, credit risk is limited and monitored at portfolio and individual borrower level. Here, both individual risk and substantial risks from group exposures or the risk category are taken into account. The Bank sets limits to control the regional distribution of exposures. The risks are limited depending on fundamental country-specific macro-economic data, the current creditworthiness of the respective country and the equity situation of the Bank.

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 annually with regard to their quality and are 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, the internally developed apoRate rating procedure, specially tailored to the Bank's customers, is used 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 therefore 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.

Problem credit management involves elaborating a catalogue of measures together with the respective 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 the Bank's claims against non-payers.

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.

Organisations and large customers portfolio

The Bank has assigned loans to institutional organisations in the health care sector, 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, this portfolio is part of the institutions portfolio and is assessed by a rating system developed by the Bank. 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.

For loans to medical care structures, which mainly comprise the financing of special real estate in the medical sector, another rating procedure developed in-house is used in accordance with the requirements of the German Solvency Regulation for specialised financing. This procedure takes account of the peculiarities of the health care market as well as of special real estate for health care professionals and allows a structured and consistent analysis of the individual projects with the help of qualitative and quantitative criteria.

For other commercial real estate financing in the medical sector, the Bank 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.

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.

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 the Bank to manage its liquidity and balance sheet structure.

Apart from traditional securities for short and medium-term liquidity management, 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) and credit default swaps (CDS).

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

Investment of free funds is carried out on the basis of a limit system that includes all risk types. Within this system, limits are implemented both at portfolio and at product level as well as at individual risk level.

In addition, the Bank 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 multiproduct master netting agreements. In addition, the Bank 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, the Bank's market risks primarily consist of the Bank's overall interest rate risk. Foreign exchange risks are hedged as far as possible. Other market risks are of subordinate importance.

The market risks faced by the Bank are integrated into the Bank-wide 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 the Bank'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, the Bank 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 limits) as part of portfolio and global control of interest rate risks as well as to consolidate the interest rate risk profile.

The Bank also uses forward exchange transactions and foreign currency swaps to hedge foreign currency items. Portfolio hedges are generally employed 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 of controlling 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 the core business with its customers in the area of lending and deposits. Based on the particularities of its business and refinancing structure, the Bank'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, the Bank 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, the Bank adopts global 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, the Bank 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 is calculated at a confidence level of 99% and a holding period of ten days 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.

The Bank has implemented backtesting procedures to validate the models employed.

Liquidity risk

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

Operational liquidity management comprises the short and medium-term management of the Bank's liquidity. Strategic liquidity management is used to manage the Bank's liquidity in the long term and to ensure permanent financing of the Bank's business model. The corresponding refinancing plans are linked with the business planning process and the requirements of the business and risk strategy.

Both insolvency risk and refinancing risk are included in the Bank's risk-bearing capacity concept.

Accompanying structural guidelines aim to guarantee an appropriate maturity structure and sufficient diversification of the Bank's refinancing sources.

To ensure liquidity even in potential crisis situations, the Bank maintains an extensive liquidity reserve primarily consisting of ECB-eligible securities and cash reserves. Securities used as reserve can be sold or used as collateral at any time.

One of the Bank'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 close 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 business as well as the organisations and large customers portfolio. Customer contributions and net commission income, among other things, are planned as part of annual budgeting and fixed as the planned sales performance for the coming financial year. On the basis of historical budgeted/actual deviations in the customer business, a risk value is calculated, which is limited by factoring it into the economic risk-bearing capacity calculation.

Operational risk

The starting point for controlling operational risk is the identification of potential operational risks by local risk managers within their area of responsibility, conducted within the context of self-assessments. The results of these local self-assessments are compiled and analysed centrally in the Bank's Risk Controlling division.

Control measures are reviewed for all identified substantial risks. 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 risk are captured in the centrally managed loss database. The Bank 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. Since 1 April 2012, GAD – a specialised, quality-controlled IT provider – has been providing 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

The Bank's risk reporting is carried out within 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, Credit and Risk Committee are regularly informed about the current risk situation as well as about measures to control and limit risk. In addition, the Economic and Financial Committee discusses substantial investments, the purchase and sale of land as well as the acquisition and divestment of strategic participations.

Organisation of risk management

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 Retail Clients and Professional Organisations, Large Customers and Markets Board departments 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 Organisations, 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 the Bank's refinancing through securitised liabilities, among other things. The Overall Bank Controlling division is responsible for the strategic management of all interest rate risks on the banking book on the basis of 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 at portfolio level 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 participation portfolio.

The Internal Auditing division is an essential part of the Bank'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 the compliance-relevant topics of Securities Trading Act and capital market compliance, IT compliance, corporate compliance, the functions of the central office as well as of the money laundering and data protection officer. In line with increasingly stringent statutory requirements for banks, the training, advisory services and control processes with regard to the compliance function are being continually expanded, both with a view to the future and in terms of processes.

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, are employed to 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 2012

Credit risk

Retail clients/branch business portfolio

Drawdowns in the retail clients/branch business portfolio were increased again in the past financial year. The amounts granted rose by €0.4 billion to €25.5 billion as at 31 December 2012.

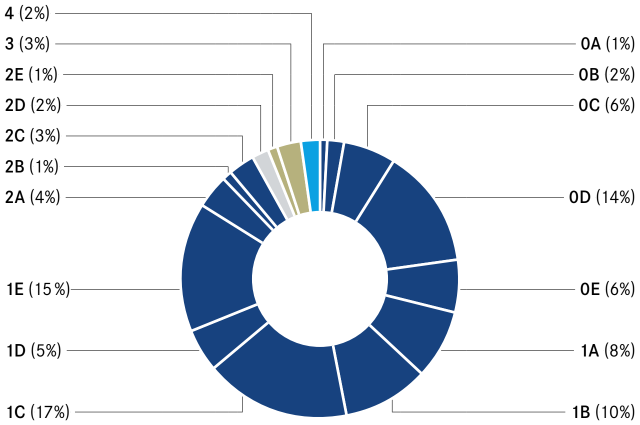
The rating structure shows a rating distribution with an emphasis on good and average rating classes, which is typical of this customer group. The rating coverage is almost complete.

The portfolio is highly diversified. With around 165,000 borrowers, the largest individual risk has a share of 0.08% of the total drawdowns in this portfolio.

Rating class distribution in the retail clients/branch business portfolio

Volume distribution based on drawdowns

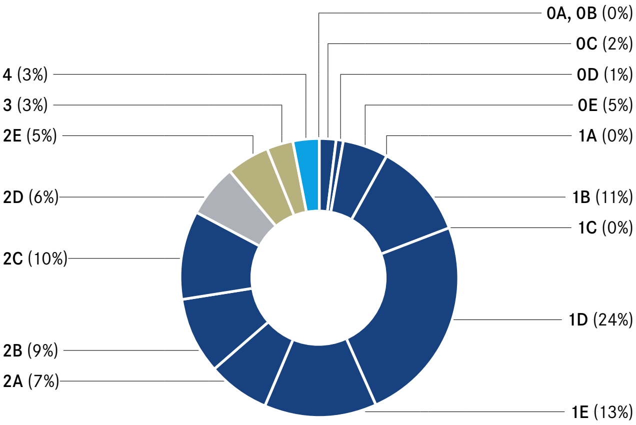
total € 25,472 million



Rating class distribution in the organisations and large customers portfolio

Volume distribution based on drawdowns

total € 2,669 million



Although the risk costs rose considerably compared to the previous year, they remain at a low level, again demonstrating the Bank's long-standing financing expertise. 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 2012 compared to the level of the previous year.

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

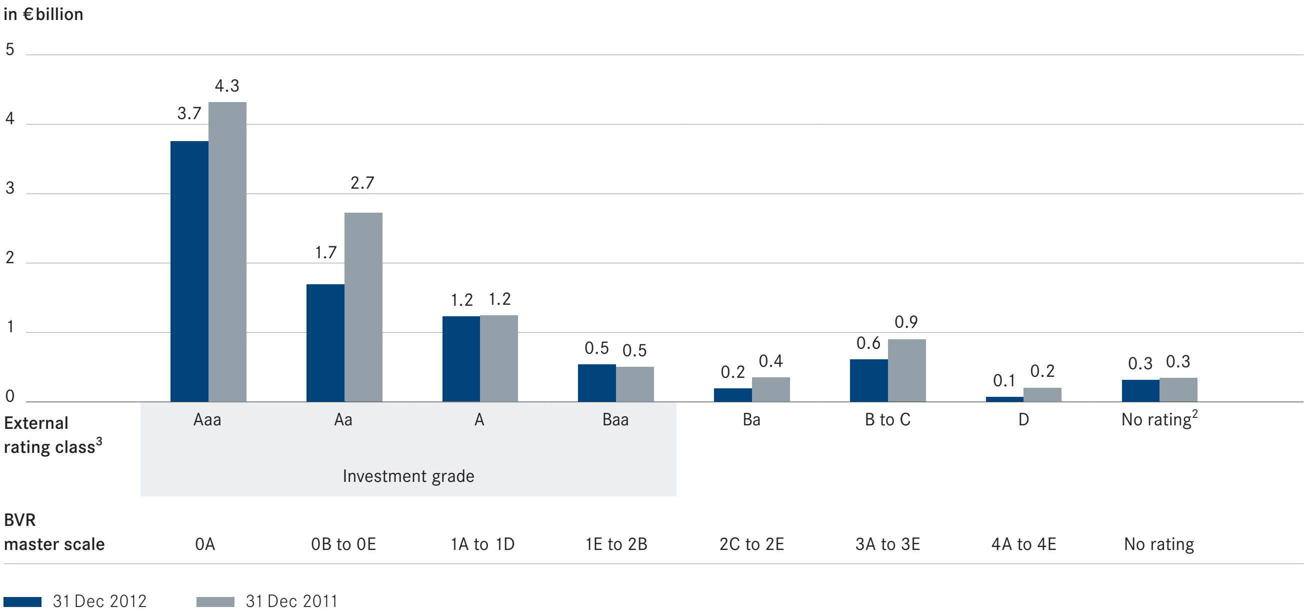
As at 31 December 2012, the risk costs for the organisations and large customers portfolio were higher than expected. The main reasons for this were increases in value adjustments on larger medical care structures which in the past were partially value-adjusted and are now fully value-adjusted.

Financial instruments portfolio

The risk volume of the financial instruments portfolio was € 8.3 billion on the balance sheet date (31 December 2011: €10.5 billion) and was thus reduced by a total of € 2.2 billion.

The significant decrease results almost entirely from the actively pursued reduction in structured financial products. Liquidity generated from redemptions and sales in the above-mentioned sub-portfolio were used to reduce capital market refinancing.

Total exposure of financial instruments by rating[1]



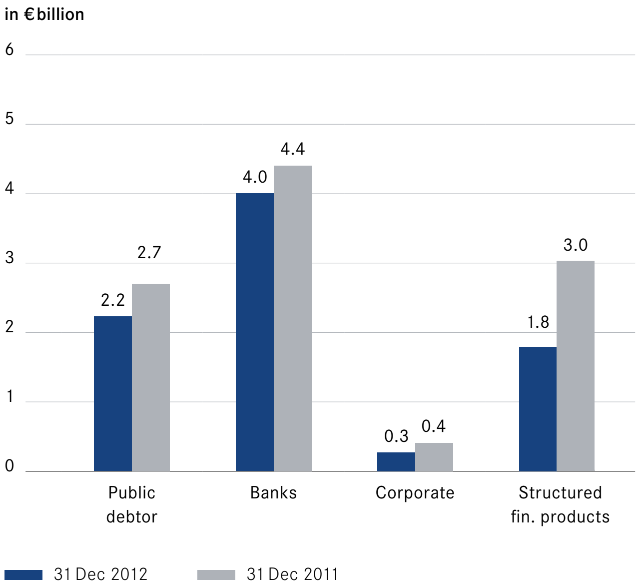
1) This is generally the book value (drawdowns or credit equivalent amount) taking account of provisions for contingent losses. Exceptions are e. g. credit default swaps (CDS) and total return swaps (TRS), for which the nominal value of the reference entity is used. For foreign currency items, the exchange 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).

Total exposure in the structured financial products sub-portfolio was reduced in the 2012 financial year by €1.2 billion to €1.8 billion as at 31 December 2012, exceeding the planned amount. The Bank continues to pursue the strategy of controlled reduction of risk for this sub-portfolio.

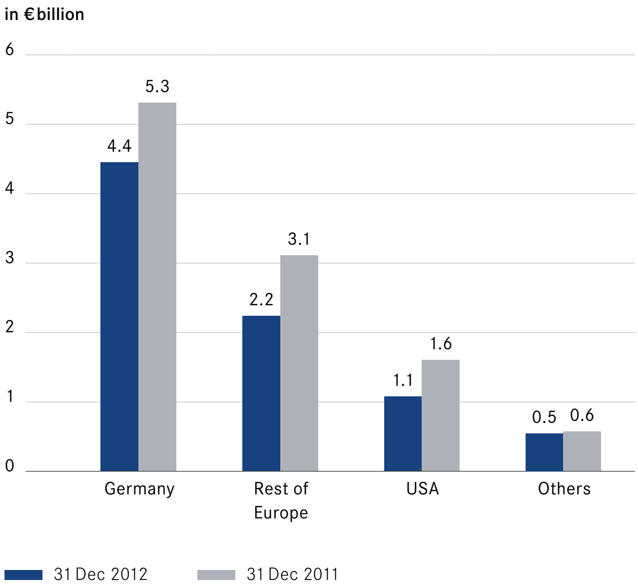
The Bank holds the large majority of structured financial products in a special fund managed by Union Investment. The defined reduction strategy also applies to the ABS securities in the last remaining LAAM fund, LAAM XXI. Total exposure of LAAM XXI amounted to € 206 million on the balance sheet date (31 December 2011: € 220 million). Total exposure of the positions in the fund amounted to € 361 million on 31 December 2012 (31 December 2011: € 642 million).

Following the balance sheet date, the Bank decided to close the LAAM XXI fund and transfer the underlying ABS to the Bank’s own balance sheet for purposes of optimising risk reduction.

Total exposure of financial instruments by sector



Total exposure of financial instruments by country



With respect to the ongoing European debt crisis, country risks remain the prime focus of risk monitoring. Relevant country risks exist in Europe and the USA.

With regard to the countries in focus in Europe, there were still significant direct country risks in Italy at the end of the 2012 financial year. In the past financial year, total exposure was reduced from € 289 million to € 234 million.

The country risks with regard to Greece, Hungary and Iceland were eliminated in the year under review.

There are major indirect country risks in the countries in focus in the euro area, on the one hand via the banking sector, and on the other hand in the shape of ABS in Italy, Spain, Portugal and Ireland. Exposure is continually and intensively monitored and successively reduced when market opportunities arise.

With regard to the Bank's ABS, the focus remains on specific countries. Focus is on residential mortgage backed securities (RMBS) in the USA and Spain as well as on RMBS and commercial mortgage backed securities in the UK.

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

as at 31 Dec 2012/31 Dec 2011	MBS €m 2012	MBS €m 2011	CDO €m 2012	CDO €m 2011	ABS in the narrower sense €m 2012	ABS in the narrower sense €m 2011	LAAM fund €m 2012	LAAM fund €m 2011	Total €m 2012	Total €m 2011
Total exposure by rating class (external rating class)										
Aaa	71	287	9	15	23	62	–	–	102	364
Aa	114	769	15	15	66	128	–	–	195	912
A	398	239	3	9	26	33	–	–	427	281
Baa	105	56	7	3	7	115	–	–	120	173
Ba	52	60	–	–	74	32	–	–	126	92
B to C	494	838	5	5	49	9	–	–	548	852
D	67	136	–	–	–	–	–	–	67	136
No rating	–	–	–	–	–	–	206	220	206	220
Total exposure by country										
USA	542[1]	931[1]	–	–	194	239	–	–	736	1,170
Europe	740	1,432	39	47	51	140	–	–	829	1,619
Others[2]	20	21	–	–	–	–	206	220	225	241
Total exposure by residual term[3]										
0 to 1	125	70	15	15	4	7	–	–	144	91
> 1 to 5	234	818	24	10	114	103	–	–	373	931
> 5	942	1,496	–	22	127	269	206	220	1,274	2,008
Total	**1,301**	**2,384**	**39**	**47**	**245**	**379**	**206**	**220**	**1,791**	**3,030**

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

A main focal point of risk monitoring during the past financial year was exposure to financial institutions in Spain. As at 31 December 2012, the Bank's receivables from Spanish financial institutions amounted to €150 million (31 December 2011: € 220 million). Value adjustments for this were not necessary in the financial year. Following the reporting date, total exposure with regard to Spanish financial institutions was reduced by around € 60 million by way of maturities and sales.

In the period under review, rating downgrading took place in the financial instruments portfolio, in particular in connection with European sovereign debt crisis events. As at 31 December 2012, 86% of the financial instruments portfolio was rated in the investment grade range (31 December 2011: 83%). In the structured financial products sub-portfolio, 47% of the portfolio rated in the investment grade range (31 December 2011: 57%). The decline in the share in the investment grade range in this sub-portfolio is primarily due to disproportionate reduction of risk positions in the upper rating classes.

Risk costs for the financial instruments portfolio were also at a comparably low level in financial 2012. Risk provisioning mainly focused on the burdens arising from reduction of the direct country risks in Europe as well as from the sale of structured financial products. Against the backdrop of continuing uncertainty on the financial markets, the Bank has taken additional precautionary measures.

Participations portfolio

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

In the course of the year, the Bank gradually increased the capital of patiodoc AG (formerly Patiomed AG) in order to set up its organisation and infrastructure as well as carry out additional projects. As a result of the investment activities required to establish its business model, the company's total equity capital decreased in the course of the year.

In the third quarter of 2012, the capital contribution was increased as part of the compulsory participation in GAD of 40% of the relevant service turnover.

Risk provisioning in the participations portfolio was slightly above the level expected in the financial year.

Market risk

Market risk in the financial instruments portfolio decreased significantly in the past financial year. This decline is due to consistent reductions in the structured financial products sub-portfolio and less volatility on the financial markets.

The operational limitation of market risks in the financial instruments portfolio, derived from the risk-bearing capacity, as well as the limit on market risk in risk-bearing capacity, were observed at all times in financial 2012.

The results of backtesting confirmed the validity of the models applied.

The interest rate risk remained moderate in 2012, both periodically and in terms of present value. In financial 2012, 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 10.8% (2011: 8.2%).

Liquidity risk

The Bank's liquidity was assured at all times in the financial year. The limits regarding the funding matrix and the regulatory requirements (liquidity ratio and minimum reserve) were met at all times. The liquidity ratio ranged from 1.4 to 1.9 during the course of the year. The limits regarding the liquidity risk in risk-bearing capacity as well as all limits connected with the Pfandbrief cover pool were also met at all times in 2012.

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.

The funds granted in March as part of the Bank's participation in the long-term tender of the European Central Bank mainly serve as a substitute for capital market refinancing funds.

Gaining customer funds for refinancing purposes remains an important aim of the Bank.

Business risk, strategic risk and reputation risk

In the financial year, the business risk was consistently below the defined risk-bearing capacity limit. However, sales results remained below target due to slow new business in the area of commissions.

Operational risk

Operational loss was above the expected loss amount in financial 2012. The reason for this is an increase in provisions for potential losses from legal risks. These include a provision in connection with the dissolution of a CDO structure in 2008. As a result of this provision, the limit for operational risk was exceeded mid-year.

Risk-bearing capacity

The Bank's risk-bearing capacity was ensured for all aspects and at all times in financial 2012.

In the base case of risk-bearing capacity, a risk cover pool of €1,024 million was set against risks of € 374 million. In the course of the year, the pressure on risk utilisation, which amounted to almost 36.5% as at 31 December 2012, was eased by the ongoing reduction of credit risk in the structured financial products sub-portfolio. In addition, increasing easing of tension on the European financial markets led to a reduction in market-price-induced risks.

The risk relief laid out for the base case of risk-bearing capacity was reflected in the stress scenarios for the health market crisis as well as for the financial market and sovereign debt crises. At an unchanged risk cover pool compared to the base case, in the health market crisis (financial market and sovereign debt crisis), risk utilisation of 46.1% (financial market and sovereign debt crisis: 53.7%) as at 31 December 2012 was also up compared to the beginning of the year.

At all times in financial 2012, the Bank 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 with BVR continues to have a positive impact on risk-bearing capacity. As at 31 December 2012, the guarantee, which originally had a maximum volume of € 640 million, was utilised to the value of some € 380 million (31 December 2011: € 535 million).

Summary of the risk situation

Drawdowns from the customer loan portfolios, which remained of high quality, continued to increase in the past financial year.

Total exposure in the financial instruments portfolio amounted to € 8.3 billion at the end of the year under review and thus decreased markedly once again in the course of the year (31 December 2012: €10.5 billion). The key driver was continued reduction of risks in the structured financial products sub-portfolio. Here, the Bank was able to successfully continue its strategy of reduction in the past financial year. Total exposure in this sub-portfolio was reduced by €1.2 billion to €1.8 billion as at 31 December 2012.

As at 31 December 2012, 86% of the financial instruments portfolio was rated in the investment grade range (31 December 2011: 83%). In the structured financial products sub-portfolio, 47% of the portfolio rated in the investment grade range (31 December 2011: 57%).

With regard to the countries in focus in Europe, there were still significant direct country risks in Italy at the end of the 2012 financial year. In the past year, total exposure was reduced from € 289 million to € 234 million.

The country risks with regard to Greece, Hungary and Iceland were eliminated in the year under review.

On 31 December 2012, there were significant indirect country risks in the countries in focus in the euro area, on the one hand via the banking sector, and on the other hand in the shape of securitisations (ABS structures) in Italy, Spain, Portugal and Ireland.

Exposure is continually and intensively monitored and successively reduced when market opportunities arise. With regard to the Bank's ABS, the focus remains on specific countries. Focus is on residential mortgage backed securities (RMBS) in the USA and Spain as well as on RMBS and commercial mortgage backed securities in the UK.

In the retail clients/branch business portfolio, risk costs were again on a low level in the past financial year. This is again a demonstration of the Bank's years of financial expertise. As at 31 December 2012, the risk costs for the organisations and large customers portfolio were higher than expected. This was mainly due to increases in value adjustments on commitments which had already been partially value-adjusted in the past.

Risk costs for the financial instruments portfolio were also at a comparably low level in financial 2012. Risk provisioning mainly focused on the burdens arising from reduction of the direct country risks in Europe as well as from the sale of structured financial products. Against the backdrop of continuing uncertainty in the structured financial products sub-portfolio and potential effects of the EU sovereign debt crisis, the Bank has taken additional precautionary measures.

Operational risk losses increased in the first half of 2012 compared to the same period of the previous year, in particular due to higher provisions made for potential losses from legal risks.

In the course of the year, pressure was taken off the Bank's risk-bearing capacity – which was ensured for all aspects and at all times in financial 2012 – via continuing reduction in credit risk in the structured financial products sub-portfolio as well as a reduction in market-price-induced risks.

Outlook

Improvement in economic growth

The economy and capital markets got off to a generally confident start in 2013.

An improvement in global economic growth is expected, coupled with increasing investment. This will also have a positive effect on labour markets worldwide. According to forecasts, the growth rate will be 2.6% in 2013 and 3.2% in the following year.

The development of the US economy will continue to play a decisive role in global economic growth in the future. In 2013, the US economy is expected to grow by around 2%, mainly driven by consumption. The labour market situation will improve, as will the real estate market. The US Congress came to an initial compromise on fiscal policy at the beginning of the year. As no further agreement could be achieved, general austerity measures were introduced at the beginning of March 2013. Although this reigned in further growth, there is currently no sign that the country will fall off the fiscal cliff.

Recession in euro area weakens

In 2013, economic growth in the euro area will again be marked by extensive budget consolidation in many countries. There will continue to be a North-South divide in this respect: In addition to Greece, Spain's economy in particular remains burdened by high unemployment, a struggling real estate market and weak banks. Italy expects negative growth. In view of the election results in February 2013, there is no prospect of a stable government there that would continue on the path of reform. However, Germany, Austria, Finland and Ireland are expected to fare better. These countries are benefiting in particular from the positive investment climate resulting from the expansive monetary policy of the European Central Bank (ECB). The countries of the North will continue to grow as a whole, while at the same time there will be a decline in the Mediterranean countries. As a result, economic growth for the entire euro area is expected to decrease slightly by 0.1%, meaning that the recession in the currency union region would weaken.

According to forecasts, expectations of the business climate in Germany are rising. Gross domestic product will increase by 0.7% in 2013 and by 1.7% in the following year. The labour market will remain stable.

Key interest rates remain low

Central banks worldwide are expected to continue with their expansive monetary policy to mitigate the downward trend in their economies. The ECB is not likely to raise interest rates until towards the end of 2013 at the earliest. The US Federal Reserve will probably leave the key interest rate at its currently low level until the unemployment rate in the USA has significantly decreased. Thus, key interest rates will remain at their historically low levels in 2013. A slight increase in yields is anticipated on the capital markets.

Challenges in the health care sector

The economic and, in particular, the structural challenges in the health care sector will not let up in the next two years either. The main drivers here are demographic change, technical advances and increased health awareness on the part of the population. These factors will lead to a further rise in health expenditure.

Continuing trend towards professional cooperatives

Overall, the Bank anticipates that the trends of recent years will continue: There will be further increases in salaried employment for pharmacists as well as for physicians and dentists in the outpatient sector. Professional cooperatives will also play an increasingly important role.

Initial structural improvements will be implemented

Answers still need to be found for the structural challenges in medical care. The health care structural reform act (for statutory health insurances) (GKV-VStG) came into force in 2012. Some of the main elements of the act will be implemented in 2013, including the new outpatient consultant care services (ASV) sector, which has been set up to prevent care issues at the interface between outpatient and inpatient care. This will be of benefit to practicing medical specialists who participate in this sector.

New regulations for requirements planning in the regions will now also have to be implemented. The aim here is to cope more effectively with regional care differences. However, long-term strategies to address deficits in regional care which have already come to the fore still need to be found. In addition to promoting younger talent among physicians, other current approaches include delegation of medical services to trained experts as well as telemedical services.

Improvements in earnings situation for pharmacists

In the pharmaceutical care sector, the process of concentration which has already begun is expected to continue. The earnings situation will improve from January 2013 due to the increase in pharmacists' fees. In the current year, pharmacies will receive around €190 million more than last year. Furthermore, there are plans to revise fees for night work and emergency services. These fees are to be supplemented by a fixed sum per service provided to ensure that emergency care makes economic sense for those pharmacies that provide care to only a small number of customers. According to the estimates of the Federal Ministry of Health, this results in additional fees of €120 million in total. Small and rural pharmacies in particular will benefit from this.

Moderate fee increases for physicians

After difficult negotiations, physicians can now expect moderate fee increases. Fees for outpatient services by contractual physicians are to increase by 3 to 4% overall in 2013. Physicians in primary care will benefit most from this. However, the long-planned and overdue amendment to the physician fee schedule (GOÄ) will not come into force in the current legislative period.

More flexibility in dentist fees

In the dental care sector, the GKV-VStG revoked the so-called “strict budgeting” regulation as of 2013. As a result, fee development is no longer linked to development in the basic salary and can be more closely aligned to the treatment requirements resulting from the respective illness. It remains to be seen what effects the amended fee schedule for private dental services, which came into force on 1 January 2012, will have.

Financial buffer for statutory health insurances

By the beginning of 2013, the financial buffer of the statutory health insurance had increased again. The large number of salaried employees in recent years contributed towards building up the currently high levels of reserves. How the health funds and the health insurers develop going forward depends very strongly on general economic conditions. The statutory health insurers in particular have warned against reducing surpluses by reducing contributions or raising expenditure. In spite of this, the practice fee was abolished on 1 January 2013, placing a financial burden of around € 2 billion per year on the health insurers.

Health care remains a growth market

Going forward, health care will remain a stable growth market. Although measures to cushion the cost increase are also probable in the future, physicians and dentists in particular will benefit.

Further expansion of market position as a strategic objective

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

The Bank's established position in the health care sector and its comprehensive market expertise form the basis for its successful business model. With its VorWERTs future programme, the Bank has created the foundation to successfully develop its business model going forward, also in the face of changing general conditions in the health care sector and increasing competition in the banking sector.

In 2013, the Bank intends to invest primarily in establishing specialised advisor capacity and in training employees. This will take place during the process of implementing the specialised customer care concepts which are designed to enable the Bank to provide support in the customer segments that is geared even better to their individual needs. In this way, the Bank aims to further expand its customer base in future and thus to continue increasing its market penetration.

Even more consistent alignment of the sales organisation to customer requirements, coupled with the expansion of the service range, should lead to a secure and growing market position as a full-service financial partner for health care professionals. In this process, the Bank aims to benefit from the ongoing integration of the measures into day-to-day business operations. This will start to show more tangible effects in economic terms from 2014 onwards.

Improvement in economic performance

In addition to the measures to expand its market position, the Bank has developed measures to optimise its cost structure within the context of the VorWERTs programme. It will focus on implementing these measures in 2013 and the benefits will start to become tangible from next year onwards.

In addition, the IT system bank21, which was introduced in the year under review, should contribute to improving economic performance. The Bank will enhance its process efficiency step by step in the coming years by leveraging the potential of this system.

In the following sections, the Bank's expected business development for 2013 and 2014 is laid out based on its forecasts and taking account of the relevant assumptions.

Challenging general conditions in the banking sector

apoBank is working on the assumption that the general conditions for the entire German banking sector and thus also for apoBank will continue to become more difficult in the next two financial years.

Competition, in particular in the German retail client business, will continue to be intense. Foreign banks have already entered the German market and are focusing on the comparably stable retail client segment – as are the established market players. At the same time, when making decisions on loans, investments and refinancing, banks have to take account of the increasingly stringent regulatory liquidity and equity regulations. Consumer protection regulations lead to much more complex processes and advisory services in the classical customer business.

Although there are signs of stabilisation on the financial markets, there is still uncertainty in peripheral European countries in particular. In addition, the Bank expects interest rates to remain low. Thus, general conditions continue to be challenging for the entire banking sector and the banks will have to face significantly higher pressure on earnings.

Growth counteracts burdens on earnings

Based on implementation of the measures from the VorWERTs future programme as described above, in the next two years apoBank will continue to pursue its growth strategy of expanding its customer base.

In the lending business, the Bank plans to achieve a further increase in business volume. On this basis, the Bank expects a slight increase overall in contributions to profit from the lending business.

In spite of strong competition for customer deposits, the Bank plans to increase its volume in this area, too. It anticipates that the level of contributions to profit will be on a par with those in the year under review.

In the area of strategic interest rate risk management, the Bank expects significantly lower contributions to profit in the coming years, in particular from global hedging measures for periods of low interest rates.

Net interest income is expected to decrease in the next two years.

With regard to net commission income, the Bank expects to experience steady growth in the classical customer securities business. The new, specialised customer care concepts that provide advisory services which are even more specifically tailored to customer requirements as well as the accompanying expansion in advisor capacity provide the basis for this expectation.

In general, earnings will be impacted strongly in the next two years by increasing competition and the ongoing period of low interest rates. Therefore, the Bank forecasts a slight decline in 2013. The positive effects resulting from integration of the new support concepts will start to have an effect from 2014 onwards and will contribute towards stabilising earnings.

Administrative expenses affected by investments in the future and regulatory requirements

apoBank launched its VorWERTs future growth programme in order to expand its market position. First and foremost, this means that the Bank will invest in expanding its specialised advisory capacities and in comprehensive training measures for employees. These strategic investments will be reflected in administrative expenses in the next two years. In addition, this item will also be affected by expenses resulting from increasing regulatory requirements.

Investments in the future are set against savings that the Bank can achieve in the process of long-term optimisation of its cost structure. In addition, the Bank expects to see some relief due to the IT migration, which was successfully completed in 2012.

Overall, the Bank plans a significant increase in general administrative expenses in 2013 and a slight decrease in 2014.

Increase in operating result as of 2014

Against the backdrop of the challenging general conditions forecast for the banking sector as well as the developments described above, the Bank is planning an operating result, i. e. operating profit before risk provisioning, in 2013 which is significantly lower than the level of the year under review. The Bank expects a slight increase for 2014.

Risk provisioning essentially stable

In risk provisioning for the lending business, the Bank continues to benefit from the stable economic conditions expected for players in the outpatient sector as well as from its comprehensive expertise in the health care sector. Due to this and further growth in lending, the Bank thus expects only a moderate rise in risk costs and provisioning measures for the customer lending business.

In the area of risk provisioning for financial instruments and participations, the Bank has budgeted for risk costs for the remaining financial instruments, which are on a par overall with the low level of the year under review.

Increase in tax burden

As the positive tax effect from 2012 no longer applies, the Bank expects the tax burden to increase.

Continuous dividend distribution planned

For 2013 and 2014, the Bank plans stable development in net profit as well as increases in its reserves. Based on these plans, the Bank can achieve its primary economic objective of continuously distributing a dividend to its members.

Strengthening of equity ratios in connection with Basel III

More stringent regulatory requirements for regulatory equity capital and liquidity will apply once Basel III comes into force. As a result, the Bank will have to strengthen its regulatory capital ratios.

In preparation for national implementation of Basel III, the Bank developed measures to address the increasing requirements and to further strengthen its capital ratios. This primarily comprises expanding members' capital contributions by gaining new members as well as the subscription of additional shares by existing members. In addition, the Bank will further expand its core capital through the allocation to reserves.

Depending on the final form Basel III regulations will take, the Bank can also strengthen its equity capital by reallocating existing reserves and by issuing appropriate equity instruments.

In addition to applying measures to strengthen capital, the Bank will continue to reduce risk, in particular in the area of structured financial products, in order to relieve the pressure on its capital ratios.

Based on these measures, the Bank expects to continue to expand its equity ratios – in particular its core capital ratio – in accordance with the applicable equity capital regulations in each case.

Opportunities and potential risks for business development

For apoBank, the focus in the next two years will be on full implementation of its VorWERTs programme. Successful implementation of the accompanying measures offers the Bank opportunities, in particular for improvements in business development in the long term – also beyond the two years under review.

By integrating the specialised customer support concepts, the Bank will approach the market in a more consistent manner and will also further improve the quality of its customer advisory services. This will result in opportunities for further expansion of its market position and customer relations – and thus also for the planned growth in the various business areas.

At the same time, the implementation phase also entails risks. These can result from the pace of implementation and the extent to which the measures developed have a direct effect. In addition, the Bank's business performance can be subject to risk due to uncertainty about how the European debt crisis will progress and how the financial markets will develop. This can result in burdens in the area of risk provisioning in particular.

Together, the more stringent regulatory requirements and the increasing competition in the German retail client segment may also place a higher burden than expected on the profitability of the Bank. To compensate for burdens on profit and loss that cannot be budgeted for, the Bank can resort to existing reserves. In the case of the structured financial products, the guarantee agreement with BVR will make an essential contribution towards compensating for unforeseeable burdens from the remaining portfolio.

Annual Financial Statements 2012

Balance Sheet

Assets

	(Notes)	31 Dec 2012 €	31 Dec 2011 €
1. Cash reserve		**610,120,085.65**	**268,832,897.17**
a) Cash on hand		39,841,395.12	38,531,121.10
b) Cash in central banks		570,278,690.53	230,301,776.07
Including: in the German Federal Bank (Bundesbank)		(570,278,690.53)	(230,301,776.07)
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)**	**967,044,179.35**	**1,446,407,073.54**
a) Mortgage loans		0.00	0.00
b) Local authority loans		81,599,035.62	0.00
c) Other receivables		885,445,143.73	1,446,407,073.54
Including: due on demand		(309,109,547.52)	(820,684,893.34)
Including: lending against securities		(0.00)	(0.00)
4. Loans and advances to customers	**(2, 14, 15, 18, 24, 28)**	**27,116,098,733.73**	**26,830,201,691.43**
a) Mortgage loans		5,840,593,020.39	7,033,127,662.48
b) Local authority loans		43,116,222.65	100,546,842.52
c) Other receivables		21,232,389,490.69	19,696,527,186.43
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)**	**3,948,823,636.91**	**4,138,286,224.78**
a) Money market papers		99,988,950.05	0.00
aa) of public issuers		0.00	0.00
Including: acceptable as collateral by the Bundesbank		(0.00)	(0.00)
ab) of other issuers		99,988,950.05	0.00
Including: acceptable as collateral by the Bundesbank		(99,988,950.05)	(0.00)
b) Bonds and debt securities		3,848,834,686.86	4,138,286,224.78
ba) of public issuers		1,029,907,283.16	590,261,171.15
Including: acceptable as collateral by the Bundesbank		(1,014,214,928.31)	(590,261,171.15)
bb) of other issuers		2,818,927,403.70	3,548,025,053.63
Including: acceptable as collateral by the Bundesbank		(2,615,465,498.66)	(3,337,402,067.67)
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)**	**3,770,472,303.67**	**4,510,846,965.43**
6a. Trading assets	**(4, 17, 21)**	**135,669,427.18**	**54,075,532.27**
7. Participations and capital shares in cooperatives	**(6, 17, 22, 24)**	**169,542,946.48**	**168,811,791.21**
a) Participations		168,129,841.85	167,863,429.34
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		1,413,104.63	948,361.87
Including: in cooperative banks		(0.00)	(0.00)
Including: in financial services institutions		(0.00)	(0.00)
8. Shares in affiliated companies	**(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)**	**2,745,692.71**	**2,746,471.91**
Including: fiduciary loans		(8,172.08)	(8,951.28)
10. Compensation claims against the public sector including debt securities from their exchange		**0.00**	**0.00**
11. Intangible assets	**(8, 24)**	**1,218,697.92**	**5,509,630.42**
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		749,311.00	5,034,047.00
c) Goodwill		0.00	0.00
d) Payments in advance		469,386.92	475,583.42
12. Tangible assets	**(7, 24)**	**207,712,961.28**	**214,690,030.73**
13. Other assets	**(25)**	**861,052,311.09**	**1,075,744,735.25**
14. Prepayments and accrued income	**(26)**	**88,428,432.81**	**114,228,073.42**
a) from issuing and loan transactions		6,779,376.03	14,451,986.61
b) Others		81,649,056.78	99,776,086.81
15. Deferred tax assets	**(27)**	**0.00**	**0.00**
Total assets		**37,888,292,588.39**	**38,839,744,297.17**

Liabilities

	(Notes)	31 Dec 2012 €	31 Dec 2011 €
1. Liabilities to banks	**(9, 36, 37)**	**9,676,852,201.66**	**9,535,981,623.83**
a) Registered mortgage Pfandbriefe issued		10,193,903.69	10,193,744.09
b) Registered public Pfandbriefe issued		0.00	0.00
c) Other liabilities		9,666,658,297.97	9,525,787,879.74
Including: due on demand		(1,460,399,661.74)	(1,899,259,624.14)
Including: mortgage Pfandbriefe and registered public Pfandbriefe delivered to the lender as collateral		(0.00)	(0.00)
2. Liabilities to customers	**(9, 36, 37)**	**19,590,612,723.64**	**19,300,599,402.28**
a) Registered mortgage Pfandbriefe issued		764,006,470.09	779,269,537.87
b) Registered public Pfandbriefe issued		0.00	0.00
c) Saving deposits		66,012,788.55	74,017,839.38
ca) with an agreed notice period of three months		60,114,421.93	54,518,410.00
cb) with an agreed notice period of more than three months		5,898,366.62	19,499,429.38
d) Other liabilities		18,760,593,465.00	18,447,312,025.03
Including: due on demand		(12,906,894,800.21)	(10,993,120,074.91)
Including: mortgage Pfandbriefe and registered public Pfandbriefe delivered to the lender as collateral		(0.00)	(0.00)
3. Securitised liabilities	**(9, 36, 37)**	**5,404,899,368.34**	**6,776,299,572.98**
a) Debt securities issued		5,404,899,368.34	6,776,299,572.98
aa) Mortgage Pfandbriefe		912,447,967.66	927,534,382.44
ab) Public Pfandbriefe		0.00	0.00
ac) Other debt securities		4,492,451,400.68	5,848,765,190.54
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)**	**1,554.81**	**43,520.86**
4. Trust liabilities	**(32)**	**2,745,692.71**	**2,746,471.91**
Including: fiduciary loans		(8,172.08)	(8,951.28)
5. Other liabilities	**(33)**	**308,898,843.15**	**314,376,872.48**
6. Prepayments and accrued income	**(34)**	**19,711,980.08**	**28,614,460.98**
a) from the issuing and lending business		16,152,451.24	21,235,168.08
b) Others		3,559,528.84	7,379,292.90
6a. Deferred tax liabilities		**0.00**	**0.00**
7. Provisions	**(10)**	**309,793,137.86**	**354,118,935.54**
a) Provisions for pensions and similar obligations		130,893,104.00	123,498,645.00
b) Tax provisions		28,675,652.00	16,877,219.00
c) Other provisions		150,224,381.86	213,743,071.54
8. Subordinated liabilities	**(35)**	**453,137,766.23**	**468,281,157.31**
9. Participating certificate capital		**160,000,000.00**	**190,000,000.00**
Including: due within two years		(80,000,000.00)	(80,000,000.00)
10. Fund for general banking risks		**237,715,120.98**	**167,648,774.67**
Including: special items according to Section 340e (4) of the German Commercial Code (HGB)		(1,715,120.98)	(1,648,774.67)
11. Capital and reserves	**(38)**	**1,723,924,198.93**	**1,701,033,504.33**
a) Subscribed capital		1,207,055,409.76	1,196,401,016.90
b) Capital reserves		0.00	0.00
c) Revenue reserves		471,491,249.19	461,491,249.19
ca) Legal reserves		376,250,000.00	371,250,000.00
cb) Other revenue reserves		95,241,249.19	90,241,249.19
d) Balance sheet profit		45,377,539.98	43,141,238.24
Total liabilities		**37,888,292,588.39**	**38,839,744,297.17**

1. Contingent liabilities	**(40)**	**1,125,360,207.75**	**1,779,387,005.67**
a) Contingent liabilities from rediscounted, settled bills		0.00	0.00
b) Liabilities from guarantees and indemnity agreements		1,125,360,207.75	1,779,387,005.67
c) Liabilities arising from the provision of collateral for third-party liabilities		0.00	0.00
2. Other obligations		**3,148,896,735.56**	**3,229,437,015.64**
a) Obligations under optional repurchasing agreements		0.00	0.00
b) Placement and underwriting obligations		0.00	0.00
c) Irrevocable loan commitments		3,148,896,735.56	3,229,437,015.64

Income Statement

Income statement

	(Notes)	1 Jan – 31 Dec 2012 €	1 Jan – 31 Dec 2011 €
1. Interest income from		**1,336,521,540.27**	**1,422,309,903.87**
a) lending and money market transactions		1,292,159,806.33	1,352,413,364.44
b) fixed-interest securities and debt register claims		44,361,733.94	69,896,539.43
2. Interest expenses		**– 665,410,167.78**	**– 827,568,596.02**
3. Current income from		**22,848,022.10**	**51,971,715.25**
a) shares and other non-fixed-interest securities		12,717,585.11	41,368,839.17
b) participations and capital shares in cooperatives		7,099,004.62	7,840,458.99
c) shares in affiliated companies		3,031,432.37	2,762,417.09
4. Income from profit pooling, profit transfer agreements and partial profit transfer agreements		**79,093.09**	**95,799.79**
5. Commission income	(43)	**179,657,070.41**	**183,265,047.86**
6. Commission expenses		**– 63,478,638.66**	**– 64,147,271.25**
7. Net trading revenues	(44)	**597,116.67**	**11,409,466.20**
8. Other operating income	(45)	**49,975,608.11**	**33,680,188.98**
Including: from compounding		(2,934,494.32)	(2,621,799.56)
9. General administrative expenses		**– 462,626,435.01**	**– 459,414,389.16**
a) Personnel expenses		– 234,089,146.20	– 216,582,959.62
aa) Wages and salaries		–196,097,726.14	–183,765,640.90
ab) Social security contributions and expenses for pensions and benefits		– 37,991,420.06	– 32,817,318.72
Including: for pensions		(–12,940,867.60)	(– 7,478,443.61)
b) Other administrative expenses		– 228,537,288.81	– 242,831,429.54
10. Depreciation, amortisation and write-downs in respect of intangible and tangible assets		**–17,030,595.78**	**– 25,984,501.66**
11. Other operating expenses	(45)	**– 57,080,767.36**	**– 45,199,077.30**
Including: from compounding		(– 6.775.521,00)	(–7,775,906.00)
12. Write-downs and value adjustments in respect of receivables and specific securities and allocations to provisions for credit risks		**–132,943,665.82**	**–155,955,236.86**
13. Write-downs and value adjustments in respect of participations, shares in affiliates and securities treated as fixed assets		**–12,758,159.12**	**– 27,812,166.59**
14. Expenses from the assumption of losses		**0.00**	**0.00**
15. Operating result		**178,350,021.12**	**96,650,883.11**
16. Extraordinary income		**0.00**	**0.00**
17. Extraordinary expenses	(46)	**– 27,656,191.16**	**– 6,300,782.86**
18. Extraordinary result		**– 27,656,191.16**	**– 6,300,782.86**
19. Taxes on income	(47)	**– 34,811,173.52**	**– 46,687,810.19**
20. Other taxes not reported in item 11		**– 514,113.93**	**– 530,181.84**
21. Allocation to the fund for general banking risks		**–70,000,000.00**	**0.00**
22. Net profit		**45,368,542.51**	**43,132,108.22**
23. Profit carried forward from the previous year		**8,997.47**	**9,130.02**
24. Withdrawals from revenue reserves			
a) From legal reserves		0.00	0.00
b) From other revenue reserves		0.00	0.00
25. Balance sheet profit	(48)	**45,377,539.98**	**43,141,238.24**

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	Contributions of silent partners		Legal reserves	Other revenue reserves	
	€ thous	€ thous	€ thous	€ thous	€ thous	€ thous
31 Dec 2011	848,701	347,700	0	371,250	90,241	43,141
Withdrawals	33,787	0	0	0	0	10,000
Additions	44,441	0	0	5,000	5,000	45,369
Distribution of annual result	0	0	0	0	0	33,132
31 Dec 2012	**859,355**	**347,700**	**0**	**376,250**	**95,241**	**45,378**

Cash Flow Statement

Cash flow statement

	2012	2011
	€m	€m
Net profit	**45.4**	**43.1**
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	162.7	232.5
Changes in provisions	161.7	31.7
Changes to other non-cash items	70.1	1.2
Profit from the sale of financial and tangible assets	18.9	– 20.1
Other adjustments (on balance)	– 631.4	– 602.2
Subtotal	**–172.6**	**– 313.8**
Change in assets and liabilities from operating activities after correction with non-cash components		
Loans and advances to banks	479.4	– 614.1
Loans and advances to customers	– 337.8	– 578.0
Securities (unless financial assets)	129.2	201.5
Other assets from operating activities	226.1	109.6
Liabilities to banks	140.9	45.3
Liabilities to customers	289.6	1,100.9
Securitised liabilities	–1,371.4	–1,215.4
Other liabilities from operating activities	– 5.5	2.8
Interest and dividends received	840.0	983.2
Interest paid	– 409.7	– 399.3
Extraordinary deposits	0.0	0.0
Extraordinary payments	– 27.7	– 6.3
Income tax payments	– 34.8	– 38.1
Cash flow from operating activities	**– 254.3**	**– 721.7**
Deposits from the sale of		
financial assets	1,448.8	751.7
tangible assets	19.6	1.4
Payments for the acquisition of		
financial assets	– 773.1	– 23.9
tangible assets	–17.2	– 8.4
Fund changes from other investment activities (on balance)	– 0.5	0.6
Cash flow from investment activities	**677.6**	**721.4**
Payments from increases in equity capital	44.4	31.2
Dividend payments	– 33.1	– 33.4
Other payments to members	– 48.1	– 33.8
Fund change from subordinated capital and other hybrid capital (on balance)	– 45.2	– 60.5
Cash flow from financing activities	**– 82.0**	**– 96.5**
Cash and cash equivalents at the end of the previous period	**268.8**	**365.6**
Cash flow from operating activities	– 254.3	– 721.7
Cash flow from investment activities	677.6	721.4
Cash flow from financing activities	– 82.0	– 96.5
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	**610.1**	**268.8**

Notes

A. General information

1. Framework for the preparation of the interim financial statements

The annual financial statements of Deutsche Apotheker- und Ärztebank eG (apoBank), Dusseldorf, as of 31 December 2012 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 interim 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, generally in consistence with the previous year. A change was made with respect to the classification of certain FX business. Revenue amounting to €15,960 thousand is now reported in commission income, in the previous year such revenue was reported in net trading revenues.

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.

To determine the fair value of the shares in the leveraged accrual asset management (LAAM) fund XXI as well as of the portfolio of total return swaps (TRS), the underlying asset backed securities (ABS) are valued based on market indicators. If there are no market indicators available, the valuation is based on model prices. Market indicators are also used to determine the value of the direct ABS portfolios. ABS in the UIL special bond portfolio Special-Bonds 1 fund (UIL fund) are valued by Union Investment Luxembourg S.A. (Union Investment).

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.

The adjustment for risk was made on the basis of the value at risk (VaR) for a holding period of ten days, a forecast interval with a confidence level of 99% 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, the direct ABS portfolio in foreign currency as well as the foreign exchange risks of the LAAM XXI fund and the total return swaps. 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 €1,344 million (31 Dec 2011: €1,199 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.

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 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 5.05%, a wage increase trend of 3% 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 € 8,271 thousand in accordance with Section 246 (2) 2 HGB. The difference between income of €1,511 thousand and expenses of €1,159 thousand in connection with the reinsurance for pension obligations was netted with the expenses from the discounting of pension provisions amounting to € 6,547 thousand.

The provisions for part-time retirement and anniversary payments were also made on the basis of an interest rate of 5.05% and a wage increase trend of 3%.

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.

The Bank has carried out a test pursuant to IDW RS BFA 3 to provide proof of a loss-free valuation of banking book derivatives. 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.

13. Guarantee

A guarantee agreement was granted by the Federal Association of German Cooperative Banks (BVR) amounting to a maximum of originally € 640 million and relating to the structured financial instruments transferred to a special fund managed by Union Investment Luxembourg S. A. As at the balance sheet date, the value of the guarantee amounted to approximately € 380 million (31 Dec 2011: approximately € 535 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	
	2012	**2011**	**2012**	**2011**
Accrued interest	500,066	467,679	5,992	7,208
Up to 3 months	386,978	898,728	738,678	597,999
More than 3 months to 1 year	0	0	1,750,388	1,445,768
More than 1 year to 5 years	80,000	80,000	8,147,147	8,901,645
More than 5 years	0	0	14,267,959	13,453,161

Loans and advances to banks (assets, 3) include €97,149 thousand (31 Dec 2011: €93,690 thousand) of receivables from the relevant central cooperative banks (WGZ BANK AG).

The loans and advances to customers (assets, 4) include €2,205,934 thousand (31 Dec 2011: €2,424,420 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	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
Loans and advances to affiliated companies	0	0	0	6	0	0
Loans and advances to associated companies	159,532	165,028	287,152	288,683	50,027	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, € 393,016 thousand (31 Dec 2011: € 954,233 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	
	2012	2011	2012	2011	2012	2011
Non-negotiable	0	0	3,748,864	4,499,508	10,226	0
Negotiable	3,948,824	4,138,286	21,608	11,339	125,443	54,022
Quoted	3,755,572	4,071,068	6,348	6,444	92,953	32,653
Unquoted	193,252	67,218	15,260	4,895	32,490	21,369
Negotiable securities not valued at the lower of cost or market	1,748,707	2,960,201	0	745		

	Participating interest and capital shares in cooperatives (A 7) € thous		Shares in affiliated companies (A 8) € thous	
	2012	2011	2012	2011
Non-negotiable	134,328	133,597	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 2012	31 Dec 2011
	€ thous	€ thous
Debt securities and other fixed-interest securities		
Fixed assets	3,202,491	3,167,034
Liquidity reserve	746,333	971,252
Total	**3,948,824**	**4,138,286**

	31 Dec 2012	31 Dec 2011
	€ thous	€ thous
Shares and other non-fixed-interest securities		
Fixed assets	2,472,107	3,213,959
Liquidity reserve	1,298,365	1,296,888
Total	**3,770,472**	**4,510,847**

In addition, loans and advances to customers include fixed-asset securities of €18,802 thousand (31 Dec 2011: € 30,916 thousand).

19. Shares in special investment funds

As at 31 December 2012, apoBank still held investments in one leveraged accrual asset management fund (LAAM fund). The LAAM fund is designed as a legally separate sub-trust (fund) of one independent master trust platform. The sub-trust invested in ABS bonds. The size of the portfolio is limited by the investment guidelines of the investor.

Shares in special investment funds

Special funds	Mastertrust platform	Investment manager	Underlying asset class	Invested amount as at 31 Dec 2012
				€ m
LAAM XXI	Panacea Trust	allcap Asset Management Ltd	ABS / MBS	206
Total investment				**206**

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 €thous	Difference to book value €thous	Distributions made for the total financial year €thous	Restriction of redemption
APO 1 INKA	Domestic and international bonds, FX forward transactions	824,903	72,801	0	no
APO 2 INKA	Domestic and international bonds, FX forward transactions	276,850	26,850	0	no
APO 3 INKA	Domestic and international bonds, FX forward transactions	276,875	26,875	0	no
APO High Yield Spezial INKA	Domestic and international bonds, FX forward transactions	11,966	1,366	814	no
APO Kupon Plus I	Domestic and international bonds	4,660	0	25	no
APO Pool B INKA	Domestic and international equities, domestic bonds	5,987	0	200	no
APO Pool D INKA	Domestic and international equities, domestic and international bonds	13,641	642	734	no
APO Pool SB INKA	Domestic and international equities, domestic and international bonds	6,037	457	178	no
apo European Equities	Domestic and international equities	6,348	0	72	no
arsago STIRT 2XL	Domestic and international bonds	17,771[1]	– 4	0	yes
LAAM XXI	Domestic and international bonds	144,297[1]	– 61,495	0	yes
UIL fund	Domestic and international bonds	2,212,771	–15,614	10,014	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

Financial instruments classified as fixed assets[1]	Book value as at 31 Dec 2012 €thous	Fair value as at 31 Dec 2012 €thous	Omitted depreciation €thous
ABS	70,060	59,772	10,288
LAAM fund	205,792	144,297	61,495
UIL fund	2,228,385	2,212,771	15,614
Other financial instruments classified as fixed assets	1,695,785	1,686,438	9,347
Total	**4,200,022**	**4,103,278**	**96,744**

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

When analysing the impairment of ABS structures, the anticipated losses of the tranches held by the Bank are calculated for the total residual term mainly 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 discounted anticipated loss for ABS from the direct portfolio exceeded the delta between nominal value and book value as at 31 December 2012, the amount in excess of the delta was written off. 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. In the case of ABS in the LAAM reference portfolio, any reserves or collateral that existed in the LAAM fund and profits carried as liabilities in the case of total return swaps were taken into account.

The impairments that extend beyond the anticipated loss determined in this way as well as impairments relating to non-structured securities are not regarded as permanent if they can be attributed to increased market interest rates and a deterioration in market liquidity or can be covered by the effects mentioned above (e. g. BVR guarantee).

21. Trading assets

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

Trading assets

	31 Dec 2012[1]	31 Dec 2011[1]
	€ thous	€ thous
Derivative financial instruments	2	54
Loans and advances to banks	10,252	0
Debt securities and other fixed-interest securities	125,443	54,129
Shares and other non-fixed-interest securities	0	0
Less VaR adjustment	− 28	−107
Total	**135,669**	**54,076**

1) The fair values are shown.

22. List of holdings

apoBank 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	2011	3,912	2,043
APO Beteiligungs-Holding GmbH, Dusseldorf	100	2012	4,164	0 (79)[2]
APO Consult GmbH, Dusseldorf[1, 3]	100	2012	51	0 (0)[2]
APO Data-Service GmbH, Dusseldorf[1]	49	2012	3,436	478
APO Leasing GmbH, Dusseldorf[1, 3]	100	2012	94	0 (0)[2]
APO Reiseservice GmbH, Dusseldorf[1, 3]	100	2012	– 4	0 (0)[2]
apokom GmbH, Dusseldorf[1, 3]	100	2012	75	0 (0)[2]
Kock & Voeste Existenzsicherung für die Heilberufe GmbH, Berlin[1]	26	2012	196	35
medisign GmbH, Dusseldorf[1]	50	2012	223	20
APO Immobilien-Kapitalanlagegesellschaft mbH, Dusseldorf	67	2011	8,983	2,345
aik Management GmbH, Dusseldorf[1]	100	2011	44	19
CP Capital Partners AG, Zurich	24	2012	444	36
Deutsche Ärzte Finanz Beratungs- und Vermittlungs-Aktiengesellschaft, Cologne	25	2011	10,278	6,512
Finanz-Service GmbH der APO-Bank, Dusseldorf	50	2011	1,937	269
gbs - Gesellschaft für Banksysteme GmbH, Münster	49	2011	414	322
IWP Institut für Wirtschaft und Praxis Bicanski GmbH, Münster	26	2012	41	34
patiodoc AG, Berlin	49	2012	5,621	– 2,371
Prof. Bicanski und Coll. IWP Beratungsgesellschaft mbH, Münster	26	2012	93	0
Profi Erste Projektfinanzierungs- und Beteiligungsgesellschaft AG, Zurich	24	2012	2,875	914
Treuhand Hannover GmbH Steuerberatungsgesellschaft, Hanover	26	2011	24,683	1,707
ZA Zahnärztliche Abrechnungsgesellschaft Düsseldorf AG, Dusseldorf	50	2012	5,815	2,528

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 € 8 thousand (31 Dec 2011: € 9 thousand) and contributions held in trust totalling € 2,738 thousand.

Trust assets comprise the following balance sheet items:

Balance sheet items

	31 Dec 2012	31 Dec 2011
	€ thous	€ thous
Loans and advances to banks	8	9
Participations	2,738	2,738
Total	**2,746**	**2,747**

The Bank 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 2012	31 Dec 2011
	Tsd. Euro	Tsd. Euro
Owner-occupied land and buildings	159,033	164,225
Office furniture and equipment	46,077	45,840

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	57,855	532	0	0	11,271	0	47,116
Tangible assets							
Land and buildings	283,247	7,614	0	0	15,406	0	275,455
Office furniture and equipment	121,973	9,040	0	0	32,252	0	98,761
Total	**463,075**	**17,186**	**0**	**0**	**58,929**	**0**	**421,332**

	Carried forward	Depreciation (accumulated)	Depreciation in the reporting year	Book values at the balance sheet date
	€thous	€thous	€thous	€thous
Intangible assets	47,116	– 45,897	(– 2,630)	1,219
Tangible assets				
Land and buildings	275,455	–113,819	(–7,346)	161,636
Office furniture and equipment	98,761	– 52,684	(– 7,054)	46,077
Total	**421,332**	**– 212,400**	**(–17,030)**	**208,932**

	Acquisition costs	Changes (net)	Book values at the balance sheet date
	€thous	€thous	€thous
Receivables from customers	28,958	–11,158	17,800
Fixed-asset securities	5,793,336	–138,118	5,655,218
Participating interests and capital shares in cooperatives	179,105	– 9,562	169,543
Shares in affiliated companies	9,941	– 578	9,363
Total	**6,011,340**	**–159,416**	**5,851,924**

Total book values at the balance sheet date	**6,060,856**

25. Other assets

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

Other assets

	31 Dec 2012	31 Dec 2011
	€ thous	€ thous
Capitalised premiums from options	688,681	844,236
Tax receivables	125,862	185,605
Including: corporation tax credit according to Section 37 (5) KStG	(84,780)	(90,513)

26. Prepayments and accrued income (assets)

The prepayments and accrued income items include discount amounts from assumed liabilities of € 6,799 thousand (31 Dec 2011: €14,452 thousand) as well as premiums for swaptions exercised of € 75,522 thousand (31 Dec 2011: € 95,861 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 2012, 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 €188.7 million, thereof deferred tax assets of €191.0 million and deferred tax liabilities of € 2.3 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 € 37,584 thousand (31 Dec 2011: € 28,800 thousand) and ‘Debt securities and other fixed-interest securities’ with € 50,027 thousand (31 Dec 2011: € 50,027 thousand) in the total amount of € 87,611 thousand (31 Dec 2011: € 78,827 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 € 252,642 thousand (31 Dec 2011: € 203,760 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 2012 € thous	31 Dec 2011 € thous
FX forward transactions	2	0
FX swaps	0	3
Caps	0	41
Total	**2**	**44**

32. Trust liabilities

Trust liabilities are subdivided into the following balance sheet items:

Trust liabilities

	31 Dec 2012 € thous	31 Dec 2011 € thous
Liabilities to banks	8	9
Liabilities to customers	2,738	2,738
Total	**2,746**	**2,747**

The Bank 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 2012	31 Dec 2011
	€ thous	€ thous
Premiums from options and caps carried as liabilities	168,597	240,918

34. Prepayments and accrued income (liabilities)

Prepayments and accrued income (liabilities) include:

Prepayments and accrued income (liabilities)

	31 Dec 2012	31 Dec 2011
	€ thous	€ thous
Premium from liabilities (securitised or unsecuritised)	112	324
Discount from claims	16,040	20,723
Other prepayments and accrued income	3,560	7,567

35. Subordinated liabilities

Details to liability item 8, 'Subordinated liabilities':
Expenses of € 26,861 thousand were incurred in the financial year (31 Dec 2011: € 28,913 thousand). Early redemption of the subordinated liabilities is excluded.

Subordination has been arranged as follows: In the event of the insolvency or liquidation of the Bank, 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 15 years.

Subordinated liabilities with a nominal value of € 440.8 million (31 Dec 2011: € 455.8 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 5.0 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 2011: € 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	
	2012	2011	2012	2011
Liabilities to banks (L 1)	0	0	705,510	806,910
Liabilities to customers (L 2)	9,045	20,526	57,155	113,579
Securitised liabilities (L 3)	0	0	354	966
Subordinated liabilities (L 8)	0	0	0	0

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 (L 1) €thous		Saving deposits (L 2c) €thous		Liabilities to customers without saving deposits (L 2a, 2b, 2d) €thous		Securitised liabilities (L 3) €thous	
	2012	2011	2012	2011	2012	2011	2012	2011
Accrued interest	144,264	171,740	0	0	116,866	129,190	98,021	127,449
Up to 3 months	1,646,633	2,122,958	60,197	4,143	13,836,944	13,019,362	1,583,031	1,217,690
More than 3 months to 1 year	547,418	499,334	3,853	58,081	1,181,979	1,209,502	1,974,414	1,268,827
More than 1 year to 5 years	3,418,226	2,887,822	1,887	11,657	1,777,044	1,519,163	1,704,433	3,982,334
More than 5 years	3,920,311	3,854,128	76	137	2,611,767	3,349,364	45,000	180,000

Liabilities to banks include €107,684 thousand (31 Dec 2011: € 204,164 thousand) of liabilities to the relevant central cooperative bank (WGZ BANK AG).

Of the liabilities to banks, € 6,658,608 thousand (31 Dec 2011: 6,646,092) are secured by transfer of assets. These liabilities are mainly publicly funded loans.

Further securities with a book value of € 766.3 million (31 Dec 2011: € 925.8 million) have been pledged as additional security for public refinanced loan programmes. Irrespective of an assigned liability, we deposited cash collaterals of € 44.5 million (31 Dec 2011: € 39.6 million) within the framework of our collateral management for interest rate derivatives. Moreover, securities with a book value of € 792.2 million (31 Dec 2011: € 260.9 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)), € 3,556,387 thousand (31 Dec 2011: € 2,613,966 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 2012 € thous	31 Dec 2011 € thous
Contributions of silent partners	**347,700**	**347,700**
Members' capital contributions	**859,355**	**848,701**
Of remaining members	811,155	814,914
Of departing members	40,897	28,404
Of terminated cooperative shares	7,303	5,383
Compulsory contributions due on shares in arrears	4	8

The revenue reserves (liabilities,11.c)) developed as follows in 2012:

Revenue reserves

	Legal reserves € thous	Other revenue reserves € thous
As at 1 Jan 2012	371,250	90,241
Transfers		
from balance sheet profit of the previous year	5,000	5,000
from net profit of the financial year	0	0
Withdrawals	0	0
As at 31 Dec 2012	**376,250**	**95,241**

apoBank has not taken advantage of the option according to Section 10 (4a) of the German Banking Act (KWG) and has not created any revaluation reserve in accordance with Section 10 (2b) 1 no. 6 and 7 KWG for the year 2012.

39. Foreign currency items

Foreign currency items with an equivalent value of €140,281 thousand (31 Dec 2011: €157,238 thousand) are included in liabilities and with an equivalent value of € 267,149 thousand (31 Dec 2011: € 373,579 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 € 57,044 million as at 31 December 2012 (31 Dec 2011: € 65,281 million). Included therein are the following types of transactions:

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 ▪ Total return 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). With total return swaps, the risky portion of the exchange transaction is also valued using a credit spread curve, whereas the risk-free portion is discounted using the swap 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.

Risk structure

	Nominal value €m		Fair value €m	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Interest rate-related transactions[1]				
Time to maturity up to 1 year	12,728	13,952	564	189
more than 1 to 5 years	28,311	31,127	578	1,041
more than 5 years	12,136	13,673	249	458
Subtotal	**53,175**	**58,752**	**1,391**	**1,688**
Currency-related transactions				
Time to maturity up to 1 year	2,977	3,478	–1	0
more than 1 to 5 years	250	261	0	0
more than 5 years	76	150	0	1
Subtotal	**3,303**	**3,889**	**–1**	**1**
Stock-related transactions				
Time to maturity up to 1 year	0	1,201	0	0
more than 1 to 5 years	0	0	0	0
more than 5 years	0	0	0	0
Subtotal	**0**	**1,201**	**0**	**0**
Credit derivatives[2]				
Time to maturity up to 1 year	50	15	0	0
more than 1 to 5 years	498	1,077	–8	–195
more than 5 years	18	307	–2	–47
Subtotal	**566**	**1,399**	**–10**	**–242**
Other transactions				
Time to maturity up to 1 year	0	40	0	16
more than 1 to 5 years	0	0	0	0
more than 5 years	0	0	0	0
Subtotal	**0**	**40**	**0**	**16**
Total	**57,044**	**65,281**	**1,380**	**1,463**

1) Interest rate-related transactions are reported under the items 'Other assets' (€689 million), 'Prepayments and accrued income (assets)' (€80 million) as well as under the items 'Other liabilities' (€13 million) and 'Prepayments and accrued income (liabilities)' (€3 million).
2) Credit derivatives are reported under the item 'Other liabilities' (€2 million).

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.

As at the reporting date, apoBank had designated 874 micro hedges with a nominal value of €11.11 billion:
- 791 hedges on own issues against the interest rate risk with a nominal value of € 9.53 billion, including
  - 10 caps with a nominal value of € 0.18 billion
  - 43 floors with a nominal value of € 0.30 billion
  - 44 swaptions with a nominal value of € 0.37 billion
  - 694 swaps with a nominal value of € 8.68 billion
- 83 asset swaps to hedge against the interest rate risk of 51 acquired securities with a nominal value of €1.58 billion

As at 31 December 2012, a volume of foreign currency swaps from foreign exchange trading was used in the amount of €1,522.2 million as valuation units, of which €1,410.8 million to hedge offsetting FX swaps, € 41.6 million to hedge syndicated loans and € 69.8 million to hedge foreign exchange risks of the direct ABS portfolio.

The FX swaps can be broken down based on their currency as follows:
- €1,121.5 million in US dollars
- € 349.0 million in British pounds
- € 42.6 million in Japanese yen
- € 9.1 million in other currencies

At the reporting date, a volume of FX forward transactions was used in the amount of € 215.8 million as valuation units, of which €155.0 million to hedge offsetting FX forward transactions, € 41.8 million to hedge foreign exchange risks of the LAAM XXI fund and the TRS as well as €19.0 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:
- €181.9 million in US dollars
- € 20.0 million in British pounds
- € 7.9 million in Japanese yen
- € 6.0 million in other currencies

D. Notes to the income statement

42. Breakdown of income by geographic markets

The income of the Bank was primarily generated in Germany.

43. Commission income

Commission income includes insurance brokerage services rendered for third parties amounting to € 20,837 thousand (31 Dec 2011: € 30,961 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 2012. An adjustment of € 66 thousand (31 Dec 2011: €1,268 thousand) was made to the net trading result. 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 € 49,976 thousand (31 Dec 2011: € 33,680 thousand) includes, among other things, rental income amounting to € 4,021 thousand (31 Dec 2011: € 3,923 thousand), income from the release of reserves amounting to €19,775 thousand (31 Dec 2011: €16,435 thousand), accounting profits from the disposal of fixed assets and intangible assets of €11,270 thousand (31 Dec 2011: €1,390 thousand), interest income from tax refunds of € 3,818 thousand (31 Dec 2011: € 6 thousand) as well as other income from discounting of € 2,934 thousand (31 Dec 2011: € 2,622 thousand).

Other operating expenses amounting to € 57,081 thousand (31 Dec 2011: € 45,199 thousand) mainly result from provisions for litigation costs of € 40,446 thousand (31 Dec 2011: € 29,833 thousand), accounting losses from the disposal of fixed assets and intangible assets of € 2,734 thousand (31 Dec 2011: € 234 thousand) as well as other expense from compounding of € 6,776 thousand (31 Dec 2011: € 7,776 thousand). The increase mainly results from an allocation to provisions for litigation costs in connection with the early termination of a financial instrument in 2008. This allocation was necessary due to a pending class-action lawsuit against several investors.

46. Extraordinary expenditure

Extraordinary expenditure of € 27,656 thousand (31 Dec 2011: € 6,301 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.

48. Proposal for the appropriation of balance sheet profit

In 2012, apoBank recorded a net profit of € 45,369 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

	2012	2011
	€ thous	€ thous
Net profit	45,369	43,132
Profit carried forward from the previous year	9	9
Balance sheet profit	45,378	43,141
Allocations to legal reserves	6,000	5,000
Allocations to other revenue reserves	6,000	5,000
Dividends (4%)	33,369	33,132
Carried forward to new accounts	9	9

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 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Nominal value	1,644	1,674	3,446	2,740	110	64
Net present value	1,828	1,851	3,803	2,964	108	60
Risk net present value[1] (upward shift)	1,784	1,792	3,656	2,844	105	59
Risk net present value[1] (downward shift)	1,866	1,914	3,939	3,099	111	62

	Maturity profile of outstanding Pfandbriefe €m		Maturity profile of cover pool €m	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Up to 1 year	790	30	374	280
More than 1 year to 2 years	107	790	334	321
More than 2 years to 3 years	184	107	851	304
More than 3 years to 4 years	10	184	245	388
More than 4 years to 5 years	45	10	219	214
More than 5 years to 10 years	508	553	1,177	977
More than 10 years	0	0	246	256

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

Total amount of receivables used as cover	€m 31 Dec 2012	€m 31 Dec 2011	Share in the total amount of cover pool 31 Dec 2012	% 31 Dec 2011
By size class				
Up to €300 thousand	2,501	2,413	– – –	– – –
More than €300 thousand to €5 million	258	157	– – –	– – –
More than €5 million	35	7	– – –	– – –
By type of use (I) in Germany				
Residential	2,550	2,468	– – –	– – –
Commercial	245	110	– – –	– – –
By type of use (II) in Germany				
Flats	662	632	19	23
Single-family homes	1,500	1,454	44	53
Multi-family homes	389	381	11	14
Office buildings	0	0	0	0
Retail buildings	0	0	0	0
Industrial buildings	0	0	0	0
Other commercially used buildings	245	110	7	4
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 2012 €m	31 Dec 2011 €m
Total amount of claims being more than 90 days past due	0	0

Other data

	Residential 31 Dec 2012	31 Dec 2011	Commercial 31 Dec 2012	31 Dec 2011
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 2012 € thous	31 Dec 2011 € thous
Loans and advances to customers		
Mortgage loans	2,794,592	2,577,520
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 2012: € 723,989 thousand, 31 Dec 2011: €180,000 thousand)	651,850[1]	162,000[1]
Total cover assets	3,446,442	2,739,520
Total of mortgage Pfandbriefe requiring cover	1,643,900	1,673,900
Overcollateralisation	1,802,542	1,065,620

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 2012 was 2,124 (31 Dec 2011: 2,198) full-time and 292 (31 Dec. 2011: 267) part-time employees. In addition, 93 (31 Dec 2011: 83) apprentices were employed on average.

53. Changes in membership

Changes in membership

	Number of members	Number of cooperative shares	Uncalled liabilities € thous
Beginning of 2012	99,759	543,297	814,946
Additions 2012	3,905	35,525	53,287
Departures 2012	3,332	38,038	57,057
End of 2012	100,332	540,784	811,176

54. Cooperative shares and uncalled liabilities of members

Cooperative shares and uncalled liabilities of members

	2012 € thous	2011 € thous
The capital contributions of the remaining members declined in the year under review by	3.759	2.624
Uncalled liabilities declined in the year under review by	3,770	2,625

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 2011: €1,657 thousand).

The expenses can be broken down as follows:

Auditors’ fee

	2012	2011
	€ thous	€ thous
Audit of the annual financial statements	924	981[1]
Other assurance services	390	314
Tax advice	0	0
Other services	157	362

1) In the reporting year, € 92 thousand of the provisions formed in 2011 were released by the Bank.

56. Remuneration of Board members

According to Section 285 (1) 9a HGB, the total remuneration of the Board of Directors amounted to € 2,647 thousand (31 Dec 2011: € 2,414 thousand); the performance-related share of this total remuneration was 16%.

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.

The total remuneration is comprised as follows:

Total remuneration of the Board of Directors

	2012	2011
	€ thous	€ thous
Contractual salaries including possible variable remuneration paid	2,561	2,270
Fringe benefits (non-cash benefits)	86	143

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.

Retirement pensions amounting to €1,186 thousand (31 Dec 2011: €1,131 thousand) and fringe benefits (non-cash benefits) in the amount of € 9 thousand (31 Dec 2011: € 27 thousand) were paid to former members of the Board of Directors and their surviving dependants. The total remuneration for former members of the Board of Directors and their surviving dependants amounted to €1,195 thousand (31 Dec 2011: € 4,680 thousand). Pension provisions as at 31 December 2012 amounted to € 23,831 thousand (31 Dec 2011: € 24,478 thousand).

The total remuneration for members of the Supervisory Board was € 762 thousand (31 Dec 2011: € 729 thousand), which was divided up as follows: annual remuneration € 480 thousand (31 Dec 2011: € 424 thousand), attendance fees € 276 thousand (31 Dec 2011: € 296 thousand) and other remuneration € 6 thousand (31 Dec 2011: € 9 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 2012	31 Dec 2011
	€ thous	€ thous
Members of the Board of Directors	188	1
Members of the Supervisory Board	3,312	3,093

58. Board of Directors

Members of the Board of Directors

- Herbert Pfennig, Spokesman
- Harald Felzen
- Eckhard Lüdering
- Dr. Thomas Siekmann
- Ulrich Sommer (since 1 July 2012)

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
- 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, 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 2012, 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	Andreae-Noris Zahn AG, Frankfurt	Member of the Supervisory Board
	APO Immobilien-Kapitalanlagegesellschaft mbH, Dusseldorf	Deputy Chairman of the Supervisory Board, until 28 Dec 2012
	Apotheken-Rechen-Zentrum GmbH, Darmstadt	Chairman of the Administrative Board
	Börse Düsseldorf AG, Dusseldorf	Member of the Exchange Council, until 29 July 2012
	DFV Deutsche Familienversicherung AG, Frankfurt	Member of the Supervisory Board
	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	Chairman of the Supervisory Board
	Treuhand Hannover GmbH Steuerberatungsgesellschaft, Hanover	Member of the Supervisory Board, until 16 April 2012; Deputy Chairman of the Supervisory Board, since 17 April 2012
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 Düsseldorf, Aktiengesellschaft, Dusseldorf	Member of the Supervisory Board
Ulrich Sommer	Apo Asset Management GmbH, Dusseldorf	Chairman of the Supervisory Board
	aik Immobilien-Kapitalanlagegesellschaft mbH, Dusseldorf	Member of the Supervisory Board, until 17 June 2012; 2nd Deputy Chairman of the Supervisory Board, since 18 June 2012
	Börse Düsseldorf AG, Dusseldorf	Member of the Exchange Council, since 30 July 2012
	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, since 18 June 2012
Hans Fells	Finanz-Service GmbH der APO-Bank, Dusseldorf	Member of the Supervisory Board
Thilo Gewaltig	patiodoc AG, Berlin	Member of the Supervisory Board
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. Barbara Schwoerer	ARZ Haan AG, Haan	Member of the Supervisory Board
Uwe Zeidler	Apo Asset Management GmbH, Dusseldorf	Member of the Supervisory Board
	aik Immobilien-Kapitalanlagegesellschaft mbH, Dusseldorf	Member of the Supervisory Board

61. Name and address of the responsible auditing association

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

Dusseldorf, 15 March 2013
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 2012 to 31 December 2012. 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, 22 March 2013

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, 15 March 2013
Deutsche Apotheker- und Ärztebank eG
The Board of Directors

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

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