

Annual Financial Report 2011

Connecting Values



FLEXIBILITY

QUALITY

UNIQUENESS

PARTNERSHIP

COMPETENCE

Overview of Business Development

Overview of the 2011 financial year

	31 Dec 2011	31 Dec 2010	Change %
About the Bank			
Members	99,759	99,915	- 0.2
Customers	359,900	347,300	3.6
Employees	2,470	2,419	2.1
Locations	79	75	---

Balance sheet	€ m	€ m	% ¹
Balance sheet total	38,840	38,819	0.1
Equity capital	1,701	1,679	1.3
Customer loans	26,830	26,277	2.1
Customer deposits	19,301	18,191	6.1

Profit and loss account	€ m	€ m	% ¹
Net interest income	646.7	679.2	- 4.8
Net commission income	119.1	127.1	- 6.3
General administrative expenses	- 485.4	- 452.4	7.3
Profit before risk provisioning	280.4	341.0	- 17.8
Risk costs and precautionary measures			
for the customer lending business ²	- 65.1	- 69.9	- 6.9
for financial instruments and participations ²	- 118.7	- 201.6	- 41.1
Allocation to the fund for general banking risks	0.0	40.0	---
Net profit	43.1	53.4	- 19.2

Key figures	%	%	ppts
Equity ratio	13.0	11.3	1.7
Core capital ratio	8.5	7.2	1.3
Cost-income ratio	65.4	58.7	6.7
Return on equity (after tax)	3.3	4.1	- 0.8

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) Deviations due to rounding differences

2) Includes general value adjustments and provisioning reserves pursuant to Section 340f of the German Commercial Code (HGB)

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To Our Members & Customers

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Letter of the Spokesman of the Board of Directors

Dear Members, Customers and Business Partners,

Last year, prevailing conditions became even more difficult for the entire banking sector: Regulatory requirements became even stricter, the markets continued to be turbulent and there was a marked increase in competition. In spite of this, apoBank remained on its path. Proof of this can be seen in three core points that characterised the 2011 financial year:

- We were able to reduce our legacy burdens and stabilise apoBank.
- We generated a net profit and are therefore able to pay an appropriate dividend to our owners.
- And we laid the groundwork for the future with our future programme VorWERTs.

apoBank leaves the past behind

A brief reminder: In financial years 2009 and 2010, we invested all our energy in stabilising apoBank – we discontinued our business with structured financial products and put their administration into professional hands; we realigned the balance sheet and reinforced our core business. This path was also followed in 2011.

In addition, the Supervisory Board elected Eckhard Lüdering and Harald Felzen to complete the Board of Directors. Eckhard Lüdering is responsible for the Risk and Banking Operations Board department. Harald Felzen has taken charge of the Retail Clients Board department. Furthermore, Ulrich Sommer has taken on the position of Divisional Director with responsibility for Professional Associations, Large Customers and Markets.

Core business continues to grow in spite of difficult conditions

The EU debt crisis came to a new head in the second half of 2011. In addition, all banks had to deal with stricter future capital requirements, whose impact is already tangible today, as well as unsettled financial and capital markets. The latter in particular led to significant reticence when it came to investments and capital investment.

Despite this, the Bank was able to generate a net profit of €43.1 million. This enables us to pay out a dividend to our members again, as promised. At the Annual General Meeting, a dividend payout of 4% will be proposed.

The year 2011 also demonstrated that apoBank's business model is solid and strong. Both the lending and the deposit business continued to grow at a high level. For instance, we supported the health care professionals by providing €4.2 billion in new loans for their financing projects – and this even though the public were talking about a looming credit crunch.

We were also able to increase deposits, which is significant because they play an important part in refinancing. This has reduced our dependency on the capital market and cushioned the refinancing costs that are increasing significantly as a result of Basel III. And: When our customers entrust us with their money in difficult times, they are demonstrating their trust – this shows that apoBank is on the right path. This trust on the part of our customers is bolstered by the Bank's integration into the cooperative deposit protection system as well as by its good ratings.

In 2011, due to the general level of uncertainty, all financial institutions experienced reluctance in the investment business on the part of investors. In spite of this, we were again able to expand our private asset management business. This is a sign that, during unsettled times on the financial markets, customers trust in the competence and quality of our private asset management. That they are right in doing so is underlined by the award from Focus Money and n-tv that we are very proud to have received and which motivates us to continue on the path we have taken.

Finally, the Bank further improved its equity ratio in financial year 2011. This is a valuable development, especially in view of the ever-stricter regulatory requirements.

The further reduction of the remaining structured financial products also made a contribution here. Despite a fraught market environment, it has been possible to reduce the volume by more than €1 billion – without burdening P&L! So you can see that we are serious about the promise made in 2009 that apoBank would return its full focus to its core business. Another step taken in this direction was to part with AC Capital in 2011, which provided asset management for apoBank.

Future success requires the right groundwork today

In 2011, we made several important decisions in order to secure apoBank's long-term earnings power. The focus of these measures is the future programme VorWERTs. With the VorWERTs programme, we will create long-term value for our Bank and further expand our strong position in the health care sector.

To put it more specifically: On the one hand, we will focus our services very closely on the changing needs of health care professionals. To do this, we will invest in the competence and expertise of our employees to be able to offer health care professionals the best in bank support in an increasingly competitive environment. On the other hand, we will raise our performance by optimising our processes and equipping the Bank with more efficient, modern structures.

Thus apoBank has set the right course towards mastering the challenges of the future with aplomb. For it is important to be able to react swiftly and efficiently to the changing needs of health care professionals and the new prevailing conditions for the banking business. This is the only way the Bank can offer customers the best possible banking service, stand out from the competition and focus even more on developing our unique strengths. With VorWERTs, apoBank will achieve this aim.

A bank's most important asset is its employees

A very special thanks at this point goes out to our almost 2,500 employees. In recent months, they have made a great contribution to the Bank and have tirelessly worked in the interest of our members, customers and business partners. Important cornerstones here were the preparation for our IT migration and the launch of the future programme. Employee commitment was outstanding and we on the Board of Directors appreciate and are proud of this, as it is only the absolute commitment of our employees that makes it possible to modernise the Bank – an essential aspect in securing its future.

Dear members, customers and business partners, apoBank's business model is first class. As the leading bank in the health care sector, we have a unique selling proposition that gives us great competitive advantage. We have clearly defined our objectives for the future and have developed a package of measures, which will be implemented with determination. And we have a team that is committed to achieving the objectives set. These are ideal prerequisites for apoBank to successfully master 2012 as the next stage on the way to a prosperous future.



Herbert Pfennig

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

Report of the Supervisory Board

In order to fulfill its legal tasks and the requirements of the Articles of Association, the Supervisory Board was regularly informed by the Board of Directors throughout the year about all significant events in the regular meetings, the meetings of the Audit, Loan and Risk Committee, the Economic and Financial Committee, the Employee Committee and the Presiding Committee. In addition, a Regulatory Committee was formed to deal with charges brought against former members of the Board of Directors.

At the meetings, general questions regarding business policy in the investment and lending sector as well as in other service areas were discussed, as were the Bank's business situation and important individual transactions. The Supervisory Board concluded that apoBank continued to have a strong business model in financial 2011 and that the Bank continued to fulfill its statutory mandate. Proof of stable development is demonstrated in the ability to pay a dividend, the growing number of customers as well as the increased business volume in the lending and deposit businesses.

At the meetings, particular focus was placed on debt crisis developments in the eurozone and their impact on apoBank. With regard to existing country risks, the Supervisory Board was in agreement with the Board of Directors that sufficient risk provisions were made.

Another main topic discussed at the meetings was the continued phase-out of the structured financial products, which were reduced by more than €1 billion to €3 billion in the meantime, and in close connection with this, the increased focus on the Bank's core business. With this in mind, the Supervisory Board approved the proposal to part with the Bank's stake in AC Capital Partners Ltd. in the year under review.

In addition, the migration of the IT system to the cooperative platform bank21, which will be completed in 2012, was discussed in detail. The Supervisory Board and the Board of Directors also consulted on the regulatory challenges presented by Basel III and possible action to take, in particular with regard to increasingly strict capital and liquidity requirements. The Supervisory Board concluded that apoBank fulfilled regulatory requirements at all times in the year under review.

Furthermore, relief was provided for apoBank's equity ratio by the guarantee agreement concluded with the Federal Association of German Volksbanken und Raiffeisenbanken. In addition, the Bank draws on the expertise of Union Investment, which is managing the successive phase-out of structured financial products in a special fund. The Supervisory Board would like to thank its cooperative partners for their support.

Rheinisch-Westfälische Genossenschaftsverband e.V. carried out the audit of the annual financial statements and management report for the 2011 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.

Neither the corporate governance code of Deutsche Apotheker- und Ärztebank nor the German Corporate Governance Code was amended in the year under review. A declaration of conformity referring to the corporate governance code of apoBank was submitted in September 2011. The currently valid version of the code and the joint declaration of conformity by the Board of Directors and the Supervisory Board are published on the Bank's website. In addition, the corporate governance report is published in this annual financial report.

With effect from 8 April 2011, the Supervisory Board elected Eckhard Lüdering to the Board of Directors, with responsibility for the Risk and Banking Operations Board department. At the same meeting, Board of Directors member Bernd Span left the Bank by mutual agreement. At the same time, the Board of Directors was tasked with making preparations to enable Ulrich Sommer to gain official Managing Director status in accordance with Section 33 of the German Banking Act. Currently, Ulrich Sommer is Divisional Director of the Professional Associations, Large Customers and Markets Board department. On 1 July 2011, the Supervisory Board appointed Harald Felzen to the Board of Directors. As Director of Sales Retail Clients, he is responsible for the market regions of apoBank, among other things. In the year under review, it was possible to complete the Board of Directors and give it a long-term perspective.

The Supervisory Board expressly supports the work of the Board of Directors and it supports the new Board of Directors team in continuing on the path to further developing the Bank.

At the Supervisory Board meeting on 17 June 2011, employee representatives Karin Bahr, Norbert Hinke and Loni Wellert left the Supervisory Board. They are succeeded by Martina Burkard, Mechthild Coordt and Sigrid Emsters. Hans-Jochen Becker, representative of the executive staff, left the Supervisory Board, to be succeeded by Ute Szameitat.

Shareholders Dr. med. dent. Wolfgang Eßer and Dr. med. Ulrich Oesingmann left the Supervisory Board. They were succeeded by Dr. med. dent. Karl-Georg Pochhammer and Walther Kollbach.

Professor Dr. med. Jörg-Dietrich Hoppe passed away on 7 November 2011. On 23 December 2011, Dr. med. Frank Ulrich Montgomery was appointed his successor on the Supervisory Board until the end of this year's Annual General Meeting.

As scheduled, Walter Kollbach, who was elected for the remaining period of office of Dr. Ulrich Oesingmann, also leaves the Supervisory Board at the end of this year's Annual General Meeting in accordance with Section 24 par. 8 of the Articles of Association. Dr. med. Frank Ulrich Montgomery and Walter Kollbach may be re-elected.

The Supervisory Board would like to thank the members of the Board and the entire workforce of apoBank for their good work and extensive personal commitment in the year under review. We are convinced that we are on the right path towards shaping a successful future for the Bank and would like to thank all those involved for their trusting cooperation.

Dusseldorf, March 2012



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

Corporate Governance Report

Immediately after the adoption of the German Corporate Governance Code (DCGK) in February 2002, the Supervisory Board and the Board of Directors of Deutsche Apotheker- und Ärztebank e.G. examined its objectives and recognised its importance as a guideline for good corporate governance. Although the Code was developed for listed companies, Deutsche Apotheker- und Ärztebank has voluntarily adopted the regulations of the Code in a form applicable to it as a cooperative bank.

The corporate governance code of apoBank was developed based on the recommendations of the Government Commission on the German Corporate Governance Code (current version: May 2010) for stock corporations, which were published in the official section of the electronic federal gazette; in doing so, we took into consideration the particularities of a cooperative bank. This corporate governance code voluntarily set up by apoBank dated September 2010 thus contains essential regulations on managing and monitoring the Bank under internationally and nationally recognised standards on good and responsible corporate management. The Bank publishes this code as well as an annual declaration of conformity on its website www.apobank.de.

As the Government Commission on the German Corporate Governance Code carried out no amendments to the Code in the past financial year, no amendments were made to the corporate governance code of apoBank in the period under review. Further development is planned in the course of 2012 to align the code even more closely to the business model and the legal form of apoBank. Since April 2011, the Compliance division has been responsible for monitoring compliance with the Bank's own code. This division also audited compliance with the code as at 8 September 2011.

The system was already changed in the past financial year to bring it into line with the annual declaration of conformity. Henceforth, the deviations mentioned in the declaration of conformity no longer refer to the DCGK, but rather to the code of behaviour voluntarily introduced by apoBank. Thus it is no longer necessary to refer to

the DCGK as any deviations from it can be taken from the wording of the code of behaviour voluntarily set up by apoBank. The addressees of the declaration of conformity are informed as to what extent and on what basis there were deviations during the year from the code voluntarily adhered to by apoBank.

In the year under review, the corporate governance code of apoBank was complied with at all times with only two exceptions.

There were and are some deviations from the regulations set down in the code with respect to the remuneration structure of the Board of Directors. These occurred in order to comply with past regulatory requirements and currently to comply with the regulation governing supervisory requirements for remuneration systems of institutions (Institutsvergütungsordnung), which came into force in 2011. Amendment of the respective paragraph of the code in order to comply with the new legislation is currently being prepared for the amendment of the code planned for financial year 2012. In addition, the Supervisory Board discussed what it aims to achieve with the composition of the Supervisory Board and decided upon a specific declaration of objectives; it should be noted in this context that the declaration of objectives contains no fixed age limit for Supervisory Board members. The Bank is of the opinion that fixed age limits can be inappropriate in individual cases due to the opportunities presented by experience and qualification that can be utilised in carrying out the mandate. In such cases, it is the capacity to perform and the qualification of members of the Supervisory Board that should be decisive. Quite apart from the existing legal quality requirements to be fulfilled by Supervisory Board members, the Bank has been supporting qualification and training measures for the members of its Supervisory Board for years.

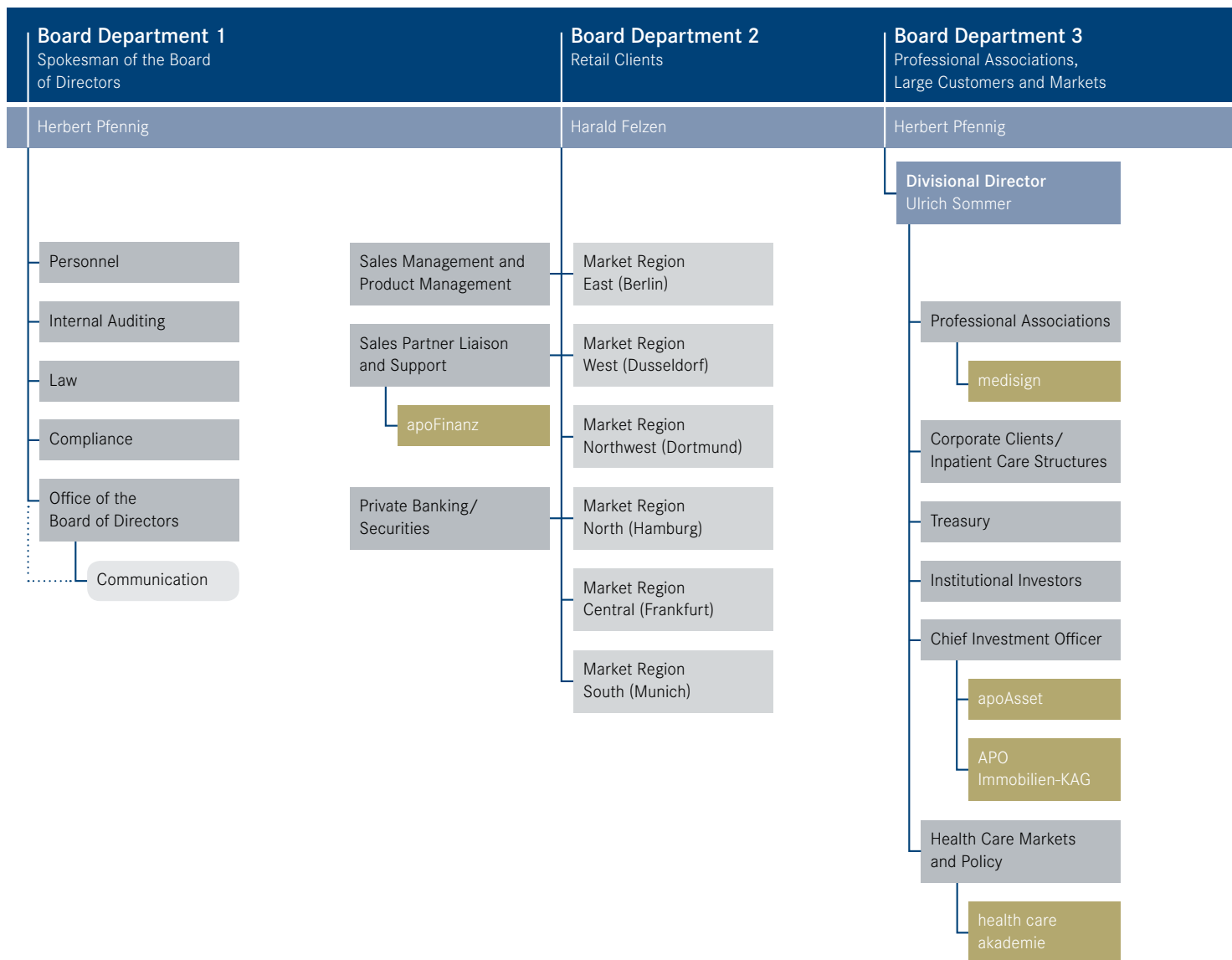
The individual deviations can also be found in the declaration of conformity, available on the Bank's website for five years.

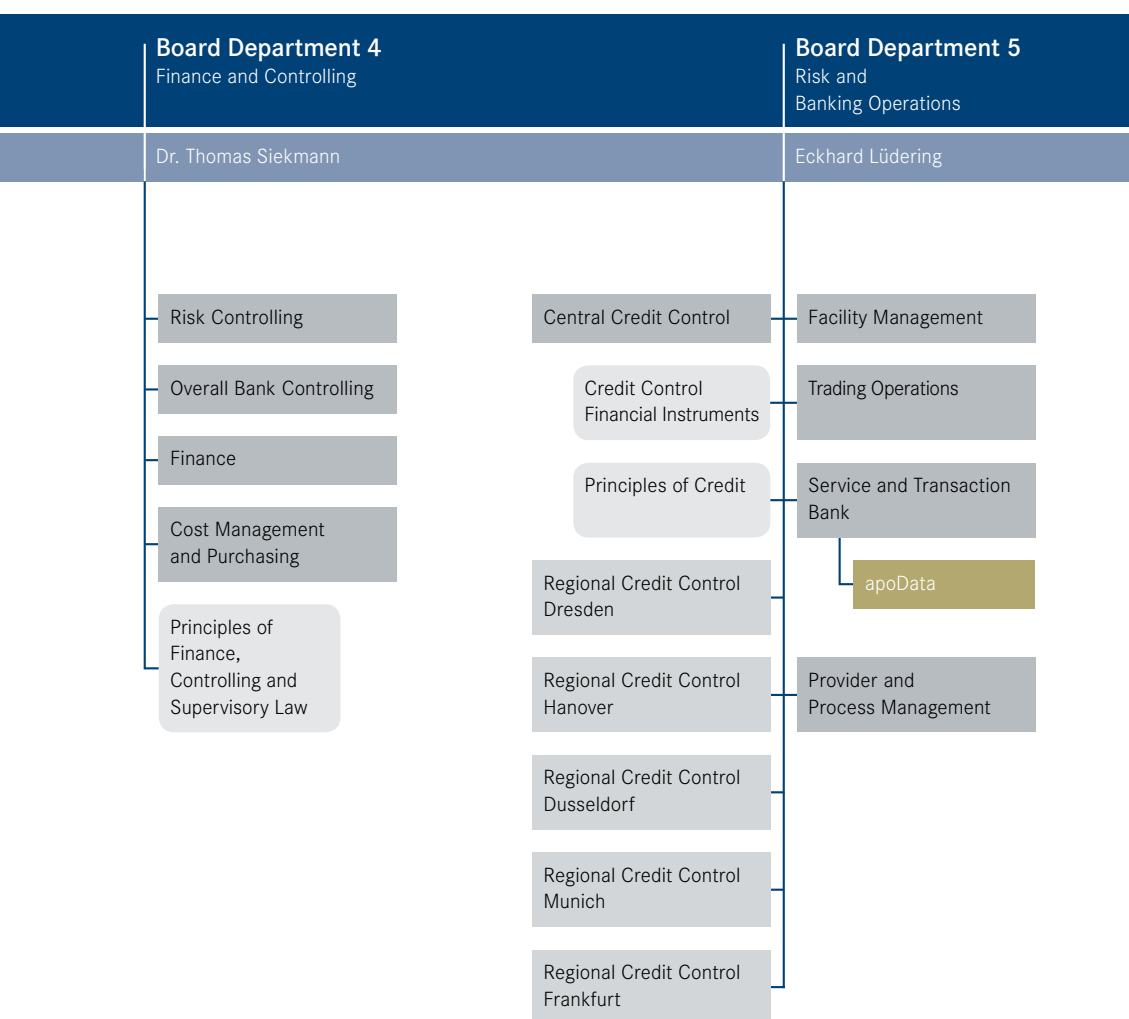
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Board Departments

Organisational chart of Deutsche Apotheker- und Ärztebank





Management Team



Harald Felzen

Ulrich Sommer

Herbert Pfennig

Eckhard Lüdering

Dr. Thomas Siekmann

Herbert Pfennig

Spokesman of the Board of Directors

Harald Felzen

Member of the Board of Directors

Dr. Thomas Siekmann

Member of the Board of Directors

Eckhard Lüdering

Member of the Board of Directors

Ulrich Sommer

Divisional Director

Supervisory Board

Hermann S. Keller, pharmacist
Chairman
Mainz

Wolfgang Häck
Deputy Chairman
Dormagen¹

Karin Bahr (until 17 June 2011)
Kiel¹

Ralf Baumann
Dusseldorf¹

Hans-Jochen Becker (until 17 June 2011)
Mülheim/Ruhr¹

Martina Burkard (since 17 June 2011)
Würzburg¹

Mechthild Coordt (since 17 June 2011)
Berlin¹

Sigrid Emsters (since 17 June 2011)
Meerbusch¹

Dr. med. dent. Peter Engel
Bergisch-Gladbach

Dr. med. dent. Wolfgang Eßer (until 17 June 2011)
Mönchengladbach

Sven Franke
Hanover¹

Eberhard Gramsch
Göttingen

Norbert Hinke (until 17 June 2011)
Dusseldorf¹

Klaus Holz
Essen¹

Prof. Dr. med. Dr. h. c. Jörg-Dietrich Hoppe
(† 7 November 2011)
Düren

Dr. med. Andreas Köhler
Berlin

Walter Kollbach (since 17 June 2011)
Bonn

Ulrice Krüger
Berlin¹

Dr. med. Frank Ulrich Montgomery
(since 23 December 2011)
Hamburg²

Dr. med. Ulrich Oesingmann (until 17 June 2011)
Dortmund

Dr. med. dent. Helmut Pfeffer
Wohltorf

Dr. med. dent. Karl-Georg Pochhammer
(since 17 June 2011)
Berlin

Christian Scherer
Neustadt¹

Friedemann Schmidt, pharmacist
Leipzig

Ute Szameitat (since 17 June 2011)
Mülheim¹

Loni Wellert (until 17 June 2011)
Vallendar¹

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

Advisory Board

Dipl.-Betriebswirt 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

Christoph Besters, Waldkirch

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

Dr. med. Thomas Birker, Heide

Dr. med. dent. Stefan Böhm, Munich

Dipl.-Volkswirt 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, Neutraubling

Dr. rer. nat. Ralph Ennenbach, Ahrensburg

Dr. med. Karsten Erichsen, Bremen

Heinz-Ulrich Erlemann, pharmacist, Cologne

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

Christian Finster, Bad Schönborn

Prof. Dr. med. Christoph Fuchs, Brühl

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. 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

Dr. med. dent. Alfons Kreissl, Frankfurt/Main

Dr. rer. pol. Andreas Kretschmer, Dusseldorf

Dr. med. Ingeborg Kreuz, Flensburg

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, Löbnitz

Rainer Linke, Potsdam

Volker Linss, veterinary, Villmar-Aumenau

Dipl.-Kfm. Thomas Löhning, Cologne

Dr. med. dent. Ute Maier, Dußlingen

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

Lothar Marquardt, dentist, Essen

Dipl.-Verwaltungswirt Eberhard Mehl, Bonn

Dr. med. Norbert Metke, Stuttgart

Dipl.-Ing. Hartmut Miksch, Dusseldorf

Dr. med. Josef Mischo, St. Ingbert

Dr. med. dent. Dirk Mittermeier, Bremen

Dr. med. Carl-Heinz Müller, Trier

Dipl.-Kfm. Karsten Müller-Uthoff, Hildesheim

Dipl.-Math. Gert Nagel, Hainburg

Christian Neubarth, dentist, Hildesheim

Dr. Ralph Nikolaus, Dresden

MUDr. Peter Noack, Cottbus

Dr. med. Gerhard Nordmann, Unna

Dipl.-Kfm. Siegfried Pahl, Erkrath

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

Walter Plassmann, Hamburg

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

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

Martin Reiss, Berlin

Dr. med. Karl-Friedrich Rommel, Mechterstädt

Dr. jur. Helmut Roth, lawyer, Senden

Günter Scherer, Berlin

Dr. med. dent. Karl Horst Schirbort, Burgdorf

Dr. med. Pedro Schmelz, Bad Kissingen

Dr. jur. Sebastian Schmitz, Mainz

Dr. med. Rüdiger Schneider, Trier

Dr. med. dent. Ursula von Schönberg, Barntrop

Dr. med. Thomas Schröter, Weimar

Dipl.-Med. Andreas Schwark, Bernau

Dirk Smolka, dentist, Bonn

Dipl.-Volkswirt Jochen Stahl, Münster

Dr. med. Eberhard Steglich, Guben

SR Dr. med. dent. Helmut Stein, Clausen

Dipl.-Volkswirt 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

Ulrich Weigeldt, Berlin

Dr. med. dent. Holger Weißig, Gaußig

Dr. med. Elmar Wille, Berlin

Prof. Dr. med. Kuno Winn, Hanover

Dr. med. dent. Walter Wöhlk, Molfsee

Dipl.-Ökonom Oliver Voitke, 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

Honorary Solicitor of the Supervisory Board
Meerbusch

Dipl.-Volkswirt Walter Schlenkenbrock

Honorary Chairman of the Board of Directors
Ratingen

Klaus Stürzbecher, pharmacist

Bearer of the Karl Winter Medal and
honorary member of the Bank
Berlin

Berthold Bisping

Honorary member of the Bank
Neuss

Elfriede Girtl

Honorary member of the Bank
Munich

Jürgen Helf

Honorary member of the Bank
Meerbusch

Dr. med. dent. Rudolf Oschika

Honorary member of the Bank
Moers

**Dr. jur. Albert Peterseim, pharmacist
(† 23 February 2012)**

Honorary member of the Bank
Essen

Dipl.-Betriebswirt Werner Wimmer

Honorary member of the Bank
Meerbusch

In Memoriam

Professor Dr. med. Dr. h. c. Jörg-Dietrich Hoppe
Member of the Supervisory Board of Deutsche Apotheker- und Ärztebank

The deceased was a person who incorporated the professional bank into many aspects of his dedicated and extensive engagement within the health care sector. Over a period of many years, the Bank benefitted from his commendable work on the Supervisory Board, complemented by his wealth of experience and advice as well as his dedicated support.

Dr. jur. Albert Peterseim, pharmacist

The deceased supported the development of the Bank for many years as a member of the Supervisory Board. Subsequently, he continued to make his contribution to the Bank as a member of the Council of Elders.

Sanitätsrat Dr. Hans-Joachim Hegerl

Oberpharmazierat Bruno Herold

Dr. jur. Ulrich Kirchhoff

Professor Dr. med. Gustav Osterwald

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.

Connecting Values

Values that everyone can rely on are essential in order to be successful as a company. This is true for banks as well as for practices, pharmacies, cooperatives and all other facilities in the health care sector. For values communicate a mindset. They provide orientation and, ideally, they create a close, long-term connection.

COMPETENCE

FLEXIBILITY

UNIQUENESS

QUALITY

PARTNERSHIP

**Dr. med.
Peter Broichmann**
Dermatologist,
Wiesbaden



COMPETENCE

My patients place their trust in my care. And rightly so! To me this means not relying on my years of international training as a dermatologist, but to constantly keep up with medical developments and my patients' needs. Each and every day.



Georg Heßbrügge
Head of the Health
Care Markets and
Policy division at
apoBank's head
office in Düsseldorf

The health care sector is complex. To put things in the right perspective, you need to know the business. Because the markets and legislation are changing all the time. So you have to stay on the ball, take an analytical and structural approach and tailor the transfer of knowledge to your customers and colleagues. A highly exciting job that challenges and motivates me every day.

**Dr. med. dent.
Elgin Laufenberg**
Pediatric dentist,
Alzey



FLEXIBILITY

What's great about working with children is that it's never boring. I have to be completely spontaneous all the time. I help one child to overcome its fear by taking a playful approach to treatment. I simply say "hi" to the next, who climbs up onto the dentist's chair without hesitation.



Laura Reinhardt
Vocational trainee
at apoBank's
branch in Mainz

My training presents me with something new every day. New customers, new challenges, new products. This means I have to be open, flexible and quick. It's great fun and also the best preparation for great results at the end of my training!

Nenad Josipovic
Surgical intern
in Frankfurt/Main



UNIQUENESS

No two broken legs are alike. No two fractured shoulders are alike. Each case, each patient is unique. And I have to treat them as such. That's the challenge, but it's also what fascinates me about my job.

**Frank Steimel**

Deputy Head of the
Central Credit Control
division at apoBank's
head office in
Dusseldorf

Setting up in practice for the first time, purchasing a new 3-Tesla-MRT, taking on the parents' pharmacy: Individual projects and goals are as varying as the customers themselves. There can be no one-size-fits-all solution when it comes to processing loans. I have to go into every detail of every project to be able to assess a planned investment properly.

Josefine Kros
Pharmacist, Mainz



QUALITY

As a pharmacist, I have a lot of responsibility when it comes to selecting and preparing medicines. Quality is of the essence, especially with medication we produce at the pharmacy. The same applies to the advice I give. I aim to offer each customer the medicine most suited to their personal needs. That's why I keep very good, close contact to my customers.



Jürgen Wirtz
Head of Private
Asset Management
at apoBank's head
office in Düsseldorf

The yardstick for a good asset manager is quality standards. Our customers demand this of us – as does the intense competition. I strive not to just fulfill these expectations but to exceed them as often as possible. Diligence, reliability, accuracy and conscientiousness are therefore an integral part of my day-to-day work.

left:
Andreas Martin
Radiologist

right:
**Dr. med.
Heiner Steffens**
Radiologist

Managing directors
of radprax,
Wuppertal



PARTNERSHIP

Together, we strive to guarantee the utmost in patient care. That's why we went into partnership – first just the two of us, then four, now with over 45 consultants. Three things are necessary to make sure cooperation on this scale works: intensive dialogue, common quality standards and mutual trust.



left:
Christian Mußbach
Sales assistant
at apoBank's
regional office in
Dusseldorf

right:
Heike Kern
Customer advisor
at apoBank's
regional office in
Dusseldorf

We make a good team. Our individual strengths complement each other perfectly, allowing us to divide up our tasks very well. No matter what we are working on individually: Close coordination, respect and mutual support always come first.

Key Events

Values such as partnership, quality, competence, uniqueness and flexibility – these are what apoBank stands for in its relationship to its members, customers and business partners. Each and every day.

This review of 2011 documents the events that marked the Bank's 2011 financial year and shows how values characterise day-to-day relations.

Our Year 2011

1 January
AMNOG comes into force



3 February
Euro Fund Award for
apo Medical Opportunities

January

AMNOG comes into force

On 1 January, the Law on the Realignment of the German Pharmaceutical Market (AMNOG), passed in 2010, comes into force. Legislators introduced the law in order to slow down increasing costs in the health care sector.

Pharmacists are critical of the law as it is expected to place burdens on many pharmacies' profits. Estimates in the first half of the year assume that the gross profit per pharmacy in 2011 will decrease by an average of €12,000.

mobileTAN und 3-D Secure for more security

apoBank offers its online banking customers a new security procedure: mobileTAN. Bank customers receive a transaction number (TAN) via text message to their mobile phones. A new number is generated for each transaction and is valid for a limited time only. For security reasons, the TAN is also linked to important data which identifies the respective transaction, e. g. recipient account and amount. The mobileTAN procedure is even more secure than the widespread iTAN procedure, where the customer receives a list with indexed TANs.

In April, the Bank also introduces the new security standard 3-D Secure for online credit card payments. 3-D Secure offers an individual password and an individually selected personal greeting for considerably higher protection against unlawful use of personal credit card data on the internet.

February

€uro Fund Award for apo Medical Opportunities

Global equity fund apo Medical Opportunities receives the €uro Fund Award 2011. The fund is managed by apoAsset, which belongs to apoBank and Deutsche Ärzteversicherung, as well as by Medical Strategy. Since 2005, the fund has been focusing on investing globally in companies that profit in particular from the growth trends on the global health care market. In its peer group, the fund achieved the best five-year growth performance.

In addition, the fund receives the renowned Lipper Fund Award in April.

Pharmacon in Davos

At Pharmacon in Davos, apoBank hosts the traditional Bank Evening. Herbert Pfennig, the Spokesman of the Bank's Board of Directors, looks back on 2010 and thanks those present for their years of loyalty to their professional bank. Pfennig welcomes the guest speaker, former Federal Minister of Finance Peer Steinbrück, whose talk is entitled "Germany, what will the future bring?"



8 April
Eckhard Lüdering
is appointed to the
Bank's Board of
Directors



8 April
Ulrich Sommer becomes
Divisional Director

March

Dentists' Winter Congress in Davos

The 43rd Dentists' Winter Congress takes place from 6 to 11 March 2011 in Davos. apoBank hosts an economy day as part of the event. Ulrich Sommer represents the Bank in informing participants about developments at apoBank and on the capital market. Guest speaker Professor Volker Mosbrugger gives a talk on "Our perspective – do we know what awaits us?" and offers participants new insights into climate change, global warming and species extinction.

April

Board of Directors restructured

apoBank goes ahead with the restructuring of the Board of Directors team: Eckhard Lüdering is appointed to the Bank's Board of Directors. He takes charge of the Board department Risk and Banking Operations.

This means that the Bank is able to bring a new member to the team, thus opening up long-term prospects for the Board at an earlier stage than planned. Bernd Span's interim appointment, taken up in November 2010, is terminated on mutual agreement.

At the same time, Ulrich Sommer takes over as Divisional Director of the Professional Associations, Large Customers and Markets department. In addition, the Supervisory Board assigns the Board of Directors to support Mr. Sommer in gaining official Managing Director status in accordance with regulatory legislation.

apoBank returns to the profit zone

apoBank publishes its results for the financial year 2010. Thanks to its operational profitability, it generated a net income of €53.4 million. Thus the Bank achieved its prime objective of being able to pay out a dividend.

apoBank intensifies dialogue with its members

As a cooperative bank, apoBank is in very close touch with its members. In order to inform members quickly and even more comprehensively about current trends within the Bank, it is launching an electronic member information service. The service provides associates with all information about the Bank that is relevant to them. Members can register on the apoBank website.

In November, the Bank extends its service by launching the apoKompakt newsletter, designed exclusively for members. In the newsletter, the Bank addresses current developments and trends on the health care market and analyses the impact they have on the world of health care professionals.

11 April
apoBank returns to the
profit zone

12 May
Daniel Bahr is new
Minister of Health

May

Green energy at apoBank

apoBank introduces environmentally efficient green energy. With immediate effect, all the Bank's decentralised locations are powered 100% by renewables, enabling apoBank to make an important contribution to climate protection.

apoBank at Hauptstadtkongress in Berlin

The Hauptstadtkongress Medizin und Gesundheit (capital city congress for medicine and health) takes place in Berlin. As in previous years, apoBank is on the spot at the congress with representatives and an exhibition booth. In addition, on the congress day dedicated to doctors with their own practices, the Bank cooperates with the National Association of Statutory Health Physicians on the information event "Modern investment management". The focus here is on topics such as how to calculate investment in equipment, modern financing tools and practice controlling.

Daniel Bahr is new Minister of Health

State Secretary Daniel Bahr, who is a well-known expert in health care, is appointed Federal Minister of Health. As minister, the main focus of his work will be on securing outpatient care and pressing ahead with the reform of nursing care insurance.

Only one week before his appointment as Minister of Health, Bahr was guest at the apoBank head office, where he gave a talk on current health policy. In his talk, he reviewed the health reforms of recent years up to the upcoming health care structural reform act for statutory health insurances and laid out the measures he considers necessary to secure medical care in the future.

German Medical Assembly in Kiel

The German Medical Assembly 2011 takes place in Kiel. The 250 delegates of the 17 State Chambers of Physicians come together to discuss important policy aspects in relation to their profession, in particular the planned health care structural reform act for statutory health insurances (GKV-VStG).

At the same time, new elections for the Executive Committee of the German Medical Association are held. After twelve years, Professor Dr. med. Jörg-Dietrich Hoppe resigns from his office as president. Dr. med. Frank Ulrich Montgomery is elected as new president.



17 June
Annual General Meeting
convenes in Dusseldorf



1 July
Harald Felzen appointed
Director of Sales

June

apoBank sets up a division dedicated to the support of outpatient care structures

The advisors who work in this new division of apoBank have undergone additional training to become specialised in complex financing structures typical of health centres, cooperative practices and medical care centres.

In this area, apoBank also works closely with the Deutsches Netzwerk Versorgungsstrukturen (German network of health care structures), initiated by the Bank in 2009, in order to ensure comprehensive consulting services that also cover legal and fiscal aspects. More than 60 lawyers specialising in medical law, tax consultants, management consultants and construction controllers are involved in the network.

apoBank's Annual General Meeting convenes in Dusseldorf

The Annual General Meeting is held in Dusseldorf. The representatives adopt the Board of Directors' proposal to pay out a dividend of 4% and to add €20 million to the Bank's reserves.

First PatioDoc centre opens in Duisburg

Approximately one year after the joint venture Patiomed was founded with the participation of apoBank, Patiomed takes over operation of its first physician-led care centre under the brand name PatioDoc. Self-employed physicians from various speciality areas work at the health centre in Duisburg in a total of ten practices. PatioDoc carries out various services for them such as management of the central reception area and support in negotiating individual service provision contracts. The aim is to provide health care professionals with some relief from tasks unrelated to medicine in their day-to-day work and thus increase the attractiveness of self-employment.

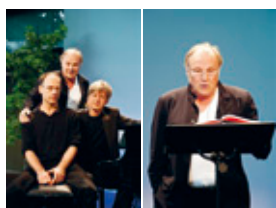
July

Harald Felzen appointed Director of Sales

Harald Felzen takes office as member of apoBank's Board of Directors. He will take over the retail clients business of the Bank with immediate effect. Previously, Felzen was on the Board of Directors of the Kreissparkasse Ludwigsburg, where he was also responsible for retail clients.

Midsummer Night's Dream at apoBank

Some 350 guests gather at apoBank's head office for a charity event. Klaus Maria Brandauer and piano duo Andreas Grau and Götz Schumacher bring guests on a literary and musical journey with their interpretation of William Shakespeare's *Midsummer Night's Dream*. The proceeds of the event go to the Karin-Brandauer Fund at the University of Tel Aviv.



21 July
Midsummer Night's
Dream at apoBank



25 August
apoBank receives quality seal
"audit berufundfamilie"

31 August
apoBank publishes
half-yearly figures

August

apoBank parts with AC Capital Partners

In the course of implementing its strategy to focus on its core business, apoBank parts with its shareholding in AC Capital Partners Ltd. (AC Capital). apoBank's stake is taken over by a holding company as part of a management buyout. With its new ownership structure, AC Capital will extend its business model and further develop its activities by integrating new cooperation partners.

In 2005, apoBank acquired the majority in AC Capital. AC Capital acted as asset manager for the Bank and mainly managed its structured financial products.

New apoBank location opens in Erlangen

apoBank opens a new location in the university city of Erlangen. Now apoBank is able to provide even more intensive support to health care professionals in the region, among whom are some 4,000 physicians employed at clinics as well as the medicine and pharmacy students at the university. By the end of 2011, apoBank will have 79 locations.

apoBank receives quality seal "audit berufundfamilie"

By participating in the "audit berufundfamilie", which is under the patronage of the Federal Minister for Family Affairs and the Federal Minister of Economics, the Bank aims to support its employees in reconciling family and working life enabling them to achieve a good work-life balance. With this in mind, the Bank expanded its child and family care support in particular: For example, it supports employees in their search for day care for their children, offers day care during holidays and helps find carers to look after family members.

apoBank publishes half-yearly figures

apoBank closed the first half of 2011 with a net profit of €23.5 million. When announcing the figures, Spokesman of the Board of Directors Herbert Pfenning confirms that the Bank plans to generate a net profit in 2011 that will permit an appropriate dividend payment to be made to members.

apoBank develops new further education programme for employees

apoBank invests in the further education of its employees. In collaboration with the Frankfurt School of Finance & Management, it launches the "Certified Advisor Managed Health Care" course of studies. This 31-day course of studies is designed to update participants' expertise in all aspects of outpatient care structures. In addition to gaining more knowledge of the different outpatient care structures, participants are trained in the areas of corporate analysis, financing consulting and structured financing, law and taxation, construction technique, developer financing and construction controlling as well as in preparing and assessing business plans.

The course will start in early 2012.

21 September
Federal cabinet approves
dental fee schedule (GOZ)

28 September
More doctors and
dentists collaborate

September

Federal cabinet approves dental fee schedule (GOZ)

The federal cabinet approves the amended version of the dental fee schedule. The service directory is expanded and updated. In addition, some services are repriced to yield higher fees. However, there is no general revaluation of dentist services. Therefore, dentist representatives criticise the fact that remuneration for most of the services remains unchanged. The German government expects an overall growth in the yearly remuneration volume of €345 million. This is an increase of 6%.

In November, the upper house of the German parliament also approves the amended version of the dental fee schedule, which will come into force at the beginning of 2012.

More doctors and dentists collaborate

The business start-up analyses 2009/2010 carried out by apoBank, the Institute of German Dentists and the Central Research Institute of Ambulatory Health Care show that an increasing number of health care professionals are working in cooperatives.

Among dentists, it is primarily new-business founders up to the age of 30 who decide to cooperate. In the former states of West Germany, 41% of them joined professional cooperatives. Among physicians, more than 50% opted for cooperation, regardless of age. For the first time since these surveys started, more doctors opted for cooperation than for individual practices.

The business start-up analyses' data is based on the evaluable business start-ups implemented by apoBank and also provides information about the investment behaviour and the demographic data of the business founders. The Bank uses this expertise to provide optimal, hands-on support to physicians and dentists when they become self-employed or transfer their practice to others.

Success story of apoReal International continues

The real estate special fund apoReal International, issued by apoBank subsidiary aik, achieves a performance of 10.9% in financial 2010/2011 (BVI method), thus continuing the success of the previous year. In 2011, the joint fund of several pension schemes and pension funds, which further investors can participate in, continued to diversify its real estate portfolio. New purchases were made in Leipzig, Potsdam, The Hague and Brussels.



5 October
apoBank supports
EXPOPHARM MEDIENPREIS

From left to right:
Peter Schlögell, Heiko Lossie,
Dr. Klaus G. Brauer



26 October
apoBank's private asset
management receives
distinction in bank test

October

apoBank supports EXPOPHARM MEDIENPREIS

The EXPOPHARM MEDIENPREIS is awarded on the eve of EXPOPHARM. The award goes to journalists who provide unbiased reporting on the role and function of pharmacies in society. apoBank is represented on the jury of this media award for the first time. Peter Schlögell, head of the Professional Associations division, holds a laudatory address for Heiko Lossie from dpa, award winner in the category "Pharmacy and Economy". Lossie reported in factual detail on pharmacist as a profession and made an essential contribution towards objective reporting on pharmacists in general.

Deutscher Apothekertag (German pharmacists' convention) and EXPOPHARM take place in Dusseldorf

At the general assembly of the German pharmacists' convention, the focus is on "pharmaceutical care as a future concept", also called ABDA-KBV concept, the health care concept developed by doctors and pharmacists. The concept aims to improve care for patients as well as the prevailing conditions for providers and to reduce red tape in health care.

The joint concept is gradually integrated into the health care structural reform act for statutory health insurances (GKV-VStG); the proposals laid out in the concept are to be initially implemented in a pilot region.

At the same time as the German pharmacists' convention, the international pharmaceutical trade fair EXPOPHARM opens its doors. apoBank is also represented at this industry gathering. At its stand, the Bank informs visitors about all aspects of financing, investment and personal financial planning for the future.

Every second apoAsset fund rated receives four stars

The Morningstar rating agency carries out its regular rating of investment funds. Four of the eight apoAsset funds rated receive four out of five stars, including for the first time the particularly well diversified apoVivace INKA. This fund performed much better than many competitors during the stock market turbulence of 2011.

Equity fund apo Medical Opportunities, pension fund apo Rendite Plus INKA and umbrella fund apo Piano INKA also each receive a four-star rating, placing them in the top third of all funds rated by Morningstar.

apoBank represented at European Health Care Convention

In Munich, the 10th European Health Care Convention takes place entitled "New horizons in the health care market: the road to patient empowerment". Renowned speakers explain the planned regulations of the health care structural reform act for statutory health insurances, among others Georg Heßbrügge, head of the Health Care Markets and Policy division at apoBank. He talks about the often discussed conflict between self-employment in the health care sector and work-life balance.

apoBank's private asset management receives distinction in bank test

For the third time in succession, apoBank receives distinction for its services in private asset management. In the Focus Money and n-tv bank test, which examined the consulting quality and portfolio management competence of 36 banks and asset managers, apoBank is rated "excellent". The jury judged apoBank's services – from advice provided to risk consulting right up to portfolio structure – "faultless". The jury concluded that the



31 October
Over 17,000 signature
cards in use



11 November
Competition of
ideas "Vorbilder 2012"
launched

November

recommended private asset management, whereby asset allocation primarily took place via direct investment and investment funds, was "of very high quality".

aik returns higher than market average again

The ten special real estate funds of apoBank subsidiary aik perform better than the market average: In their recent financial years, they achieved returns of an average of 5.8% (BVI method). For investors, this resulted in a payout of 4.5% on average.

Over 17,000 signature cards in use

More than 17,000 physicians and dentists are using the signature cards produced and distributed by apoBank subsidiary medisign. In the first nine months of 2011 alone, the number of electronic IDs for physicians (eHBA) and electronic IDs for dentists (ZOB) issued by medisign grew by one-third, with market share at over 90%. Amongst other things, the positive response of health care professionals is due to the fact that they benefit from considerable cost advantages when they use the signature cards in the online invoicing process.

To provide information about online invoicing, the professional associations closely collaborate with medisign on regular information seminars. For instance, over 3,000 dentists attended seven events in the association of panel dentists' (KZV) North Rhine region to find out about how to use the medisign card to carry out online invoicing with KZV.

Physicians mourn

Professor Dr. med. Jörg-Dietrich Hoppe

Professor Dr. med. Jörg-Dietrich Hoppe made a considerable contribution to all professional areas of the health care sector for over 40 years. As president of the Federal Board of Physicians, he championed the self-employment of physicians and represented the medical profession with great expertise.

As a member of the Supervisory Board of apoBank, he significantly helped shape its development since 2002.

apoBank at German dentists' convention

The German dentists' convention in 2011 goes under the motto "Risk recognition and risk management". Participants attend the congress to gather and exchange information about what's new, for instance in the areas of diagnostics and therapy. As the leading bank in the health care sector, apoBank is also represented at the German dentists' convention: As a premium partner, the Bank supports this renowned gathering of the industry, thus demonstrating its commitment to health care professionals.



16 November
apoBank at MEDICA



22 November
Distinction for pension fund
apo Rendite Plus INKA

31 December
apoBank is committed to
the economic support of health
care professionals

Competition of ideas “Vorbilder 2012” (role models 2012) launched

In collaboration with the Zahnärztliche Abrechnungsgenossenschaft (dentists’ invoicing cooperative) and Pluradent, apoBank initiates the competition of ideas “Vorbilder 2012” to find dentists who have mastered the many challenges of self-employment with innovative ideas, thus encouraging younger dentists to take the step towards self-employment. The competition of ideas is intended to draw attention to forward-looking concepts and to demonstrate to dentists the benefits of self-employment. The winners will be announced at the German dentists’ convention 2012.

apoBank at MEDICA

With a very special eye catcher, apoBank surprises visitors to MEDICA, which traditionally takes place in Düsseldorf: A huge white tree bathed in blue light forms the central element of the apoBank stand and becomes the unofficial meeting point at the world’s largest medical trade fair. Here, an exchange of expert opinion and health policy discussions take place in a pleasant atmosphere.

Distinction for pension fund apo Rendite Plus INKA

At the Feri EuroRating Awards 2012, apo Rendite Plus INKA pension fund is in the top 5 in its category. In collaboration with n-tv, rating agency Feri EuroRating awards this prize to the best public funds on the German-speaking market. The fund primarily invests in European corporate bonds with good creditworthiness. They are managed by the fund managers from apoAsset.

December

GKV-VStG adopted by lower house of the German parliament

The lower house of the German parliament adopts the health care structural reform act for statutory health insurances (GKV-VStG). The new law is intended to counteract under- and over-supply issues in outpatient care. In addition, it offers the associations of panel doctors and government committees more flexibility in securing care services. The new regulations should continue to create more flexibility for contractual physicians, give physicians the opportunity to better reconcile their profession with their family life and reinforce the self-employment of physicians. At the same time, it is assumed that the regulations of the GKV-VStG will have a positive, although moderate impact on contractual physicians’ and dentists’ fees.

Pharmacist Hermann S. Keller turns 70

The Chairman of the Bank’s Supervisory Board, the pharmacist Hermann S. Keller, celebrates his 70th birthday. Keller’s name and work are closely associated with pharmacists, and he is still playing an essential part in shaping professional policy in various functions. In 1985, he was appointed to the Supervisory Board of apoBank and became Chairman in 2009. As Chairman, he works tirelessly for a fair balance between economical business practices and the interests of apoBank’s members and customers.

apoBank is committed to the economic support of health care professionals

New loans of over €4 billion show that apoBank takes its mandate of providing economic support to health care professionals, as set out in its Articles of Association, seriously. As in previous years, the leading bank in the health care sector supports its members and customers more comprehensively than any other bank when it comes to financing business start-ups, practice investments and private projects. While the public discusses a looming credit crunch, the Bank is sending clear positive signals to its customers and members.

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Business and General Conditions

apoBank – the leading bank in the health care sector

Founded in 1902 as a universal bank with a full spectrum of products and services, apoBank has tailored its business policy to the specific needs of the medical professions and the health care market. Its cooperative purpose as set forth in the Articles of Association is to assist and support its members in financial matters and thus promote health care professionals and their organisations and institutions. In the context of overall bank control, this purpose is of overriding importance. In connection with this, the Bank sees its objective as allowing the members of the cooperative to share 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 and business potential in the thriving health care market. In accordance with its statutory purpose, the Bank satisfies the growing demand for investment in the health care market as a reliable financing partner. Its profound specialist knowledge of the sector and customer needs is a basis for the acquisition of new business and the management of risk, helping the Bank to retain its leadership position.

The Bank's customers include members of the academic health professions, professional associations, cooperatives and companies operating in the health care market, as well as operators of pharmaceutical, dental, medical, inpatient and nursing care structures and other selected customers.

apoBank's main business activities are the provision of financial services for retail clients and for large customers, associations and medical care structures. 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 as a partner to its customers and to deliver a high level of quality for their benefit.

Focus on core business

apoBank's business policy is centred on its profitable core business, with a balanced earnings and risk ratio based on clear risk guidelines. apoBank continues to grow in all areas by means of a systematic strategy process.

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 capability. These points are also at the core of the future programme VorWERTs, which the Bank launched at the end of the year under review.

Further expanding the market position goes hand in hand with consistent tapping of growth potential in the core customer segments and the core competence areas of apoBank. In the retail clients segment, the

Bank is pushing ahead with the improvement of its needs-driven customer support. Among other things, as the general conditions in health care are constantly changing, this enables advice to be tailored to the respective life phase of the customer. For instance, customer advisors specialise either in self-employed or salaried health care professionals. Continuous improvement of these support structures makes further customer base expansion possible. Overall, customers are also placing increasing trust in the Bank's expertise in the investment business.

To optimise its core processes, apoBank will in future no longer run its own IT operations. In 2012, the entire IT application landscape will be outsourced to GAD eG, a data processing centre of the cooperative FinanzGruppe, in a full-service relationship. This change means that the Bank has access to standardised and continuously upgraded systems which meet its needs, without itself having to develop or operate complex IT systems. The migration of the central bank systems connected with this change further improves the Bank's customer-related processes.

The Bank has already taken measures to immunise itself against risk as well as reduce the burden on and strengthen its equity capital in response to the situation on the financial markets, which was further exacerbated by the euro crisis. Based on its sustainable strategy to reduce the sub-portfolio of structured financial products, the Bank is continually reducing risk in the financial instrument portfolio by way of redemptions, maturities 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 refinancing funds in order to further reduce the share of capital market refinancing.

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.

Slower growth of world economy

In the year under review, global economic growth slowed down. This is particularly true of the second half of the year, when the debt crisis in the euro area came to a head. Even in Asia, growth weakened in all countries except Indonesia. In addition to the natural catastrophe in Japan, fear of inflation in China due to the hyperactive housing market was an issue. Growth also slowed considerably in the USA, the world's largest economy.

Varying trends on housing markets

There were first signs of consolidation on the housing market in the USA. In addition, pragmatic measures such as leasing real estate from foreclosures to prevent further price drops and/or value drops were discussed. In Spain, the housing market has probably still not hit its lowest point in spite of continued price decreases. Due to the different general economic conditions in Germany, demand for residential property was high, resulting in increasing prices.

Development of gross domestic product of selected EU countries

	2011 %	2010 %
Germany	3.0	3.7
Austria	3.0	2.3
Finland	2.8	3.6
Belgium	2.0	2.3
Eurozone	1.6	1.8
France	1.6	1.4
Netherlands	1.5	1.6
Ireland	1.4	- 0.4
Spain	0.7	- 0.1
Italy	0.6	1.2
Portugal	- 2.1	1.3
Greece	- 5.7	- 4.4

The UK is an important indicator of trends on commercial real estate markets. Sellers on the UK market were able to achieve higher prices than in the previous year overall, although this trend weakened slightly towards the end of the year under review. Markets in Germany, Northern Europe and parts of France also saw increasing prices.

Germany leads the eurozone in spite of fluctuating economic development

Overall growth in the eurozone weakened slightly compared to 2010. Positive exceptions to this trend were Austria, France, Spain and Ireland. Austerity measures had a strong negative impact on the Portuguese and Greek economies. The same is true for Spain, Ireland and Italy, which has been in recession since the third quarter of 2011.

Nonetheless, Italy has a large number of competitive companies and is one of the few eurozone countries with a budget surplus – net of debt servicing.

In 2011, with growth at 3%, Germany was initially able to continue on its growth path of the previous year. However, in the second half of the year, this growth slowed down, with the country finishing the year with a slightly negative figure. Overall, Germany profited from its strong exports and a shift in export structure as the year went on. Domestic demand was also positive as a result of growing investment and higher consumption, which profits from the continuously improving labour market.

Higher capital requirements at financial institutions

As a result of the financial crisis, financial institutions focused on “deleveraging” their asset and loan portfolios, i. e. closing positions previously leveraged by loans. At the same time, banks had to overcome challenges relating to increasing capital requirements due to the utilisation of equity capital for the deleveraging process and in particular the strict upcoming Basel III requirements. Capital procurement was difficult for the industry as trust in the banking sector as well as trust between banks themselves was not what it had been before the financial crisis began.

European debt crisis impacts financial market development

The financial markets were extremely turbulent in the year under review. Day-to-day business was marked by high levels of volatility despite the fact that the markets were less influenced by fundamental economic data than by what was happening in the political arena.

Development US dollar/euro in 2011

US dollar/euro



Central banks followed a very expansive monetary policy. The US Federal Reserve Bank's target rate for call money has been between 0% and 0.25% for a good three years now. The European Central Bank (ECB) had kept the base rate at 1.0% for two years. Then, in April and July, interest rates were raised twice by 0.25% respectively, to 1.5%. In November and December, the base rate was then reduced back to 1.0% in two steps under the new ECB president Mario Draghi. The reason for this was the dull economic prospects in the European economic area. In addition, the ECB was active in purchasing government bonds from euro countries. In 2011, the euro exchange rate remained within a relatively narrow range of between €1.28 and just under €1.50 to the US dollar.

Interest on 10-year German federal bonds was around 3% at the beginning of the year and reached its peak of 3.5% early in the year. Each time the debt crisis came to a head, more focus was subsequently placed on secure federal bonds. Long-term yields on federal bonds reached a record low in the course of the year (approximately 1.7%). Federal bonds with two-year maturities saw yields falling in November, for example, to below

0.3%. As yields continued to drop, the gap between Federal bond interest rates and rates on the bonds of other European countries grew significantly.

Uncertainty due to growing country risks, in particular in peripheral European countries, also had an impact on other areas. For instance, yields on bonds of international banks increased significantly and in some cases more than doubled.

The situation on the stock markets remained volatile in financial 2011. The leading European share indices showed a clearly negative trend. In the course of the year, the EURO STOXX 50 dropped by 17.1%. The DAX performed slightly better at minus 14.7%. Among the leading share indices, only the S&P 500 on the US stock market had a positive yield of 3.3% (on a euro basis).

Development of the yield on federal bonds in 2011



Health care remains a growth market

In 2011, the health care sector was again a growth market. According to the Bank's forecasts, health care expenditure went up by approximately 3.5% in 2011. As a result, the share of health care expenditure in relation to gross domestic product is expected to have been 11.6%.

The most important payer is still the statutory health insurance (GKV), covering approximately 56% of health care expenditure. The figures until the end of the third quarter of 2011 show that health care expenditure by GKV rose only slightly by 2.5% compared to the previous year. This was primarily due to increases in spending on outpatient physician treatment, hospital treatment and sick pay. Administration costs of the health insurers rose slightly by 1.5%. GKV's financial situation showed a positive trend in 2011. By the end of the third quarter, health insurers had posted a surplus of €3.9 billion.

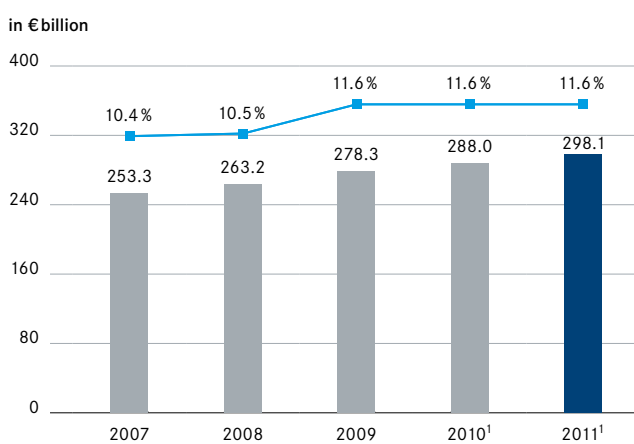
Private health insurers (PKV) also recorded an increase in expenditure of 5.4% in the year under review. Thus PKV continued to be a high priority for physicians as an important source of income.

The continuing increase in health care expenditure goes hand in hand with the growing use of health care services in Germany. This is due primarily to new treatment options, but also to higher demand for treatment in an aging society and to patients' growing expectations in terms of what treatment they are entitled to. This creates new challenges for the health care sector, which cannot be adequately overcome simply by reducing costs.

GKV profits more from reform legislation

A comparison of expenditure curves of GKV and PKV shows that government efforts to reduce costs were successful, at least in the short term. Reform legislation passed in 2010, i. e. the Statutory Health Insurance Financing Act (GKV-FinG) and the Law on the Realignment of the German Pharmaceutical Market (AMNOG), led to a positive financial development of GKV in the year under review, whereas PKV hardly benefited from the legislation at all.

Health expenditures



■ Health expenditures as percentage of Germany's gross domestic product

¹) Figures contain estimates or forecasts

Source: Statistisches Bundesamt, Gesundheitsausgabenrechnung

Concentration process and burdens on pharmacy market

At the end of 2011, the total number of pharmacies was approximately 21,260, or 0.8% below the previous year's level. This was a continuation of the slight downward trend of the previous year. The share of branch pharmacies continued to increase, reaching 17% (31 December 2010: 16%). Both trends are the expression of a concentration process on the pharmacy market that was already noticeable in previous years. According to Bank forecasts, the share of pharmacists employed at public pharmacies was 64% (31 December 2010: 63%).

In 2011, many pharmacists had to cope with the consequences of AMNOG. The higher discount on prescription medication that pharmacists have to grant the statutory health insurances had a negative impact on profits. The gross profit of a typical pharmacy dropped by €5,600 as a result. In addition, purchasing conditions weakened, leading to a decrease in gross profit of a typical pharmacy of at least €6,500.

Reforms in health care policy

Securing medical care with full geographical coverage for the long term was the focus of health policy efforts in the year under review. The health care structural reform act for statutory insurances (GKV-VStG) was approved in December 2011 and came into force on 1 January 2012.

In the area of private medical services, talks on a reform of the fee schedule for physicians (GOÄ) continued in 2011. This reform has been planned for some time now, but has not been implemented as yet. Many physicians were worried that a reformed fee schedule would weaken their financial situation compared to the current fee schedule. The actual impact is still uncertain. Ways are being sought to achieve a positive development in fees. The reform should be finalised before the German federal elections in September 2013.

Salaried employment and cooperative trends continue

Cooperative structures in outpatient care and at the interfaces between outpatient and inpatient care continued to gain significance in the year under review. The Bank forecasts that the number of medical care centres (MVZ) increased by the end of 2011. In particular, the number of physicians employed at these centres grew

steadily, while the number of contractual physicians at the centres has been stagnating for some time now. At the end of 2011, more physicians were also working in professional cooperatives than in the previous year. This is due on the one hand to synergy effects which are to be expected when cooperatives are created, on the other hand benefits also result from the possibility of exchanging expert knowledge. Furthermore, a wider range of services is available and physicians have the opportunity to improve their time management. In the medical professions, too, work-life balance is becoming more and more important, with many physicians seeing salaried employment as an attractive alternative to having their own practice.

At the end of 2010, approximately 10% of physicians participating in contractual medical care were working as salaried employees and this increasing trend probably continued in 2011.

While the total number of dentists continued to rise in 2010, the number of dentists with their own practices decreased slightly, as in previous years. By contrast, the number of dentists in salaried employment in outpatient care rose – by 10% compared to the previous year, so that almost 16% of all dentists in outpatient care were in salaried employment at the end of 2010.

This trend was made possible by more flexible legislation on contractual medical and dental care in recent years. The considerable increase shows that many dentists and physicians prefer salaried employment to having their own practices. If the profession is to retain its freelance and self-employed character, it is essential to maintain and increase the attractiveness for physicians of setting up their own practices and in particular to communicate this to younger physicians.

Moderate increase in fees

In 2011, according to the calculations of the National Association of Statutory Health Insurance Funds (GKV-Spitzenverband), contractual physician fees rose to €33.3 billion, i. e. they were 4% higher than in the previous year. The financial situation of contractual physicians thus showed moderate growth.

Insurance companies' expenditure on dental treatment rose in the first three quarters of 2011 by approximately 2% compared to the previous year's period. For 2011 as a whole, this would mean an increase to €8.4 billion if this trend continued at the same level.

Dental fee schedule reform approved

After several attempts at reform in previous years, an amendment to the dental fee schedule was approved in 2011, and came into force on 1 January 2012. It was possible to avoid inserting an escape clause which would have enabled PKV to negotiate different prices with individual dentists. Dentists were worried that this would lead to price dumping and were vehemently opposed to such a clause.

Stable development trends overall

On the whole, the economic situation of health care professionals in 2011 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.

Retail Clients

Positive development in retail clients segment

For over 100 years, apoBank has been the professional bank for its customers – physicians, dentists, pharmacists and veterinarians as well as their organisations and associations – providing its unique expertise in all areas of finance and business management. Products and services are tailored to customers' needs. The Bank offers them the full range of financial services.

In the year under review, apoBank's retail clients business showed a positive trend overall. The main contributing factors here were the lending and deposits business. New insurance business was slightly down. At the same time, portfolios continued to grow. In the customers' securities business, the Bank recorded a slight downturn, primarily due to the negative trends on the stock markets.

Continued success in lending business

The year 2011 was again marked by a very high level of new lending business. In all areas, i. e. in business start-up financing, real estate financing and investment financing as well as personal loans, apoBank's financing expertise was in high demand.

In spite of higher redemptions, the positive new lending business was also reflected in the average loan portfolio. For retail clients, the average loan portfolio increased to €23.1 billion (31 December 2010: €22.2 billion).

The positive trend in the lending business is noteworthy, in particular when seen against the ongoing changes taking place in the health care business and the corresponding reticence in considering and deciding upon financing. It is proof of the great trust retail clients place in the experience and comprehensive expertise of apoBank in the financing arena, which provided an important competitive edge again in the year under review.

Stable development in business start-up financing

Business start-up financing is one of the most important core competencies of apoBank thanks to its comprehensive industry expertise. With its stable new business, the Bank remained market leader.

New business volume in investment financing was slightly down. Overall, it remained at a high level. The average loan portfolio here was higher than in the previous year.

In the real estate financing business, new business was burdened by intensive competition on prices and conditions. Nonetheless, the number of loans and the average loan portfolio in construction financing increased compared to the previous year.

A key success factor in all areas of financing is still the specialised and at the same time comprehensive expertise of customer advisors. When structuring financing concepts tailored to each individual customer, advisors not only integrate apoBank's solutions such as apoZinsCap or classic fixed-interest loans but also low-interest public loans where possible.

Further expansion of account business

For apoBank customers, current accounts are at the core of their everyday private and professional payment transactions. Accordingly, current accounts are the basis for stable 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 acceptance and demand in the year under review: The number of current accounts went up by over 4%. To supplement this, customers have access to various credit card offers for their payment transactions. Here, too, growth was steady at 6%.

Stable growth in deposits

The average overall volume in the deposit business of retail clients for the year, including demand, saving and term deposits, increased by approximately 4% to over €8.5 billion (31 December 2010: €8.2 billion).

As the previous year, 2011 was marked by a low interest level which subsequently led to a tangible decrease in interest in medium and long-term investments. Investments with short-term maturity and availability were the focus of interest again. The main growth drivers were demand deposits as well as term deposits with the special deposit apoSafe15. Savings deposits played a subordinate role, as in the previous year.

The average volume of demand deposits with retail clients was €3.6 billion in the year under review, that is 6.3% above the previous year's level (31 December 2010: €3.4 billion). The call account apoZinsPlus was not able to maintain the high average volume of the previous year: In the year under review, it decreased to €4.0 billion – also due to transfers to apoSafe15 and very intensive price competition – that is a reduction of 5.9% compared to the previous year (31 December 2010: €4.3 billion).

Within the context of low levels of interest in 2011, there was continued high demand for the special deposit apoSafe15 with its relatively short term of 15 months with fixed interest. The average volume of all term deposits increased to €0.9 billion (31 December 2010: €0.5 billion). It is particularly worth noting that many customers again decided to reinvest their mature apoSafe15 deposits in the year under review.

Investment expertise demonstrated even in difficult market environment

The year under review was very volatile for private investors. Although the stock markets showed a marked recovery towards the end of the year, the high level of volatility led to a noticeable reticence to invest. In combination with the generally negative performance on German and European stock markets in particular, this led to a drop in retail clients' deposit volume to €6.9 billion.

The tangible reticence on the part of investors also led to a slight decrease in customers' securities transactions and a change in investment focus: Many customers shifted their investment focus to fixed-interest securities, pension funds and equity-linked bonds, thus concentrating on lower-risk products compared to direct investments.

In 2011, closed funds hardly benefited at all from the demand for real assets. Sales were down on the previous year due to the negative overall market trend.

However, apoBank's private asset management business continued on its success path in the financial year. The "excellent" rating received again from FOCUS MONEY and n-tv contributed towards the increase in customer numbers to almost 3,000 in the year under review. The volume managed increased in the negative market environment to €1.2 billion (31 December 2010: €1.1 billion).

New insurance business continues at a good level

In 2011, apoBank's new business with pension and risk insurance was down on the previous year. The valuation total for newly brokered contracts remained at a high level of €630 million, but was down on the record performance of the previous year (31 December 2010: €750 million). On the basis of these growing contract portfolios, the Bank was able to continue the positive long-term trend in this business.

Endowment pension insurances were used as surrogate redemptions as part of financing. Their share in the total brokered insurance business was around 46% in 2011. The "practice concept" in particular, a joint special product designed by apoBank in collaboration with the specialist insurer for health care professionals Deutsche Ärzteversicherung, played an important role here.

The second focus was on retirement provision. The long-term trend towards developing and expanding private pension schemes continued in the year under review.

As a result, the share of private pension provision in overall new business increased by nine percentage points to 44%. The Bank was particularly successful with insurance products that close individual pension gaps and at the same time utilise tax saving opportunities.

Expansion of sales division for outpatient care structures

Due to the increasing demand for financing in the area of outpatient care structures, the Medical Care Structures Retail Clients division was further expanded in the year under review. In the regional market areas, new, centrally managed jobs were created for specialists who cooperate with branches to support the financing of medical centres, health care centres and medical care centres as well as providing advice and support services to other medical cooperatives.

Comprehensive advisory services to customers in this area are complemented by selected experts who belong to the German network of health care structures initiated by the Bank. The number of partners in this network rose to a total of 69. Selected lawyers specialising in medical law, tax consultants and management consultants are partners in the network, their focus is on providing advisory services to medical care structures. Construction experts specialising in health care real estate are also part of the network.

Overall, the Bank was able to further expand its market position in this business area. New lending business in the retail customer outpatient care structures amounted to over €420 million at the end of the year under review and a lending volume of around €180 million was transferred from the corporate clients business to the Medical Care Structures Retail Clients division in the course of 2011.

Professional Associations, Institutional Customers and Corporate Clients

Positive development in business with professional associations

As a bank that operates in the health care sector, apoBank traditionally works closely with 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 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 held by professional associations, i. e. particularly by occupational pension funds, associations of panel doctors and dentists and professional clearing centres, represent a stable and essential part of the Bank's customer deposits. On the whole, business with professional associations developed very positively in the year under review. Overall targets were significantly exceeded, primarily due to new volume growth in deposits. In the lending business, the focus was on providing pre-financing lines to professional pharmacy data processing centres. Here, drawdowns were almost on a par with those in the previous year.

Stronger desire for security on the part of institutional investors

After the positive trend towards the end of the previous year, stock markets in 2011 posed many challenges for the Bank's institutional investors.

Throughout 2011, investment in fixed-interest securities was burdened by the continuing low interest level. Interest coupons of over 4% on classic investment products were again in very scarce supply for investors from occupational pension funds. Demand by this group of investors for very high credit ratings and first-class collateralisation of the kind offered by Pfandbriefe for instance, rose significantly. Investment classes traditionally managed in special funds also had difficulty reaching their performance targets in the year under review due to price drops and volatile sideways shifts on the markets. The resulting burdens on risk budgets led to reluctance to take out special funds and in some cases resulted in outflows of funds. At the end of the year, apoBank's deposit volume for special securities funds was thus € 8.3 billion (31 December 2010: € 6.8 billion).

Institutional portfolio management mandates showed continued positive development. In spite of the difficult situation on the markets, apoBank manages a high volume of assets totalling €1.9 billion, on a par with the previous year, and was also able to expand its offering to include further risk-averse investment strategies.

Events on the capital markets in particular, as well as increasing regulatory requirements placed on the Bank's institutional customers led to a rise in demand for appropriate risk management approaches. Some of the greatest challenges for health care institutions in the year under review were achieving the interest rate during the year as well as long-term management of the future development of capital investments and capital obligations. Here, apoBank supports its customers with its own in-period risk budgeting model and its long-term asset liability management study. There was high demand by existing customers for these two services last year.

apoAsset intensifies sales activities

Apo Asset Management GmbH (apoAsset) is a participation of apoBank and specialises in the administration and management of special and public funds in accordance with German and Luxembourg law.

As planned, the company's result was slightly down on the previous year. This was mainly due to the run-up costs for expanding the company's sales activities. Due to the difficult situation on the capital markets, among other things, the volume of managed and administered assets decreased slightly compared to year-end 2010. Continuing high inflows from unit-linked pension insurances had a stabilising effect. The ratio of expenditure to income, which had achieved a good level of 55% in the previous year, increased to 58% in the year under review.

The most important apoAsset products continue to be the umbrella funds apoPiano, apoMezzo and apoForte. The selection procedure for actively managed funds and the risk-limiting measures introduced in the previous year have proven their worth. The two funds DuoPlus and apoVivace also did well on the very difficult stock markets. apoAsset's investment focus on health care includes the public fund apo Medical Opportunities as well as management of the Generika Select certificate. Pension portfolio management is also a core competence of apoAsset. Here again, it was possible to avoid any default in the year under review.

aik records successful business period

APO Immobilien-Kapitalanlagegesellschaft mbh (aik) is a joint venture between apoBank and occupational pension funds.

aik can look back on another very good financial year. The real estate investment company for pension funds and pension plans continued to successfully implement its business strategy. In line with its established investment strategy, it was conservative in its investments but also exploited opportunities. In line with market phases, Germany and the Benelux countries were the focus of real estate acquisitions last year. 14 promising office and commercial buildings as well as retail and residential properties were purchased with a total investment volume of € 270 million.

The success of the ten special real estate funds aik manages for a total of 30 investors from occupational pension funds, pension plans and insurances is based on attractive new acquisitions and active rental management. aik's real estate portfolio amounted to € 2 billion at year-end (31 December 2010: €1.7 billion). The success of the special real estate funds is based on active rental activities that aim to maintain high levels of rent.

With an average return of 5.8% according to the BVI method, the funds achieved an exceptional performance again in the year under review. Investors received an average pay-out of 4.5%.

medisign expands customer base

apoBank participates in medisign GmbH (medisign). medisign provides electronic signature cards to support health care professionals in securing communications. The joint venture, which was established together with private medical clearing centres, provides all the services required for identification in electronic business processes. This includes signature cards in particular, which medisign offers as an accredited provider of certification.

medisign was able to close the year under review above target and strengthen its position as the leading provider of electronic signature cards in the health care sector. The customer base increased from 12,000 to 18,000. Many new customers were gained among dentists in particular. This happened in close cooperation with the associations of panel doctors, which use signature cards to ensure more security in online invoice settlement with their members. One of the contributing factors in this success was a series of presentation events with individual associations of panel doctors on the topic of online invoice settlement with signature cards. At these events, many dentists from the respective regions decided to have themselves identified for a signature card by employees of medisign or by trained employees of medisign shareholders (e. g. apoBank).

medisign remains the only provider of electronic health care IDs in Germany.

Patiomed AG carries out first projects

Patiomed AG is a joint venture between apoBank and other companies in the field of physicians. The business purpose of Patiomed AG is to set up cooperative projects between physicians or to participate in such projects as well as to provide management and service support. Thus Patiomed AG makes a contribution towards physicians working in a competitive environment and in individually shaping their professional prospects.

After commencing business in July 2010, Patiomed AG closed its first full financial year in 2011. In addition to developing the internal organisation and the core workforce as planned, the main focus in 2011 was on developing the product portfolio and setting up mobile advisor teams: At year-end 2011, nationwide physician cooperative initiatives were implemented from its offices in Berlin, Dusseldorf, Hanover and Munich.

In addition to the planned investments in the run-up phase, five physician cooperative projects were implemented in the 2011 financial year. Here, the focus is always on the participation in the operating company, expansion of medical and non-medical offerings as well as providing special management and other services. Furthermore, at year-end 2011, some 30 cooperative projects were being analysed, ten of which were followed up on.

Growing business with inpatient care structures and corporate clients

The business with corporate clients and inpatient care structures is an important complement to the Bank's core business in the light of constant changes on the health care market. The focus here is on customers who support the core business of the Bank.

In this business segment, the Bank supports customers such as medical centres, clinics, care and rehabilitation facilities as well as companies on the health care market. In addition to classic corporate clients, the bank also finances projects of institutional customers. It also has a strong position with private clearing centres. In addition, the Bank uses this environment to generate further customer groups for the retail clients business, private asset management and the area of institutional investors.

In a market environment marked by change and intensifying competition, the Bank achieved a positive development in the new lending business. The average lending volume at year-end 2011 was €1.8 billion (31 December 2010: €1.9 billion). The drop was solely due to the fact that liabilities to outpatient care structures previously allocated to the corporate clients business were allocated to the retail clients business for the first time.

Competition with regionally located banks was tangible, in particular in business with health care centres and medical centres. Furthermore, small and medium-sized enterprises in the health care sector felt the impact of the financial market crisis. As a result, they are also attempting to make their financing more independent of banks and to more frequently take the direct route to the capital market.

Demand for complex and well-structured financing solutions reflects the needs of the players on the health care market. apoBank provides its specific industry expertise, also in cooperation with partners of the cooperative sector, when it comes to developing and implementing individual financing concepts. By intensifying this cooperation, the Bank was able to tap into a profitable and promising business area within which customers can be offered specialised financing solutions.

In inpatient care, a trend towards cooperation with outpatient care was observed. The Bank was able to implement some good initial projects on "alternative living" in an outpatient environment. In business with companies on the health care market, existing customer relationships were fostered and business relations with new customers formed in the lending and deposit businesses.

Earnings, Asset and Financial Position

apoBank achieves net profit that makes stable dividend pay-out possible

Overall, apoBank's business developed as expected in financial 2011. With a net profit of €43.1 million, the Bank achieved its primary economic goal of enabling its members to adequately participate in profits.

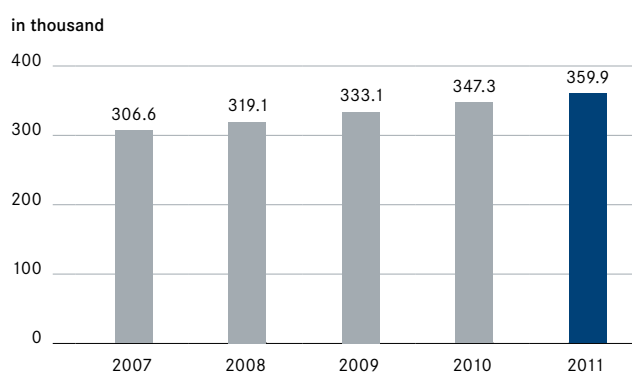
In addition, apoBank was able to further consolidate its role as the leading bank in the health care sector. Its strong market position and the mainly stable general conditions in the outpatient sector formed the basis for the business performance achieved.

In the year under review, business development was particularly influenced by the continued IT migration and the EU debt crisis which further intensified in the second half of the year. Both aspects placed burdens on the Bank's result. Against this backdrop, the net profit achieved is a satisfactory result overall.

With 359,900 customers (31 December 2010: 347,300), the bank for health care professionals further expanded its customer accounts and was thus able to build on the growth in the customer business in spite of intense competition. The lending and deposit businesses continued to increase at a high level. New loans, at €4.2 billion, were up on the good level achieved in the previous year (31 December 2010: €4.0 billion). This shows again that apoBank is firmly established as the competent financing expert for health care professionals.

The operating result, i. e. profit before risk provisioning, at €280.4 million, decreased as expected in the year under review (31 December 2010: €341.0 million). The main reason for this was investment in IT migration to the cooperative system bank21, a process which will be completed in 2012. In addition, earnings that had been

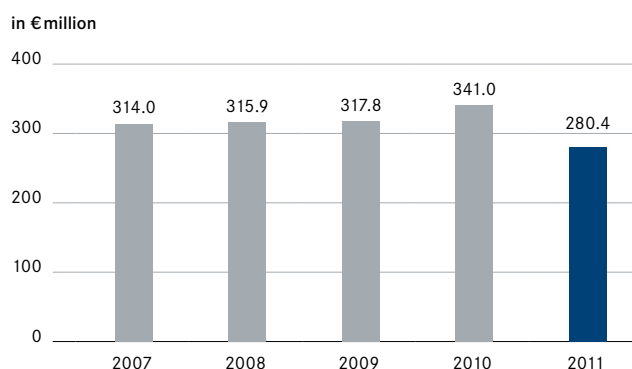
Number of customers



generated in the previous year from selling some global interest derivatives no longer applied. Further negative impact resulted from uncertainty on the markets due to the EU debt crisis. This also led to a situation where the Bank could not achieve its goals in the commission business. In addition, the result was influenced by value adjustments as well as growing refinancing costs, among other things for the remaining financial instruments. Interest earned from the core business rose again, thus having a compensating and stabilising effect.

The following sections elaborate on the main income and expenditure items in financial 2011.

Profit before risk provisioning



Net interest income declines slightly as planned

With regard to net interest income, the Bank profited from the higher volumes in the lending and deposit businesses. In addition, earnings contributions from strategic interest risk management made a contribution to net interest income.

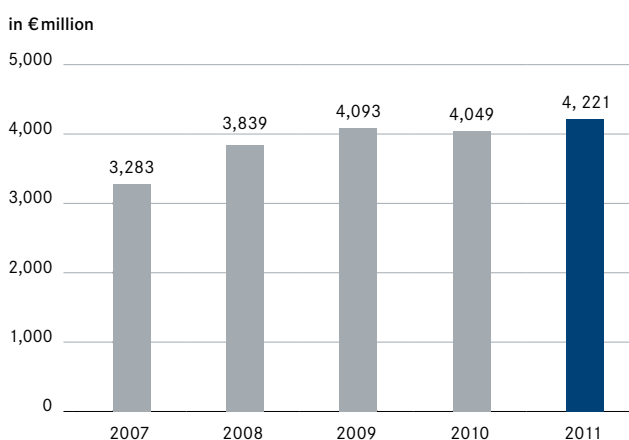
Net interest income, at €646.7 million, was down on the previous year's level as expected (31 December 2010: €679.2 million). The main contributing factor here was the loss of earnings from the sale of global interest derivatives. In the previous year, these earnings had made a contribution of €30 million to net interest income. Furthermore, in 2011 interest payments on the silent partnership issued in October 2010 were recognised in P&L for the first time. Growth in earnings contributions from the core business was not sufficient to fully compensate for these two main factors.

In spite of a continuingly high redemption level in the lending business, the Bank profited from a higher average loan portfolio resulting from the strong new business. However, this increase was counteracted by the declining development in margins so that interest income from the lending business overall was slightly lower than in the previous year.

In customer deposits, competitive pressure remained high, combined with strong price competition, in particular in the area of call money. In spite of this, the Bank – also thanks to ongoing growth – was able to increase earnings contributions from the deposit business.

In the year under review, net interest income again profited from earnings from strategic interest risk management to hedge against phases of low interest.

New loan agreements



Due to the higher interest level compared to the previous year, earnings contributions were, however, slightly below the previous year's level.

In line with the decline in net interest income, the interest margin at 1.67% decreased slightly in the year under review (31 December 2010: 1.70%). It is calculated by comparing the net interest income to the annual average balance sheet total.

Investor reticence reflected in net commission income

Against the backdrop of the difficult market environment, the commission business was marked by reticence on the part of private investors in the year under review, in particular in the second half of the year. As a result, the Bank fell short of achieving its targets in some areas. Net commission income was €119.1 million, a decline compared to the previous year (31 December 2010: €127.1 million).

Due to the market environment, turnover and deposit volumes declined. This trend was in contrast to the very successful expansion of private asset management.

New insurance business is also reflected in the declining net commission income. It continues on a high level; however, it was lower than the record result of the previous year. As forecast, there was almost no further income from the business with investment real estate.

Increasing expenses for IT migration in general administrative expenses

General administrative expenses amounted to €485.4 million in the year under review, above the previous year's level (31 December 2010: €452.4 million). As expected, increased expenses for the IT migration to the cooperative system bank21 had a negative impact on general administrative expenses.

This is reflected in the increase in materials expenses in particular (including depreciation) to €268.8 million (31 December 2010: €245.3 million). Migration to the cooperative data processing centre of IT service company GAD, which has taken several years, will be completed in 2012, so that the expected relief effects will become noticeable from 2013 onwards.

In the year under review, further expenses were incurred due to the national bank levy introduced for the first time as well as to the ongoing expansion of capacities at the Bank's locations.

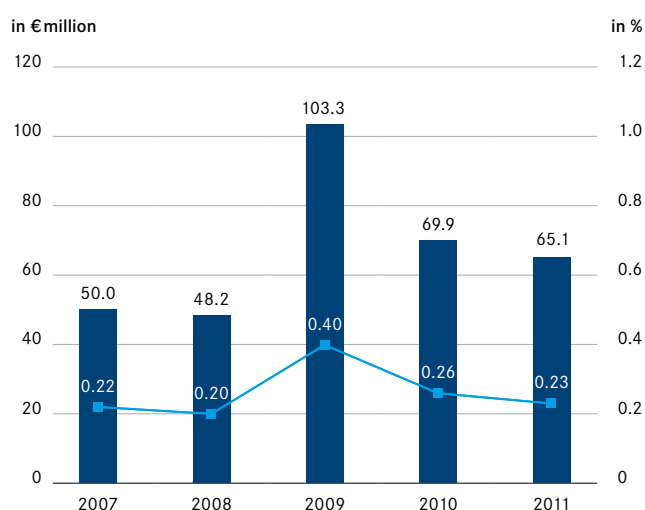
The Bank recorded a relatively moderate increase in personnel expenses to €216.6 million (31 December 2010: €207.1 million). Contributing factors here were additional personnel capacity created due to growing regulatory requirements, new recruitment in order to further improve the customer-advisor ratio in the customer business and the IT migration.

Risk provisioning within forecast range in spite of debt crisis burdens

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.

Based on the standard risk costs in the customer lending business planned for 2011, the Bank had expected a significant increase in risk costs compared to the low level of the previous year. However, in spite of ongoing growth in the lending business, the risk costs incurred fortunately remained below the level planned.

Risk costs and precautionary measures for the customer lending business¹



■ Risk costs and precautionary measures for the customer lending business in € million
 — Risk costs and precautionary measures for the customer lending business in relation to loans drawn in %

1) Includes general value adjustments

Overall, risk costs and provisioning measures for the customer lending business amounted to €65.1 million (31 December 2010: €69.9 million). This development is proof of the low default rates in the core business, resulting in particular from stable general conditions for health care professionals in the outpatient sector, comprehensive financing expertise and the Bank's risk management.

In spite of the intensifying EU debt crisis as the year went on, increasing disruption on the financial markets and ongoing risks in the real economy, the Bank reduced its risk costs and provisioning measures for financial instruments and participations; in the year under review, these amounted to €118.7 million (31 December 2010: €201.6 million).

The focus of risk costs was on provisions for contingent losses for credit default swap (CDS) positions resulting from direct country risks with Greece and Hungary. At the balance sheet date, the Bank formed market-appropriate provisions for the Greece CDS positions. Thus the Bank took account of the burdens incurred due to the credit event determined by the International Swaps and Derivatives Association (ISDA). In addition, there were write-downs on the remaining LAAM fund, which were necessary due to increased loss expectations for the securities in the fund.

Increase in tax burden after positive special effect in previous year

Tax expenditure was €47.2 million, significantly higher than the previous year's level, as expected (31 December 2010: tax income €22.7 million). In the previous year, a one-off tax income item as a result of an amendment to the corporation tax law had had a positive impact which was not repeated in the year under review.

Net income satisfactory on the whole

In the year under review, expenditure on IT migration in particular, as well as the fact that income from the sale of global interest derivatives from the previous year was no longer generated had a negative impact on performance. In addition, burdens were incurred as a result of the intensifying EU debt crisis and the loss of the one-off tax income item. Against this backdrop, the increased profit contributions of the core business were not sufficient to influence performance to the usual extent in the year under review. Although the annual result at €43.1 million was lower than that of the previous year, it was nonetheless satisfactory (31 December 2010: €53.4 million). 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% and to make a statutory allocation to its reserves.

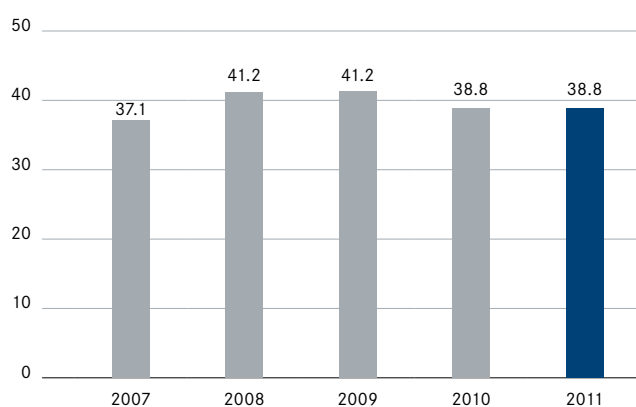
Balance sheet development reflects growth in core business

At year-end 2011, the balance sheet total, at €38.8 billion, was on a par with the previous year's level (31 December 2010: €38.8 billion). Development of the individual balance sheet items reflects on the one hand the continued growth of business volume in the customer business, on the other hand, the planned reduction in structured financial products and the capital-market-oriented refinancing funds impacted balance sheet development.

On the assets side, balance sheet item "Loans and advances to customers" increased again by €0.6 billion. In lending, the Bank recorded a balance sheet increase of €0.9 billion, which was above the previous year's level (31 December 2010: €0.7 billion). Here, the increase in new lending business counteracted the continuingly high redemption level.

Balance sheet total

in €billion

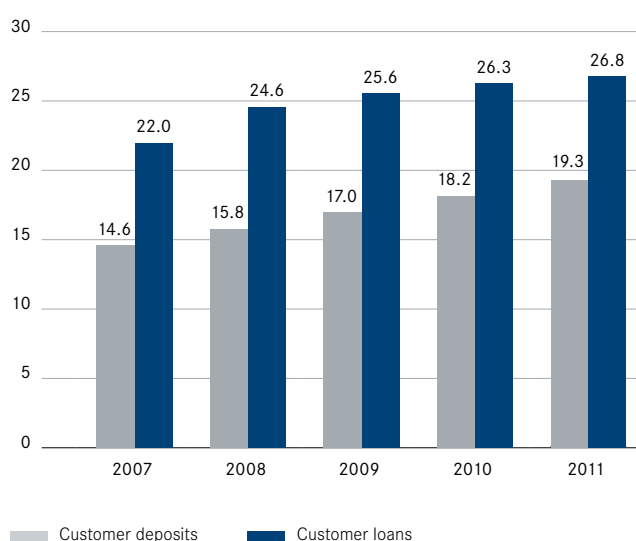


The clear decline in the securities portfolio from a total of €9.6 billion in the previous year to €8.7 billion is primarily due to the ongoing reduction in structured financial products in line with strategy. The majority of these products is concentrated in a special fund managed by Union Investment. 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 value-preserving reduction, the fund volume decreased so that the Bank was able to return a total of some €550 million in fund shares without impacting P&L.

On the liabilities side, customer deposits increased continuously during the year, so that at year-end 2011, there was a clear overall rise of €1.1 billion to €19.3 billion (31 December 2010: €18.2 billion). Due to maturities and the further reduction in issuance 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 "Securitized liabilities".

Customer deposits and loans

in €billion



Liquidity and refinancing situation remains comfortable

Throughout financial 2011, apoBank's liquidity situation was comfortable. Refinancing of the Bank remains based on a widely diversified investor base and a growing portfolio of stable customer funds. In addition, in the year under review, the Bank successfully offered its customers KfW and federal state development institutions' development loan programmes, which these institutions

also refinance. As an established market participant with good credit ratings, apoBank is also able to place refinancing funds in the form of Pfandbriefe as well as unsecured bonds with its institutional customers, members of the cooperative FinanzGruppe and in the capital market. In the past financial year, the Bank made only very limited use of this, in particular because it was able to record a growing share of customer funds.

No money market lines in the form of call and future funds of other banks were taken. To fine-tune its short-term liquidity, the Bank used its commercial paper programme with an average of some €400 million (31 December 2010: around €550 million). No recourse was taken to money policy instruments of the European Central Bank (ECB) in the year under review.

The portfolio of ECB-compatible securities was more or less on a par with the previous year. Mature securities were replaced by papers that are in line with the current status of discussion of European implementation of Basel III.

Further growth in customer funds

In line with strategy, the Bank continued expanding its refinancing via customer funds. These comprise customer deposits as shown on the balance sheet, i. e. classical deposits and registered securities and promissory note bonds placed with institutional customers, as well as apoObligations placed with retail clients. The Bank recorded an increase in customer funds, in particular in classical demand deposits and fixed-term deposits. The total portfolio, at €21.7 billion, was higher than the already increased level of the previous year (31 December 2010: €20.6 billion).

apoObligations, which have maturities of between 15 months and five years, were also in high demand. Maturities in the course of the year were fully offset by the same volume of new issues so that the portfolio remained constant at €2.3 billion (31 December 2010: €2.3 billion).

Reduction in capital-market-based refinancing funds

The Bank significantly reduced the portfolio of capital-market-based refinancing funds, including the promissory note funds placed with banks. At €5.8 billion, these refinancing funds were almost 25% below the previous year's value (31 December 2010: €7.6 billion). The decline is due to continuous maturities in the course of the year, in particular for unsecured bearer bonds, which were offset to a limited extent only by the low new issuance volume. At €1.7 billion, the volume of outstanding Pfandbriefe on the capital market and placed with institutional customers was almost unchanged compared to the previous year (31 December 2010: €1.7 billion).

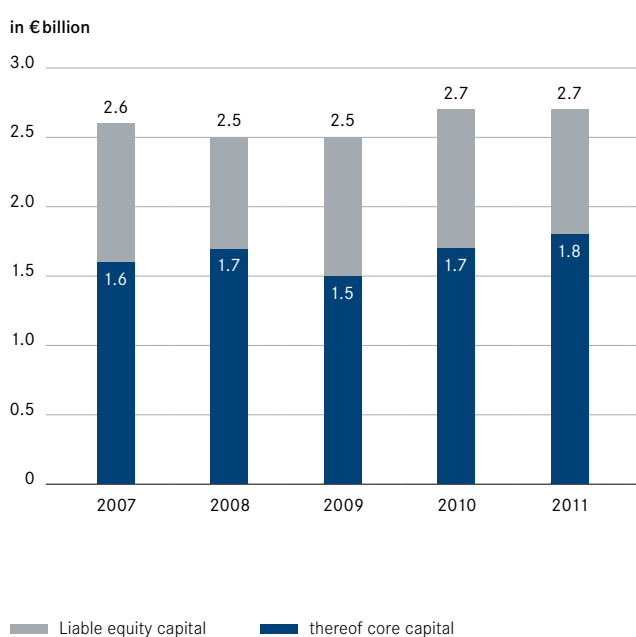
Further expansion of equity capital base

As the Bank's equity capital shows to what extent the Bank can cope with unexpected burdens, its equity capital is of considerable significance, also against the backdrop of regulatory requirements, which are expected to become more stringent in the future. A solid equity capital base is therefore also the basis for the trust of members, investors and customers.

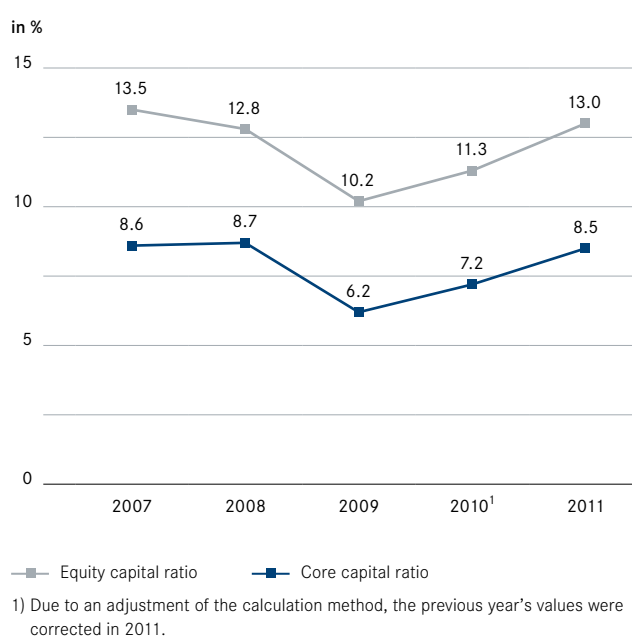
In the year under review, apoBank managed again to improve the regulatory equity ratios. At year-end, the equity ratio was 13.0% (31 December 2010: 11.3%¹) and the core capital ratio was 8.5% (31 December 2010: 7.2%¹).

1) Due to an adjustment of the calculation method, the previous year's values were corrected in 2011.

Liabe equity capital and core capital



Equity and core capital ratio



Allocations to the fund for general banking risks as well as to revenue reserves from the revenue of 2010 contributed to the new increase in the equity ratio. In accordance with regulatory requirements, these allocations did not have a reinforcing effect on equity capital until the annual financial statements for 2010 were approved in mid-June 2011 at the Annual General Meeting. In addition, the ongoing risk reduction in the structured financial products took pressure off the equity capital situation.

Additional relief was provided for the Bank's equity ratios by the guarantee agreement with the Federal Association of German Cooperative Banks (BVR). The guarantee provided was reduced during the course of the year.

apoBank's regulatory equity, i. e. its liabe equity capital, consists of core capital and supplementary capital. The Bank's core capital predominantly includes members' capital contributions, balance sheet reserves from reinvested profits and the silent partnerships issued by the Bank.

The capital contributions of the remaining members were almost on a par with the previous year's level. At year-end, these amounted to €815 million (31 December 2010: €818 million). Compared to the previous year, the number of newly subscribed shares increased significantly. This rise almost completely compensated for the cancellations that took effect at year-end 2011. Contributors here were existing members on the one hand, who purchased additional shares, and on the other hand the Bank was able to gain a large number of new members in the course of the year.

In supplementary capital, the majority of planned maturities in subordinated and participating certificate capital was compensated for by allocations to provisioning reserves from the previous year's revenue.

Overall, both the core capital at €1,763 million (31 December 2010: €1,700 million) and the total liable equity capital of the Bank at €2,697 million (31 December 2010: €2,680 million) was up on the previous year.

The risk positions of the Bank that have to be backed by regulatory equity capital primarily comprise credit risk for the Bank's on-balance-sheet and off-balance-sheet claims related to creditworthiness. Operational and market risks only account for a negligible share of risk positions.

In spite of a repeated increase in loans, it was possible to achieve an even larger reduction in the risk positions requiring equity than originally planned – they decreased by 8% to €20.8 billion (31 December 2010: €23.7 billion¹). The continued strategy to reduce the structured financial products played a significant role in this development.

1) Due to an adjustment of the calculation method, the previous year's value was corrected in 2011.

Improvement in rating situation

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

In addition, the creditworthiness of the entire cooperative FinanzGruppe is assessed by Standard & Poor's as well as 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.

Following the regular management meeting with Moody's in early October 2011, apoBank's ratings remained unchanged. At year-end, they stood at "A2" and "P-1" with a negative outlook; this was on a par with the previous year's ratings. The financial strength rating, based on a separate rating scale by Moody's, also remained at "D" for apoBank. The Bank's silent partnership issued in 2003 retained its rating of "Ba1".

The management meeting with the analysts from Standard & Poor's took place as early as July of the year under review. Following this meeting, Standard & Poor's published the updated analysis on apoBank. In this analysis, Standard & Poor's lifted apoBank's rating by one grade to "AA-/A-1+" with a stable outlook both in its long-term and short-term rating. This is the same rating it gave to the cooperative FinanzGruppe. The silent partnership issued in 2003 by apoBank was lifted four grades to an "A-" score. The reason for this was an improved assessment of apoBank's independent creditworthiness.

For the first time, the updated credit analysis was based on the new rating methods for banks worldwide. These were published by Standard & Poor's in early November 2011; since then, the rating agency has been applying them successively to the financial institutions it grades.

Rating agency Fitch left its rating of the cooperative FinanzGruppe unchanged in the course of the year at "A+" and "F1+" with a stable outlook. The last rating confirmation by Fitch took place in July 2011.

Standard & Poor's not only rates apoBank itself, but also its cover pool for the issue of mortgage Pfandbriefe. apoBank's Pfandbrief programme continues to receive the top rating "AAA".

Summary of earnings, asset and financial position

apoBank's business model again proved successful in financial 2011. Overall, the Bank developed satisfactorily. In particular against the backdrop of continuing uncertainty on the financial markets, this shows how solid the bank for health care professionals is.

Proof of this stable development and the established market position of the Bank was to be found in both the growing number of customer accounts as well as the rise in business volume in the lending and deposit businesses. In the year under review, apoBank's solid core business was the basis for the Bank's ability to pay a dividend solely from the operating result, without releasing any reserves and in spite of burdens from special effects.

Further concentration on the core business went hand in hand with ongoing risk reduction, in particular in the structured financial products. In addition, the Bank was also able to improve its equity capital situation. The Bank thus achieved a stronger base, also with respect to the upcoming Basel III regulatory requirements. The Bank's liquidity situation remained comfortable throughout the year and at the same time the refinancing share of the core business continued to rise due to increasingly stable customer funds.

The equity capital and liquidity situation which stabilised and continued to improve in the year under review plays a role in ensuring that apoBank can continue to follow its customer- and growth-oriented business strategy, even under changing regulatory conditions.

Thanks to its strong market position in the health care sector, the Bank contributed to the success of the cooperative FinanzGruppe as a whole. In the process, customer confidence in apoBank is supported by the stability of the FinanzGruppe and its commitment to the BVR protection scheme.

Supplementary Report

Between the balance sheet date and preparation of the annual financial statements by the Board of Directors on 9 March 2012, the International Swaps and Derivatives Association determined that a credit event had occurred for the Greece CDS positions. Due to the market-based risk provisioning measures already included in the annual financial statements for these positions, there will be no additional burdens for apoBank as a result. After executing the protection seller function for the CDS positions in question, there is no longer a direct country risk vis-à-vis Greece.

Risk Report

Principles of risk management and risk control

Targeted and controlled risk taking is one of the key elements of the banking business. apoBank is continuously enhancing and refining its risk processes and methods to be able to control its business activities so as to reduce risk and increase yield in future with the aim of securing its existence in the long term.

The risk strategy, which defines binding risk guidelines for all types of risks, provides the framework for risk control. Compliance with these guidelines is monitored as part of overall bank control and is communicated to the responsible decision-makers through continuous reporting.

All major types of risk are reflected in the risk-bearing capacity calculation, which provides an overall controlling and limitation framework.

apoBank defines the following major risk types:

Credit risk

Credit risk refers to the potential losses 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 is split up into insolvency risk and refinancing risk.

The Bank uses the term "insolvency risk" to mean the risk that current or future payment obligations cannot be met at all or not in full.

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

Business risk, strategic risk and reputation risk

Business risk refers to the risk of the 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 deviation from the target figures due to market changes to the Bank's disadvantage that were not taken into account in the planning stage.

It also includes the reputation risk, which describes the risk of direct or indirect economic disadvantage due to a loss of trust on the part of its members, customers, employees, business partners or the general public as a result, for instance, of negative media reports.

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

apoBank differentiates between strategic and specific concentration risks. Strategic concentration risk results directly from apoBank's business model and refers to the health care sector.

The Bank defines specific concentration risks as being the risk of possible negative consequences when a very uneven spread of business partners develops in lending or other business relationships, which can have a considerable impact on the risk or earnings situation. This includes in particular the still substantial involvement of the Bank in structured financial products. Country-specific focus is on residential mortgage backed securities (RMBS) in the USA and Spain as well as on RMBS and commercial mortgage backed securities (CMBS) in the UK.

Concentration risks are analysed and monitored within the risk categories and are also included in the risk guidelines when there is a fundamental need for control.

Organisation of risk management and risk control

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 at all levels from employee to Board of Directors 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 task of the Compliance division, which directly reports to the Spokesman of the Board of Directors, is to avoid compliance and reputation risks, and thus contribute in particular towards reducing business risks as well as operational risks. In the Compliance division, compulsory statutory and regulatory tasks relating to compliance with the Securities Trading Act (WpHG compliance), prevention of money laundering, the "central office" for prevention of and reaction to crimes in accordance with Section 25c of the German Banking Act (KWG), data protection as well as IT compliance and security are pooled in overall compliance management. In addition to being responsible for training and advisory services, the Compliance division carries out risk-based control on an as-needs basis as well as on-site audits. Thus it is also part of the internal control system.

The "Sales Management and Product Management", "Professional Associations", "Corporate Clients/In-patient Care Structures" and "Institutional Investors" divisions are responsible for the front-office functions in the customer business allocated to the Board departments of Retail Clients as well as Professional Associations, Large Customers and Markets.

This includes the first opinion and the management of the risks assumed. The Treasury division in the Professional Associations, Large Customers and Markets Board department is responsible for the front-office function for financial instruments.

The Treasury division is also responsible for the operative management of market and liquidity risks and the Bank's refinancing through securitised liabilities, among others, on the basis of the framework conditions passed by the Board of Directors. The Overall Bank Controlling division is responsible for the strategic management of all interest rate risks on the banking book.

The Risk Controlling division within the Controlling and Finances 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 assigned to the Risk and Banking Operations Board department are responsible for monitoring all credit risks at the level of individual borrowers. In addition to individual credit assessments and second opinions on limit applications for customers, counterparties and issuers, this includes both ongoing monitoring of the portfolio and responsibility for individual limits and organising the lending business. 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.

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.

Control, monitoring and development of the individual risk types

Credit risk

Credit risk represents the greatest risk for apoBank.

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

In all portfolios, credit risk is limited and monitored at portfolio and individual borrower level. Both individual risk and substantial risks from group exposures or the risk category are taken into account. In the first half of 2011, not least due to the continuing European debt crisis, the Bank implemented separate country limits on country risks. These limit risk depending on the country-specific macroeconomic fundamentals and the current creditworthiness of the respective country.

The rating system of apoBank

Meaning	Rating class (apo master scale)	External rating class ¹
Commitments with impeccable creditworthiness, no risk factors (standard credit management)	0A	Aaa, Aa1
	0B	Aa2
	0C	Aa3, A1
Commitments with good creditworthiness, individual risk factors (standard credit management)	1A	A2
	1B	A3, Baa1
	1C	Baa2
Commitments with low risks (standard credit management)	2A	Baa3
Commitments with greater risks (intensive credit management)	2B	Ba1, Ba2
High-risk commitments (problem credit management)	2C	Ba3, B1
Higher-risk commitments (problem credit management)	3	B2 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	4	D
No rating		

1) According to Moody's rating system

Different internal and external rating approaches are applied for the various portfolios. The results of these are compared using the apo master scale. The ratings are an important part of the system of competencies in the lending business and of the procedures for the classification of borrowers according to the servicing intensity. They are also used for business calculation and to calculate the regulatory minimum capital requirements.

The annual validation has confirmed the suitability and proper application of the rating procedures.

The Bank's individual portfolios developed in line with strategy in the course of 2011.

Drawdowns in the retail clients/branch business portfolio were increased again in 2011. In the organisations and large customers portfolio, drawdowns remained stable.

In the financial instruments portfolio, the risk volume was significantly reduced again in the course of 2011, due to the ongoing reduction of the structured financial products sub-portfolio in combination with a reduction in capital market refinancing.

The Bank's country risks continue to be a particular focus of risk monitoring. These risks result almost exclusively from the financial instruments portfolio against the backdrop of the business structure of the customer lending business which is aligned to the domestic market. Relevant country risks exist in Europe and the USA.

There are significant direct country risks in Italy, Greece and Hungary, the focus countries in Europe. Some or almost all of these risks take the form of credit default swaps (CDS). Indirect country risks in the countries affected exist to a greater extent for Italy, Spain, Portugal and Ireland, mostly via the banking sector and/or in the form of asset backed securities (ABS). The sovereign debt crisis in Greece worsened significantly in the course of the year under review. After the decisions made at the EU summit on 26 October 2011 regarding voluntary debt waivers of private creditors, on 9 March 2012 some 86% of private creditors declared their willingness to voluntarily waive debt. Subsequently, the Greek government activated mandatory provisions which will force further creditors by law to waive debt. On the same day, the International Swaps and Derivatives Association (ISDA) determined a credit event, as a result of which all payments from CDS protection positions mature.

Developments in Hungary also led to increasing uncertainty on the international capital markets. Due to its very high foreign debt, Hungary is extremely dependent on international providers of capital. However, the country has only very limited access to the capital market. Here again, there is great uncertainty as to how things will develop.

As at 31 December 2011, the Bank formed market-ad-equate risk provisioning for its existing commitments, taking the above-mentioned developments into account. Subsequent to the reporting date, the existing commitment in Hungary, part of which had already been hedged, was reduced.

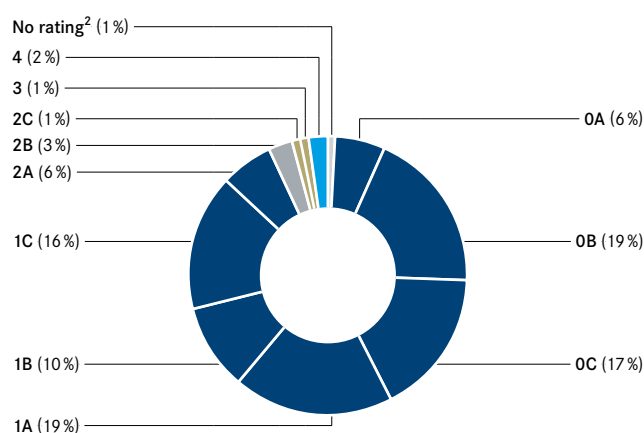
Retail clients/branch business portfolio

The retail customers/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.

Rating class distribution in the retail clients/branch business portfolio

Volume distribution based on drawdowns

total € 25,073 million¹



1) Deviations due to rounding differences

2) Including permanently unrated commitments with drawdowns < €100 and drawdowns by employees

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 customers to solve their liquidity or earnings problems. As part of problem credit management, the customer is mainly helped by special customer service teams formed in the regional credit control units. Their task is to assist the customer in this 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 of the Central Credit Control Retail Clients division in enforcing the Bank's claims against non-payers.

In financial 2011, drawdowns in the retail clients/branch business portfolio were increased again. Funds provided increased in the course of 2011 by some €1.0 billion, from €24.1 billion to €25.1 billion.

The rating distribution in the portfolio again improved slightly in 2011. 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 of the portfolio is almost complete. The portfolio is highly diversified. With around 161,000 borrowers, the largest individual risk has a share of 0.14% of the total drawdowns in this portfolio.

The risk costs in the past financial year remained at a low level, again demonstrating the Bank's long-standing financing expertise. A significant contribution to this positive development was made by the continuous improvement in the early recognition of risks. Due account was taken of all discernible risks in the risk cost calculation.

Organisations and large customers portfolio

The Bank has assigned loans to institutional organisations in the health care sector, inpatient care structures, companies in the health care market and other institutional customers to the organisations and large customers portfolio.

Sophisticated rating procedures are used in this portfolio: Commitments to institutional organisations in the health care sector concern loans to legal entities of public law, mainly to professional organisations and associations of the health care professions. According to the German Solvency Regulation (Solvabilitätsverordnung, SolvV), this portfolio is part of the institutions portfolio and is assessed by a rating system developed by 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.

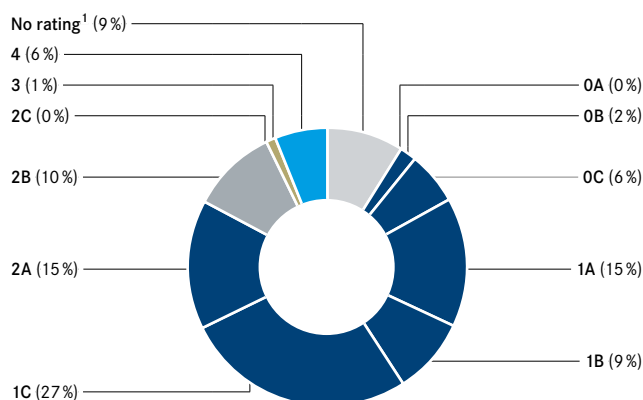
For loans to medical care structures, which mainly comprise the financing of special real estate in the medical sector, another rating procedure developed in-house is used in accordance with the requirements of the German Solvency Regulation for specialised financing. This procedure takes account of 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.

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 rating system of RMS Risk Management Solutions GmbH, which emerged from a pool solution of the Bundesverband Deutscher Banken (Federal Association of German Banks), is used to assess corporate risks.

Rating class distribution in the organisations and large customers portfolio

Volume distribution based on drawdowns

total €2,651 million



1) Excluding permanently unrated commitments with drawdowns < €100

The two procedures for care structures and companies mentioned above received the official application consent from the supervisory authorities in August 2011.

Drawdowns in the organisations and large customers portfolio amounted to €2.7 billion as at 31 December 2011. This figure was almost unchanged compared to the previous year.

The rating distribution in the portfolio continues to be well balanced. The rating coverage is high.

On the balance sheet date, the risk costs for the organisations and large customers portfolio were slightly lower than the previous year's level and overall, they were lower than expected. Additional risk costs focused on loans to medical care structures and to a very limited extent to corporations. Existing risk commitments continue to be closely supported by a special risk team.

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 focuses on liquidity and profit and helps the Bank to manage its liquidity and balance sheet structure.

Apart from traditional securities and CDS with countries, banks and companies, the financial instruments portfolio also includes the structured financial products sub-portfolio, which mainly comprises ABS and is being reduced.

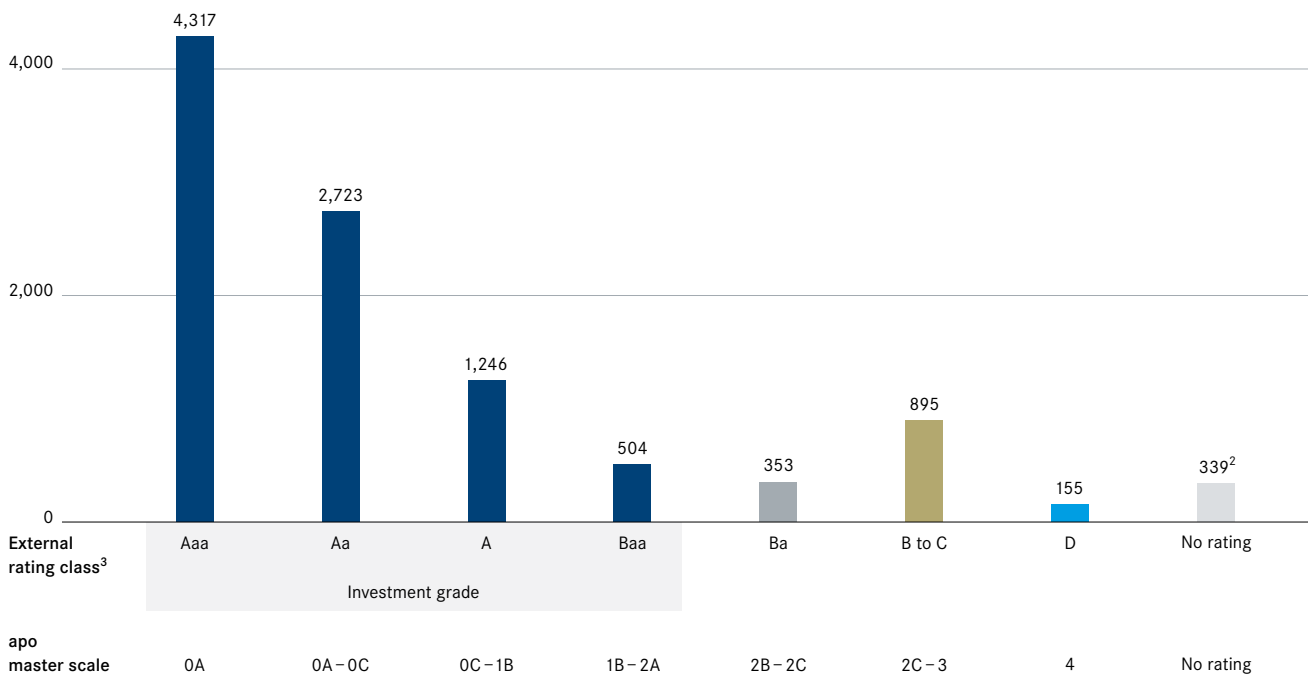
As part of the institutional customer business, the Bank takes up a limited number of positions in foreign exchange and securities trading. In addition, the Bank invests to a very limited extent in start-up financing and co-investments in fund products sold to customers.

Investment of free funds is carried out on the basis of a limit system that applies to all risk types. Within this system, limits are implemented both at portfolio and at product level as well as at individual risk level. Here, the Bank established increasingly restrictive guidelines due to the development of the financial markets in recent years. Not least in view of the ongoing sovereign debt crisis in the euro area, the Bank implemented a separate limit on country risks in the first half of 2011.

Volume distribution in the financial instruments portfolio

based on total exposure¹ as at 31 December 2011, total €10.533 million

in €million



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) on asset-backed-securities (ABS) structures, for which the nominal value is used in the absence of a book value. For foreign currency items, the current exchange rate is used for conversion. The exposure for the special fund managed by Union Investment Luxembourg (UIL) is determined by looking through on the underlying assets. These assets are 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. More than 65% of the underlying ABS in the LAAM fund are rated investment grade.

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

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. Moreover, the Bank uses collateral management in order to prevent risks spreading in view of the increased business volume and corresponding market developments.

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 system-based quantitative analyses because of their heterogeneity are regularly subjected to a systematic credit analysis.

The risk volume of the financial instruments portfolio was €10.5 billion on the balance sheet date (31 December 2010: €11.9 billion) and thus sank by a total of €1.4 billion in the course of 2011.

The drop results almost entirely from the actively pursued reduction in structured financial products in combination with a reduction in capital market refinancing.

In 2011, the Bank was able to reduce the risk volume of the structured financial products sub-portfolio by another €1.0 billion from €4.2 billion to €3.0 billion, in line with strategy. In addition to maturities and continuing redemptions, items were actively sold with a positive P&L contribution in 2011. In particular, ABS structures were sold, as well as the two remaining tailor-made CDO structures in the portfolio.

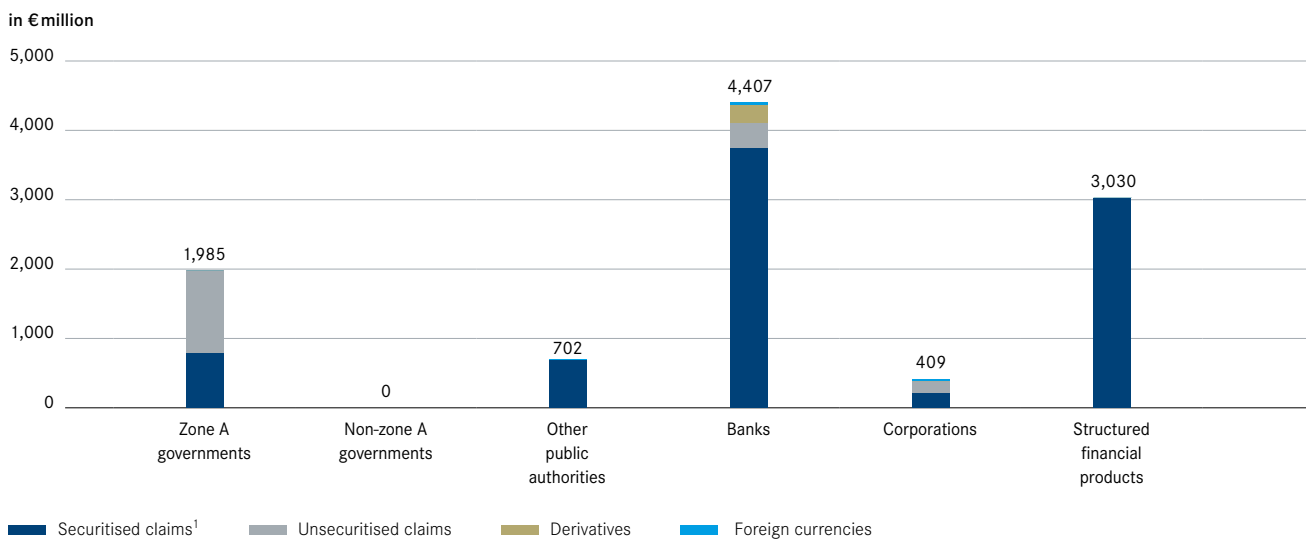
The Bank holds the large majority of structured financial products in a special fund managed by Union Investment. Based on Union Investment's expertise, the portfolio is being managed and successively reduced. The risk volume of the ABS papers in this fund amounted to €2.5 billion on the balance sheet date (31 December 2010: €3.1 billion).

The risks from the last remaining LAAM fund in the portfolio will also continue to be reduced according to plan, based on ongoing redemptions. On the balance sheet date, the fund had a risk volume of €220 million (31 December 2010: €271 million). The risk volume of the ABS structures in the fund amounted to €642 million on the balance sheet date (31 December 2010: €729 million).

In the ABS positions, country-specific focus is still placed on residential mortgage backed securities (RMBS) in the USA and Spain as well as residential and commercial mortgage backed securities (RMBS and CMBS) in the UK.

In financial 2011, further rating downgrades occurred in the structured financial products sub-portfolio in particular. However, the downgrades only led to slight shifts in the good rating classes. Compared to the previous years, the impact on the financial instruments portfolio of the

Financial instruments (on-balance-sheet and off-balance-sheet) by sector and type of risk



1) Including asset backed securities (ABS), collateralised debt obligations (CDO), mortgage backed securities (MBS), total return swaps (TRS) and LAAM fund
 2) Credit default swaps (CDS) are for the first time shown as unsecuritised claims at the reporting date (before: securitised claims).

Bank was therefore considerably lower. Accordingly, as at 31 December 2011, 83% of the portfolio was still rated in the investment grade range (31 December 2010: 83%). In the structured financial products sub-portfolio, 57% of the portfolio rated in the investment grade range (31 December 2010: 65%). The decline in this part of the portfolio in the investment grade range is due to the disproportionate reduction of risk positions in the upper rating classes.

The risk costs for the financial instruments portfolio were slightly above those in the previous year, also due to the ongoing European debt crisis and the resulting uncertainties on the financial markets.

The focus of risk provisioning in 2011 was on direct country risks in the form of CDS positions with Greece and Hungary as well as the last LAAM fund.

Development of expected losses for the structured products sub-portfolio continued to be heterogeneous. As before, no losses or only low losses were expected for some individual structures. However, expected losses in other structures had to be increased considerably in the course of the financial year. In particular, this affected US RMBS, UK CMBS as well as securitised US student loans.

The securities in the last LAAM fund were also impacted by the increase in expected losses. This led to value adjustments on the fund shares. The hidden burdens in the financial instruments portfolio decreased slightly compared to the previous year – also as a result of the risk provisioning measures taken.

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

as at 31 Dec 2011/31 Dec 2010	MBS €m		CDO €m		ABS in the narrower sense €m		LAAM fund €m		Total €m	
	2011	2010	2011 ¹	2010	2011	2010	2011	2010	2011	2010
Total exposure² by rating class (external rating class)										
Aaa	287	1,065	15	161	62	372	-	-	364	1,598
Aa	769	519	15	-	128	56	-	-	912	575
A	239	223	9	6	33	47	-	-	281	276
Baa	56	87	3	21	115	128	-	-	173	237
Ba	60	19	-	-	32	51	-	-	92	70
B to C	838	1,001	5	5	9	-	-	-	852	1,007
D	136	117	-	-	-	-	-	-	136	117
No rating	-	-	-	-	-	-	220	271	220	271
Total exposure² by country										
USA	931 ³	1,090 ³	-	142	239	303	-	-	1,170	1,535
Europe	1,432	1,920	47	51	140	351	-	-	1,619	2,321
Others ⁴	21	23	-	-	-	-	220	271	241	295
Total exposure² by residual term⁵										
0 to 1	70	191	15	6	7	93	-	-	91	290
More than 1 to 5	818	1,189	10	86	103	287	-	-	931	1,562
More than 5	1,496	1,653	22	101	269	274	220	271	2,008	2,299
Total	2,384	3,033	47	193	379	653	220	271	3,030	4,151

1) As at 31 December 2011, only non-tailor-made CDO positions were held by the Union Investment Luxembourg (UIL) fund.

2) 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) on asset-backed-securities (ABS) structures, for which the nominal value is used in the absence of a book value. For foreign currency items, the current exchange rate is used for conversion. The exposure for the special fund managed by UIL is determined by looking through on the underlying assets. These assets are accounted for on a cost value basis with exchange rates of the day of transfer.

3) Primarily comprises Alt-A residential mortgage backed securities (RMBS)

4) Securitisation structures from other countries as well as an LAAM fund with securitisation structures without country focus

5) Residual term in years = expected maturity

Participations portfolio

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

In connection with the further implementation of system migration to GAD, at the beginning of the year the Bank purchased a 49% share in gbs-Gesellschaft für Bank-systeme GmbH. gbs is a joint venture between apoBank and GAD and it secures proper operation and maintenance of the Bank's IT applications that are being transferred to GAD.

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

As part of the process of concentration on the core business, the Bank parted with its entire participation in AC Capital Partners Ltd. in the third quarter, as previously announced. apoBank's share of 51% was transferred to a holding company as part of a management buyout.

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 main market risks faced by the Bank as a whole are covered and limited by 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. Active trading to exploit short-term price fluctuations is not part of the risk strategy adopted.

Within the context of operational controlling and monitoring, an analysis is performed on earnings and risk development as well as limit utilisation. Additional regular scenario and stress calculations are carried out.

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. For example, asset swaps are concluded as micro-hedges for individual securities transactions, and correspondingly structured derivatives for structured passive products to hedge against interest rate risks.

Moreover, interest rate derivatives are used to hedge customer transactions (e. g. interest limits), for example, as part of global control of interest rate risks as well as to consolidate the interest risk profile. The Bank also uses forward exchange transactions and foreign currency swaps to hedge foreign currency items. Portfolio hedges are also employed to control foreign exchange.

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 results are included in risk control and in the planning calculations.

The purpose of controlling is to achieve a moderate interest rate risk profile at overall Bank level. 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. In 2011, global interest control measures were again taken to hedge future interest income.

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.

The result of the regulatory stress calculations was well below the prescribed limit at all times (20% of liable equity capital). With a maximum capacity utilisation in financial 2011 of 8.2% (2010: 10%), the result remains unchanged at a moderate level in spite of the regulatory interest shift from +/- 130 base points to +/- 200 base points.

Market risk management in the financial instruments portfolio

In addition to a value-at-risk (VaR) approach, scenario analyses and additional stress tests are used to measure the market risks in the financial instruments portfolio. For day-to-day management, value at risk is calculated with a confidence level of 99% and a holding period of ten days. In 2011, the model for determining market risk was modified. While the old model was based on a variance-covariance approach, the new model is based on the historical simulation procedure, with the exception of the credit spread risks of the ABS, which continue to be measured using the variance-covariance approach.

The validity of the historical simulation is checked by daily backtesting. Weekly backtesting is carried out for the credit spread risk measurement of the ABS. With backtesting, the forecast VaR of the previous day is compared against the actual change in net present value. The results of backtesting for the limited portfolio levels relevant for management confirmed the validity of the models applied.

The uncertainty on the financial markets resulting from the ongoing euro sovereign debt crisis was also reflected in the development in operational market risk of the financial instruments portfolio, in particular in the second half of 2011. The strong market movements led to a significant increase in operational market risk in the third quarter of 2011. The countermeasures put in place at European level to curtail the crisis led to a slight calming of the markets at the beginning of October, resulting in the operational market risk utilisation in the financial instruments portfolio stagnating in the fourth quarter until year-end, albeit at a considerably higher level than as at 31 December 2010.

The operational limitation of market risks in the financial instruments portfolio, derived from the risk-bearing capacity, was observed at all times in financial 2011. However, due to the increased market volatility as a result of the sovereign debt crisis, the economic market risk limit in the risk-bearing capacity was exceeded at year-end. Within the risk-bearing capacity, this was compensated for by the lower limit utilisation of the other risk types, so that the risk-bearing capacity was ensured at all times.

Liquidity risk

The Bank's management of liquidity risk encompasses operational and strategic liquidity management. Liquidity management is based on the ongoing analysis and comparison of incoming and outgoing payment flows, which are compiled in a funding matrix and limited to different degrees. It is complemented by structural stipulations, stress analyses, which are also limited, and an emergency 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. A necessary constraint is compliance with the regulatory liquidity ratio, which is also defensively limited for internal management, as well as with the requirements for the maintenance of minimum reserves.

Strategic liquidity management is used to manage the Bank's liquidity in the long term and helps to secure permanent financing of the Bank's business model. The corresponding refinancing plans are linked with the business planning process.

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

Both insolvency risk and refinancing risk are included in the Bank's risk-bearing capacity analyses. Insolvency risk is analysed from the perspective of securing liquidity in the long term. Refinancing risk is dealt with in utilisation calculations in terms of economic capital and is thereby limited and monitored.

To ensure liquidity even in potential crisis situations, the Bank maintains an extensive liquidity reserve primarily comprising ECB-eligible securities. These securities can be sold or used as collateral at any time. In addition, a conservative minimum limit has been set for this reserve that has been observed at all times.

Apart from a reliable and diversified investor base, stable customer deposits provide an essential basis for the Bank's refinancing. In 2011 again, while customer deposits continued to grow, there were no unusual outflows of customer funds. This once again confirmed the Bank's close bond with its customers. In addition, the Bank has access to a comprehensive cover pool for refinancing via German Pfandbriefe.

The consistently comfortable development in liquidity in the past financial year was again influenced by growing customer deposits. As a result of this and the ongoing reduction in risk volume in the structured financial products sub-portfolio, a significant reduction in capital market refinancing was achieved. In connection with this, the Bank only took up limited funds on the capital market during the year. Gaining customer funds for refinancing purposes remains an important aim of the Bank.

The Bank's liquidity was assured at all times in 2011. The limiting of the funding matrix and the regulatory requirements with respect to the liquidity ratio and minimum reserve were met at all times.

Pfandbrief controlling

To ensure liquidity for all contractual payments due for Pfandbrief issues, a daily process for close monitoring and controlling is implemented. Changes to Pfandbrief controlling arising from new legal requirements, external audits or rating agency requirements are dealt with by means of technical adjustments and additional developments.

Risks are limited conservatively beyond the legal requirements. The loans in the cover pool are selected defensively. All limits were complied with during 2011.

In the first half of the year under review, the introduction of a new real estate valuation procedure was completed.

Business risk/strategic 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 incomes, among other things, are planned in annual planning calculations 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 factored into the risk-bearing capacity calculation and is integrated there into the limitation.

The base-case limit of business risk in the risk-bearing capacity was slightly exceeded in November, among other things due to the commissions business, which was below plan. This was compensated for within the risk types, so that the risk-bearing capacity was ensured. The unexpected losses in business risk were stable at almost the same level in the course of the year.

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. Local risk managers are also responsible for measures to control these risks, where applicable. The results of these local self-assessments are compiled and analysed centrally for the whole Bank in the Risk Controlling division.

The Bank uses the standard approach for reporting operational risk according to regulatory requirements. Losses for the year 2011 as a whole were up on the previous year, particularly due to the increase in provisions for possible losses from the Bank's customer business. It is, however, still below the set limit.

Control measures have been reviewed and implemented where necessary for all identified substantial risks. This included taking out suitable insurance policies. Legal risks from standard operations are reduced using standardised contracts.

The security and stability of IT operations are ensured in particular by a variety of technical and organisational measures. This was achieved via IT security processes based on well established standards and controlled centrally by IT security management. apoBank's core systems achieved a high availability of more than 99% throughout the year.

Several audits aimed at quality and system efficiency are being applied in the course of migrating apoBank's IT systems to the bank21 system of the GAD's cooperative data processing centre.

Furthermore, in order to guarantee a high security level and effective provisions for operational risks, measures to cope with emergencies are continuously enhanced in all business areas, adjusted to changes in the Bank's environment and recorded in a comprehensive business continuity concept.

These measures are taken to ensure that the business activities of the Bank, for instance within the context of the system migration to the GAD's bank21 system, are not jeopardised. They also ensure that the existing systems can continue to operate even if unexpected delays occur.

Risk-bearing capacity as an instrument of overall bank control

The basis of the Bank's risk management is the ongoing identification, measurement and monitoring of all key risks. The results of these analyses are included in the risk-bearing capacity calculation, which helps to analyse the Bank's resilience from various perspectives and in a range of scenarios. The Bank distinguishes between three aspects of risk-bearing capacity: capital, liquidity and profitability. The capital aspect focuses on regulatory as well as economic capital requirements.

The determining scenario for apoBank's risk management is the going-concern scenario, in which it is determined whether the Bank still fulfills the regulatory requirements for continuing business after risks have occurred in all risk types. Risks are measured based on a 95% confidence level and are compared with a risk cover pool, which covers less than 30% of the available risk cover potential.

The capital parameters provided in the economic capital aspect of risk-bearing capacity form the starting point for limiting the individual key risk types and for further differentiated limitations.

The concepts and methods to analyse the risk-bearing capacity of the Bank are regularly audited and improved. One main change last year was the integration of the institute-specific overall bank stress tests – created in 2010 – into the risk-bearing capacity. As a result, the interaction between the risk types as well as between revenue and capital parameters is taken into account in the stress calculations for risk-bearing capacity in addition to considering all aspects. In addition, the impact of the stress scenarios for all aspects is mapped on a timeline.

In the health care market crisis stress scenario, a model of potential structural changes on the 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 crises of 2008 and 2009. In 2011, complementary inverse stress tests were carried out for the first time.

Further pressure was taken off the Bank's risk-bearing capacity in 2011, in particular due to the ongoing reduction in risk volume in the structured financial products sub-portfolio as well as the strengthening of the equity capital base via allocations to reserves from the 2010 annual result. The guarantee agreement made last year with BVR continued to have a positive impact. The guarantee, which originally had a maximum volume of € 640 million, is currently utilised to the value of some € 535 million.

However, market developments due to the euro sovereign crisis burdened the Bank's risk-bearing capacity in the second half of 2011, although it was at no time jeopardised. As a result, economic risks as at 31 December 2011 were around €100 million higher than the risks recorded on the balance sheet date of the previous year. This resulted in a higher utilisation of economic capital at year-end compared to the previous year.

The Bank's risk-bearing capacity was ensured for all aspects and at all times in 2011. However, risk-bearing capacity is still considered tense in the stress scenarios, in particular in the financial market and sovereign crisis scenario.

Compliance

As part of the ongoing expansion and realignment of the Compliance division, the Bank takes account of the ever-increasing requirements and the legal complexity with regard to the German Securities Trading Act and capital market compliance. In addition, instruments are being installed to provide organisational support to ensure compliance with the legal requirements relevant to the Bank and from a risk perspective to limit legal and reputation risk. In connection with this, a compliance management system was conceived, among other things. The Bank is installing, for instance, a dedicated "central office" within a special section for preventing and reacting to criminal acts in accordance with the amended Section 25c of the German Banking Act (KWG).

Overall, training, advisory services and control processes with regard to the compliance function are being continually expanded, both in terms of concepts and 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 requirements form the basis for a fully compliant, standardised and continuous accounting process. Areas of responsibility are clearly defined and various control and verification mechanisms are employed (including plausibility checks and dual control in particular) 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 manner and correctly 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.

Summary of the risk situation

In financial 2011, the main risk faced by the Bank continues to be credit risk.

The lending volume in the Bank's customer business also continued to increase in 2011, while the good level of quality remained unchanged. The risk volume of the financial instruments portfolio decreased again in financial 2011, based on the consistent further implementation of the reduction strategy for structured financial products.

Overall, the risk volume of the financial instruments portfolio decreased by some €1.4 billion in the course of 2011, to €10.5 billion. The decline in the structured financial products sub-portfolio amounted to some €1.1 billion, resulting in risk volume of €3.0 billion as at 31 December 2011.

The quality of the financial instruments portfolio remained essentially stable. As in the previous year, 83% of the risk volume was rated in the investment grade range. In the structured financial products sub-portfolio, some 57% of the risk volume comprises positions with a rating in the investment grade range (31 December 2010: 65%).

The Bank continues to pay particular attention to the existing country risks from its commitments in Europe. Here, the Bank made precautionary risk provisioning for selected country risks and following the reporting date it reduced additional risk positions.

In spite of continual business growth, the development of utilised risk costs and provisioning measures in the customer business remains stable. On the balance sheet date, the total was only slightly higher than the low level of the previous year, and considerably below the forecast value. The risk costs for financial instruments were slightly higher than in the previous year. All identifiable risks were considered in the risk costs in an appropriate manner.

In addition to risks from credit spread changes with respect to financial instruments, the focus of the Bank's market risks is primarily on the interest rate risk. The scope of the interest rate risk remains moderate, both periodically and in terms of present value. The Bank's liquidity situation was stable at all times in 2011.

The Bank's risk-bearing capacity was ensured for all aspects and at all times last year. In the stress scenarios – in particular in the financial market and sovereign crisis scenario – risk-bearing capacity continues to be considered tense.

Outlook

Euro area under pressure

In 2012, the global economy will cool down. This trend was already discernible in mid-2011. The global economy is expected to recover slightly in 2013. However, whether this positive trend will actually materialise depends very much on developments in the current year. Due to austerity measures, the euro area, in particular Greece, Portugal and Italy, is expected to go into recession. At the same time, Germany will probably be able to stand apart from this development in a positive sense. However, as important exports to our neighbouring countries are feeling the pressure, there is still some uncertainty in spite of currently stable domestic demand. The budget deficits of the eurozone countries are expected to drop slightly due to extensive austerity measures. In the USA, growth remains stable at a low level. Austerity measures still need to be implemented there. Japan is recovering from the earthquake and the nuclear catastrophe and will show faster growth than other industrial nations due to catch-up effects. Growth in China will decline, the more so as the country is forced to deal with ongoing fear of inflation and developments on the housing market, both of which came to the fore in 2011. Economies from India to Australia are showing increasing growth.

In the coming year, the determining factors impacting the capital markets will not be found on the corporate side, but rather in the political arena. The ups and downs in the process of overcoming the sovereign debt crisis will have a decisive impact on the stock markets. Due to the uncertain general political conditions and the weakening economic cycle, shares of companies in the utilities and telecommunications sectors with strong cash flow will increasingly become the focus of investment; this is also underscored by the attractive dividend yields.

Period of low interest continues

The European Central Bank (ECB) is expected to reduce the key interest rate again in 2012. The US Federal Reserve announced in 2011 that it would leave its federal funds rates at their historically low level until 2013. apoBank is acting on the assumption that the ECB will invest heavily in eurobonds, should the problems in the euro area continue to worsen. The euro's interest rate advantage over the US dollar will continue to shrink in the process. In addition, the US economy is expected to grow at a 1.5 to 2% higher rate. The expected result is that the European currency will come under pressure against the US dollar and end the current financial year at an exchange rate of €1.25 to the US dollar.

For German federal bonds, the Bank expects yields to increase in spite of decreasing key interest rates. As Germany continues to be seen as a safe haven within the eurozone, it can be assumed that investors will demand higher security premiums as a result of further contributions to the security mechanisms for the euro area, parts of which still have to be implemented.

Refinancing will probably remain difficult for banks. However, this pressure will be eased by the extensive tender measures of the Central Bank. According to the European Financial Supervisory Authority, however, banks across Europe require around an extra €115 billion in equity capital. According to estimates, the capital requirement of six larger German banks amounts to some €13 billion.

The peripheral countries of the euro area face a similar situation. In 2012, Italy has to refinance some €340 billion in national debt, and Spain just under €150 billion.

Competition intensifies

In the German banking sector, more foreign banks are expected to surge onto the German market. This will mainly lead to more competition for customer deposits. In addition, the more stringent future regulatory requirements resulting from Basel III will probably lead to reticence on the part of some banks to grant loans.

Structural challenges in the health care sector

The economic and structural challenges in the health care sector will not let up in the next two years.

Overall, the Bank is working on the assumption that the trends observed in the past will continue. There will be further increases in salaried employment for pharmacists, physicians and dentists in the outpatient sector. Within the context of structural change, professional cooperatives will continue to gain in significance. Financial burdens will lead to further concentration in the area of pharmaceutical supplies.

Answers still need to be found for the structural challenges in medical care. The health care structural reform act for statutory insurances (GKV-VStG) takes initial steps in this direction. These must be further specified and implemented in 2012. The legislator intends to subsidise physicians who set up practice in undersupplied regions, among other things. In addition, the work of contractual physicians is to become more flexible, the balance between work as a physician and family life has to improve, and a new step towards crossing the divide between outpatient and inpatient care is to be taken by setting up outpatient consultant care services.

Small-scale requirements planning is intended to help steer physicians' behaviour more precisely with regard to setting up practice. The aim here is to reduce regional care differences. However, the law does not include any long-term strategies to counteract regional care deficits that are already coming to the fore. Further approaches towards securing care close to peoples' homes will have to follow in the next few years. The German government also plans to implement an amendment to the rules governing the operation of pharmacies (ApBetrO) in the course of 2012. As it stands, this amendment is intended to place even more focus on the importance of advisory services.

At the same time, health care professionals will continue to be confronted with measures to control expenditure.

In the area of pharmaceutical supplies, the restructuring of wholesale remuneration for prescription drugs will once again be a main area of focus. Since 1 January 2012, this stipulates a fixed surcharge of €0.70 per pack as well as a variable surcharge of 3.15% of the manufacturer's price. With this in mind, many wholesalers will modify their conditions for pharmacies. In many cases, this will lead to reductions in bonuses and discounts, and thus declining operating results.

Physicians can expect moderate fee increases. The overall remuneration for outpatient contractual medical services is to increase in 2012 by 1.25% per person insured. In private treatment, the focus will be on the ongoing discussion of the fee schedule for physicians (GOÄ). For the moment, no impact on remuneration is expected as a result of this 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. While the Federal Ministry of Health forecasts an increase in fee volume of 6% as of 2012, the Association of Private Health Insurance expects an increase of 14%.

The statutory health insurance starts the year 2012 with a financial buffer. Due to financing via wage-related contributions, the future financial resources of health funds and health insurances depend very much on the economic cycle. Both the government and health insurances therefore warn against reducing surpluses by decreasing contributions or increasing expenditure. Against the backdrop of demographic change and technical progress in the medical sector, a further increase in health care expenditure is nevertheless probable. Going forward, health care will therefore remain a stable growth market. Although measures to cushion the cost increase are also probable in the future, physicians in particular will benefit.

Consolidation of market position as “the leading bank in the health care sector”

In the coming years, apoBank will continue to utilise market opportunities and business potential in the thriving health care market. The foundation for this is its successful business model, which is strongly anchored in the health care sector. The overriding aim of the business model remains to provide economic support to health care professionals, their associations and facilities.

For strategic development purposes, apoBank launched its future programme VorWERTs in the year under review. With the aid of measures derived from this programme, the Bank will enhance the performance of its operational business and thus set the course for expansion of its market position and a secure future.

In the following sections, the Bank lays out the expected business development for 2012 and 2013, based on its forecasts and taking account of the relevant assumptions.

General conditions determined by regulatory intensification and increasing competition

apoBank is working on the assumption that the general conditions for the entire German banking sector and thus also for apoBank will continue to intensify in the forecast period, i. e. in 2012 and 2013. The Bank expects the following individual developments: Competition, in particular in the German retail customer business, will continue to intensify. In addition, foreign banks will increasingly enter the German market. Established market participants will also focus their business models on the relatively stable retail customer segment. Furthermore, the continuingly low interest level and the flat interest structure curve will present banks with increasing challenges.

At the same time, as a result of Basel III, the more stringent regulatory equity capital and liquidity requirements will successively come into force as of 1 January 2013. According to Bank estimates, this will lead to a situation in which equity capital requirements will increase and equity capital costs as well as general refinancing costs will rise, in particular on the capital market.

General conditions influence net interest income and net commission income

apoBank continues to follow its strategic objective of expanding its market position in its core business. In line with its business policy, the Bank plans growth both in the lending business and in the deposit and investment businesses. Its good market position with a high level of market penetration and the existing exploitation potential, in particular in the deposit and investment area, play a role here. The ongoing growth in lending is to be refinanced by a significant increase in customer deposits. In this way, the Bank can further reduce its dependency on the capital market.

However, as a result of the difficult interest rate environment and continuing competition for customer deposits, the Bank expects declining margins overall in the lending and deposit businesses. The general conditions described above will thus lead to less dynamic earnings increases from the planned growth than in previous years.

According to the forecast, net interest income and net commission income will remain the main sources of earnings for the Bank. Overall, the Bank expects these items to show a stable development. The Bank plans a slight decline in net interest income at the end of the two-year forecast period. On the other hand, it expects a moderate increase in net commission income as a result of growing business volumes.

Investment expenditure impacts general administrative costs

Due to the investments already made in the core business, expenditure will be influenced by the comparably high materials and personnel costs in the next two financial years. In addition, regulatory burdens will increase. These will include the national bank levy as well as possible additional contributions to a European deposit protection scheme.

In 2012, investment expenditure for the IT migration will burden general administration expenses for the last time. In the next two years, the future programme VorWERTs will also necessitate investment expenditure, in particular to increase efficiency and quality of advisory services in the long term as well as to optimise the core business. Overall, the Bank plans a significant increase in general administrative expenses in 2012 and a slight decrease in 2013.

Stabilisation of operating result as of 2013

Due to the final investment expenditure for the IT migration, the operating result, i. e. profit before risk provisioning, will decline in 2012 in spite of the stable earnings situation. However, the Bank plans a renewed moderate increase for the following year.

In order to bring operating profitability back to an appropriate level and reduce the cost-income ratio, the Bank will carry out restrictive cost management in the two-year forecast period, both for materials and for personnel expenditure.

Stable risk situation expected in core business

On the one hand, the development of risk provisioning will be positively influenced by the generally stable economic conditions expected for players in the outpatient sector. On the other hand, continuing uncertainty about future developments on the capital markets and how the European debt crisis will progress will also have an impact.

Due to the growth in lending, the Bank expects an increase in risk costs and provisioning measures for the customer lending business. For financial instruments, the Bank plans to incur risk costs and provisioning measures at a level slightly below that of the year under review.

Dividend pay-out remains primary goal

For apoBank, the ability to pay out a dividend is a primary economic goal. With this in mind, the Bank plans to achieve a stable net income in the next two years, which will enable it to pay out an appropriate dividend to its members and to make a statutory allocation to its reserves.

Risk profile benefits from continuing risk reduction

As planned, apoBank will fulfill the minimum capital requirements which will come into force successively after Basel III is implemented Europe-wide as of January 2013. No additional capitalisation measures will be necessary.

Although the Bank is working on the assumption that risk reduction will be less dynamic, it expects that the ongoing reduction in structured financial products will continue to contribute towards taking pressure off the capital ratios in 2012 and 2013.

As a result, risk positions requiring equity will decrease further in spite of ongoing growth in the customer lending business.

The Bank's core capital will remain mostly stable in the forecast period, even without capital measures. Against the backdrop of declining risks on the assets side, the Bank therefore plans an ongoing increase in the core capital ratio by year-end 2013. Due to planned portfolio outflows in supplementary capital, the equity ratio will show only a moderate increase.

The Bank aims to continue to more than fulfill the increasing regulatory minimum capital requirements, even beyond financial 2013. To do this, the Bank has also included optional measures in its planning, in particular to reinforce equity capital, which will ensure that the requirements are fulfilled ahead of time.

The increasing share of comparably low-risk assets and the conservative approach to market risks will again increasingly impact the risk profile as a consequence of ongoing risk reduction. The Bank still expects the liquidity situation to be stable and to continue to be based on widely diversified refinancing with a growing portfolio of stable customer funds.

Further opportunities and potential risks for business development

Risks for the Bank's business development may be incurred due to the regulatory environment and the intensification of the European debt crisis.

Together, the more stringent regulatory requirements and the increasing competition in the German retail customer segment may place a higher burden than expected on the profitability of the Bank. Higher risk costs than planned may be incurred due to a more extensive participation of private creditors in the European debt crisis and/or if the situation in the focus countries in the year under review deteriorates.

To compensate for this, the Bank can resort to existing reserves. In the case of structured financial products, the guarantee agreement with BVR will make an essential contribution towards compensating for unforeseeable burdens from the remaining portfolio.

On the expenses side, however, full recognition of the cooperative protection scheme at EU level may mean that the contribution planned for a European deposit protection scheme is no longer necessary.

Overall, apoBank's strong market position and comprehensive product and services spectrum offers further potential for growth. The Bank can tap this potential even more effectively with the measures included in the future programme VorWERTs.

The aim of this programme is to expand the Bank's market position and increase its performance. The Bank will expand its market position with an even more determined approach to the market: It will further expand its expertise on the health care market by focusing on customer group segmentation and specialisation, thus enhancing the quality of its advisory services. The focus here will be on comprehensive training measures, which will enable the Bank to provide even more focused integrated advisory services, tailored to customers' needs in their respective phase of life.

Thus the Bank will be able to utilise its existing customer relations in particular for the planned growth in the individual segments of the commission business. The Bank will be able to realise further potential by providing more intensive support to its customers. The expansion of competencies also includes support of professional associations, institutional customers and corporate clients. Combined with optimising cost structures and business processes, which are also part of the programme, the Bank is thus laying the foundations for its future profitability and successful long-term development.

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Balance Sheet

Assets

	(Notes)	31 Dec 2011 €	31 Dec 2010 €
1. Cash reserve		268,832,897.17	365,572,082.87
a) Cash on hand		38,531,121.10	37,139,852.44
b) Cash in central banks		230,301,776.07	328,432,230.43
Including: in the German Federal Bank (Bundesbank)		(230,301,776.07)	(328,432,230.43)
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	(14, 15)	1,446,407,073.54	837,404,219.47
a) Mortgage loans		0.00	0.00
b) Local authority loans		0.00	0.00
c) Other receivables		1,446,407,073.54	837,404,219.47
Including: due on demand		(820,684,893.34)	(139,968,654.22)
Including: lending against securities		(0.00)	(0.00)
4. Loans and advances to customers	(14, 15, 18, 24, 28)	26,830,201,691.43	26,276,751,102.92
a) Mortgage loans		7,033,127,662.48	6,343,816,020.74
b) Local authority loans		100,546,842.52	111,093,339.01
c) Other receivables		19,696,527,186.43	19,821,841,743.17
Including: lending against securities		(0.00)	(0.00)
5. Debt securities and other fixed-income securities	(15, 16, 17, 18, 20, 24, 28)	4,138,286,224.78	4,389,409,357.98
a) Money market papers		0.00	226,518,237.59
aa) of public issuers		0.00	0.00
Including: acceptable as collateral by the Bundesbank		(0.00)	(0.00)
ab) of other issuers		0.00	226,518,237.59
Including: acceptable as collateral by the Bundesbank		(0.00)	(226,518,237.59)
b) Bonds and debt securities		4,138,286,224.78	4,162,891,120.39
ba) of public issuers		590,261,171.15	132,701,125.12
Including: acceptable as collateral by the Bundesbank		(590,261,171.15)	(132,701,125.12)
bb) of other issuers		3,548,025,053.63	4,030,189,995.27
Including: acceptable as collateral by the Bundesbank		(3,337,402,067.67)	(4,030,189,995.27)
c) Own debt securities		0.00	0.00
Nominal amount		(0.00)	(0.00)
6. Shares and other non-fixed-interest securities	(17, 18, 19, 20, 24)	4,510,846,965.43	5,135,503,237.71
6a. Trading assets	(4, 17, 21)	54,075,532.27	115,421,510.94
7. Participations and capital shares in cooperatives	(6, 17, 22, 24)	168,811,791.21	168,047,553.09
a) Participations		167,863,429.34	167,222,191.22
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		948,361.87	825,361.87
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	9,363,180.61
Including: in banks		(0.00)	(0.00)
Including: in financial services institutions		(1,292,236.21)	(1,292,237.21)
9. Trust assets	(23)	2,746,471.91	2,747,251.11
Including: fiduciary loans		(8,951.28)	(9,730.48)
10. Compensation claims against the public sector including debt securities from their exchange		0.00	0.00
11. Intangible assets	(8, 24)	5,509,630.42	15,046,833.45
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		5,034,047.00	12,276,885.00
c) Goodwill		0.00	0.00
d) Payments in advance		475,583.42	2,769,948.45
12. Tangible assets	(7, 24)	214,690,030.73	223,883,133.18
13. Other assets	(25)	1,075,744,735.25	1,178,111,013.88
14. Prepayments and accrued income	(26)	114,228,073.42	101,863,658.00
a) from issuances and loan transactions		14,451,986.61	21,726,182.38
b) Others		99,776,086.81	80,137,475.62
15. Deferred tax assets	(27)	0.00	0.00
Total assets		38,839,744,297.17	38,819,124,135.21

Liabilities

	(Notes)	31 Dec 2011 €	31 Dec 2010 €
1. Liabilities to banks	(9, 36, 37)	9,535,981,623.83	9,472,764,044.75
a) Registered mortgage Pfandbriefe issued		10,193,744.09	304,411,215.49
b) Registered public Pfandbriefe issued		0.00	0.00
c) Other liabilities		9,525,787,879.74	9,168,352,829.26
Including: due on demand		(1,899,259,624.14)	(1,953,094,750.84)
Including: mortgage Pfandbriefe and registered public Pfandbriefe delivered to the lender as collateral		(0.00)	(0.00)
2. Liabilities to customers	(9, 36, 37)	19,300,599,402.28	18,190,887,549.21
a) Registered mortgage Pfandbriefe issued		779,269,537.87	523,122,568.09
b) Registered public Pfandbriefe issued		0.00	0.00
c) Saving deposits		74,017,839.38	88,730,314.43
ca) with an agreed notice period of three months		54,518,410.00	58,030,553.91
cb) with an agreed notice period of more than three months		19,499,429.38	30,699,760.52
d) Other liabilities		18,447,312,025.03	17,579,034,666.69
Including: due on demand		(10,993,120,074.91)	(10,028,231,983.07)
Including: mortgage Pfandbriefe and registered public Pfandbriefe delivered to the lender as collateral		(0.00)	(0.00)
3. Securitised liabilities	(9, 36, 37)	6,776,299,572.98	8,001,151,445.51
a) Debt securities issued		6,776,299,572.98	8,001,151,445.51
aa) Mortgage Pfandbriefe		927,534,382.44	942,597,260.27
ab) Public Pfandbriefe		0.00	0.00
ac) Other debt securities		5,848,765,190.54	7,058,554,185.24
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)	43,520.86	936,284.27
4. Trust liabilities	(32)	2,746,471.91	2,747,251.11
Including: fiduciary loans		(8,951.28)	(9,730.48)
5. Other liabilities	(33)	314,376,872.48	311,573,565.01
6. Prepayments and accrued income	(34)	28,614,460.98	38,491,095.05
a) from the issuing and lending business		21,235,168.08	27,967,325.42
b) Others		7,379,292.90	10,523,769.63
6a. Deferred tax liabilities		0.00	0.00
7. Provisions	(10)	354,118,935.54	235,936,271.13
a) Provisions for pensions and similar obligations		123,498,645.00	118,532,438.08
b) Tax provisions		16,877,219.00	7,827,940.00
c) Other provisions		213,743,071.54	109,575,893.05
8. Subordinated liabilities	(35)	468,281,157.31	508,789,220.32
9. Participating certificate capital		190,000,000.00	210,000,000.00
Including: due within two years		(80,000,000.00)	(50,000,000.00)
10. Fund for general banking risks		167,648,774.67	166,381,056.20
Thereof special items according to Section 340e (4) of the German Commercial Code (HGB)		(1,648,774.67)	(381,056.20)
11. Capital and reserves	(38)	1,701,033,504.33	1,679,466,352.65
a) Subscribed capital		1,196,401,016.90	1,184,615,278.25
b) Capital reserves		0.00	0.00
c) Revenue reserves		461,491,249.19	441,491,249.19
ca) Legal reserves		371,250,000.00	361,250,000.00
cb) Other revenue reserves		90,241,249.19	80,241,249.19
d) Balance sheet profit		43,141,238.24	53,359,825.21
Total liabilities		38,839,744,297.17	38,819,124,135.21
1. Contingent liabilities	(40)	1,779,387,005.67	2,260,744,772.25
a) Contingent liabilities from rediscounted, settled bills		0	0
b) Liabilities from guarantees and indemnity agreements		1,779,387,005.67	2,260,744,772.25
c) Collateral furnished for third-party agreements		0	0
2. Other obligations		3,229,437,015.64	3,495,875,390.45
a) Obligations under optional repurchasing agreements		0	0
b) Placement and underwriting obligations		0	0
c) Irrevocable loan commitments		3,229,437,015.64	3,495,875,390.45

Profit and Loss Account

Profit and loss account

	(Notes)	1 Jan – 31 Dec 2011 €	1 Jan – 31 Dec 2010 €
1. Interest income from		1,422,309,903.87	1,401,316,681.09
a) lending and money market transactions		1,352,413,364.44	1,319,690,949.68
b) fixed-interest securities and debt register claims		69,896,539.43	81,625,731.41
2. Interest expenses		- 827,568,596.02	- 735,948,274.77
3. Current income from		51,971,715.25	13,826,584.64
a) shares and other non-fixed-interest securities		41,368,839.17	2,580,724.32
b) participations and capital shares in cooperatives		7,840,458.99	6,229,017.88
c) shares in affiliated companies		2,762,417.09	5,016,842.44
4. Income from profit pooling, profit transfer agreements and partial profit transfer agreements		95,799.79	232,185.87
5. Commission income	(43)	183,265,047.86	200,640,538.11
6. Commission expenses		- 64,147,271.25	- 73,530,766.12
7. Net trading result	(44)	11,409,466.20	3,429,505.79
8. Other operating income	(45)	33,680,188.98	15,055,639.51
Including: from compounding		(2,621,799.56)	(1,465,903.79)
9. General administrative expenses		- 459,414,389.16	- 428,627,266.64
a) Personnel expenses		- 216,582,959.62	- 207,095,944.59
aa) Wages and salaries		- 183,765,640.90	- 180,391,442.86
ab) Social security contributions and expenses for pensions and benefits		- 32,817,318.72	- 26,704,501.73
Including: for pensions		(- 7,478,443.61)	(- 950,211.23)
b) Other administrative expenses		- 242,831,429.54	- 221,531,322.05
10. Depreciation, amortisation and write-downs in respect of intangible and tangible assets		- 25,984,501.66	- 23,789,543.40
11. Other operating expenses	(45)	- 45,199,077.30	- 31,577,536.86
Including: from compounding		(- 7,775,906.00)	(- 8,557,879.50)
12. Write-downs and value adjustments in respect of receivables and specific securities and allocations to provisions for credit risks		- 155,955,236.86	- 159,823,098.97
13. Write-downs and value adjustments in respect of participations, shares in affiliates and securities treated as fixed assets		- 27,812,166.59	- 111,697,339.50
14. Expenses from the assumption of losses		0.00	0.00
15. Operating result		96,650,883.11	69,507,308.75
16. Extraordinary income		0.00	1,464,272.13
17. Extraordinary expenses	(46)	- 6,300,782.86	- 283,353.81
18. Extraordinary result		- 6,300,782.86	1,180,918.32
19. Taxes on income	(47)	- 46,687,810.19	23,048,372.59
20. Other taxes not reported in item 11		- 530,181.84	- 385,205.82
21. Allocation to the fund for general banking risks		0.00	- 40,000,000.00
22. Net profit		43,132,108.22	53,351,393.84
23. Profit carried forward from the previous year		9,130.02	8,431.37
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)	43,141,238.24	53,359,825.21

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:

Statement of changes in equity

	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 2010	836,915	347,700	0	361,250	80,241	53,360
Withdrawals	19,377	0	0	0	0	20,000
Additions	31,163	0	0	10,000	10,000	43,132
Distribution of annual result	0	0	0	0	0	33,351
31 Dec 2011	848,701	347,700	0	371,250	90,241	43,141

Cash Flow Statement

Cash flow statement

	2011	2010
	€m	€m
Net profit	43.1	53.4
Non-cash items included in net profit and carry-forward to cash flow from operating activities		
Write-downs, value adjustments and write-ups in respect of financial and tangible assets	232.5	239.2
Changes in provisions	31.7	-144.8
Changes to other non-cash items	1.2	40.4
Profit from the sale of financial and tangible assets	- 20.1	72.5
Other adjustments (on balance)	- 602.2	- 673.1
Subtotal	- 313.8	- 412.4
Change in assets and liabilities from operating activities after correction with non-cash components		
Loans and advances to banks	- 614.1	1,937.3
Loans and advances to customers	- 578.0	- 761.3
Securities (unless financial assets)	201.5	869.7
Other assets from operating activities	109.6	- 45.8
Liabilities to banks	45.3	-1,689.5
Liabilities to customers	1,100.9	1,215.5
Securitised liabilities	-1,215.4	-1,913.0
Other liabilities from operating activities	2.8	- 59.8
Interest and dividends received	983.2	895.7
Interest paid	- 399.3	- 325.3
Extraordinary deposits	0.0	0.0
Extraordinary payments	- 6.3	0.0
Income tax payments	- 38.1	- 7.3
Cash flow from operating activities	- 721.7	- 296.2
Deposits from the sale of		
financial assets	751.7	3,569.2
tangible assets	1.4	0.7
Payments for the acquisition of		
financial assets	- 23.9	- 3,544.0
tangible assets	- 8.4	-15.8
Fund changes from other investment activities (on balance)	0.6	- 2.0
Cash flow from investment activities	721.4	8.1
Payments from increases in equity capital	31.2	201.8
Dividend payments	- 33.4	0.0
Other payments to members	- 33.8	- 8.3
Fund change from subordinated capital and other hybrid capital (on balance)	- 60.5	- 36.4
Cash flow from financing activities	- 96.5	157.1
Cash and cash equivalents at the end of the previous period	365.6	496.6
Cash flow from operating activities	- 721.7	- 296.2
Cash flow from investment activities	721.4	8.1
Cash flow from financing activities	- 96.5	157.1
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	268.8	365.6

Notes

A. General information

1. Framework for the preparation of the annual financial statements

The annual financial statements of Deutsche Apotheker- und Ärztebank eG (apoBank), Düsseldorf, for the fiscal year ending 31 December 2011 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) and the Articles of Association of apoBank.

In accordance with Section 244 of HGB, the annual financial statements are drawn up in German and in euro. 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 profit and loss account, the following accounting and valuation methods were used:

2. Loans and advances and risk provisioning

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

3. Securities

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

With respect to the reallocation of securities in the liquidity reserve to fixed assets please refer to note 20.

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 and the portfolio of total return swaps (TRS), the underlying asset backed securities (ABS) are valued based on market indicators. Market indicators are also used to determine the value of the direct ABS

portfolios. ABS items in the INKA funds 1, 2 and 3 are valued by Internationale Kapitalanlagegesellschaft mbH (INKA). The UIL special bond portfolio Special-Bonds 1 fund (UIL fund) is 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. If the market price could not be calculated reliably, the fair value was measured using generally recognized valuation methods. 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 at least one year.

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 the development of the foreign exchange and interest rate risks.

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. Some issues are in foreign currency and as such the interest rate and currency risks are hedged through cross-currency swaps.

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 concerns a perfect hedge. The own issuance is posted at the redemption value and is not valued. Accordingly, the hedging derivative is also not valued.

At the balance sheet date, apoBank had designated a total of 951 micro-hedges with a nominal value of €12.2 billion:

- 887 hedges on own issues against the interest rate risk with a nominal value of €11.0 billion, including
 - 10 caps with a nominal value of €0.2 billion
 - 43 floors with a nominal value of €0.3 billion
 - 52 swaptions with a nominal value of €0.4 billion
 - 782 swaps with a nominal value of €10.1 billion
- 62 asset swaps to hedge against the interest rate risk of 43 acquired securities with a nominal value of €1.1 billion
- 2 cross-currency swaps to hedge against the foreign exchange and the interest rate risk of own issues with a nominal value of €0.1 billion

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 31 December 2011, a volume of foreign currency swaps from foreign exchange trading was used in the amount of €1,831.2 million as valuation units, of which €1,761.9 million to hedge offsetting swaps, €42.5 million to hedge syndicated loans, €18.9 million to hedge foreign exchange risks of the direct ABS portfolio, €2.5 million to hedge loans and advances to customers and €5.4 million to hedge loans and advances to banks.

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

- €1,182.7 million in US dollars
- €591.0 million in British pounds
- €39.4 million in Japanese yen
- €8.8 million in Australian dollars
- €4.8 million in Norwegian kroner
- €4.5 million in other currencies

As at the balance sheet date, a volume of FX forward transactions was used in the amount of €198.3 million as valuation units, of which €99.2 million to hedge offsetting swaps and €99.1 million to hedge foreign exchange risks of the LAAM XXI fund and the TRS. The FX forward transactions can be broken down based on their currency as follows:

- €181.1 million in US dollars
- €14.8 million in British pounds
- €2.4 million in other currencies

As at the balance sheet date, the total volume of the risks hedged amounted to €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.

In the year under review, software with a book value of €2,522 thousand was written off as an impairment loss since it is no longer expected to be implemented due to the planned migration to the cooperative IT system bank21 of GAD.

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

In contrast to previous years, the provisions for pension liabilities using the actuarial tables 'Richttafeln 2005 G' (Heubeck) were made using the projected unit credit method on the basis of an interest rate of 5.14%, 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 acquisition costs, in the amount of €7,139 thousand in accordance with Section 246 (2) 2 HGB. Expenses and income were not to be netted because expenses resulted from both the discounting of the pension provisions and the plan assets.

The provisions for part-time retirement and anniversary payments were also made on the basis of an interest rate of 5.14% 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 commercial law (Sections 252 et seq. 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 valuation units 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 ERS BFA 3 to provide proof of a loss-free valuation of the derivatives in the context of banking book management. The test was based on the net present value of the derivatives. 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) to the UIL fund amounting to a maximum of originally € 640 million and relating to the securities held in the UIL fund. Based on the exchange rates on the balance sheet date, the value of the guarantee amounts to approximately € 535 million.

If the BVR was claimed by the UIL fund in the form of cash, apoBank would repay BVR the corresponding amounts over time, if necessary with a debtor warrant.

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)		Loans and advances to customers (A 4)	
	€ thous		€ thous	
	2011 ¹	2010 ¹	2011	2010 ²
Accrued interest	467,679	479,555	7,208	23,062
Up to 3 months	898,728	277,849	597,999	760,068
More than 3 months to 1 year	0	0	1,445,768	1,025,016
More than 1 year to 5 years	80,000	80,000	8,901,645	6,321,626
More than 5 years	0	0	13,453,161	15,866,515

1) Relates to 'Other loans and advances to banks'

2) The previous year's values were adjusted.

Loans and advances to banks (assets, 3) include €93,690 thousand of receivables from the relevant cooperative banks (WGZ BANK AG).

The loans and advances to customers (assets, 4) include €2,424,420 thousand (31 Dec 2010: €2,280,464 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)		Loans and advances to customers (A 4)		Debt securities and other fixed-interest securities (A 5)	
	€ thous		€ thous		€ thous	
	2011	2010	2011	2010	2011	2010
Loans and advances to affiliated companies	0	0	6	0	0	0
Loans and advances to associated companies	165,028	346,679	288,683	260,010	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, €960,954 thousand (31 Dec 2010: €643,697 thousand) will mature during the financial year following the balance sheet date.

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)		Shares and other non-fixed-interest securities (A 6)		Trading portfolio (A 6a)	
	€thous		€thous		€thous	
	2011	2010	2011	2010	2011	2010
Non-negotiable	0	92,161	4,499,508	5,103,539	0	40,831
Negotiable	4,138,286	4,297,248	11,339	31,964	54,022	74,405
Quoted	4,071,068	4,222,005	6,444	7,278	32,653	47,257
Unquoted	67,218	75,243	4,895	24,686	21,369	27,148
Negotiable securities not valued at the lower of cost or market	2,960,201	2,490,230	745	745		

	Participating interest and capital shares in cooperatives (A 7)		Shares in affiliated companies (A 8)	
	€thous		€thous	
	2011	2010	2011	2010
Non-negotiable	133,597	132,832	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 2011 € thous	31 Dec 2010 € thous
Debt securities and other fixed-interest securities		
Fixed assets	3,167,034	2,701,184
Liquidity reserve	971,252	1,688,225
Total	4,138,286	4,389,409

	31 Dec 2011 € thous	31 Dec 2010 € thous
Shares and other non-fixed-interest securities		
Fixed assets	3,213,959	3,817,628
Liquidity reserve	1,296,888	1,317,875
Total	4,510,847	5,135,503

In addition, loans and advances to customers include fixed-asset securities of € 30,916 thousand (31 Dec 2010: € 345,823 thousand).

19. Shares in special investment funds

Currently, apoBank holds 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 portfolios 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 2011 €m
LAAM XXI	Panacea Trust	AC Capital Partners Ltd.	ABS/MBS	220
Total investment				220

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:

Details of shares in special investment funds in accordance with Section 1 or Section 2 (9) InvG

Name of fund	Investment objective	Value in accordance with Section 36 InvG or comparable international regulations	Difference to book value	Distribution made for the total financial year	Restriction of the option for daily redemption
		€ thous			
APO 1 INKA	Domestic and international bonds, forward transactions	773,460	21,358	2,439	no
APO 2 INKA	Domestic and international bonds, forward transactions	263,400	13,400	2,000	no
APO 3 INKA	Domestic and international bonds, forward transactions	263,400	13,400	2,000	no
APO High Yield Spezial INKA	Domestic and international bonds, forward transactions	11,279	679	635	no
APO Kupon Plus I	Domestic and international bonds	4,895	0	102	no
APO Pool B INKA	Domestic and international equities, domestic bonds	5,520	0	0	no
APO Pool D INKA	Domestic and international equities, domestic and international bonds	12,900	497	123	no
APO Pool SB INKA	Domestic and international equities, domestic and international bonds	5,759	179	55	no
apo European Equities	Domestic and international equities	5,698	0	75 ¹⁾	no
arsago STIRT 2XL	Domestic and international bonds	24,400	45	0	yes
LAAM XXI	Domestic and international bonds	81,710	-138,112	0	yes
UIL fund	Domestic and international bonds	2,920,273	-30,511	33,061	no

1) The distribution was made from the APO Trend Selekt INKA fund; the shares in the fund were returned in May 2011 and the value invested in the apo European Equities fund.

20. Financial instruments classified as fixed assets

Financial instruments classified as fixed assets

	Book value as at 31 Dec 2011	Fair value as at 31 Dec 2010	Omitted depreciation
	€ thous	€ thous	€ thous
Financial instruments classified as fixed assets¹			
ABS	18,077	8,262	9,815
LAAM fund	219,822	81,710	138,112
UIL fund	2,950,784	2,920,273	30,511
Other financial instruments classified as fixed assets ²	2,957,481	2,896,731	60,750
Total	6,146,164	5,906,976	239,188

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

2) In the reporting year, securities with a nominal volume of € 628.3 million were reallocated from the liquidity reserve to fixed assets, because they are intended for long-term investment. Hidden burdens of €15.1 million relate to these securities.

When analysing the impairment to ABS structures, the anticipated losses of the tranches held by the Bank are calculated for the total residual term using the software solution Intex and taking as a basis the parameters default rate, delays in payment, loss ratio and voluntary repayment rate. The parameters are determined on the basis of market forecasts or on the basis of customised performance data for the individual ABS transactions. An impairment exists if losses are reported using these parameters. In the case of ABS and commercial 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 2011, 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 BVR guarantee.

21. Trading assets

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

Trading assets

	31 Dec 2011 ¹ € thous	31 Dec 2010 ¹ € thous
Derivative financial instruments	54	191
Loans and advances to banks	0	40,864
Debt securities and other fixed-interest securities	54,129	74,459
Shares and other non-fixed-interest securities	0	5
Less VaR adjustment	-107	-97
Total	54,076	115,422

1) The fair values are shown.

The derivative financial instruments relate to FX swaps amounting to €13 thousand and a floor with €41 thousand.

22. List of holdings

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

List of holdings

Gesellschaft	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	2011	4,164	0 (96) ²
APO Consult GmbH, Dusseldorf ¹	100	2011	51	0 (0) ²
APO Data-Service GmbH, Dusseldorf ¹	49	2011	3,154	290
APO Leasing GmbH, Dusseldorf ¹	100	2011	94	0 (0) ²
APO Reiseservice GmbH, Dusseldorf ¹	100	2011	0	0 (0) ²
apokom GmbH, Dusseldorf ¹	100	2011	75	0 (0) ²
Kock & Voeste Existenzsicherung für die Heilberufe GmbH, Berlin ¹	26	2011	161	- 19
medisign GmbH, Dusseldorf ¹	50	2011	203	40
APO Immobilien-Kapitalanlagegesellschaft mbH, Dusseldorf	67	2010	8,407	1,935
aik Management GmbH, Dusseldorf ¹	100	2010	44	19
CP Capital Partners AG, Zurich	24	2010	278	17
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 ³	49	2010	145	44
IWP Institut für Wirtschaft und Praxis Bicanski GmbH, Münster	26	2011	7	- 9
PATIOMED AG, Berlin	49	2011	2,039	- 2,561
Prof. Bicanski und Coll. IWP Beratungsgesellschaft mbH, Münster	26	2011	93	0
Profi Erste Projektfinanzierungs- und Beteiligungsgesellschaft AG, Zurich	24	2010	1,781	985
Treuhand Hannover GmbH Steuerberatungsgesellschaft, Hanover	26	2010	23,099	570
ZA Zahnärztliche Abrechnungsgesellschaft Düsseldorf AG, Dusseldorf	50	2011	4,387	1,595

1) Indirect participations

2) Before profit transfer or loss absorption

3) Participating interest held since 1 Jan 2011

Participations in corporations with limited liability in accordance with Section 340a (4) HGB with more than 5% of voting rights existed as follows:

Treuhand Hannover GmbH, Steuerberatungsgesellschaft

23. Trust transactions

The trust transactions shown in the balance sheet are fiduciary loans totalling €9 thousand and contributions held in trust totalling €2,738 thousand.

Trust assets comprise the following balance sheet items:

Balance sheet items

	31 Dec 2011	31 Dec 2010
	€ thous	€ thous
Loans and advances to banks	9	9
Participations	2,738	2,738
Total	2,747	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 2011	31 Dec 2010
	€ thous	€ thous
Land and buildings used for the Bank's own business activities	164,225	172,395
Office furniture and equipment	45,840	46,733

Development of fixed assets

	Acquisition/ production costs € thous	Additions € thous	Write-ups € thous	Changes in the reporting period			Carried forward € thous
				Transfers € thous	Disposals € thous	Subsidies € thous	
Intangible assets	57,305	550	0	0	0	0	57,855
Tangible assets							
Land and buildings	288,053 ¹	104	0	- 33	4,877	0	283,247
Office furniture and equipment	117,477 ¹	7,729	0	33	3,266	0	121,973
Total	462,835¹	8,383	0	0	8,143	0	463,075

	Carried forward € thous	Depreciation (accumulated) € thous	Depreciation in the reporting year € thous	Book values at the balance sheet date € thous
Intangible assets	57,855	- 52,345	(- 10,087)	5,510
Tangible assets				
Land and buildings	283,247	- 114,397	(- 7,480)	168,850
Office furniture and equipment	121,973	- 76,133	(- 8,417)	45,840
Total	463,075	- 242,875	(- 25,984)	220,200

	Acquisition costs € thous	Acquisition costs € thous	Book values at the balance sheet date € thous
Receivables from customers	331,127	- 301,224	29,903
Fixed-asset securities	6,640,703	- 275,759	6,364,944
Participating interests and capital shares in cooperatives	178,340	- 9,528	168,812
Shares in affiliated companies	60,665	- 51,302	9,363
Total	7,210,835	- 637,813	6,573,022

Total book values at the balance sheet date	6,793,222
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1) The previous year's figures were adjusted.

25. Other assets

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

Other assets

	31 Dec 2011	31 Dec 2010
	€thous	€thous
Capitalised premiums from options	844,236	969,379
Tax receivables	185,605	178,257
Including: corporation tax credit according to Section 37 (5) KStG	(90,513)	(92,896)

26. Prepayments and accrued income (assets)

The prepayments and accrued income items include discount amounts from assumed liabilities of €14,452 thousand (31 Dec 2010: € 21,675 thousand) as well as premiums for swaptions exercised of €95,861 thousand (31 Dec 2010: € 75,740 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 2011, an asset surplus of deferred taxes was reported. These deferred taxes were essentially due to differences between the valuations in the trading and tax accounts for shares and other non-fixed-interest securities, provision for contingent losses, and provisioning reserves according to Section 340f HGB. Deferred tax assets also result from the valuation of tax losses brought forward as at 31 December 2011.

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 € 28,800 thousand (31 Dec 2010: € 342,475 thousand) and 'Debt securities and other fixed-interest securities' with € 50,027 thousand (31 Dec 2010: € 50,027 thousand) in the total amount of € 78,827 thousand (31 Dec 2010: € 392,502 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 €203,760 thousand.

Notes to liabilities

31. Trading liabilities

The balance sheet item 'Trading liabilities' includes:

Trading liabilities

	31 Dec 2011	31 Dec 2010 ¹
	€thous	€thous
FX swaps	3	745
Caps	41	191
Total	44	936

1) The fair values are shown.

32. Trust liabilities

Trust liabilities are subdivided into the following balance sheet items:

Trust liabilities

	31 Dec 2011	31 Dec 2010
	€thous	€thous
Liabilities to banks	9	9
Liabilities to customers	2,738	2,738
Total	2,747	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 2011	31 Dec 2010
	€thous	€thous
Premiums from options and caps carried as liabilities	240,918	246,580

34. Prepayments and accrued income (liabilities)

Prepayments and accrued income (liabilities) include:

Prepayments and accrued income (liabilities)

	31 Dec 2011	31 Dec 2010
	€thous	€thous
Premium from liabilities (securitised or unsecuritised)	324	874
Discount from claims	20,723	26,843
Other prepayments and accrued income	7,567	10,774

35. Subordinated liabilities

Details to liability item 8, 'Subordinated liabilities':

Expenses of €28,913 thousand were incurred in the financial year. 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 16 years.

Subordinated liabilities with a nominal value of €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. 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		Liabilities to associated companies	
	€ thous		€ thous	
	2011	2010	2011	2010
Liabilities to banks (L 1)	0	0	806,910	782,005
Liabilities to customers (L 2)	20,526	21,042	113,579	46,069
Securitised liabilities (L 3)	0	0	966	1,463
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)		Saving deposits (L 2c)		Liabilities to customers without saving deposits (L 2a, 2b, 2d)		Securitised liabilities (L 3)	
	€ thous		€ thous		€ thous		€ thous	
	2011	2010	2011	2010	2011	2010	2011	2010
Accrued interest	171,740	154,602	0	0	129,190	119,972	127,449	115,246
Up to 3 months	2,122,958	2,022,137	4,143	9,012	13,019,362	12,193,939	1,217,690	707,993
More than 3 months to 1 year	499,334	477,540	58,081	66,438	1,209,502	817,174	1,268,827	1,887,250
More than 1 year to 5 years	2,887,822	1,067,829	11,657	1,562	1,519,163	1,369,649	3,982,334	4,980,968
More than 5 years	3,854,128	5,750,657	137	11,718	3,349,364	3,601,424	180,000	309,694

Liabilities to banks include €204,164 thousand of liabilities to the relevant central cooperative bank (WGZ BANK AG).

Of the total liabilities to banks, €6,646,092 thousand are secured by transfer of assets. These liabilities are mainly publicly funded loans.

Further securities with a book value of €925.8 million have been pledged as additional security for public refinanced loan programmes. Irrespective of an assigned liability, we deposited cash collaterals of €39.6 million within the framework of our collateral management for interest rate derivatives. Moreover, securities with a book value of €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)), €2,613,966 thousand (31 Dec 2010: €2,579,250 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 2011 € thous	31 Dec 2010 € thous
Contributions of silent partners	347,700	347,700
Members' capital contributions	848,701	836,915
Of remaining members	814,914	817,538
Of departing members	28,404	17,064
Of terminated cooperative shares	5,383	2,313
Compulsory contributions due on shares in arrears	8	10

The revenue reserves (liabilities,11.c)) developed as follows in the course of the financial year:

Revenue reserves

	Legal reserves	Other revenue reserves
	€ thous	€ thous
As at 1 Jan 2011	361,250	80,241
Transfers		
from balance sheet profit of the previous year	10,000	10,000
from net profit of the financial year	0	0
Withdrawals	0	0
As at 31 Dec 2011	371,250	90,241

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. 7 KWG for the year 2011.

39. Foreign currency items

Foreign currency items with an equivalent value of €157,238 thousand are included in liabilities and with an equivalent value of € 373,579 thousand in off-balance-sheet contingent liabilities and other obligations.

40. Contingent liabilities

In the reporting year, apoBank made provisions for contingent liabilities in connection with protection seller CDS amounting to €90 million. € 75 million of this relate to a protection seller position vis-à-vis Greece, corresponding to a provisioning rate of 75%. The provisions are based on market parameters and internal analyses. Apart from the total provisions amounting to €95.1 million, no imminent credit risk based on off-balance-sheet contingent liabilities could be identified.

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 €65,281 million as at 31 December 2011 (31 Dec 2010: €63,494 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
<ul style="list-style-type: none"> ▪ Interest rate swaps ▪ Swaptions ▪ Caps/floors ▪ Interest rate futures 	<ul style="list-style-type: none"> ▪ Forward exchange transactions ▪ FX swaps 	<ul style="list-style-type: none"> ▪ Stock options ▪ Index transactions 	<ul style="list-style-type: none"> ▪ Credit default swaps ▪ Total return swaps 	<ul style="list-style-type: none"> ▪ Cross-currency 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 in the following table according to their risk structure. 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.

Option price models are used to measure equity and index options. The use of these is based on generally accepted assumptions. Accordingly, the value of an option is based on the value of the underlying and its volatility, the agreed strike price, interest rate or index, the risk-free interest rate and the residual term of the contract.

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

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

Risk structure

	Nominal value €m		Fair value €m	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
Interest rate-related transactions¹				
Time to maturity up to 1 year	13,952	7,670	189	201
more than 1 to 5 years	31,127	33,585	1,041	1,125
more than 5 years	13,673	14,075	458	598
Subtotal	58,752	55,330	1,688	1,924
Currency-related transactions				
Time to maturity up to 1 year	3,478	4,531	0	1
more than 1 to 5 years	261	262	0	0
more than 5 years	150	154	1	0
Subtotal	3,889	4,947	1	1
Stock-related transactions				
Time to maturity up to 1 year	1,201	884	0	0
more than 1 to 5 years	0	0	0	0
more than 5 years	0	0	0	0
Subtotal	1,201	884	0	0
Credit derivatives²				
Time to maturity up to 1 year	15	76	0	-1
more than 1 to 5 years	1,077	783	-195	-49
more than 5 years	307	1,337	-47	-8
Subtotal	1,399	2,196	-242	-58
Other transactions				
Time to maturity up to 1 year	40	100	16	-6
more than 1 to 5 years	0	37	0	13
more than 5 years	0	0	0	0
Subtotal	40	137	16	7
Total	65,281	63,494	1,463	1,874

1) Interest rate-related transactions are reported under the items 'Other assets' (€844 million), 'Prepayments and accrued income (assets)' (€97 million) as well as under the items 'Other liabilities' (€23 million) and 'Prepayments and accrued income (liabilities)' (€5 million).

2) Credit derivatives are reported under the item 'Other liabilities' (€10 million) and under the item 'Other provisions' (€92 million).

D. Notes to the profit and loss account

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 €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 2011. An adjustment of €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 €33,680 thousand (31 Dec 2010: €15,056 thousand) includes, among other things, rental income amounting to €3,923 thousand (31 Dec 2010: €3,924 thousand) as well as income from the release of reserves amounting to €16,435 thousand (31 Dec 2010: €2,207 thousand) and other income from discounting of €2,622 thousand (31 Dec 2010: €1,466 thousand).

Other operating expenses amounting to €45,199 thousand (31 Dec 2010: €31,578 thousand) mainly result from provisions for litigation costs of €29,833 thousand (31 Dec 2010: €14,085 thousand) and other expense from discounting of €7,776 thousand (31 Dec 2010: €8,558 thousand).

46. Extraordinary expenditure

Extraordinary expenditure of €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 and on tax audits of the previous years.

48. Proposal for the appropriation of balance sheet profit

In 2011, apoBank recorded a net profit of €43,132 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

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

E. Other notes

49. Other financial liabilities

Indemnity obligations from the guarantees received exist in relation to the deposit protection institution of BVR.

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

The following information (in €m) 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 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
Nominal value	1,674	1,726	2,740	3,004	64	74
Net present value	1,851	1,887	2,964	3,142	60	67
Risk net present value ¹ (upward shift)	1,792	1,810	2,844	3,005	59	66
Risk net present value ¹ (downward shift)	1,914	1,970	3,099	3,292	62	67

	Maturity profile of outstanding Pfandbriefe €m		Maturity profile of cover pool €m	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
Up to 1 year	30	62	280	428
More than 1 year to 2 years	790	30	321	372
More than 2 years to 3 years	107	790	304	375
More than 3 years to 4 years	184	107	388	343
More than 4 years to 5 years	10	184	214	309
More than 5 years to 10 years	553	553	977	870
More than 10 years	0	0	256	307

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

	€m		Share in the total amount of cover pool %	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
Total amount of receivables used as cover				
By size class				
Up to €300 thousand	2,413	2,661	---	---
More than €300 thousand to €5 million	157	181	---	---
More than €5 million	7	0	---	---
By type of use (I) in Germany				
Residential	2,468	2,779	---	---
Commercial	110	63	---	---
By type of use (II) in Germany				
Flats	632	654	23	22
Single-family homes	1,454	1,483	53	49
Multi-family homes	381	643	14	21
Office buildings	0	0	0	0
Retail buildings	0	0	0	0
Industrial buildings	0	0	0	0
Other commercially used buildings	110	63	4	2
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 2011	31 Dec 2010
	€m	€m
Total amount of claims being more than 90 days past due	0	0

Other data

	Residential		Commercial	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
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 2011	31 Dec 2010
	€ thous	€ thous
Loans and advances to customers		
Mortgage loans	2,577,520	2,842,461
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 2011: €180,000 thousand, 31 Dec 2010: €179,974 thousand)	162,000 ¹	162,000 ¹
Total cover assets	2,739,520	3,004,461
Total of mortgage Pfandbriefe requiring cover	1,673,900	1,725,900
Overcollateralisation	1,065,620	1,278,561

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 2011 was 2,198 full-time and 267 part-time employees. In addition, 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 2011	99,915	545,047	817,571
Additions 2011	2,461	26,567	39,851
Departures 2011	2,617	28,317	42,476
End of 2011	99,759	543,297	814,946

54. Cooperative shares and uncalled liabilities of members

Cooperative shares and uncalled liabilities of members

	2011 € thous
The capital contributions of the remaining members declined in the year under review by	2,624
Uncalled liabilities declined in the year under review by	2,625

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

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 €1,657 thousand in the year under review (31 Dec 2010: €1,231 thousand).

The expenses can be broken down as follows:

Auditors' fee

	2011 €thous	2010 €thous
Audit of the annual financial statements	981	1,031 ¹
Including: audit of the annual financial statements as at 31 Dec 2010		(106)
Other assurance services	314	40
Tax advice	0	0
Other services	362	160

1) In the reporting year, €126 thousand of the provisions formed in 2010 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 €2,413 thousand; the performance-related share of this total remuneration was 23%.

According to the remuneration structure for members of the Board of Directors agreed upon by the Board of Directors and the Supervisory Board for the 2011 financial year, 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

	2011 € thous	2010 € thous
Contractual salaries including possible variable remuneration paid	2,270	3,101
Fringe benefits (non-cash benefits)	143	286

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 for the 2011 fiscal year.

Retirement pensions amounting to €1,131 thousand and fringe benefits (non-cash benefits) in the amount of €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 €4,680 thousand. Pension provisions as at 31 December 2011 amounted to €24,478 thousand.

The total remuneration for members of the Supervisory Board was €729 thousand, which was divided up as follows: annual remuneration €424 thousand, attendance fees €296 thousand and other remuneration €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 2011 € thous	31 Dec 2010 € thous
Members of the Board of Directors	1	0
Members of the Supervisory Board	3,093	2,525

58. Board of Directors

Members of the Board of Directors

- Herbert Pfennig, Spokesman
- Harald Felzen (since 1 July 2011)
- Eckhard Lüdering (since 8 April 2011)
- Dr. Thomas Siekmann
- Bernd Span (until 8 April 2011)

59. Supervisory Board

Members of the Supervisory Board

- Hermann Stefan Keller, Chairman, pharmacist
- Wolfgang Häck¹, Deputy Chairman, bank employee
- Karin Bahr¹ (until 17 June 2011), bank employee
- Ralf Baumann¹, bank employee
- Hans-Jochen Becker² (until 17 June 2011), bank employee
- Martina Burkard¹ (since 17 June 2011), bank employee
- Mechthild Coordt¹ (since 17 June 2011), bank employee
- Sigrid Emsters¹ (since 17 June 2011), bank employee
- Dr. med. dent. Peter Engel, dentist
- Dr. med. dent. Wolfgang Eßer (until 17 June 2011), dentist
- Sven Franke¹, bank employee
- Eberhard Gramsch, physician
- Norbert Hinke¹ (until 17 June 2011), bank employee
- Klaus Holz (formerly Holz-Skibinski)¹, trade union secretary
- Prof. Dr. med. Dr. h. c. Jörg-Dietrich Hoppe (until 7 November 2011), physician
- Dr. med. Andreas Köhler, physician
- Walter Kollbach (since 17 June 2011), tax consultant/auditor
- Ulrice Krüger¹, bank employee
- Dr. med. Frank Ulrich Montgomery³ (since 23 December 2011), physician
- Dr. med. Ulrich Oesingmann (until 17 June 2011), physician
- Dr. med. dent. Helmut Pfeffer, dentist
- Dr. med. dent. Karl-Georg Pochhammer (since 17 June 2011), dentist
- Christian Scherer¹, bank employee
- Friedemann Schmidt, pharmacist
- Ute Szameitat² (since 17 June 2011), bank employee
- Loni Wellert¹ (until 17 June 2011), bank employee
- Heinz-Günter Wolf, pharmacist

1) Employee representative

2) Representative of the executive staff

3) Appointment in replacement for Prof. Dr. med. Dr. h. c. Jörg-Dietrich Hoppe, who died on 7 November 2011

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

In 2011, 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	Gesellschaft	Funktion
Herbert Pfennig	Andreae-Noris Zahn AG, Frankfurt	Member of the Board of Directors
	APO Immobilien-Kapitalanlagegesellschaft mbH, Dusseldorf	Deputy Chairman of the Supervisory Board, since 1 Jan 2011
	Apotheken-Rechen-Zentrum GmbH, Darmstadt	Chairman of the Administrative Board
	Börse Düsseldorf AG, Dusseldorf	Member of the Exchange Council
	DFV Deutsche Familienversicherung AG, Frankfurt	Member of the Supervisory Board, since 25 Feb 2011
	Internationale Kapitalanlagegesellschaft mbH, Dusseldorf	Member of the Supervisory Board, until 30 Sep 2011
	PEIKER acoustic GmbH & Co. KG, Friedrichsdorf	Deputy Chairman of the Supervisory Board
Harald Felzen	Apo Asset Management GmbH, Dusseldorf	Member of the Supervisory Board, since 15 July 2011
	Deutsche Ärzte Finanz Beratungs- und Vermittlungs-AG, Cologne	Member of the Supervisory Board, from 25 Oct 2011 to 20 Nov 2011; Deputy Chairman of the Supervisory Board, since 21 Nov 2011
	Finanz-Service GmbH der APO-Bank, Dusseldorf	Member of the Supervisory Board, since 1 July 2011
	Treuhand Hannover GmbH Steuerberatungsgesellschaft, Hanover	Member of the Supervisory Board, since 8 Nov 2011
Eckhard Lüdering	APO Data-Service GmbH, Dusseldorf	Member of the Supervisory Board, from 16 May 2011 to 4 Aug 2011; Chairman of the Supervisory Board, since 5 Aug 2011
	CP Capital Partners AG, Zurich	Member of the Administrative Board, since 15 July 2011
	PROFI Erste Projektfinanzierungs- und Beteiligungsgesellschaft AG, Zurich	Member of the Administrative Board, since 15 July 2011
Dr. Thomas Siekmann	RMS RISK MANAGEMENT SOLUTIONS GmbH, Cologne	Member of the Supervisory Board
	Treuhand Hannover GmbH Steuerberatungsgesellschaft, Hanover	Member of the Supervisory Board, since 8 Nov 2011
	ZA Zahnärztliche Abrechnungsgesellschaft Düsseldorf, Aktiengesellschaft, Dusseldorf	Member of the Supervisory Board
Ulrich Sommer	Apo Asset Management GmbH, Dusseldorf	Member of the Supervisory Board, until 25 Sep 2011; Deputy Chairman of the Supervisory Board, since 26 Sep 2011
	APO Immobilien-Kapitalanlagegesellschaft mbH, Dusseldorf	Member of the Supervisory Board
	Deutsche Ärzteversicherung AG, Cologne	Member of the Supervisory Board, since 22 Feb 2011
	Internationale Kapitalanlagegesellschaft mbH, Dusseldorf	Member of the Supervisory Board, since 1 Oct 2011
Hans-Jochen Becker	CP Capital Partners AG, Zurich	Chairman of the Administrative Board
	PROFI Erste Projektfinanzierungs- und Beteiligungsgesellschaft AG, Zurich	Member of the Administrative Board
Regina Dörr	AC Capital Partners Limited, Dublin	Member of the Board of Directors, until 19 July 2011
Hans Fells	Finanz-Service GmbH der APO-Bank, Dusseldorf	Member of the Supervisory Board
Thilo Gewaltig	Patiomed AG, Berlin	Member of the Supervisory Board
Georg Heßbrügge	Patiomed AG, Berlin	Deputy Chairman of the Supervisory Board
Dr. Lars Knohl	APO Data-Service GmbH, Dusseldorf	Member of the Supervisory Board, since 16 May 2011
Dr. Barbara Schwoerer	AC Capital Partners Limited, Dublin	Member of the Board of Directors, until 19 July 2011
	ARZ Haan AG, Haan	Member of the Supervisory Board, since 18 Jan 2011
Uwe Zeidler	Apo Asset Management GmbH, Dusseldorf	Member of the Supervisory Board
	APO 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, 9 March 2012
Deutsche Apotheker- und Ärztebank eG
The Board of Directors



Herbert Pfennig



Harald Felzen



Eckhard Lüdering



Dr. Thomas Siekmann

Report of the Auditing Association

We have audited the annual financial statements comprising the balance sheet, profit and loss account, 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, Düsseldorf, for the business year from 1 January 2011 to 31 December 2011. 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, 16 March 2012

On behalf of
Rheinisch-Westfälischer Genossenschaftsverband e. V.

Siegfried Mehring
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 earnings, asset and financial position 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, 9 March 2012
Deutsche Apotheker- und Ärztebank eG
The Board of Directors



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Harald Felzen



Eckhard Lüdering



Dr. Thomas Siekmann

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Telephone +49 6131-9 60 10-0
Fax +49 6131-67 75 06

Mannheim, branch

Jakob-Bensheimer-Straße 22
68167 Mannheim
Telephone +49 621-33 06-0
Fax +49 621-33 06-2 23

Munich, regional office**Counter/cash desk**

Ottostraße 17
80333 München

Advisory services

Barthstraße 2
80339 München

Telephone +49 89-5 51 12-0
Fax +49 89-5 51 12-2 88

Münster, branch

Gartenstraße 208
48147 Münster
Telephone +49 251-92 86-0
Fax +49 251-92 86-190

N**Neustadt**, branch office

Lindenstraße 7-13
67433 Neustadt a. d. Weinstraße
Telephone +49 6321-92 51-0
Fax +49 6321-3 45 36

Nuremberg, branch

Spittlertorgraben 3
90429 Nürnberg
Telephone +49 911-27 21-0
Fax +49 911-27 21-155

O**Oldenburg**, branch office

Stau 50
26135 Oldenburg
Telephone +49 441-9 23 97-0
Fax +49 441-2 66 85

Osnabrück, branch

An der Blankenburg 64
49078 Osnabrück
Telephone +49 541-9 44 03-0
Fax +49 541-44 26 82

P**Passau**, branch office

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94032 Passau
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Fax +49 851-98 84 48-20

Potsdam, branch

Hegelallee 12
14467 Potsdam
Telephone +49 331-2 75 21-0
Fax +49 331-2 75 21-90

R**Regensburg**, branch

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93049 Regensburg
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Fax +49 941-3 76 10

Rosenheim, branch office

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83022 Rosenheim
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Fax +49 8031-4 08 31-11

Rostock, branch

August-Bebel-Straße 11/12
18055 Rostock
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Fax +49 381-4 52 23-27

S**Saarbrücken**, branch

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66119 Saarbrücken
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Fax +49 681-5 86 06-67

Schwerin, branch

Wismarsche Straße 304
19055 Schwerin
Telephone +49 385-5 91 22-0
Fax +49 385-5 91 22-70

Siegen, advisory centre

Spandauer Straße 40
57072 Siegen
Telephone +49 271-70 30 71-0
Fax +49 271-70 30 71-50

Stuttgart, regional office

Alexanderstraße 5
70184 Stuttgart
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Fax +49 711-78 79-1 22

T**Thüringen/Erfurt**, branch

Theo-Neubauer-Straße 14
99085 Erfurt
Telephone +49 361-5 76 54-0
Fax +49 361-5 76 54-70

Trier, branch office

Balduinstraße 16-18
54290 Trier
Telephone +49 651-9 48 05-0
Fax +49 651-4 23 30

Tübingen, branch office

Herrenberger Straße 85
72070 Tübingen
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Fax +49 7071-9 75 58-33

U

Ulm, branch office
Karlstraße 31–33
89073 Ulm
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Fax +49 731-1 40 34-20

W

Wiesbaden, branch office
Bodenstedtstraße 4
65189 Wiesbaden
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Fax +49 611-72 18 22

Wuppertal, branch
Berliner Straße 45–47
42275 Wuppertal
Telephone +49 202-2 50 52-0
Fax +49 202-50 85 49

Würzburg, branch
Schürerstraße 5
97080 Würzburg
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Fax +49 931-5 27 61

Advisory offices

A

Aschaffenburg
Ludwigstraße 2
63739 Aschaffenburg
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Fax +49 6021-4 54 40 76
Appointments via Würzburg branch

B

Brandenburg/Havel
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14776 Brandenburg/Havel
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Appointments via Potsdam branch

Bremerhaven
Barkhausenstraße 2
27568 Bremerhaven
Telephone +49 421-34 82-0
Appointments via Bremen branch

C

Cottbus
Dreifertstraße 12
03044 Cottbus
Telephone +49 331-2 75 21-0
Appointments via Potsdam branch

E

Erlangen
Schlossplatz 6
91054 Erlangen
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Fax +49 9131-4 00 03-28
Appointments via Nuremberg branch

F

Frankfurt/Oder
Müllroser Chaussee 7
15236 Frankfurt/Oder
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Appointments via Potsdam branch

Fulda
Flemingstraße 3–5
36041 Fulda
Telephone +49 561-7 00 07-0
Fax +49 561-7 00 07-22
Appointments via Kassel branch

G

Görlitz
Konsulplatz 3
02826 Görlitz
Telephone +49 351-8 00 01-0
Appointments via Dresden branch

H

Hamburg – Klinikum
Martinistraße 78
(AMF Facharztklinik)
20251 Hamburg
Telephone +49 40-2 28 04-0
Fax +49 40-2 28 04-2 32
Appointments via Hamburg regional office

I

Ingolstadt
Levelingstraße 7
85049 Ingolstadt
Telephone +49 841-88 18 75-70
Fax +49 841-95 19 89-68
Appointments via Nuremberg branch

K**Kaiserslautern**

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 67655 Kaiserslautern
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 Appointments via Neustadt
 branch office

L**Landshut**

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 84028 Landshut
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 branch

Limburg a. d. Lahn

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Lingen

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 branch

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 97421 Schweinfurt
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 branch

Straubing

Lilienstraße 5-9
 94315 Straubing
 Telephone +49 941-3 96 03-0
 Appointments via Regensburg
 branch

V**Villingen-Schwenningen**

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 78054 Villingen-Schwenningen
 Telephone +49 7720-99 49 25-0
 Fax +49 7720-99 49 25-2
 Appointments via Freiburg branch

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 branch

Map of Locations



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