Annual Financial Report 2010
Looking Ahead

deutsche apotheker- und ärztebank

Overview of Business Development

Overview of the 2010 financial year

About the Bank	31 Dec 2010	31 Dec 2009	Change %
Members	99,915	101,176	−1.2
Customers	347,300	333,100	4.2
Employees	2,419	2,350	2.9
Locations	75	65	– – –

Balance sheet	€m	€m	%[1]
Balance sheet total	38,819	41,231	– 5.8
Equity capital	1,679	1,430	17.4
Customer loans	26,277	25,600	2.6
Customer deposits	18,191	16,984	7.1

Profit and loss account	€m	€m	%[1]
Net interest income	679.2	618.2	9.9
Net commission income	127.1	111.6	13.9
General administrative expenses	– 452.4	– 422.6	7.1
Profit before risk provisioning	341.0	317.8	7.3
Risk costs and precautionary measures			
for the customer lending business[2]	– 69.9	−103.3	– 32.3
for financial instruments and participations[2]	– 201.6	– 485.1	– 58.4
Allocation to the fund for general banking risks	40.0	0.0	– – –
Net profit/net loss (–)	53.4	– 283.1	– – –

Key figures	%	%	ppts
Equity ratio	11.9	10.2	1.7
Core capital ratio	7.6	6.2	1.4
Cost-income ratio	58.7	57.9	0.8
Return on equity (after tax)	4.1	– 20.2	24.3

Rating	Standard & Poor’s	Moody’s	Fitch Ratings (group rating)
Long-term rating	A+	A2	A+
Short-term rating	A –1	P –1	F1+
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) shown under ‘Balance risk provisioning others’ in the previous year

Content

To Our Members & Customers

Letter of the Spokesman of the Board of Directors

Dear Members, Customers and Business Associates,

apoBank looks back on an eventful year. Having said this, we should differentiate here between what apoBank has achieved both in terms of the Bank's operations and together with health care professionals, and events outside of the business.

Beyond the traditional banking activities, the last quarter of 2010 in particular was dominated by two key events of considerable public interest: Firstly, the Supervisory Board initiated legal steps in the interests of the Bank's owners against the former Board of Directors to ascertain whether a breach of obligations occurred in the context of the acquisition of structured financial products in 2007. As part of this move, we had to recall one member of the Board of Directors; secondly, apoBank was caught off guard by the LICON affair, in which it was assumed that some employees of the Bank might have obtained unlawful personal advantages. Once again, the Supervisory Board and the Board of Directors worked closely and constructively to take quick and consistent action. We initiated extensive measures to ensure the transparency of all transactions and to eliminate any potential irregularities. As a result, the Board of Directors was almost entirely reappointed, and comprehensive organisational measures were implemented to ensure that similar events cannot occur again. For the Board of Directors and the Supervisory Board, this step was necessary to maintain the trust of the general public in our bank.

For us, as well as for you as members, customers and business associates of apoBank, this was not an easy period. However, together we have been successful in overcoming these challenges. This is why I remain confident about our future. This confidence is naturally also based on our business performance. We were able to seamlessly build on our success from the previous year; the results in our individual core areas were extremely positive.

In the lending business, new loans totalled € 4 billion and were thus almost on a par with the previous year's high figure. We earmarked € 2 billion of this for investment and business start-up financing, making an above-average contribution to the investment volume in the outpatient sector. This should be our benchmark in future. After all, we are committed to providing financial support for health care professionals, and take our statutory mission seriously. Our holding in Patiomed is also part of this. Against the backdrop of rapid changes in the health care sector and the move away from trad-itional outpatient care structures, we need innovative forms of physician-led enterprises and medical health care. This is why Patiomed is important. Patiomed sets up and supports physician-led care centres under the PatioDoc brand, in which primarily self-employed doctors work. We want to promote this project with our financial strength, because unlike medical care centres – known in Germany as MVZ –, this model offers our customers opportunities to become economically independent, even under modified conditions.

In addition to the lending business, we are growing our investment business, despite the volatile developments on the financial markets. Our high level of net growth in private asset management shows that health care professionals also place great trust in apoBank when it comes to investments. This is also confirmed by independent experts. For example, our private asset management division was recognised by FOCUS MONEY and n-tv for the second consecutive year. Thanks to our above-average performance in the categories of customer information, transparency and investment advice, we were presented with an award for “Excellent Private Asset Management”, placing us amongst Germany’s top four private asset managers. At the Zertifikate Awards 2010, we were also given a special prize for “Derivatives in a Portfolio”, confirming our expertise in selecting and allocating certificates in a very difficult market climate. We consider these awards to be recognition of our achievements and an incentive to further expand our position in the private asset management and investment sector.

In 2010, we also drove forward measures for risk reduction and risk immunisation. Despite adding securities from our leveraged special fund, the LAAM fund, to the accounts, the volume of structured financial products at the end of 2010 was slightly down on the previous year. From today’s perspective, we expect the remaining products to be reduced even more quickly than originally planned. To assist this, we also took further measures to strengthen our capitalisation with the aim of further improving the equity position of apoBank and at the same time preparing for the increased equity requirements under Basel III. This is essential if we want to continue to grow our credit business in the future and support health care professionals in their endeavours.

At this point, I would particularly like to highlight the successful placement of a silent partnership in the amount of almost € 200 million. Professional pension funds, in particular, have subscribed to the silent partnership. For us, this is an important signal. It shows that health care professionals stand by their bank, support apoBank’s business model and trust us.

Overall, by focusing on our core business we have managed to return the Bank to profitability and re-established its ability to pay dividends.

We have ambitious plans for the future as well. We want to continue to grow healthily and sustainably. To achieve this, we have already taken initial measures: We will reduce the complexity of the Bank, optimise overall management of the Bank and further expand our market position. We want to further strengthen apoBank's reputation as a reliable and fair partner for health care professionals and their associations. I am convinced that we can achieve this. We are committed to sustainable sales, and will never lose sight of the benefits for the customer. This is what matters. After all, our product is customer service.

Finally, I would like to thank you all: Firstly, our members and customers for the trust they placed in apoBank in the previous year; secondly, our business associates for their support; and last but not least, our employees for their excellent cooperation and loyalty.

You can rest assured: We will endeavour to do everything in our power to support health care professionals and to justify their trust in apoBank.

Yours sincerely,

Herbert Pfennig

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

Report of the Supervisory Board

The past year was characterised by many challenges, which called for intense discussions between the Board of Directors and the Supervisory Board. This was also apparent in the comparatively high number of meetings. These primarily dealt with the Bank's measures to protect itself against unforeseen charges as a consequence of the worldwide financial and economic crisis and with the new appointments to the Board of Directors.

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 and the Employee Committee.

General questions regarding business policy in the investment and lending sector as well as in the other service areas were discussed, as were the development of earnings and important individual transactions. In addition, we initiated measures to reduce the risk profile. Among other things, the existing guarantee agreement with BVR was modified in the context of outsourcing structured financial products in a special fund managed by Union Investment Luxembourg S.A. (Union Investment). This further expedited the Bank's protection from unexpected losses from its financial instruments portfolio. The Supervisory Board closely monitored this development. Parallel to this, it is continuing its efforts to reduce the current structured financial products portfolio.

The transactions presented for approval on the basis of legal and statutory provisions were discussed in depth. Additional subjects were the general economic situation for health care professionals, the successful placement of the silent partnership of approx. € 200 million and the further development of the IT project to migrate to the cooperative IT system bank21.

In its session of September 2010, the Supervisory Board decided to take legal steps against the members of the former Board of Directors. In addition to Günther Herion, against whom a legal enquiry was initiated in June 2010, this also affected Claus Harald Wilsing, Günter Preuß, Gerhard K. Girner and Werner Albert Schuster. At the time of the Supervisory Board's decision, Werner Albert Schuster was still a member of the Bank's Board of Directors. He was recalled from the Board of Directors on 17 September 2010. By taking this resolution, the Supervisory Board met its duty to safeguard the interests of the owners. It will have to be established whether a breach of obligations occurred in the context of the acquisition of structured financial products in 2007.

As part of the prosecutors' investigations into the LICON Group, which sells high-quality capital investment properties via its subsidiary MEDICON, among other things in cooperation with apoBank, employees of apoBank were also suspected of having illegally obtained personal benefits. Together with the Board of Directors, the Supervisory Board started an immediate action plan to make all processes more transparent and to remove any potential grievances within the Bank. As part of this immediate action plan, the Bank also reappointed its Board of Directors. On 1 November 2010, the Supervisory Board recalled the former Board members Stefan Mühr and Claus Verfürth from their positions.

The Supervisory Board expressly supports the work of the Spokesman of the Board, Herbert Pfennig, and also encourages him personally to continue on the chosen path. The Supervisory Board pronounced its full confidence in him.

Authorised by the Federal Financial Supervisory Authority (BaFin), Dr. Thomas Siekmann, formerly Chief Representative, was appointed to the role of Director of Risk, Finances and Controlling as at 29 October 2010. In addition, the Supervisory Board appointed Bernd Span as Director of Personnel and IT as at 4 November 2010.

Early in 2011, the Supervisory Board appointed Harald Felzen, currently a member of the supervisory board at Kreissparkasse Ludwigsburg, to the role of Director of Retail Clients. He will assume office on 1 July 2011.

Rheinisch-Westfälische Genossenschaftsverband e.V. carried out the audit of the annual financial statements and management report for the 2010 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 Director's proposal on the allocation of net profit and found them to be correct. It also approves the appropriation of profits proposed by the Board of Directors. The proposal is in accordance with the provisions of the Articles of Association.

The Corporate Governance Code of Deutsche Apotheker- und Ärztebank was adapted to the new requirements in September of the year under review. The currently valid version of the Code and the mutual Declaration of Conformity by the Board of Directors and the Supervisory Board are published on the Bank's website.

At the Supervisory Board meeting on 18 June 2010, employee representative Uschi Jaeckel left the Supervisory Board. In the constitutive meeting on the same day, Klaus Holz-Skibinski succeeded her as employee representative.

In accordance with Article 24 (8) of the Articles of Association, the following members will be leaving the Supervisory Board this year:

Friedemann Schmidt, pharmacist
Eberhard Gramsch
Dr. med. dent. Wolfgang Eßer

They may be re-elected.

The Board of Directors, Supervisory Board and employees have experienced an extraordinary year. As the Supervisory Board, we are convinced that together we have successfully set the Bank on track for the future. We would like to thank all those involved for their valuable contributions.

Dusseldorf, April 2011

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 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 as a cooperative bank has voluntarily adopted the regulations of the Code. The Bank thus anticipated an increasing tendency towards recognising and putting into practice the Code regulations as benchmarks for behaviour for all companies. However, when implementing the suggestions and recommendations of the Code, the particularities associated with its legal form of a cooperative and the legal position and interests of its members must be taken into account.

Since the publication of the DCGK in February 2002 by the Government Commission, the Bank has incorporated into its own Code the regulations as practised by the Bank taking account of its legal form. The Bank publishes its Code online, as well as its Declaration of Conformity, which explains any deviations from the recommendations of the Government Committee. The Bank's Code and the Declaration of Conformity are adapted each year to the current suggestions and recommendations of the Government Commission.

The Bank's current Code and the Declaration of Conformity are based on the version of the DCGK dated 26 May 2010. In continuation of the objectives already pursued in 2009, the Government Commission focused especially on the subject of diversity in 2010.

The Board of Directors and the Supervisory Board of the Bank agree that women should be more strongly represented both at the management level of the Bank and on the Supervisory Board. One way the Bank provides for this is by being highly flexible in order to meet the needs that an increase in female participation at management level brings with it.

The qualification of members of the Supervisory Board was a further area of focus in 2010. Deutsche Apotheker- und Ärztebank fully implemented the recommendations of the Government Commission in this respect. Quite apart from the existing legal quality requirements facing Supervisory Board members, the Bank has been supporting qualification and training measures for the members of its Supervisory Board for years.

Any individual variations of the Bank's Corporate Governance Code compared to the German Corporate Governance Code for the purposes of Section 3 of the DCGK can be found in the Declaration of Conformity, available on the Bank's website for five years.

Company Boards

Board Departments

Organisational chart of Deutsche Apotheker- und Ärztebank

Board Department 1
Spokesman of the Board of Directors
Herbert Pfennig

- Internal Auditing
- Law
- Compliance & Corporate Security
- Office of the Board of Directors
  - Communication
  - AC Capital

Board Department 2
Retail Clients
Herbert Pfennig[1]

- Sales Management and Product Management
- Sales Partner Liaison and Support
  - apoFinanz
- Private Asset Management
- Market Region East (Berlin)
- Market Region Bavaria (Munich)
- Market Region West (Dusseldorf)
- Market Region Northwest (Dortmund)
- Market Region North (Hamburg)
- Market Region Central (Frankfurt)
- Market Region Southwest (Stuttgart)

Board Department 3
Professional Associations, Large Customers and Markets
Herbert Pfennig

- **Divisional Director** Ulrich Sommer
- Professional Associations
  - medisign
- Corporate Clients/ Inpatient Care Structures
- Institutional Investors
- Chief Investment Officer
  - apoAsset
  - APO Immobilien-KAG
- Treasury
- Health Care Markets and Policy
  - health care akademie

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

1) Provisional

Board Department 4
Finance and Controlling

Dr. Thomas Siekmann

- Risk Controlling
- Overall Bank Controlling
- Finance
- Purchasing and Cost Management
- Principles of Finance, Controlling and Supervisory Law

Board Department 5
Risk

Dr. Thomas Siekmann

- **Chief Representative** Eckhard Lüdering
- Central Credit Control Corporate Clients/Financial Instruments
- Central Credit Control Retail Clients
- Credit Policy
- Regional Credit Control Dresden
- Regional Credit Control Hanover
- Regional Credit Control Dusseldorf
- Regional Credit Control Munich
- Regional Credit Control Frankfurt

Board Department 6
Personnel and Banking Operations

Bernd Span

- Personnel
- Facility Management
- Trading Operations
- Service and Transaction Bank
  - apoData
- IT
- System/Provider and Process Management

as at March 2011

Board of Directors

Herbert Pfennig
Spokesman of the Board of Directors

Stefan Mühr (until 1 November 2010)

Werner Albert Schuster (until 17 September 2010)

Dr. Thomas Siekmann (since 29 October 2010)

Bernd Span (since 4 November 2010)

Claus Verfürth (until 1 November 2010)

Supervisory Board

Hermann Stefan Keller, pharmacist
Chairman
Mainz

Wolfgang Häck
Deputy Chairman
Dormagen[1]

Karin Bahr
Kiel[1]

Ralf Baumann
Dusseldorf[1]

Hans-Jochen Becker
Mülheim / Ruhr[1]

Dr. med. dent. Peter Engel
Bergisch Gladbach

Dr. med. dent. Wolfgang Eßer
Mönchengladbach

Sven Franke
Hanover[1]

Eberhard Gramsch
Göttingen

Norbert Hinke
Dusseldorf[1]

Klaus Holz-Skibinski (since 18 June 2010)
Essen[1]

Prof. Dr. med. Dr. h. c. Jörg-Dietrich Hoppe
Düren

Uschi Jaeckel (until 18 June 2010)
Mülheim / Ruhr[1]

Dr. med. Andreas Köhler
Berlin

Ulrice Krüger
Berlin[1]

Dr. med. Ulrich Oesingmann
Dortmund

Dr. med. dent. Helmut Pfeffer
Wohltorf

Christian Scherer
Neustadt[1]

Friedemann Schmidt, pharmacist
Leipzig

Loni Wellert
Vallendar[1]

Heinz-Günter Wolf, pharmacist
Hemmoor

1) Employee representative

Advisory Board

Dipl.-Betriebswirt Wolfgang Abeln, Pinnow

Stephan Allroggen, dentist, Kassel

Dr. med. Helmut Anderten, Hildesheim

Dr. Eric Banthien, Hamburg

Dr. med. Johannes Baumann, Coswig

Karl-August Beck, pharmacist, Fürth

Fritz Becker, pharmacist, Remchingen

Dr. med. dent. Gert Beger, Bad Münster

Dr. med. Margita Bert, Rüsselsheim

Christoph Besters, Waldkirch

SR Dr. med. Wolfgang Beyreuther, Zwickau

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

Dr. med. Thomas Birker, Heide

Rudi Bittner, Landshut

Dipl.-Volkswirt Dieter Bollmann, Hamburg

Dr. rer. nat. Roswitha Borchert-Bremer, Lübeck

Dr. med. dent. Jürgen Braun-Himmerich, Köngernheim

Bernhard Brautmeier, Essen

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

Dr. med. dent. Gerhard Bundschuh, Groß-Glienicke

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

Dr. med. Edith Danda, Langenhagen

Reinhard Dehlinger, Munich

Dipl.-Stom. Holger Donath, Neu Heide

Dr. med. Wolfgang-Axel Dryden, Kamen

Dr. med. Wolfgang Eckert, Schwerin

Dipl.-Kfm. Armin Ehl, Berlin

Dr. med. Brigitte Ende, Buseck

Dr. rer. nat. Ralph Ennenbach, Bad Segeberg

Dr. med. Karsten Erichsen, Bremen

Heinz-Ulrich Erlemann, pharmacist, Cologne

Rolf Eskuchen, Wilhelmshaven

Albert Essink, dentist, Berlin

Dr. med. dent. Jürgen Fedderwitz, Wiesbaden

Dipl.-Med. Regina Feldmann, Meiningen

Erika Fink, pharmacist, Frankfurt

Christian Finster, Bad Schönborn

Dr. med. Hans-Walter Fischer, Verden

SR Dr. med. Günter Gerhardt, Wendelsheim

Dr. med. dent. Dietmar Gorski, Wilnsdorf

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

Dr. phil. Jörn Graue, pharmacist, Hamburg

SR Dr. med. dent. Manfred Grub, Losheim

Dipl.-Stom. Dieter Hanisch, Freyburg

Dr. med. Gunter Hauptmann, Saarbrücken

Dr. med. Klaus Heckemann, Dresden

Rolf Hehemann, Dusseldorf

Dr. med. Hans-Joachim Helming, Bad Belzig

Dr. med. Torsten Hemker, Hamburg

Dr. med. Wolfgang Herz, Rastatt

Dr. med. Achim Hoffmann-Goldmayer, Stetten a.k.M.

Dr. med. Rolf Holbe, Kreiensen

Dipl.-Kfm. Wilfried Hollmann, Essen

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

Dr. med. Burkhard John, Schönebeck

Dipl.-Kfm. Daniel F. Just, Munich

Dr. med. Eberhard Kimmi, Kenzingen

Dr. jur. Ulrich Kirchhoff, lawyer, Hanover

Dr. med. Thorsten Kleinschmidt, Braunschweig

Dr. rer. pol. Andreas Kretschmer, Dusseldorf

Dr. rer. soc. Thomas Kriedel, Dortmund

Dr. med. dent. Peter Kriett, Bad Segeberg

Dr. rer. pol. Andreas Lacher, Gauting

Dipl.-Kfm. Wolfgang Leischner, Lübeck

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

Dr. med. Steffen Liebscher, Lößnitz

Volker Linss, Villmar-Aumenau

Dipl.-Kfm. Thomas Löhning, Dusseldorf

Dr. med. Burkhard Lütkemeyer, Bad Essen

Dr. med. dent. Ute Maier, Tübingen

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

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

Dr. med. Axel Munte, Grünwald

Dipl.-Math. Gert Nagel, Hainburg

Christian Neubarth, dentist, Hildesheim

Dr. med. Volker Niehaus, Norden

Dr. Ralph Nikolaus, Dresden

Dipl.-Kfm. Siegfried Pahl, Erkrath

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

Dr. med. Peter Potthoff, Bad Honnef

Dr. med. Angelika Prehn, Berlin

Dr. med. dent. Janusz Rat, Munich

Dr. med. Hans-Joachim Raydt, Stade

Dr. med. dent. Michael Reinhard, Nörtershausen

Dr. med. dent. Martin Reißig, Munich

Dipl.-Volkswirt Manfred Renner, Tutzing

Dr. med. Karl-Friedrich Rommel, Mechterstädt

Dr. jur. Helmut Roth, lawyer, Senden

Hans Günter Scherer, Berlin

Dr. med. dent. Karl-Horst Schirbort, Burgdorf

Dr. med. Gabriel Schmidt, Munich

Dipl.-Finanzwirt Peter Schmidt, Kall

Dr. med. Ralf-Rainer Schmidt, Leipzig

Dipl.-Med. Thomas Schmidt, Hohen Neuendorf

Dr. med. Rüdiger Schneider, Trier

Dr. med. dent. Ursula von Schönberg, Barntrup

SR Dr. med. Ulrike Schwäblein-Sprafke, Hohenstein

Dr. med. Michael Siegert, Trier

Dirk Smolka, dentist, Bonn

Dipl.-Volkswirt Jochen Stahl, Münster

SR Dr. med. dent. Helmut Stein, Clausen

Dipl.-Volkswirt Helmut Steinmetz, Kiel

Dr. med. Volker Steitz, Binnen

Dr. med. dent. Helke Stoll, Eilenburg

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

Dr. med. Jürgen Tempel, Wunstorf

Dr. med. Ulrich Thamer, Dortmund

Dr. med. Christoph Titz, Ganderkesee

Dr. med. Sigrid Ultes-Kaiser, Ramstein

Ralf Wagner, dentist, Langerwehe

Ulrich Weigeldt, Berlin

Dr. med. dent. Holger Weißig, Gaußig

Dr. med. Elmar Wille, Berlin

Prof. Dr. med. Kuno Winn, Berlin

Dr. med. dent. Walter Wöhlk, Kiel

Dr. rer. pol. Thomas Zalewski, Stuttgart

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 Girl
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
Honorary member of the Bank
Essen

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

In Memoriam

Dr. med. dent. Rudolf Cramer

Prof. Dr. med. Dr. h. c. Hans-Joachim Sewering

The deceased supported the development of the Bank through their commendable work on the Supervisory Board. After that, they remained associated with the Bank as members of the Council of Elders.

Albert Becker, dentist

Prof. Dr. med. Rolf Bialas

Hans Henning Bieg, dentist

Peter Herzog

Dr. med. Hans Hellmut Koch

Dr. med. Heinz Friedrich Moog

Dr. med. Günter Theurer, pharmacist

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

We shall honour their memory.

Annual Report

An Interview
Herbert Pfennig and Hermann S. Keller


In 2009, Herbert Pfennig and Hermann S. Keller joined apoBank in the roles of Spokesman of the Board of Directors and Chairman of the Supervisory Board respectively. The first 18 months in their new positions were very eventful, and 2010 in particular posed considerable challenges. In this interview, they speak about the Bank's recent past, their objectives and how they want to further expand apoBank's market position.

Mr. Pfennig, Mr. Keller, how would you summarise apoBank's performance in 2010?

H.P.: "2010 was another gruelling year for apoBank – the news for our shareholders wasn't always good. A series of events, from the necessity to realign our strategy and the waiver of dividends to the proceedings in connection with LICON-Immobilien, overshadowed our business, which otherwise was quite successful in terms of operational performance. Management was faced with the challenge of acting quickly and consistently to prevent damage to the Bank. Our overriding aim here was to free the otherwise healthy Bank from the burdens created by non-core activities."

H.K.: "This is the crucial point. apoBank was and still is very successful in terms of operational performance, and has always remained true to its statutory mission. Together we have undertaken everything possible to deal with the less attractive aspects of our past transparently, so that we can quickly launch into a successful future with a clear record."

Have you already done this with the dividend payment for the 2010 financial year?

H.P.: "For our members, the waiver of a dividend payment in the previous year was a setback. That sort of thing should never happen. However, we have learned from our past errors, and the Bank has realigned its strategy. This is now focused on what we do best and why our customers choose us: namely assisting health care professionals in all financial and investment matters. This is what made the Bank successful in the first place. And we will continue in this vein for all future developments. Our ability to pay a dividend for 2010 is an important milestone, which shows us that we are back on the right track. And that also includes reducing risks, particularly from structured financial products."

What goals have you set yourself for reducing the structured financial products?

H.P.: "In 2009, our aim was to reduce structured products by half within five years – whilst preserving their value! This means we are doing everything to maintain the value of the affected securities, rather than selling them below value. The target is still € 2.5 billion, and we may even reach it earlier than 2014. But we will not stop at € 2.5 billion. On the contrary, we are eventually aiming for zero, as structured financial products are no longer part of our business model."

"Dividend payments – an important milestone"

Herbert Pfennig

These so-called toxic securities caused considerable damage to apoBank. This also raised the question of whether the Supervisory Board of apoBank has the necessary expertise to fulfill its controlling function.

H.K.: "Let me first say that the Supervisory Board is made up of ten representatives each of shareholders and employees. The expertise is there. The members of the Supervisory Board have extensive experience in complex economic advisory and monitoring roles alongside their health care background. The majority have known the Bank for years and have been intensively involved with it and the decisions of the Board of Directors. For some issues, we also call on external experts. In 2010, by initiating legal proceedings against the former Board of Directors we demonstrated that we take our controlling function seriously, and also take unsavoury decisions when required."

How did this come about?

H.K.: "As the Supervisory Board, we have an obligation to safeguard the interest of members. Together with a renowned law firm, we investigated whether or not decisions taken by the Board of Directors serving at the time in connection with the creation of a portfolio with structured financial products constituted a breach of obligation. The resulting legal opinion compelled us to take legal steps against the members of the former Board of Directors to make claims for damages. In this context, we had to recall the last member of the former Board of Directors to maintain the respective legal position with a view to possible legal conflicts."

This was not the only personnel issue to affect apoBank in 2010. In November 2010, apoBank also recalled two other members of the Board of Directors. This was triggered by incidents concerning the sale of listed historic real estate.

H.P.: "That is correct. But first perhaps a few words on the situation: The LICON group renovates listed historic buildings and sells them as particularly valuable real estate as a capital investment via its subsidiary MEDICON. We have been working with MEDICON since 2008. We inform interested customers of the possibility of acquiring LICON real estate as a capital investment and provide optional acquisition financing. That's the background. In October, public prosecution investigations were conducted at LICON. These were also extended to individual employees of apoBank."

H.K.: "In view of these events, we had to act swiftly. Among other measures, we recalled the members from the Board of Directors in authority at the time and reappointed the Board."

H.P.: "The decisions were unavoidable, as we are obliged to clarify events without reservation. We owe this to our members and customers, as well as to apoBank. That is why we immediately set up an independent review committee to investigate the events."

In addition to personnel issues, did the LICON affair have any financial consequences?

H.P.: "These possibly unlawful transactions were conducted outside of the Bank. As a result, apoBank suffered no financial losses. But what is even more important is that our customers were not harmed either, and that customers who invested in LICON real estate continue to be happy with their decision."

H.K.: "Regardless of this, we will make sure that such events cannot happen again. The Supervisory Board will support the Board of Directors fully in this. We will submit evidence that trust in our bank continues to be justifiable."

H.P.: "Even if it turns out that a small group committed misconduct, this does not change the fact that the majority of apoBank employees are loyal and committed. Many of our customers have confirmed this."

So do customers continue to trust apoBank?

H.P.: "My experience is that almost all health care professionals are loyal to their bank and trust us, our services and our expertise. Our positive operating figures are unmistakable evidence of this. This is certainly not something we take for granted. For me, it is all the more important that we prove to our customers that we are and will remain a reliable, fair and above-board partner. In financial services, trust is an important property."

H.K.: "And that is particularly true for a cooperative bank like apoBank. After all, we are guided by the principle of mutual support and solidarity. Cooperative values play a particularly important role in our customer relations."

Are there any measures that you will be taking to prevent a repeat of these events, and to strengthen trust in apoBank?

H.P.: "We have a clear code of conduct with binding rules for our employees, each and every one of them. In addition, there are very clear working directives for individual scenarios, compliance to which is regularly controlled. The compliance systems we use for this have been subject to an extensive review. Based on the results, we will once again tighten our

“We will make sure that such events cannot happen again.”

Hermann S. Keller

prevention and control measures. We have also modified our organisational structure.”

What exactly does this entail?

H.P.: “Firstly, we have changed the allocation of responsibilities in the Board of Directors, so that dual control is ensured for all business decisions at all times. Also, we have decentralised our branch structure. We have defined seven market regions. Each of these will be managed by a market region manager, who will be responsible for his or her regional office as well as for business at other locations in the area. As a result, we have brought the Board of Directors closer to the sales locations, and allocated responsibility for sales to several people.”

Regarding sales: In February, apoBank appointed its new Sales Director, Mr. Harald Felzen.

H.K.: “The Supervisory Board conducted an extensive search for a suitable sales director. We are convinced that in Mr. Felzen we have found the right candidate for apoBank. He has long-standing experience in the banking sector, most recently as a management board member, and has an excellent reputation. He impressed us with his knowledge and ideas for a sustainable sales culture.”

How exactly will the Board of Directors be composed?

H.K.: “The team of Directors includes Mr. Pfennig, Dr. Siekmann, Mr. Span and, when he takes up his post in July at the latest, Mr. Felzen. It will also be supported directly by Mr. Sommer and Mr. Lüdering. Mr. Sommer heads the Professional Associations, Large Customers and Markets department, while Mr. Lüdering is responsible for the Risk department. Both report directly to the Board member responsible for their department.”

H.P.: “Looking ahead – that is our motto for 2011. After the setbacks of the previous two years, we are now focusing entirely on business operations. We have a lot planned.”

What goals have you set yourself?

H.P.: “In recent years, we have been preoccupied with ourselves to a great degree due to circumstances beyond our control. This tied up a lot of resources. But because of the many changes in the health care sector, we cannot rest on our market position. On the contrary, we must continue to evolve. And that is exactly what we are doing. We are already developing a programme for this.”

"Looking ahead"

Herbert Pfennig

Can you divulge the first key points yet?

H.P.: "We are still developing the details. But ultimately the programme will be based on three pillars: Firstly, we will streamline the Bank's procedures so that we have additional scope for strategic projects, and particularly for our services directly to customers; secondly, we plan to optimise overall bank control so that we can react more rapidly to new requirements and changes; and thirdly, we will continue to expand our market position."

You are already the leader in business start-up financing. Where do you see the potential for expansion?

H.P.: "Definitely in the investment business. We haven't yet exhausted all of the potential in this area. But we have already achieved quite a lot: In 2010, our private asset management was recognised with two awards, and here we currently have more than €1 billion in assets under management. This underlines the fact that we are much more than just a simple financier. We are a partner for life. And this means that health care professionals are in safe hands with us when it comes to investments and accumulating wealth. We give them the best possible support."

What does "the best possible support" mean for you?

H.P.: "This means that we assist our customers over the long term and according to their needs. And that health care professionals can expect from us a quality of service that they won't get from any competitor. There must always be added value for customers. This is the standard that we set ourselves as 'the bank for the medical professions'."

What is your outlook for the 2011 financial year?

H.K.: "We have been through a rough time. But we have learned from this and it has brought us closer together. For me, this is a great motivation and incentive to be confident about 2011."

H.P.: "2011 will be a challenging year for us. Our regulatory environment is changing and we will have to adapt to these changes as they happen. Basel III is almost certainly just one of many issues we will have to deal with. Despite the challenging conditions last year, we achieved our operating goal, which was to be able to pay a dividend. We will face 2011 and shape the future with the same level of commitment and dedication. We want to build on our success with sustainable sales and strengthen our market position. It is this drive that has characterised apoBank in the past – and will continue to do so in the future."

Thank you for your time.

A fair partnership is one from which each party benefits.

Herbert Pfennig, Spokesman of the Board of Directors

Sound financial management means using scarce resources purposefully and focusing on what matters.

Dr. Thomas Siekmann, Member of the Board of Directors

The essence of personnel management for me is reliability and mutual trust.

Bernd Span, Member of the Board of Directors

Key Events of 2010

2010 was an eventful year for apoBank: The Bank had to press ahead with its strategic realignment and overcome various challenges. At the same time, it reached important milestones and managed far-reaching changes. It kicked off new projects and supported and guided health care professionals and their associations in their projects in accordance with its statutory mission.

This review of 2010 documents the most important events and apoBank's achievements in the past year.

28 January
Decision made in favour
of GAD

The Year that Was

January

GAD is appointed apoBank's IT service provider

apoBank decides to gradually migrate its IT systems to the bank21 system of cooperative IT service provider GAD by 2012. By outsourcing its IT, as it announced back in 2009, the Bank will be able to focus more on its core business. In choosing GAD, apoBank is also closing ranks with the cooperative FinanzGruppe Volksbanken Raiffeisenbanken. The Bank and its customers will benefit in particular from the GAD Group's product and service portfolio and its experience in the cooperative banking sector.

apoBank publishes business start-up analyses

apoBank publishes the results of the business start-up analyses for physicians and dentists, which it carried out in cooperation with the Central Research Institute of Ambulatory Health Care (ZI) and the Institute of German Dentists (IDZ). According to these, individual practices continued to be the preferred form of business start-up amongst physicians and dentists in 2008. At the same time, professional cooperatives are in vogue and are becoming increasingly popular amongst health care professionals. This development is confirmed in the course of the year when the business start-up analyses 2009 are published.

The business start-up analyses are an important guide for health care professionals looking to set up in practice, as well as for those wanting to sell out. The data is based on the start-ups of dentists and physicians financed by apoBank. In 2008 and 2009, the number of such start-ups rose to more than 5,500.

22 February
Investment programme "PraxisZukunft" launched

February

"PraxisZukunft" investment programme against investment backlog

A significant investment backlog has built up in German practices. Against this backdrop, apoBank is setting a clear example: As part of its "PraxisZukunft" (Practice-Future) investment programme, it provides health care professionals with € 2 billion for investments and business start-ups. With PraxisZukunft, apoBank contributes significantly to the financing volume in the outpatient sector in 2010 and supports the necessary investment projects in the health care sector.

At the same time, apoBank accompanies the financing initiative of the National Association of Statutory Health Physicians and the KfW banking group. At joint events, it supplies health care professionals with the specialist information required for a successful investment.

apoBank supports PHARMACON in Davos

The 40th PHARMACON conference is held in Davos. As organizer of the traditional Bank Evening, Herbert Pfennig, Spokesman of the apoBank Board of Directors, discusses an interesting subject not connected with pharmacy. Against the backdrop of the financial market crisis, he poses the question: "Can we learn from nature?", drawing parallels, but also highlighting differences between macroeconomic cycles and biological patterns. He comes to the conclusion that a crisis can be a way of moving forward for those who continue to develop and adapt to new conditions.

4 March
apo Medical Opportunities
receives Lipper Fund Award

March

Seminar options for employees and students increase

In addition to the established training programme for health care professionals with their own practices and businesses, apoBank continues to add on to its range of seminars for employed academic health care professionals and students. One of the new additions is the “Alternatives to self-employment” seminar designed for employees. In 2010, the Bank conducts almost 100 seminars for employees and students and almost 400 seminars for health care professionals with their own practices and businesses. In this way, it supports health care professionals over the long term in their personal further education.

apo Medical Opportunities receives Lipper Fund Award

Since 2005, the apo Medical Opportunities equity fund has been investing in promising companies in the health care sector independent of their market value and index affiliation. The strategy is paying off: In its category, apo Medical Opportunities receives one of the most coveted awards in the fund industry – the renowned Lipper Fund Award 2010. At the start of the year, the fund, which is managed jointly by apoAsset and Medical Strategy GmbH, was also recognised with two €uro Fund Awards.

15 April
Business figures 2009 published

23 April
10th anniversary of the health care akademie

April

apoBank publishes business figures for 2009

apoBank publishes its business figures for 2009. Despite continued successes in its core business, the Bank reports its first annual net loss. This is due to extensive risk provisioning, especially for the Bank's structured financial products. By reducing the risk potential in its financial products portfolio, however, apoBank has established the conditions to enable it to concentrate fully on its successful core business with health care professionals. With this strategic realignment, the Bank aims to return to previous success.

10th anniversary of the health care akademie

The health care akademie celebrates its 10th anniversary. Since 2000, the academy, founded jointly by the National Association of Statutory Health Physicians, the Federal Board of Physicians and apoBank, has offered a curriculum specifically tailored to health care professionals' needs. With its wide range of courses, it has made a name for itself as the further training institute "for health care professionals by health care professionals". In addition to interdisciplinary management courses, the curriculum also includes an accredited part-time Masters course, "MBA Health Care Management". This has been offered since 2009 in cooperation with the Dusseldorf Business School of the Heinrich-Heine University Dusseldorf.

19 May
100th “Financial Adviser in the Health Care Sector”

23 May
20 years of apoBank in East Germany

May

100th apoBank employee certified “Financial Adviser in the Health Care Sector”

The 100th apoBank employee is awarded the “Financial Adviser in the Health Care Sector” certificate. Since 2009, apoBank has been training its sales staff in cooperation with the Frankfurt School of Finance and Management to become certified financial advisers in the health care sector. As part of their practical training, participants acquire key skills for providing general customer advice as well as advice with special reference to the health market. The training comprises 20 days of seminars and ends with two examinations. By the end of 2010, a total of 128 apoBank employees will have successfully obtained the certificate.

20 years of apoBank in East Germany

20 years ago, on 23 May 1990, apoBank received authorisation from the State Bank of the German Democratic Republic to open representative offices in Berlin, Leipzig and Schwerin. In the same year, the Bank founded branches in Chemnitz, Dresden, Erfurt, Leipzig, Magdeburg, Potsdam, Rostock and Schwerin.

Today, apoBank is represented in 17 locations in East Germany and Berlin and employs more than 250 staff who advise customers on starting up their business, financing investments, pension schemes and other investment matters. Thanks to its dedication and commitment, it has become one of the main pillars of the health care market in East Germany.

18 June
Annual General Meeting

June

Annual General Meeting convenes in Dusseldorf

At apoBank's Annual General Meeting, which is held in Dusseldorf, the Bank reports to representatives on the previous financial year 2009. All of the proposed resolutions submitted by the Board of Directors and the Supervisory Board, including the waiver of dividend payments, are adopted by the Annual General Meeting. This and numerous statements corroborate that the representatives want to embark on the path of strategic realignment together with the Board of Directors and the Supervisory Board.

"No other bank understands the lending business in the outpatient sector as well as we do. Our customers benefit from our knowledge in helping them to finance their projects and achieve their objectives. Our lending decisions give our customers security. And we benefit because our experience and expertise in the lending business give us an unbeatable competitive edge."

Eckhard Lüdering, Chief Representative

1 July
"Sales workplace for the future" for greater proximity to the customer

5 July
Patiomed AG commences operations

July

"Sales workplace of the future" project creates even greater proximity to the customer

apoBank optimises its sales structure under the motto "Sales workplace of the future": It reallocates all tasks regarding customers and customer relations to the sales teams. To ensure that the teams can deal with their new responsibilities, the Bank significantly expands its sales force, hiring in particular sales assistants to support customer and asset investment advisers, as well as employees for branch services. Up to 90% of these new openings are filled by internal staff who completed the relevant training courses. By successfully implementing the "Sales workplace of the future" project and improving its customer-adviser ratio through additional sales advisers, apoBank is able to even better meet the needs of its customers and allocate even more time to personal consultations with health care professionals.

Patiomed AG commences operations

The health care market is changing: Structural changes in the health care sector, the demographic situation among physicians, and rising economic pressure are breaking down the traditional structures of outpatient care. Against this backdrop, Patiomed, a joint venture between KVmed, Deutscher Ärzteverlag, CP Capital and apoBank, is breaking new ground in helping physicians gain economic independence. Patiomed AG is pursuing an innovative and forward-looking provisioning concept with the aim of promoting self-employment. To achieve this, Patiomed will set up and support physician-led care centres (Ärztliche Versorgungszentren, ÄVZs) under the PatioDoc brand, in which most doctors are self-employed, unlike in the medical care centres (Medizinische Versorgungszentren, MVZs). In both ÄVZs and MVZs, doctors join up to offer their services. However, in the case of ÄVZs, each of them retains the status of health care provider while in MVZs the facility itself also has the legal status of a health care provider.

31 August
Private asset management manages
€ 1 billion in assets

Half-yearly figures for 2010 published

August

apoBank invests in vocational and advanced training

A major pillar of apoBank's personal development strategy is training and promoting junior staff. In 2010, 39 apprentices start their professional careers at apoBank – 16 more than in the previous year. In parallel, apoBank takes on the majority of young bank staff who completed their apprenticeship this year.

apoBank continuously invests in training opportunities for its employees: Through its comprehensive range of seminars, it helps staff to strengthen and expand their specialist and personal qualifications.

Branch office opens close to Charité

apoBank opens a new branch office within walking distance of Charité in Berlin-Mitte. By increasing its local presence, the Bank hopes to intensify customer relations and to better meet the needs of its customers. By the end of the year, apoBank has 75 locations throughout Germany.

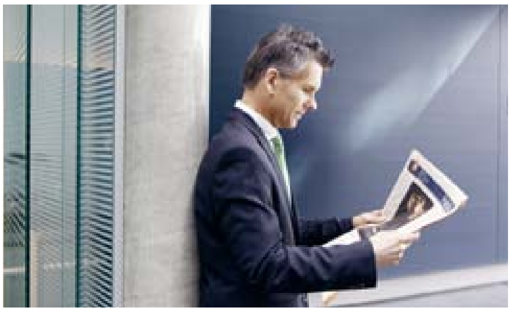
Private asset management manages €1 billion in assets

Health care professionals trust apoBank's expertise in private asset management: In 2010, for the first time, its private asset management manages assets with a volume of more than € 1 billion. As a result, the private asset management department is once again able to record a significant increase in investment volume over the previous year.

apoBank publishes half-yearly figures for 2010

The strategic realignment of the Bank is showing effect: Thanks to its continued success in its operating business, apoBank got off to a good start in 2010. This is what the Bank reports when publishing its half-yearly figures. In the first half of 2010, apoBank net profits totalled € 25.0 million. Herbert Pfennig, Spokesman of the apoBank Board of Directors, reports that the Bank plans to achieve a net profit in the 2010 financial year, which will allow a dividend distribution.

29 September
Silent partnership
issued


September

Company health management for employees launched

As the bank in the health care sector, apoBank is also committed to the health of its employees. In view of this, the Board of Directors decides to establish an internal health management scheme. In this context, a special working group develops innovative measures for maintaining employee health. It is intended that these measures will support employees in their day-to-day work and strengthen their health reserves.

Supervisory Board initiates legal steps against former Board of Directors

The Supervisory Board of apoBank decides to initiate legal steps against the members of the former Board of Directors. It has to be established whether breaches of duty occurred in the course of acquiring structured financial products in 2007. In addition to Günther Herion, against whom a legal enquiry was initiated in June, this issue now affects Claus Harald Wilsing, Günter Preuß, Gerhard K. Girner and Werner Albert Schuster. Werner Albert Schuster, who at the time of the Supervisory Board resolution is still a member of the Bank's Board of Directors, is recalled from the Board of Directors. By taking this decision, the Supervisory Board fulfills its duty to safeguard the interests of its owners.

Silent partnership successfully placed

In 2009, the Bank strengthened its capital base in the long term through various measures. It continues on this path in 2010. To meet the increasing capital requirements of Basel III and to continue its customer and growth-oriented lending policy, apoBank issues a silent partnership in the amount of € 200 million. Professional pension funds in particular participate in the issue, whose subscription period runs to the end of September. This underlines the funds' close ties to apoBank.

11 October
Sale of dgnservice GmbH



October

apoBank welcomes its 13,000th student as a customer

With its tailor-made student services, products and activities, apoBank attracts more and more students of human, dental and veterinary medicine as well as future pharmacists. In 2010 alone, it acquires more than 3,500 new customers in this sector. In October, the Bank welcomes its 13,000th student as a customer. It will continue to expand its student business.

apoBank exhibits at EXPOPHARM

EXPOPHARM, Europe's largest pharmaceutical trade fair, opens its doors in Munich. apoBank is also represented at this international industry gathering. More than 1,500 people visit apoBank's interactive stand to find out about the Bank's services.

FREY ADV GmbH buys dgnservice GmbH

As part of its strategy to focus on its core business, apoBank sells its shares in dgnservice GmbH. The buyer is e-health expert FREY ADV GmbH. The company has the necessary expertise to develop dgnservice into a first-class IT provider in the health care sector, and is therefore the ideal partner. apoBank continues to attach great importance to the telematic sector, and in particular the business with signature cards for financial services and tasks related to health care. This is also evidenced by its holding in medisign.

apoBank private asset management rated "excellent"

For the second consecutive year, the private asset management division of apoBank is recognised in the bank test by FOCUS MONEY and n-tv. It is rated as offering "Excellent Private Asset Management". Compared to the previous year, apoBank is once again able to consolidate its position and now ranks among the four best private asset managers in Germany. The extensive audit focused on the quality of advice in terms of portfolio structure and product design.

25 October
Private asset management
rated “excellent”

29 October
“AAA” rating for
apoBank Pfandbriefe

Rating agency awards Pfandbriefe top score

Following the conclusion of the regular Pfandbrief rating meeting, rating agency Standard & Poor’s awards apoBank’s cover pool the top “AAA” rating. This confirms the agency’s rating from the previous year. apoBank has been issuing Pfandbriefe since 2008. This is an attractive refinancing instrument for the Bank on the one hand, while enabling it to offer risk-averse investors an alternative investment opportunity on the other.

“We are more than a pure financier. We offer health care professionals active support in a changing market. Our open and partnership-based exchange with professional associations and pension funds of health care professionals helps us in this. We plan to intensify these relationships to create added value for all those involved.”

Ulrich Sommer, Divisional Director

1 November
Immediate action plan adopted to clarify LICON affair

November

LICON affair affects apoBank

In the context of public prosecution investigations against the LICON Group, which sells high-quality investment properties through its subsidiary MEDICON, apoBank is also mentioned in the press. Since 2008, apoBank had referred interested customers to MEDICON as part of a cooperation agreement. There are initial suspicions that some employees of the Bank might have obtained unlawful personal advantages under this cooperation.

The Supervisory Board and Board of Directors issue an immediate action plan: All occurrences must be fully explained, misunderstandings clarified and preventive measures optimised. Customers of apoBank are not affected, nor does apoBank suffer any financial losses that could influence its planned performance.

As part of this immediate action plan, the Bank re-appoints its Board of Directors. Board members Stefan Mühr and Claus Verfürth are recalled. Dr. Thomas Siekmann, previously Chief Representative, moves up to the Board. In addition, Bernd Span, former Spokesman of the Oldenburgische Landesbank, is appointed to the Board of Directors as a new member. Consequently, the Board initially comprises three members. Looking forward, six Board departments will be created.

health care akademie develops new “Practice Management” curriculum

Health care professionals in outpatient care are increasingly also required to have business skills. In view of this development, the health care akademie together with the Akademie Praxis und Wissenschaft designs a new “Practice Management” curriculum for dentists. In five modules, the course teaches the financial, legal and tax law basics for successful practice management. In 2011, the course will take place for the first time.

apoBank is a premium partner of the German dentists’ convention

The German dentists’ convention is held in Frankfurt/Main under the motto “Shaping our responsibility for the future”. This motto is more relevant than ever, as economic and structural changes are affecting dentistry. apoBank plans to actively support health care professionals in this environment and help them to shape the future. This is underlined by apoBank’s role as a premium partner of the German dentists’ convention, along with its involvement in many other industry gatherings. At these events, apoBank generates impetus with specialist information and seeks a professional and health policy dialogue with health care professionals.

apoBank and medisign appear at MEDICA

MEDICA, the world’s largest medical trade fair, is held in Dusseldorf. The team from apoBank welcomes more than 1,000 physicians to its stand. In in-depth discussions, customer advisers strengthen their personal contact with health care professionals.

apoBank’s subsidiary medisign is also present at the fair. Its stand focuses on the latest technical solutions for the electronic doctors’ ID card, including electronic signatures for transmitting the list of overall service, personal authentication for the invoicing portal, and the encrypted exchange of data with the association of panel doctors (Kassenärztliche Vereinigung, KV). Since many practices will have to switch their KV invoicing to online starting in 2011, the solutions generate high interest from visitors.

2 December
Private asset management receives special award for "Derivatives in a Portfolio"

December

apoReal International increases its fund volume

apoReal International, the real estate special fund issued by apoBank subsidiary aik in 2009, is enjoying great success. Due to the high level of demand, the fund increases its volume to € 300 million in equity and € 500 million in total capital. In 2010, the fund pays out a dividend of 6%.

aik also achieves a very good overall performance. On average, investors receive a distribution of around 5%.

Private asset management receives special award for "Derivatives in a Portfolio"

At the Zertifikate Awards 2010, organised by the WELT Group and PORTFOLIO EXKLUSIV, and supported by scoach and the Stuttgart stock exchange, more than 20 leading issuing banks decide for the first time which professional user has made the best use of their products. In the unprompted survey, the portfolio managers of apoBank are the clear winners. They are presented with the special award for "Derivatives in a Portfolio" for their expertise in selecting and allocating certificates.

New loans reach € 4 billion

One core competence of apoBank is in supplying credit to health care professionals. In 2010, it supports them with new loans totalling € 4.0 billion. This confirms apoBank's high level of new loans in the previous year, when it achieved a record result of € 4.1 billion. These figures show that the Bank fulfills its statutory mission, namely to provide financial support for health care professionals.

The fact that health care professionals also rely on apoBank for services other than lending is reflected in the growth of the deposit business for retail clients. Within three years, the Bank has increased its average deposit volume in this sector by almost 50%.

Management Report

Business and General Conditions

apoBank – "the 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 cooperative 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.

As "the bank in the health care sector", apoBank is a specialist and niche supplier with a strong position in the German health care market. In this way, it secures the leading position of the cooperative FinanzGruppe in financial services for the health care sector.

Business model aimed at 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 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 risks, 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. We offer our customers the complete range of financial and advisory services in the lending and deposit business, as well as in asset management. In its role as "the bank in the health care sector", the Bank has an obligation to maintain a trusting relationship with its customers and a high level of quality for their benefit.

Focus on core business

apoBank's business policy is centred on its profitable core business. The Bank's objective in this respect is to consolidate its position as the leading provider of high-quality banking services in the health care sector. This includes continuously expanding its customer base. Customers' increasing trust in the Bank's expertise in the area of investments is also linked to this.

apoBank continues to grow in all areas by means of a systematic strategy process. In doing so, its aim is also to organise its business procedures and processes in an efficient way and thus enable profitable growth in earnings. In this context, it is essential that the Bank continuously improves its core processes, reduces complexity and improves the cost structure to free up resources for strategic investments such as expanding sales.

A further part of this strategy is the decision to no longer maintain an internal information technology (IT) department at apoBank, but instead to outsource the Bank's entire IT application landscape to GAD eG, a computer service of the cooperative FinanzGruppe, in a full-service relationship. This means that the Bank has access to standardised and continuously upgraded systems which meet its needs, without itself having to develop or operate extensive IT systems. The large-scale project, which started in 2009 and is scheduled to continue for several years, already achieved important milestones in 2010. The first subsystems were successfully transferred and are now supported by GAD eG.

In the retail client segment, based on structural changes in the health care sector, the Bank has started a process of improving needs-driven customer support, which will last several years. This will allow it to differentiate between self-employed and salaried health care professionals in the light of the increasingly changing conditions in the health care sector. This includes a process already started in which customer advisers specialise on either self-employed or salaried health care professionals. The Bank has also improved its processes at its sales locations so that its specially trained advisers can dedicate even more time to the needs of their customers.

apoBank is responding to the financial market crisis by taking appropriate measures to reduce risk and strengthen its equity capital. For example, the Bank continued its strategy of reducing its financial instruments portfolio last year.

To further conserve resources, and to focus more rigorously on apoBank's core competencies, the management of a large part of the structured financial products held by apoBank was taken over by Union Investment Luxembourg S.A. (Union Investment). This means that the Bank can benefit even more from the expertise of the entire cooperative FinanzGruppe in future.

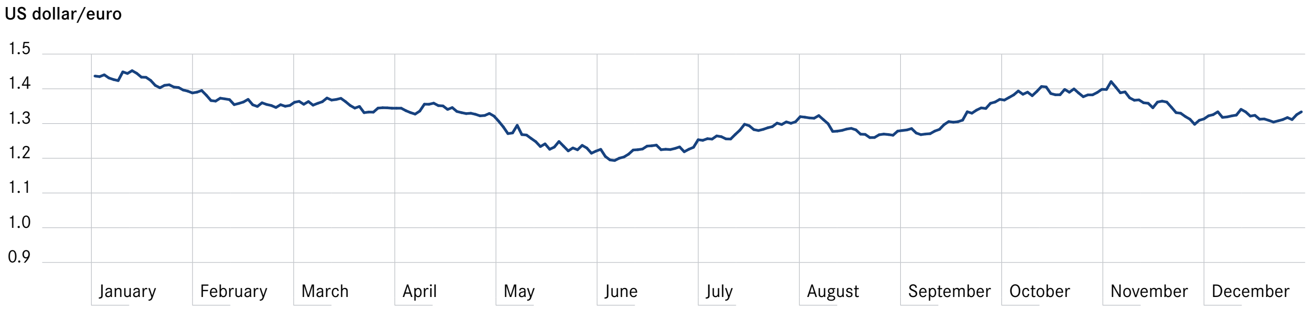
The following sections present the macro-economic context and the major developments in the health care market, which significantly influenced the environment of apoBank in the year under review.

Global economy on growth path

After the painful recession in 2009, the global economy recovered well in 2010, due in part to the concerted measures of central banks and governments. In the first half of 2010, replenishing stocks of goods, which had been greatly reduced in the year before, had a positive impact on demand. As a result, 2010 was a year for export and investments.

The central banks pursued a sustained expansive monetary policy. For two years now, the target rate of the US Federal Reserve (Fed) for call money remained unchanged at between 0 and 0.25%. Since the US economy did not develop the desired momentum, in early November 2010 the Fed decided to continue its expansive monetary policy by buying up securities. In Europe, the European Central Bank (ECB) kept the base rate at 1.0%, as in the last 18 months. However, this was insufficient to satisfy either the development of the German economy or the needs of the weaker peripheral euro area countries.

Development US dollar/euro in 2010



Outstanding development of the German economy in the euro area

The German economy showed a clear recovery in 2010, growing by 3.6%. This was reinforced by strong exports, low interest rates and a favourable euro exchange rate.

Special regulations for short-time working contributed to the fact that skilled labour capacity was immediately available as soon as the economy picked up. This growth was based on the excellent development in the area of industrial production, which grew by 9.9% over the year. The German labour market was another ray of hope. The increasing number of employees and the accompanying drop in unemployment figures stabilised German consumer demand.

Total growth across the euro area in 2010 was 1.7%. However, the economies of the individual member states diverged significantly. Worries about further developments in Greece and Ireland were at the focus of attention. Among the larger member states, Germany particularly stood out with its good recovery. In contrast, the performance of Spain and Ireland with a slight minus of 0.1% and 0.5% respectively and that of Greece, whose economy slumped by 4.5%, were much less favourable.

Fluctuating development of the euro

In 2010, the performance of the euro to the US dollar was very volatile. This reflected the fact that capital markets repeatedly veered between scepticism about the stability of the euro area and worries about the US economy. At the end of the year under review, the euro stood at 1.34 US dollars, below the previous year's level.

Development of the yield on 10-year federal bonds in 2010

Positive year overall for capital investors

Capital investors experienced a volatile but ultimately profitable year in 2010.

On the bond market, yield on 10-year federal bonds went down almost throughout 2010. Due to the deteriorating situation in Greece, federal bonds were a safe haven for investors especially in the spring, and reached a historic low in terms of yields as a result. At the end of the year, the yield on these federal bonds grew again slightly. However, since the ECB continued to postpone the increase in the base rate due to the continuing uncertainties in Greece and Ireland, a sustainable rise in federal bond yields at the year end was not possible.

In the USA, the economic upswing was hampered by high unemployment and debt. This meant that the Fed had limited room for manoeuvre for increasing the base rate and yield expectations.

Volatile stock markets with a conciliatory ending

The situation on the stock markets continued to be volatile in 2010, but with an overall positive tendency. After a strong performance in March, emerging uncertainty about the budget situation in Greece put a damper on further development. In the second half of the year, the most important stock market indices were positively influenced by the improved income situation of companies, also as a consequence of extensive restructuring measures. Profit forecasts were continuously adjusted upwards. This resulted in leeway for stock price increases while valuation levels remained unchanged. Moreover, as the financial year progressed, the concerns of many market participants, who had doubted the sustainability of this development, receded further and further into the background.

From a regional perspective, the emerging markets were again one of the most attractive areas for investment in 2010. Latin America and Asia, with almost identical development, headed the ranks in the year under review.

Performance of selected indices in 2010

in the respective local currency, annualised

Index	Performance %
DAX 30 Performance	16.1
S&P 500 Composite	12.8
Dow Jones Industrial	11.0
FTSE 100	9.0
STOXX Europe 50	0.0
TOPIX	–1.0
Swiss Market	–1.7
Nikkei 225 Stock Average	– 3.0
France CAC 40	– 3.3
DJ EURO STOXX 50	– 5.8
FTSE MIB Index	–13.2

Among the industrialised nations, Germany was roughly on a par with the USA and Japan. In the European context, the German economy and the German leading share index DAX played a key role. At 16.1%, the DAX developed very well in the year under review. The clear advantage in the performance of the DAX over its European equivalent, the DJ EURO STOXX 50, reflects the excellent position of the German economy in the regional context.

Commodities were the winner in 2010

For investors in commodities, 2010 was a highly successful year. Due to the liquidity excess, budding worries about inflation, and reticence with regard to competing asset classes such as shares, funds flowed into commodity investments. Profits were achieved across the entire bandwidth, from precious metals and industrial metals to energy and agricultural products.

Health care market remains a growth market

In 2010, the health care sector again proved to be a growth market. According to the Bank's forecasts, health care expenditure went up by approx. 4% in 2010. As a result, the proportion of health care expenditure in relation to the gross domestic product was still approx. 11.5%.

The most important payer is still statutory health insurance (GKV), covering approx. 58% of health care expenditure. GKV recorded a 4% increase in expenditures compared to the previous year. This was due partly to the increase in spending for outpatient physician treatment, hospital treatment and medication expenses; expenditure for sick pay and health insurance administration costs also increased significantly.

Private health insurance (PKV) expenses also went up in 2010. apoBank assumes an increase of approx. 4.5%. Thus PKV continued to be a source of income of growing importance, particularly for physicians.

The continuing increase in health expenses 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.

Limiting expenditures still the main focus of health policies

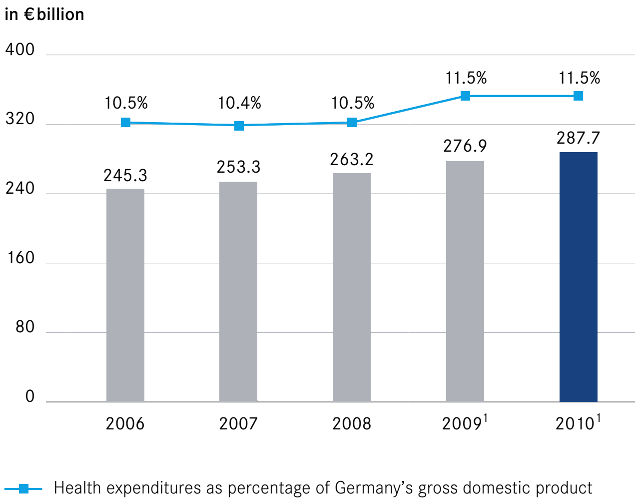
Both the health insurances and the government see the rise in expenditures as a confirmation of their intention to curb additional cost increases in the health care sector.

Against this background, two health care reform acts were implemented in 2010: the Statutory Health Insurance Financing Act (GKV-FinG) and the Law on the Realignment of the German Pharmaceutical Market (AMNOG). Both acts focus on measures to limit expenses and reduce costs. From 2011, these laws will also have an effect on payments for contractual physician services and pharmacy revenues.

With respect to pharmaceutical supply, political activities in connection with AMNOG focused on the realignment of wholesale fees. This was postponed to 2012. A further point of conflict was the discount that pharmacies must grant to health insurances for prescription drugs. This was fixed by law for 2011 and 2012 and increased in favour of the health insurances. The annual financial burdens for pharmacies resulting from this is estimated at € 200 million.

Despite the general rejection of pick-up locations by politicians and pharmacists, a prohibition was not included in the health reform acts due to constitutional concerns. From apoBank's perspective, a prohibition of pick-up locations would be a desirable signal because it would underline the importance of a high-quality provision of medication.

Health expenditures



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

Growing trend towards employment and cooperative forms

In 2010, the total number of pharmacies fell for the second consecutive year. The number of pharmacy branches, however, continued to grow. In addition, more than 60% of pharmacists now work as employees in public pharmacies, and the number is rising. All in all, these trends resulted in a concentration in pharmaceutical supply.

In outpatient care, the trend towards cooperative structures continued. Along with the number of physicians working in professional cooperatives, the number of physicians working in medical care centres (MVZs) also went up. In MVZs, physicians join up to offer their services with the facility itself also having the legal status of a health care provider.

More than 10% of physicians working in outpatient care were salaried employees in 2010, both in MVZs and in physician's practices. From apoBank's perspective, the trend towards employment can only be countered by making self-employment more attractive. Apart from providing adequate economic conditions, this means above all reducing the administrative work and red tape. The measure stipulating that only physicians can be majority shareholders in MVZs originally planned for 2010 was not implemented. This means that service providers who are not physicians can continue to found and operate MVZs.

The trend towards employment is even more advanced in dentistry than among physicians. According to current figures, record levels were reached at the end of 2009, following an increase of 12% over the previous year. The total number of dentists working in outpatient care rose slightly. These developments will mean that dentists will have to face the future challenge of upholding the self-employed nature of their profession.

Stable development of fees despite uncertainty

For most physicians, a key issue in 2010 was further development in statutory health insurance fees. After the 2009 fee reform triggered worries and resentment among many physicians, the new regulations in 2010 engendered similar criticism. In retrospect, it can be said that after fees developed positively overall in 2009, an increase can be expected again in 2010, although there may be differences among the individual associations of panel doctors and the individual fields of specialisation.

However, it became apparent that the increasing complexity of the fee system is almost unmanageable in everyday business, leading to acceptance problems among physicians. This could threaten to destabilize the associations of panel doctors system and drive a wedge between German physicians.

During the year, GP contracts gained in importance. The participating physicians' hope for higher fees was curbed by the restricted renumeration of the contracts as part of GKV-FinG. In future, this must not exceed the fee level for regular services. Existing contracts are protected for now, but this will probably hamper the further development of GP-based care.

With regard to dental care, a reform of the dentist fee schedule (GOZ) was discussed: The private health insurers' demand for an escape clause remained a contentious issue. This would allow private health insurers to enter into contracts with dentists or groups of dentists containing pricing agreements that deviate from the GOZ. Dentists consider such an escape clause to be a first step towards competition for dumping prices, and reject it categorically. apoBank also sees such a clause as constituting a financial risk for many dentists. This is even more so the case because the dentist fee schedule is not only relevant in the area of private patient invoices, but also of excess payments.

Stable development trends continue

In spite of the above measures to limit expenditure, the economic situation of health care professionals in 2010 can be described as favourable on the whole. The trend towards salaried employment in outpatient care and towards cooperative structures continued as expected. As a result, apoBank generally operated in a stable business environment.

Retail Clients

Integrated services for health care professionals

The retail client segment is based on apoBank's original business more than 100 years ago in business start-up financing. Since then, the Bank has steadily expanded its services and continuously increased the number of customers.

The range of services encompasses all private and professional financial services required by health care professionals in all phases of their lives – from studying to employment, setting up their own practice and retirement.

In the year under review, apoBank's retail client business performed extremely well overall. Developments in all business areas contributed to this, i.e. in the lending and deposit business as well as the investment and life insurance business.

Growth strategy continued in lending business

The financial year 2010 was characterised by a high level of new lending business. This had a positive impact on the areas of business start-up financing, real estate financing and investment financing/personal loans.

With new loans totalling €4.0 billion, of which the largest part was issued to the Bank's retail clients, apoBank was nearly able to match its record-breaking success in 2009 (31 Dec 2009: €4.1 billion). Margins improved slightly compared to the previous year. Despite increased redemptions, the strong new lending business was also reflected in the average level of existing loans. For retail clients, this increased to €22.2 billion from €21.1 billion in the previous year.

This development in the lending business is particularly positive given the ongoing changes in the health care sector and the related reticence regarding financial considerations and decisions. Moreover, it reflects the high level of trust that retail clients place in the competence of apoBank when it comes to loan decisions. This applies above all to complex entrepreneurial business start-up and investment financing schemes.

Growth in all areas of the lending business

Business start-up financing is one of the most important core competences of the Bank. As part of the structural changes in the health care sector, the overall number of business start-ups in Germany is declining. This also affects apoBank's new business. Despite this, apoBank was able to consolidate its market leading position in this environment.

Beyond traditional business start-up financing, investment financing is becoming increasingly important in the business with existing customers. This trend intensified once again in the reporting year. Subsequently, the average loan portfolio for investment financing was clearly above the previous year's level.

Real estate financing also performed extremely well in the year under review. Thanks to the continued high level of new business, the Bank was able to grow its average loan portfolio. The number of construction financing contracts also increased compared to the previous year in spite of the intense competition, especially from direct banks, regarding prices and conditions.

In addition to medium to long-term loan financing, the Bank's lending spectrum includes short-term current account loans. These mainly consist of privately used overdrafts and operating overdrafts used by self-employed health care professionals. The average volume for retail clients at the year end was € 1.0 billion, on a par with the previous year's level (31 Dec 2009: € 1.0 billion).

Account business expanded

For apoBank customers, current accounts are at the core of their everyday private and professional payment transactions. Accordingly, current accounts constitute the Bank's second most important product in the retail client business after business start-up financing and are at the same time a basis for the stable development of deposits.

apoBank's 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. As a consequence, the number of current accounts in the reporting year went up by 5.0%.

To supplement this, customers have access to various credit card offers for their payment transactions. Here, the Bank recorded a total steady increase of 6.9%.

Extraordinary growth in deposits

The average overall volume of the deposit business for retail clients including demand, saving and term deposits increased by approx. 20% on average for the year to € 8.2 billion (31 Dec 2009: € 6.9 billion). Fortunately, this growth was made possible mainly by obtaining new funds from apoBank customers.

2010 was characterised by a low interest level. As a result, customers' investment interests focused again on new investments with short-term availability. Growth drivers were, above all, the money market account apoZinsPlus, demand deposits and term deposits. Saving deposits played a subordinate role in the year under review.

The average volume of demand deposits by retail clients was € 3.4 billion in 2010, a considerable increase on the previous year (31 Dec 2009: € 2.9 billion). The average volume of the money market account apoZinsPlus also went up in the reporting year to € 4.3 billion, a rise of more than 20% compared to the previous year (31 Dec 2009: € 3.5 billion).

Due to the slight increase in the interest level at the end of 2010, demand for term deposits with longer terms continued. The increase of the total average volume of term deposits to € 0.5 billion compared to the previous year's average (31 Dec 2009: € 0.4 billion) was based on high demand for the special deposit apoSafe15. It is particularly worth noting that many customers decided to reinvest their mature apoSafe15 deposits in the year under review.

Bank's investment expertise increasingly in demand

In a market environment that was also volatile for private investors, retail clients increasingly relied on the Bank's expertise in securities business. The total deposit volume of significantly more than € 7 billion at the end of the year presented clear evidence of the trust that retail clients place in apoBank as a partner for securities business.

For investors, 2010 was extremely varied on the capital markets: Concerns regarding the credit crisis in the so-called PIIGS countries, i.e. the five euro countries Portugal, Italy, Ireland, Greece and Spain, were offset by the recovery of the global economy after the crisis year 2009. Across all asset classes and investment markets, investors experienced a mixed tendency with a positive base note. Only towards the end of the year did clearer trends become apparent in some stock markets such as the USA, but especially in Germany and the emerging markets.

Overall, the Bank was able to record an increase in its customers' securities turnover and deposit balances. In the year under review, customers continued to invest in traditional investment products such as equity and pension funds from the Bank's product portfolio. Year-on-year, however, the sale of guaranteed capital investment products increased significantly as investment behaviour was still characterised by caution and the need for greater safety.

In terms of closed participations, conservative fund constructions with a clear focus on high and regular distributions as well as high security were still the first choice. Revenues from this segment increased slightly compared to the previous year.

Thanks to the excellent performance of private asset management and the awards it received (FOCUS MONEY/n-tv, Zertifikate Award 2010), the Bank won nearly 700 new customers in this segment in 2010. By the end of the year, the number of customers had increased to approx. 2,500. For the first time, the volume of assets under management passed the € 1 billion threshold, reaching a total volume of € 1.1 billion at the end of the reporting year (31 Dec 2009: € 0.8 billion).

Insurance business continues to grow

In 2010, apoBank's pension and risk insurance business also showed a positive development. The brokered insurance volume went up by 30% compared to the previous year to reach a valuation total of approx. € 750 million (31 Dec 2009: € 576 million).

In connection with the customer financing business, appropriate insurance services are often requested, for example as surrogate redemptions as part of financing. This particularly includes endowment pension insurances. In 2010, this segment accounted for approx. 60% of the total volume of new insurances brokered. In this context, the "practice concept" was well received. This concept was designed together with the specialist insurer for health care professionals Deutsche Ärzteversicherung (DÄV) especially for health care professionals. For professionals looking to acquire a practice, this concept combines several financing options with a personalised retirement provision and financing for private real estate taking into account specific tax options.

The second focus in terms of insurance is on retirement provision. This accounted for roughly 35% of the total volume of new insurances. The Bank was most successful with products that closed gaps in provision as well as providing opportunities to generate tax savings.

Professional Associations, Medical Care Structures 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. Our partnerships with professional associations are characterised by mutual trust. They constitute a central element of the Bank's mission, and are a key element in meeting the statutory promotion purpose laid out in our Articles of Association.

Within the customer group of professional associations, support both in financial and health policy matters plays a major role. The deposits held by professional associations, especially by occupational pension funds and professional clearing centres, represent a stable part of the Bank's customer deposits. Overall, business with professional associations developed very positively in the year under review. Due to the increased growth in deposits and loans, we were able to slightly exceed overall targets.

Asset management for institutional investors extended

Business with institutional investors, especially occupational pension funds, in the area of asset management developed well overall throughout 2010. The Bank's customers in this segment were able to profit from the market recovery during the course of the year.

In contrast to the previous year, more institutional investors decided to take out special funds. As a result of this and the acquisition of four new fund mandates, apoBank's deposit volume for special securities funds increased to more than € 6.8 billion (31 Dec 2009: € 6.3 billion).

The fixed-interest securities business for direct pension investments of institutional investors was more problematic: Due to the low level of return in the bond market, the actuarial interest rate of up to 4% required by professional pension funds was reached only with difficulty or not at all using traditional investment products such as promissory note bonds or registered German "Pfandbriefe" (covered bonds) in 2010. Alternatives were available in the area of corporate and federal bonds, which showed comparatively high returns in 2010.

Existing institutional portfolio management positions were also able to hold their ground in this difficult market environment. apoBank now manages assets totalling more than € 1.8 billion (31 Dec 2009: € 1.4 billion).

apoBank was able to successfully place an issue of a silent partnership in the amount of approx. € 200 million mainly with occupational pension funds. This reflects both the demand for additions to direct pension investments with strong returns and the confidence placed in apoBank.

In the year under review, institutional investors' demand for consulting services developed particularly well. As a result, apoBank was able to win new customers for its risk budgeting model (RBM) and its asset liability management study (ALM). The tried and tested modular range of services was expanded to become a complete risk management approach for pension funds, including the compilation of a risk report as required by the supervisory bodies.

apoAsset

Apo Asset Management GmbH (apoAsset) is an affiliate of apoBank. The company is specialised in the administration and management of special funds and public funds in accordance with German and Luxembourg law.

Favoured by the positive trend in the capital markets, managed assets went up compared to the end of 2009 due to the ongoing high inflows relating to unit-linked pension insurances. The ratio of expenditure to income, which had been below industry average in the previous year, improved by several percentage points. The restrained growth in costs also contributed to this.

The core competence of apoAsset comprises the traditional funds of funds Piano, Mezzo and Forte. The tried and tested process for selecting actively managed funds was supplemented in 2010 by an expanded process for controlling distribution across the various investment classes. Moreover, the fund concept introduced under the name "DuoPlus" generated high demand, especially for regular savings concepts. "apo Vivace INKA", which invests almost exclusively in exchange traded funds (ETFs), met with growing interest, especially from institutional investors.

aik

APO Immobilien-Kapitalanlagegesellschaft mbH (aik) is a joint enterprise between apoBank and professional pension funds, in which apoBank has a holding. aik, the real estate investment company for pension funds and pension plans, posted very good results in 2010.

The success of the ten special real estate funds aik manages for a total of 32 investors from professional pension funds, pension plans and insurances is based on attractive new acquisitions and active rental management. At the end of the year, aik managed an investment volume of approx. € 1.7 billion (31 Dec 2009: € 1.4 billion). As part of management, investments were kept technically up-to-date to ensure rentability at all times.

With average returns of 6.7% according to the BVI method, the funds achieved an exceptional performance in the year under review. Investors were able to enjoy average distributions of 5.0%.

Expanding business with medical care structures and corporate clients

The business with medical care structures and corporate clients is an important addition to the Bank's core business in the light of changes on the health care market. The Bank increasingly supports health care professionals in implementing new forms of medical care and setting up businesses which offer products and services to health care professionals. All in all, the Bank was able to strengthen its market position in this business area.

As a result, the total financing volume with medical care structures and corporate clients in 2010 grew to approx. € 2.0 billion (31 Dec 2009: € 1.8 billion). Demand for advisory services developed steadily, particularly in the area of risk management.

The increase in entrepreneurial activity among health care professionals is also reflected in financing projects which the Bank accompanied in the subsegment of medical care structures. A focus of financing was again on innovative practices and health centres as well as on concepts to link outpatient and inpatient care in which self-employed physicians in particular have entered into cooperative agreements with clinics.

The market for inpatient care is still a growth market, mainly due to demographic developments and the increasing demand for modern care concepts. In this subsegment, there was also a trend towards increased cooperation with outpatient medical providers. In this context, the Bank again financed innovative projects in the inpatient care market in the year under review.

With regard to business with corporations in the health market, especially large pharmaceutical wholesalers, private clearing centres in the health care environment and companies in the pharmaceutical and medical and dental industries, the Bank was able to grow its customer relations and win new customers. The Bank offers these corporations standard market products and services such as loans and short-term current account loans, payment and cash management solutions, as well as rate risk management products.

medisign

apoBank participates in medisign GmbH (medisign). medisign supports health care professionals in the area of electronic networks with its service offering in health telematics. 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, 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. Last year, about 12,000 customers used electronic signature cards made by medisign. medisign is still the only provider of electronic health care IDs.

Earnings, Asset and Financial Position

apoBank able to pay dividend again – net profit in the amount of € 53.4 million

Thanks to its operational profitability, in the year under review the Bank generated a net profit of € 53.4 million (31 Dec 2009: –€ 283.1 million). As a result, the Bank reached its primary aim of being able to pay a dividend again.

This financial success is based on the positive developments in the Bank's core business with health care professionals, their facilities and associations. In this area, the Bank was again able to consolidate its market position during the year under review: The already large number of customers rose to 347,300 (31 Dec 2009: 333,100), resulting in a higher demand for apoBank's advisory and financial services. Consequently, the volumes in the lending, deposit and investment businesses also went up.

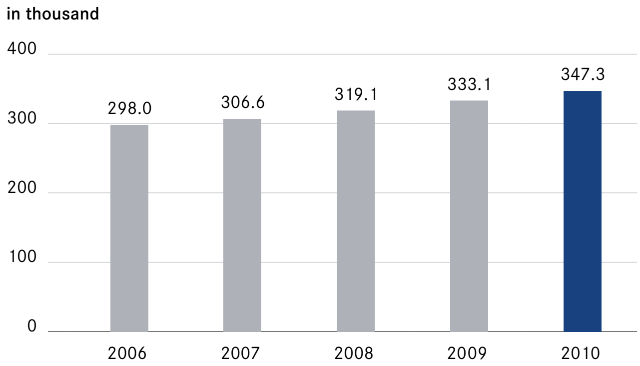
Overall, the operating result, i.e. profit before risk provisioning, was € 341.0 million, surpassing the good result achieved in the previous year (31 Dec 2009: € 317.8 million) and therefore higher than forecast. The main contributor to this was the increase in operating income from the customer business, which was reflected in the net interest income and net commission income.

The Bank was able to significantly reduce the burdens from financial instruments compared to the previous year, although the effects of the financial market crisis continued to weigh upon the Bank's results for 2010.

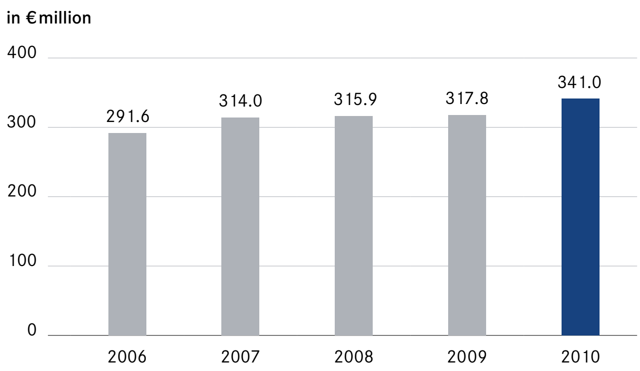
The net profit earned in the year under review allows a dividend to be distributed to apoBank's 100,000 or so members. Subject to the approval of the Annual General Meeting, the net profit will be used to distribute a dividend in the amount of 4.0%, corresponding to € 33.4 million, and to strengthen the capital base. This will be carried out as part of the allocation of its revenue reserves in the amount of € 20.0 million. The net profit also includes an allocation to the fund for general banking risks in the amount of € 40.0 million, which also has the effect of strengthening the capital base.

The following sections show the main income and expenditure items in the financial year 2010.

Number of customers



Profit before risk provisioning

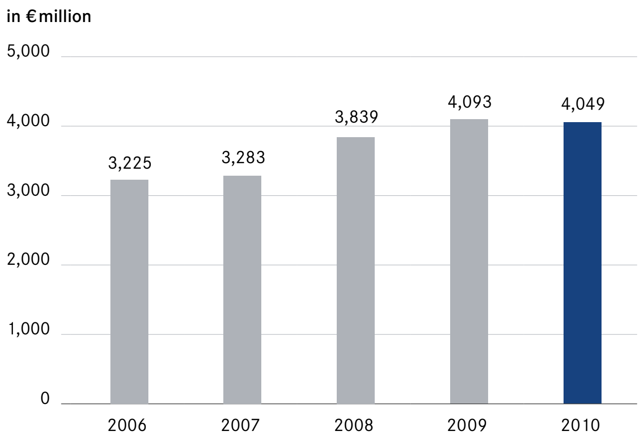


Net interest income increases significantly

With regard to net interest income, the Bank was able to continue the previous year's positive performance and surpassed its expectations for 2010. In the year under review, the Bank generated net interest income in the amount of € 679.2 million, again exceeding the previous year's figure by 9.9% (31 Dec 2009: € 618.2 million). The main driving forces behind net interest income in 2010 were the lending and deposit business as well as the Bank's strategic interest risk management.

In the traditional customer lending business, the focus in 2010 remained on the financing business with the Bank's retail clients. Interest income from the lending business rose as a result of the overall slight improvement in margins and the continued growth in loans. This was also due to the success in the new lending business, where the Bank came close to its previous year's record of € 4.0 billion in new loans (31 Dec 2009: € 4.1 billion). The costs of refinancing the growth in lending were down slightly compared to the previous year.

New loan agreements



In its customer deposits business, the Bank reported a considerable rise in volume in the year under review. In addition, the slight improvement in margins had a positive effect on net interest income, although pressure from competitors remained high.

In the year under review, net interest income also profited from the earnings generated by the Bank's strategic interest rate risk management. In this context, the Bank took measures in the past to create a moderate interest risk profile and to stabilise results over time. These measures have a positive effect particularly in periods of low interest rates, such as the whole of 2010. As a result, in addition to realising interest-induced profits, the Bank was able to generate ongoing interest income from the hedging measures taken.

This generally positive development with regard to net interest income was reflected in a renewed improvement of the interest margin to 1.70% (31 Dec 2009: 1.50%), which involves comparing the net interest income to the annual average balance sheet total.

Net commission income profits from successful securities business

The Bank's net commission income also outperformed its forecasts for the financial year 2010. Especially the securities and the lending and life insurance businesses with apoBank customers were the driving forces behind these results. Unlike in 2009, commission expenses were not affected by measures to hedge individual items in the financial instruments portfolio. At € 127.1 million, net commission income was 13.9% higher than in the previous year (31 Dec 2009: € 111.6 million).

The Bank reported growth in the securities business with retail clients, particularly in custody account management and customers' securities transactions. In the context of the ongoing recovery of the global stock markets, the Bank's investment products were increasingly in demand: Both the volume of securities traded and custody account balances rose compared to the previous year. Extraordinarily high growth was recorded by the Bank's award-winning private asset management: For the first time, the volume of assets under management exceeded the € 1 billion mark with the number of customers increasing steadily over the year.

The performance of the two other main contributors to net commission income in the year under review was varied. Some of the commission income from the customer lending business, which had been allocated to commission income in full in the previous year, was reported under interest from 2010. This meant that the commission income from the customer lending business fell significantly on the previous year. In contrast, the life insurance business, one of the main contributors to profit in the commission segment, performed well compared to the previous year.

Income from the business with investment real estate remained at more or less the same level as in the previous year and thereby contributed to the Bank's commission income to a small extent in the year under review.

General administrative expenses increased due to further strategic investments

As planned, the Bank's general administrative expenses (including depreciation) increased particularly as a result of further strategic investments in 2010: These included above all expenses incurred from IT migration and investments to expand sales. General administrative expenses including depreciation thus amounted to € 452.4 million, considerably higher than the previous year's figure (31 Dec 2009: € 422.6 million).

The Bank's general expenses are temporarily at a higher level while it migrates its IT to the cooperative data processing centre of GAD, a process which will last several years. In 2010, general expenses including depreciation rose significantly to € 245.3 million, particularly due to additional expenses related to the IT migration (31 Dec 2009: € 205.0 million).

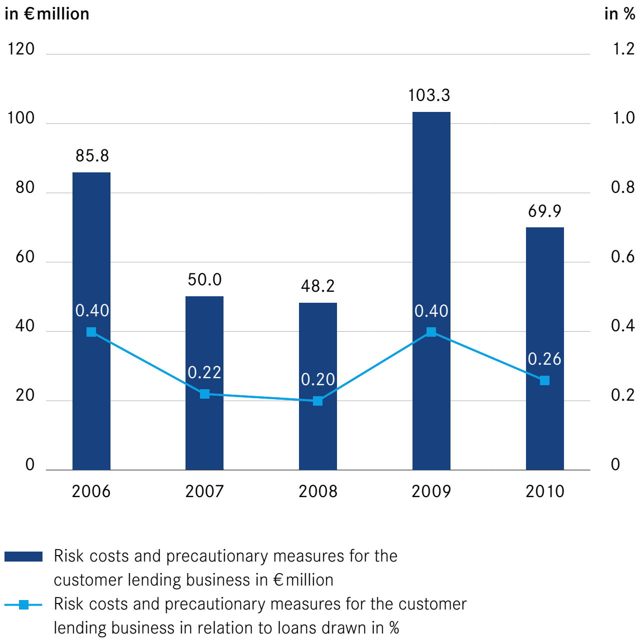
In contrast, the Bank was able to reduce its personnel expenses moderately over the year to € 207.1 million (31 Dec 2009: € 217.6 million). This development is due to two opposing effects: On the one hand, non-recurring expenses incurred by the "apoFit" project, which had placed a considerable burden on personnel expenses in the previous year, no longer applied; on the other hand, the advisory capacities established in 2009 were for the first time fully recognized as expenses in the year under review. As announced, the Bank built up further sales resources to improve customer service facilities in 2010.

Significant reduction in risk provisioning

In the year under review, the Bank was successful in significantly reducing its risk provisioning over the previous year. Risk provisioning includes risk costs and precautionary measures for the Bank's customer lending business as well as for its financial instruments and participations.

In the customer lending business, the Bank incurred risk costs that were well below average compared to other companies in the industry, thanks in particular to the good asset quality in the retail client business in the year under review. The risk costs were far below the previous year's value and below the forecast standard risk costs, which the Bank factors into its planning with model calculations. The risk costs for larger medical care structures were also down on the previous year. Risk costs and precautionary measures for the customer lending business totalled € 69.9 million (31 Dec 2009: € 103.3 million).

Risk costs and precautionary measures for the customer lending business[1]



1) Includes general value adjustments

As expected, the financial markets did not return to normal in the year under review. In addition to country risks, they were affected by ongoing economic risks, particularly in the USA and in the British commercial real estate market. As in the previous year, risk costs were focused on the Bank's structured financial products. In this area, there were changes for the better and for the worse in individual asset backed security (ABS) structures. While, on the one hand, this led to additional risk costs, on the other, write-ups on structured financial products that were depreciated in the past provided relief. Risk costs also included depreciation on a participation held by the Bank, which is no longer of strategic importance for the core business of apoBank.

In total, the Bank reported expenditure for risk costs and precautionary measures for financial instruments and participations in the amount of € 201.6 million. This is a considerable reduction on the previous year (31 Dec 2009: € 485.1 million).

Positive tax effect

The Bank reported a positive tax result, as it benefited from a change in German corporation tax law.

Balance sheet total down on previous year

The changes to individual balance sheet items under assets and liabilities reflect the growing volume in the Bank's core business and the large-scale reduction of its overall financial instruments portfolio, which was in line with the strategy, in the year under review. As planned, the balance sheet total at the end of 2010 was € 38.8 billion, a reduction of 5.8% (31 Dec 2009: € 41.2 billion).

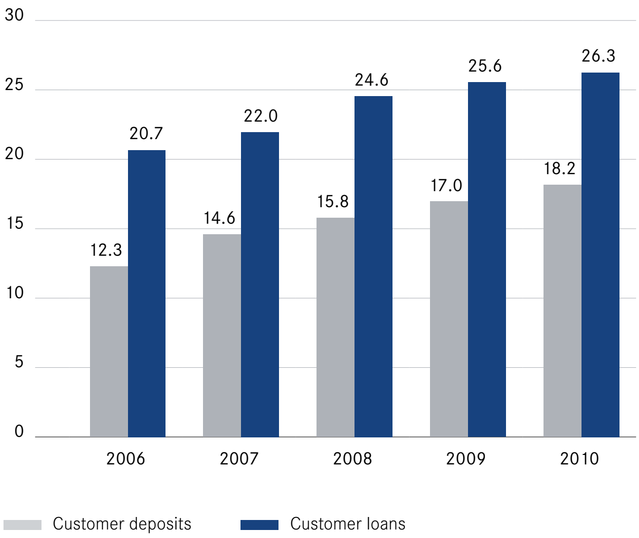
In the year under review, customer loans, as shown in the balance sheet, rose again to € 26.3 billion thanks to the success of the new lending business (31 Dec 2009: € 25.6 billion). The balance sheet growth in loans was € 0.7 billion and therefore down on the previous year, due to increased redemptions. As part of the Bank's strategy to reduce its financial instruments portfolio in the year under review, the balance sheet items 'Loans and advances to banks', 'Debt securities and other fixed-interest securities' and 'Shares and other non-fixed-interest securities' declined overall. A shift was also noted within the balance sheet items, as the majority of structured financial products have been managed since the end of 2010 by Union Investment via a special fund in which the Bank holds all shares.

Balance sheet total

in € billion

Customer deposits and loans

in € billion



Liabilities were dominated by the sharp rise in customer deposits to € 18.2 billion (31 Dec 2009: € 17.0 billion). At the same time, the Bank further reduced its liabilities to banks and its securitised liabilities, and therefore its dependency on the capital market.

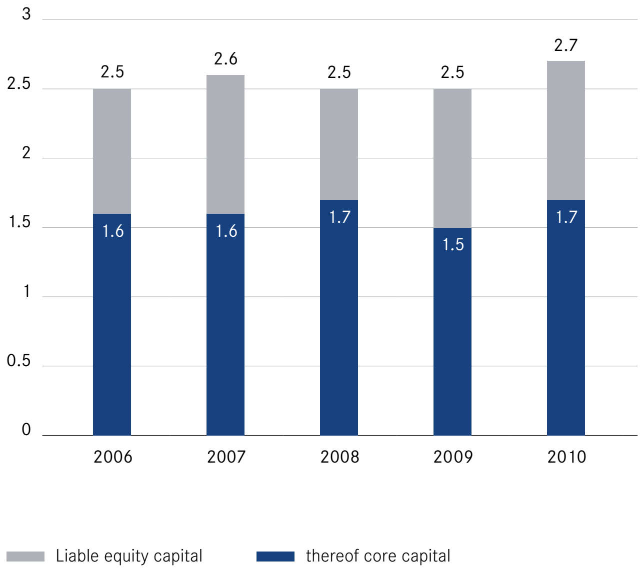
Equity capital base strengthened

Sustainable strengthening of the equity capital base in the long term is a key part of the Bank's stabilisation measures, particularly given the rising regulatory requirements. In the previous financial year, the Bank was able to strengthen its equity capital base considerably. To achieve this, the Bank implemented measures to strengthen equity and continued to reduce risks, particularly in relation to structured financial products. In addition, pressure was taken off the Bank's equity capital in the current year through the guarantee agreement made with the Federal Association of German Cooperative Banks (BVR). As a result, the Bank was able to increase its equity ratio to 11.9% (31 Dec 2009: 10.2%) and its core capital ratio to 7.6% (31 Dec 2009: 6.2%).

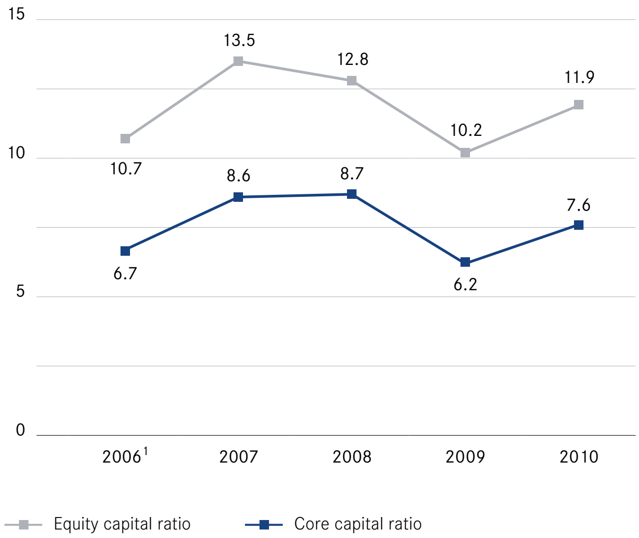
The regulatory equity capital of apoBank, in other words its liable equity capital, consists of core capital and supplementary capital. The Bank's core capital predominantly includes members' capital contributions, balance sheet reserves from reinvested profits and the silent partnerships issued by the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

The capital contributions of the remaining members of the Bank declined on the previous year. At the end of the year under review, they amounted to € 818 million (31 Dec 2009: € 833 million). The reason for this decrease was the cancellation of shares in the year 2008, which took effect at the end of 2010. The volume of newly subscribed members' capital contributions also dropped year-on-year.

Liable equity capital and core capital



Equity and core capital ratio



1) According to Principle I of the German Banking Act (KWG)

At the end of the third quarter of 2010, the capital base was expanded by issuing a silent partnership. This measure was approved by the Annual General Meeting for execution by the Board of Directors in June 2010. With an issue volume of € 197.7 million, almost the entire approved amount of this core capital increase of € 200 million was used. In regulatory terms, an increase to the equity capital base through allocations to the fund for general banking risks and to the revenue reserves from the annual profit for 2010 will only take effect once it is approved by the Annual General Meeting in June 2011.

The planned reduction of supplementary capital due to the Bank's subordinated and participating certificate capital maturing was more than compensated for by the issue of the silent partnership.

Overall, at the end of the year under review, both the Bank's core capital of € 1,700 million and its total liable equity capital of € 2,680 million were higher than the previous year's figures (31 Dec 2009: € 1,512 million and € 2,486 million respectively).

The risk positions of the Bank that have to be backed by equity capital according to regulatory law primarily comprise credit risk for the Bank's balance-sheet and off-balance-sheet claims related to creditworthiness. Market price risks and operational risks only account for a small portion of risk positions. Overall, the risk positions requiring equity were reduced to € 22.6 billion as a result of the Bank's continued strategy to reduce risk in its financial instruments portfolio despite the increase in loans (31 Dec 2009: € 24.4 billion).

Liquidity situation further improved through rise in customer funds

Throughout the year under review, apoBank had a stable liquidity position. The Bank's refinancing is based on a broadly diversified investor base and an increasing portfolio of stable customer funds, i.e. customer deposits and apoObligations. As an established market participant, the Bank is able at all times to place secured and unsecured bonds with its institutional customers, members of the cooperative FinanzGruppe and in the capital market.

In the year under review, customer funds provided a stable financing base for growth in the Bank's core business. At the year end, the total portfolio of customer funds including registered securities and promissory note bonds amounted to € 20.6 billion, around € 0.8 billion more than in the previous year (31 Dec 2009: € 19.8 billion). Consequently, the refinancing of the growth in lending was financed almost entirely by the rise in customer funds. In addition, the Bank also uses the development loan programme of the Kreditanstalt für Wiederaufbau (KfW) and the various state development banks.

The apoObligations included in customer funds have maturities of between 15 months and five years and are offered to the Bank's retail clients through its own sales network. The portfolio of apoObligations in the retail client business was € 2.3 billion at the end of the year (31 Dec 2009: € 2.7 billion).

Reduction in capital-market-based refinancing funds

Due to the sharp rise in traditional customer deposits, the Bank reduced its portfolio of capital-market-based refinancing funds. Borrowing in the form of unsecured bonds, promissory note bonds and mortgage Pfandbriefe dropped considerably in 2010. Only € 335 million (31 Dec 2009: € 2.7 billion) were endorsed in medium and long-term issues and promissory note bonds while other funds were maturing.

The total outstanding refinancing volume in the capital market, excluding promissory note bonds and registered securities placed with customers, amounted to € 7.6 billion at the end of the year (31 Dec 2009: € 9.7 billion). This mainly includes bearer bonds in the amount of € 5.4 billion (including € 0.9 billion in Pfandbriefe; 31 Dec 2009: € 6.4 billion) and promissory note bonds in the amount of € 1.0 billion (31 Dec 2009: € 1.5 billion). A large portion of outstanding promissory note bonds and registered securities was placed with institutional customers of the Bank, particularly pension funds. The total volume of these refinancing funds amounted to € 4.6 billion at the end of the year (31 Dec 2009: € 4.8 billion).

Stable short-term liquidity potential

To fine-tune its short-term liquidity, the Bank used the existing commercial paper programme and, to a lesser extent, money market lines of other banks. Moreover, the Bank has a large volume of ECB-eligible securities, which it can access as a liquidity reserve if required.

Objective credit analysis – stable on a high level

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

Following the regular management meeting with analysts from Moody's in June 2010, the latter left its rating of apoBank unchanged. Based on a negative outlook, Moody's gives the Bank a stable positive assessment with a long-term rating of "A2" and a short-term rating of "P–1". The Bank's financial strength rating, based on a separate rating scale by Moody's, remained at "D". After a comprehensive review of hybrid financial instruments, Moody's downgraded the silent partnership issued in 2003 as expected. Its rating of "Ba1" is still on a high level for this type of financial instrument.

Following the management meeting with analysts from Standard & Poor's in June 2010, the rating analysis for apoBank was updated on 11 August 2010. In its analysis, Standard & Poor's maintained its "A+/A–1" ratings for apoBank with stable outlook. The rating for the silent partnership from 2003 remains unchanged at "BBB–".

Stable credit rating for the cooperative FinanzGruppe

In addition to a direct rating, as a member of the cooperative FinanzGruppe, apoBank also receives an indirect credit rating through the group ratings issued by Standard & Poor's and the third internationally recognised rating agency, Fitch Ratings.

The stability of the cooperative FinanzGruppe as a whole throughout the financial market crisis was again confirmed on 23 December 2010 by the two rating agencies Standard & Poor's and Fitch. Both agencies gave the group's long-term ratings an "A+" score and its short-term ratings the best possible score of "F1+" (Fitch) and "A–1" (Standard & Poor's) with stable outlook. The rating agencies justify these results with the cooperative FinanzGruppe's solid and broad base as an overall finance provider.

Pfandbrief rating after first-time update still with top rating score

Standard & Poor's not only rates apoBank itself, but also its cover pool for the issue of mortgage Pfandbriefe. In May of the reporting year, the first regular rating meeting was held with the covered bond analysts from Standard & Poor's after the first issuance of Pfandbriefe in June 2008. Following this, Standard & Poor's confirmed the top rating "AAA" for the Bank's highly granular cover pool.

Summary of earnings, asset and financial position

The long-term solidity and profitability of the Bank's business model again proved successful during the year under review, despite many challenges. The Bank was able to reach its goal of being able to pay out a dividend, thanks to its operational profitability, and to strengthen its market position as a whole. This is reflected in the growing number of customers and in the increased volume in the customer business.

Based on its strategic alignment, i.e. focusing on the Bank's core business, the rise in the volume of business in the lending and deposit businesses with apoBank customers represents a growing part of the Bank's balance sheet. In the reporting year, the investment business with apoBank customers also grew significantly. The Bank continued to reduce the part of the balance sheet that reflects the volume of business not directly attributable to its core business.

The Bank was able to continue expanding its core business without restrictions in terms of liquidity and equity capital. apoBank has now created a basis on which to continue this customer-related and growth-oriented lending policy in future and to further improve its equity capital. This primarily includes increasing its equity capital base and continuing to reduce risk, particularly for the Bank's structured financial products. The Bank consistently pursued its strategy to reduce risk and to stabilise equity capital against the backdrop of increasing legal and regulatory requirements.

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

Supplementary Report

No events took place that were subject to reporting requirements between 31 December 2010 and 24 March 2011 when the annual financial statements were prepared by the Board of Directors.

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. In 2010, the Bank reviewed and improved its portfolio and risk management along with its valuation procedures; this was coordinated by a comprehensive committee.

The business and risk strategy, in which the risk guidelines for all types of risks are defined, provide the framework for risk control. Compliance with these guidelines is monitored as part of the overall bank control and 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 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 differentiated 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 markup 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 that the Bank's reputation amongst its members, customers, employees, business partners or the general public is damaged due to media reports, for example, resulting in direct or indirect economic disadvantages.

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.

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, the adequate organisation and implementation of risk management as well as the monitoring of all risks and of risk control.

The sales retail clients division as well as the professional associations and the corporate clients/inpatient care divisions are responsible for front-office functions in the customer business. This includes the first vote and the customer service for the risk positions assumed.

The treasury division is 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 corporate planning division is responsible for the strategic management of all interest rate risks on the banking book.

The risk controlling unit within the controlling division has responsibility for the methods and models used to identify and measure risks as well as their limitation. It is also responsible for ensuring compliance with the defined framework conditions and independent monitoring and for risk reporting with respect to all types of risks, excluding individual credit risk.

The central credit control divisions assigned to the Risk Board department are responsible for monitoring all credit risks at the level of individual borrowers. In addition to individual credit assessments and follow-up votes of customers, counterparties and issuers or their applications, this includes both ongoing monitoring of the portfolio and responsibility for individual limits and organising the lending business. In the retail client/branch business portfolio, monitoring is also carried out by five regional credit control units in collaboration with the branches.

The participations management function continuously supports the development of the Bank's participations and is responsible for reporting on the participation portfolio. Changes to participation positions are voted on by the responsible central credit control division as well as by the office of the Board of Directors if strategic participations are involved and by the responsible department in the case of financial and operating participations. The Supervisory Board and the Economic and Financial Committee are informed regularly about developments in the participations portfolio and are involved in decision-making processes.

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

The rating system of apoBank

Meaning	Rating class (apo master scale)	External rating class
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		

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 essential investments, the purchase and sale of properties as well as the acquisition and sale of long-term participations.

Control, monitoring and development of the individual risk types

Credit risk

In managing credit risk, a distinction is made between the retail client/branch business, the 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 the individual risk and substantial risks from group exposures are taken into account.

Different internal and external rating approaches are applied for the various portfolios. The results of these are compared using the apo master scale. The annual validation has confirmed the suitability and proper application of the rating procedures.

The ratings play an important role in the system of delegated competences in the lending business and of the procedures for the classification of borrowers according to the servicing intensity. They are also used for the internal business calculation and for calculating the regulatory minimum capital adequacy requirements.

The main risk faced by the Bank is credit risk. Over the course of the year, driven by the ongoing reduction of risk in the financial instruments portfolio, credit risk was reduced overall, despite the increase in loans in the customer business.

Given the structure of the customer lending business, which targets the German market, relevant country risks occur as a subcategory of credit risk primarily in the financial instruments portfolio. These mainly concern countries in the European Union as well as the USA. Direct and indirect exposure to the PIIGS states (Portugal, Italy, Ireland, Greece, Spain) in particular is monitored intensively on an ongoing basis.

Indirectly, the Bank has invested in Italy, Spain, Portugal and Ireland primarily via the banking sector. A direct country risk in the PIIGS states exists with regard to Italy and Greece. However, due to the euro rescue package implemented by the EU and the IMF and efforts to establish a permanent euro rescue package from 2013, the Bank assumes that the countries in question will be prevented from defaulting. The Bank also has individual commitments in two EU countries with a rating below "A": Hungary and Poland.

In addition to the strategy to reduce structured financial products that is already part of the Bank's strategy, the Bank is now working on the short-term implementation of additional separate limits for country risks, due in part to the ongoing discussions regarding the European debt crisis.

Retail clients/branch business portfolio

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

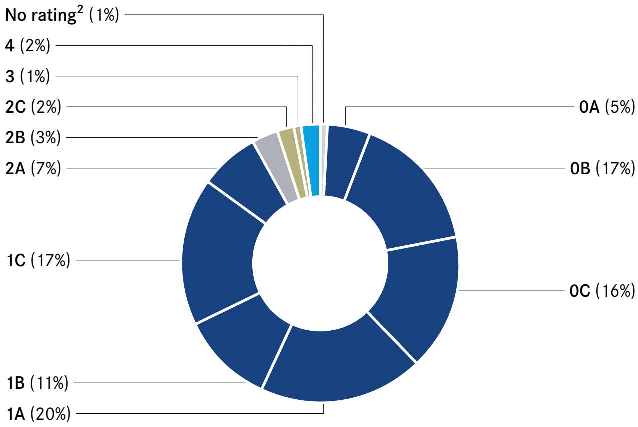
In addition to economic sustainability analyses for individual customers, the internally developed apoRate rating procedure, tailored to the Bank's customers, is used to control this portfolio. In combination with the long-standing experience of apoBank in supporting the medical professions, these instruments 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 successful for 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 customer to solve his liquidity or earnings problems. As part of problem credit management, the customer is helped mainly 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.

Rating class distribution in the retail clients/branch business portfolio

Volume distribution based on drawdowns

total € 24,097 million[1]



1) Deviations due to rounding differences
2) Including permanently unrated commitments with drawdowns < € 100 and drawdowns by employees

The drawdowns in this portfolio rose continuously over the course of the year from € 23.2 billion to € 24.1 billion with a clear focus on good rating classes. The structure of this portfolio shows a rating distribution with an emphasis on good and average rating classes in particular, which is typical of this customer group. On balance, the rating distribution improved slightly in the year under review. The rating coverage of this portfolio is largely complete. With drawdowns by around 154,000 borrowers, the portfolio is broadly diversified. The largest individual risk amounts to approximately 0.1% of the total volume of drawdowns in this portfolio.

The risk costs for the lending business in this portfolio continue to be 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 has been taken of all discernible risks in the risk costs.

Organisations and large customers portfolio

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

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

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

Loans to companies in the health care market were granted in particular to industrial and trading companies in this market 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.

In the past financial year, the regulatory IRBA approval audit was carried out for the rating processes for medical care structures und corporations. The Bank is expecting its application approval shortly.

Drawdowns in the organisations and large customers portfolio in the amount of € 2.7 billion rose slightly on the previous year (31 Dec 2009: € 2.6 billion).

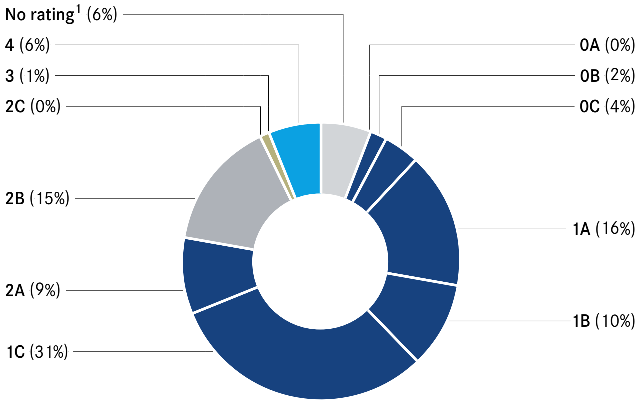
Overall, the rating distribution in the portfolio is well balanced. As in the previous years, the rating coverage is high.

The risk costs for the organisations and large customers portfolio were significantly down on the previous year. Additional costs focused on loans to medical care structures and corporations. To stabilize risk positions which required value adjustments in the previous year these were closely supported by a new risk team introduced last year.

Rating class distribution in the organisations and large customers portfolio

Volume distribution based on drawdowns

total € 2,716 million



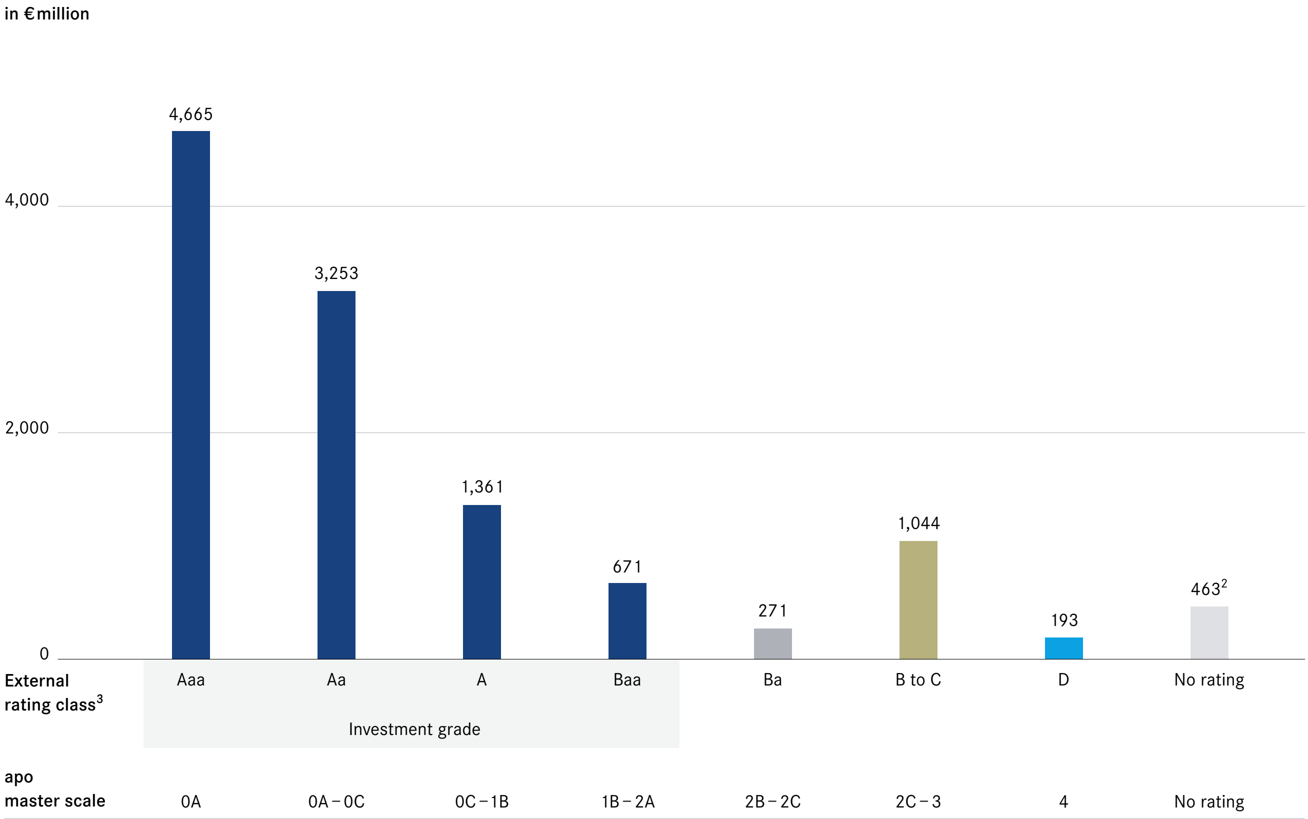
1) Excluding permanently unrated commitments with drawdowns < € 100

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. In addition, as part of its customer business, the Bank takes positions in foreign exchange and securities trading to a limited extent and offers start-up financing or co-invests in fund products sold to customers. Apart from traditional securities and credit default swaps, the financial instruments portfolio also includes the structured financial products sub-portfolio, which is being reduced on an ongoing basis. This sub-portfolio mainly comprises ABS.

Volume distribution in the financial instruments portfolio

based on total exposure[1] as at 31 December 2010, total € 11,921 million



1) This is generally the book value (drawdowns or credit equivalent amount) taking account of provisions for contingent losses. Exceptions are e.g. CDS and total return swaps on 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 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 interbank balances and the LAAM fund. More than 68% 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).

As a major part of risk management for the financial instruments portfolio, the latest information and indicators are acted on immediately as part of the newly implemented process for the early recognition of risk-related events in order to determine any actions that may be required. In addition to rating downgrades, the development of credit spreads observed in the financial markets in particular is used as an indicator.

A new limit structure with much lower limits for counterparty and issuer risk has been implemented for the investment of free funds.

In order to reduce the counterparty risk from derivative commercial transactions, apoBank enters into multi-product master netting agreements (netting of opposite positions). Moreover, the Bank uses collateral management (collateralisation of open positions) for the derivatives business in order to prevent risks spreading in view of the increased business volume.

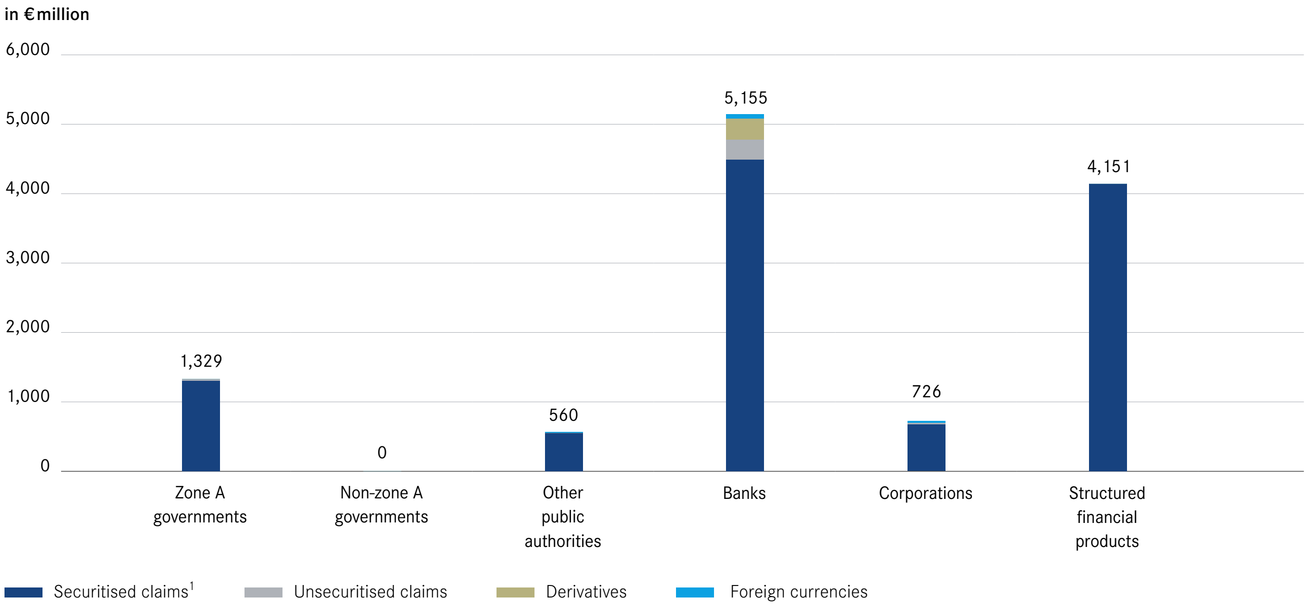
ABS papers in the structured financial products sub-portfolio are subject to a quarterly quantitative impairment test in addition to continuous monitoring to take account of the latest market developments. ABS that do not allow for system-based quantitative analyses (mainly commercial mortgage backed securities, CMBS) because of their heterogeneity are regularly subjected to a systematic credit analysis.

As part of the Bank's general effort in 2010 to reduce the financial instruments portfolio, the total exposure of this portfolio was also significantly reduced in the year under review by approx. €3.2 billion and as at 31 December 2010 amounted to €11.9 billion (31 Dec 2009: €15.1 billion). In addition to opportunities taken to sell individual positions, the successful downsizing of the temporary liquidity surplus in the course of the year also contributed to this result. This was largely invested risk-free with the ECB. As part of the portfolio reduction scheme, loans and advances to banks were also reduced considerably.

In terms of structured financial products, the Bank continues to pursue its strategy of active and controlled portfolio reduction. Over the course of the year, the Bank was able to bring down the total exposure of the structured financial products sub-portfolio by a further €0.3 billion to €4.2 billion.

Two opposing effects determined the course of this sub-portfolio over the year. Sales and the further redemptions received and maturities in the portfolio resulted in a considerable decrease in the total exposure. In contrast, the liquidation of two leveraged ABS funds, so-called LAAM funds, as planned increased the total exposure.

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), credit default swaps (CDS), mortgage backed securities (MBS), total return swaps (TRS) and LAAM fund

In 2010, the Bank transferred ABS securities with a total exposure of €3.2 billion, including the securities from the liquidated LAAM funds, into a special fund managed by Union Investment. apoBank holds all shares in this fund. The aim is to optimise the portfolio, but at the same time to decrease its susceptibility to volatility. In addition to this ABS special fund, a further LAAM fund remains on the Bank's books with a total exposure of €271 million, mainly financed over the expected term of the underlying instruments. The total exposure of collateralised debt obligations (CDOs) was also reduced significantly over the year with two remaining "AAA"-rated structures. This good credit rating also reflects the comfortable risk buffer in these structures.

The rating downgrades were considerably smaller than in the previous year, however, further rating downgrades were reported in the year under review in the financial instruments portfolio, particularly in the structured financial products sub-portfolio. The financial instruments portfolio overall remains concentrated in the investment grade range with 83% (31 Dec 2009: 85%) of volume in this area. In the structured financial products sub-portfolio, 65% of the volume was rated in the investment grade range (31 Dec 2009: 64%).

The significant decrease in risk costs for the financial instruments portfolio compared with the previous year primarily concerned positions in the structured financial instruments sub-portfolio. For structures in this sub-portfolio where the Bank does not see long-term

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

as at 31 Dec 2010/31 Dec 2009	MBS €m 2010	MBS €m 2009	CDO €m 2010	CDO €m 2009	ABS in the narrower sense €m 2010	ABS in the narrower sense €m 2009	LAAM funds €m 2010	LAAM funds €m 2009	Total €m 2010	Total €m 2009
Total exposure[1] by rating class (external rating class)										
Aaa	1,065	1,186	161	158	372	606	–	–	1,598	1,950
Aa	519	425	–	–	56	113	–	–	575	538
A	223	185	6	10	47	55	–	–	276	251
Baa	87	85	21	18	128	–	–	–	237	103
Ba	19	36	–	6	51	69	–	–	70	111
B to C	1,001	657	5	166	–	–	–	–	1,007	823
D	117	–	–	–	–	–	–	–	117	–
No rating	–	–	–	–	–	–	271	690	271	690
Total exposure[1] by country										
USA	1,090	787[2]	142	305	303	296	–	–	1,535	1,388
Europe	1,920	1,749	51	53	351	547	–	174	2,321	2,524
Others[3]	23	38	–	–	–	–	271	516	295	554
Total exposure[1] by residual term[4]										
0 to 1	191	89	6	17	93	57	–	114	290	276
> 1 to 5	1,189	801	86	116	287	450	–	231	1,562	1,598
> 5	1,653	1,685	101	225	274	337	271	345	2,299	2,591
Total	**3,033**	**2,574**	**193**	**358**	**653**	**844**	**271**	**690**	**4,151**	**4,466**

1) This is generally the book value (drawdowns or credit equivalent amount) taking account of provisions for contingent losses. Exceptions are e.g. CDS and total return swaps on 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 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) Primarily comprises Alt-A residential mortgage backed securities (RMBS)
3) Securitisation structures from other countries as well as a LAAM fund with securitisation structures without country focus
4) Residual term in years = expected maturity

intrinsic value as being sufficiently satisfied on the basis of quantitative or qualitative analyses, the Bank incurred corresponding risk costs.

In the individual structures, there were changes both for the better and the worse. While, on the one hand, this led to additional risk costs, on the other hand, write-ups on structured financial products that had been depreciated in the past provided some relief. The Bank had to bear additional risk costs particularly in connection with US residential mortgage backed securities (RMBS) and British CMBS.

Participations portfolio

The participations portfolio combines strategic, operational and financial participations. The main changes to the portfolio during the year were the sale of DGN Deutsches Gesundheitsnetz Service GmbH and APO Vermietungsgesellschaft mbH & Co. Objekt Berlin KG as well as the participation in the new start-up Patiomed AG. Strategic options are currently being prepared for the participation in AC Capital Partners.

Market risks

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 less importance. Overall, the Bank's market risk declined during the year.

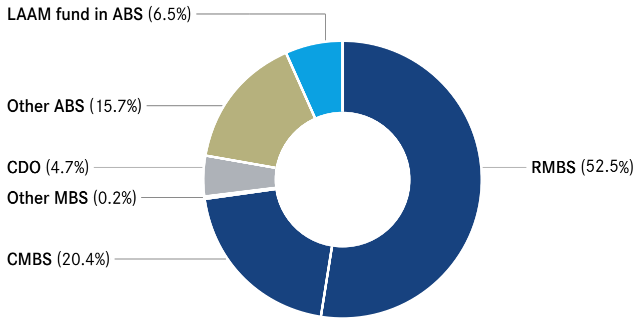
The main market risks faced by the Bank as a whole are covered and limited by the Bank-wide risk management framework. This is based on a differentiated risk measurement and control system in which risk is controlled and monitored up to the portfolio level. In managing market risks, a distinction is made between managing interest rate risks from the perspective of the Bank as a whole (strategic interest rate risk management) and the market risks in the financial instruments portfolio. Taking active trading risks is not part of the market risk strategy.

Within the context of daily controlling and monitoring, an analysis is performed on earnings and risk development and the extent to which limits are utilised. Additional regular scenario and stress calculations are carried out.

Structured financial products (on-balance sheet and off-balance sheet)

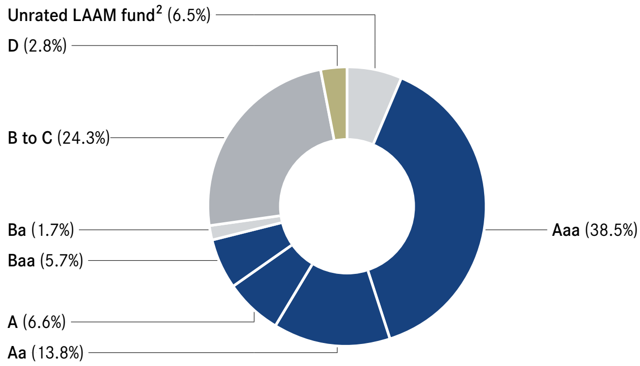
Volume distribution by products

€ 4,151 million



Volume distribution by rating class

€ 4,151 million[1]



1) Deviations due to rounding differences
2) Unrated LAAM fund with a total exposure of € 271 million (more than 68% of underlying assets are rated investment grade)

To reduce risk and hedge its transactions, the Bank regularly employs interest and currency derivatives and, in some cases, also credit 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 (e.g. termination rights). 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. The Bank also uses forward exchange transactions and foreign currency swaps to hedge foreign currency items.

Strategic interest rate risk management

As part of the 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 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 features 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 only entering into open positions to a limited extent taking planned new business into account. For this purpose, these positions are strictly limited.

On the basis of regular simulations, the Bank adopts global hedging measures that contribute to ensuring that its interest rate risk profile remains moderate and that results are stable. In 2010, global 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 overall bank and for each portfolio.

In 2010, the result of the regulatory stress calculations was well below the prescribed limit at all times (20% of the liable equity capital). With a maximum capacity utilisation in 2010 of 9.9% at the beginning of the year (2009: 10%), the result remains unchanged at a moderate level. During the year, the capacity utilisation was further reduced.

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. The quality of the model is checked using daily backtesting, in which the forecast VaR is compared with the change in the actual net present value. The scenario and stress analyses are based on standardised scenarios, which are supplemented by individual situation-related considerations.

The limitation of market risks in the financial instruments portfolio, which is derived from the risk-bearing capacity, was fully observed at all times in the financial year 2010.

Market risk in the financial instruments portfolio – limit utilisation 2010 (value at risk)

The extent to which the VaR limit was used initially fell sharply in the first quarter of 2010 against the backdrop of the ongoing reduction of the portfolio and the increasing relaxation on the markets. However, the renewed value fluctuations on the financial markets in the second quarter in connection with the discussion regarding the solvency of Greece resulted in a rise in measured risks. The third and fourth quarters saw the markets relaxing, which is also reflected in the extent to which the limit was used.

Overall, the market risk in the financial instruments portfolio declined significantly during the year. However, irritations in the market in connection with the discussions on the debt burden of some countries in the euro area led to increased market risks. In view of this, existing residual risks from currency fluctuations were specifically hedged.

Liquidity risks

The Bank's management of liquidity risk encompasses operational liquidity management as well as structural 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 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 (Liquiditätsverordnung), which is also defensively limited for internal management, as well as with the requirements for the maintenance of minimum reserves.

Structural liquidity management aims at guaranteeing an appropriate maturity structure and sufficient diversification, particularly of the Bank's refinancing sources.

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.

Both insolvency risk and refinancing risk are included in the Bank's risk-bearing capacity analyses. The insolvency risk is analysed from the perspective of securing long-term liquidity. The refinancing risk is subject to 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 comprising primarily securities that are eligible as collateral and generally ECB-eligible. These securities can be sold or used as collateral at any time. A conservative minimum limit has been set for this reserve that has to be observed at all times.

Apart from a reliable and diversified investor base, stable customer deposits provide an essential basis for the Bank's refinancing. Despite the many challenges faced in the financial year 2010, there were no 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 refinancing activities in the long-term and short-term capital markets planned for the beginning of 2010 were reduced due to the rise in customer funds that was higher than forecast. Further expanding refinancing through customer funds remains an important strategic aim for the Bank.

The Bank's liquidity was always assured in 2010. The limiting of the funding matrix and the regulatory requirements (liquidity ratio, 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 further changes to reporting. In the past financial year, the Bank started to introduce a new valuation procedure for its real estate. Risks are limited conservatively beyond the statutory requirements. The loans in the cover pool are selected defensively. All limits were complied with during 2010.

Business risk/strategic and reputation risk

Business risk, encompassing strategic and reputation risk, is encountered in the retail clients/branch business and organisations and large customers business segments. Margin 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.

As a result, the business risk remained stable within the defined limit.

Operational risk

The starting point for controlling operational risks is the identification of potential operational risks by local risk managers within their area of responsibility, conducted as part 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 for the whole bank centrally in the risk controlling unit.

The Bank uses the standard approach for determinung operational risk according to regulatory requirements. The losses for the year 2010 as a whole was up on the previous year, particularly due to the increase in provisions for possible losses from the Bank's operating business. It is higher than the forecasted level of losses, but still well below the set limit. Control measures have been reviewed and implemented where necessary for all identified substantial risks. This involved concluding suitable insurance policies. Legal risks from standard operations are reduced using standardised contracts. The Bank does not expect the limit to be exceeded despite the rising trend in operational risk.

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

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.

Repeated audit measures aimed at quality and system efficiency are applied during the course of the project to migrate the Bank's IT systems to the cooperative data processing centre at GAD to ensure that the Bank's business activities are not jeopardised by the system change. Measures have also been taken to ensure that in the event of unexpected delays, the existing systems can continue to operate.

Risk-bearing capacity as an instrument of overall bank control

The basis of apoBank'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. The Bank generally distinguishes between three aspects of risk-bearing capacity: capital, liquidity and profitability. The capital aspect focuses on regulatory as well as economic capital requirements.

In all perspectives, the provided capital and limits are compared with the potential risks, which must be protected against to guarantee the risk-bearing capacity of the Bank if it is to continue its business without any restrictions. These analyses are complemented by stress calculations.

The capital values provided for in the risk-bearing capacity form the basis for limiting the individual material risk types and for further differentiating limits within the individual risk types.

The Bank's risk-bearing capacity was ensured at all times and for all aspects in 2010. It was strengthened by the measures to reduce the total exposure, particularly in the structured financial products sub-portfolio, and the guarantee agreement made with the Federal Association of German Cooperative Banks (BVR).

In the fourth quarter of the year under review, apoBank transferred the majority of its structured financial products in its direct portfolio at book value to a special fund managed by Union Investment. The guarantee agreement made with the BVR in December 2009 was adapted in line with this. The guarantee now relates to the securities held in the special fund and is part of the fund's assets. The value of the guarantee covers the difference between the book and market values during the transfer of the securities to the special fund. The maximum is € 640 million. Thus the Bank has created an effective safeguard that will enable it to absorb unexpected burdens from these structured financial products based on its operational profitability. In addition, the guarantee agreement leads to a further relief for the regulatory capital requirements. The successful issue of a silent partnership also alleviated the Bank's risk-bearing capacity.

Individual highly improbable stress scenarios throughout the year showed a strained risk-bearing capacity of the Bank. This assessment improved due to the measures mentioned above towards the end of 2010.

The newly revised and reviewed risk-bearing capacity concept for 2010 will be further developed during 2011 and the overall bank stress test established in 2010 will be incorporated into the concept. This means that in future, in addition to examining all aspects, the stress calculations for the risk-bearing capacity will take into account the interactions between risk types and between revenue and capital figures. In this way it will be possible to map the impact of the stress scenarios in all aspects over the course of time. Further adjustments result from the new regulatory requirements (particularly the minimum requirements for risk management, MaRisk, of 15 December 2010).

Overall bank stress test

Analyses to determine the Bank's resilience were further refined in the year under review: Since 2010, resilience has been analysed in specific improbable but plausible stress scenarios that take into account both external influences and risks specific to the Bank itself. In these scenarios, interactions between risk types and between revenue and capital figures over the course of time are also taken into account.

Similar to the risk-bearing capacity analyses, the results show that the Bank's stability has further increased and confirm the consolidation course taken in its strategy to reduce the financial instruments portfolio and to further strengthen the equity capital base.

Key project activities

Basel III

In order to comply with the requirements of Basel III, which was published in its final version in December 2010, the Bank launched a project in 2010 to identify the required adjustments and ensure that they are implemented promptly.

Compliance

Early in 2010, the Board of Directors initiated a further realignment of the compliance division. In addition to compliance to the German Securities Trading Act (WpHG) and capital market compliance, the aim is to encourage organisational compliance with the legal provisions relevant to the Bank and to limit legal and reputation risks. So far, the rules already established in the Bank's code of conduct and the monitoring tasks of the compliance function have been sufficient. Based on the results of concept analyses, the threat analysis under Section 25c of the German Banking Act (KWG) and the events during the year under review, the Bank is creating a new anti-fraud function as a special unit. It is responsible for avoiding the risks arising from corruption and unlawful misconduct. The Bank also established strict requirements subject to auditing for accepting and offering gifts.

In addition to setting up a compliance management system in a functional organisational unit, the training, advisory and control procedures of the compliance function are being extended with additional concepts and procedures. A process extension is also being introduced for the WpHG and capital market compliance.

The Bank will continue its efforts to expand its compliance function significantly, which it started during the year under review.

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 and responsible accounting. In this way, business transactions are recorded, processed and documented in accordance with the legal and statutory provisions as well as the internal guidelines in a timely manner and correctly from an accounting perspective. At the same time, it ensures that the 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 and ensuring the operativeness of the internal auditing division. 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

The main risk faced by the Bank is credit risk. While volumes in the Bank's customer lending portfolios increased with the good quality essentially remaining unchanged, the Bank consistently continued its reduction strategy for the financial instruments portfolio.

The total exposure of the financial instruments portfolio, the quality of which has more or less remained stable, was reduced in the year under review by approx. € 3.2 billion and as at 31 December 2010 amounted to € 11.9 billion. In addition to opportunities taken to sell individual positions, the successful downsizing of the temporary liquidity surplus in the course of the year also contributed to this result. Loans and advances to banks in particular were reduced further.

In addition, the Bank was able to significantly further reduce total exposure arising from the structured financial products sub-portfolio. This portfolio now totals € 4.2 billion, compared to € 4.5 billion at the end of 2009. In the fourth quarter, apoBank transferred an essential portion of its ABS position to a special fund managed by Union Investment. By doing so, it further optimised the portfolio and reduced its susceptibility to volatility.

The Bank continues to pursue its strategy of actively reducing its structured financial products sub-portfolio in a controlled way. The financial instruments portfolio overall remains concentrated on the investment grade range, with 83% of volume in this area. In the structured financial products portfolio, 65% of the positions were rated investment grade.

The Bank paid particular attention to country risks from its exposure to PIIGS states. apoBank is exposed both indirectly and directly to these countries. A direct country risk in the PIIGS states exists with regard to Italy and Greece. Due to the euro rescue package implemented by the EU and the IMF and the efforts to establish a permanent euro rescue package from 2013, the Bank assumes that the countries in question will be prevented from defaulting.

Risk costs and precautionary measures for the customer lending business grew to around € 70 million. Risk costs and precautionary measures for financial instruments and participations were down significantly on the previous year to around € 200 million. The development in the structured financial products sub-portfolio was heterogeneous. In individual structures, there were both changes for the better and for the worse. Due account has been taken of all discernible risks in the risk costs.

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 at a lower level compared with the previous year. The Bank's liquidity remained stable at the end of 2010.

Risk-bearing capacity was ensured at all times and for all aspects in 2010. The measures adopted by the Bank to reduce the portfolio and to strengthen equity capital had a positive effect. Additional relief was provided by the guarantee agreement made with BVR, which was adapted during the year as part of the transfer of ABS papers to a special fund. In this way, the Bank has created an effective safeguard that will enable it to absorb unexpected burdens from these structured financial products based on its operational profitability.

Outlook

Further recovery expected for the global economy

The Bank expects the global economy to continue recovering. The relaxed monetary policy of major central banks so far continues to have a supportive effect, as long as no negative trends occur on the inflation side.

Steady development in emerging markets as well as in Germany should contribute to stabilising the global economy. This is on the condition that companies continue to invest and consumer demand remains constant. For Germany, there is good reason to expect that this will be the case. The same applies for emerging countries that maintain their growth lead.

For the remaining industrialised nations, the situation and outlook are also improving. However, the countries' high level of debt, and in some cases also consumer debt, stand in the way of strong economic growth.

Ultimately, much will depend on whether the Chinese economy manages a so-called soft landing after its very high levels of growth in previous years. State measures to slow down the exacerbated economy have already been initiated.

USA – development depends on labour and real estate markets

The fact that the US economy will probably be able to grow steadily will have a positive impact on global economic growth. The main problems in the USA are the slump on the real estate market and the high level of state and consumer debt. This makes the environment difficult, also for the banks there.

The American economy is counteracting these uncertainties by continuing to apply expansive measures. It remains to be seen how inflationary tendencies continue to develop. apoBank believes that it is unlikely that the USA will fall back into a recession.

Euro area – split development

"Two tier growth" is a particularly apt description of the euro area with its strong and weak member states: In 2010, Germany grew around twice as fast as the entire euro area. German growth is expected to remain above average compared with the rest of the euro area for the time being. The current development and low interest rates could even boost German consumption, which has long been dormant. In the light of rising employment figures, this could help to reinforce the economy in Germany in 2011. In 2012, Germany and France are expected to grow by roughly 2%, with Italy and Spain slightly behind.

If the interest rates remain at their present historically low level, this can have a positive effect on the euro area. However, there remains a high level of uncertainty, above all regarding the further development of the PIIGS states, whose debt problems must be resolved as quickly as possible. As a result, these states in particular will have to significantly increase their taxes and deductions. Ireland, Portugal and Spain have already decided on significant spending cuts for 2011. Developments in the real estate markets in many countries also give cause for uncertainty.

Spending curbs and continuing structural trends in the health care sector

The challenges in the health care sector will not abate in future. The justified demand by health care professionals for appropriate remuneration conflicts with the intention of payers to limit spending. In addition, important structural issues concerning health care provision remain unanswered.

Earlier forecasts for 2011 suggested a deficit for statutory health insurances of up to € 10 billion. Due to the positive economic performance as well as reform laws and other measures introduced in 2010, the council of experts of the statutory health insurances now expects an income surplus of approx. € 2.7 billion.

The measures addressed include an increase in the contribution rate as at 1 January 2011 and the option for health insurances to introduce unlimited supplementary contributions. In addition, the government contribution from tax revenue to the health fund is also being increased by € 2 billion to a total of € 15.3 billion. The ratio of tax revenue to total expenditure has therefore risen more rapidly than originally planned. On the one hand, this relieves the burden on contribution payers. On the other hand, there is a risk that answers to questions regarding health care provision will depend on the cash position of the state and that the fiscal situation will be pivotal.

Long-term trends continue

The trends observed in the past will continue. The number of pharmacists, doctors and dentists in outpatient care in salaried employment is expected to rise. The trend towards cooperative professional structures will also continue, as this opens up more potential synergies.

Basically, answers must be found to the structural challenges in medical care. Medium and long-term strategies must be discussed to counter the shortfall in doctors that can already be seen regionally. This also includes adapting requirements planning. Initial ideas regarding this have been put forward by politicians and doctors alike. Cornerstones might be small-scale requirements planning, e.g. for individual neighbourhoods, and involving inpatient care capacities.

At the same time, health care professionals will be confronted with measures designed 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. A fixed surcharge of € 0.70 per pack and a variable surcharge of 3.15% of the manufacturer's price are currently planned. Implementation as at 1 January 2012 has already been defined in law. However, wholesalers and pharmacists believe that the burdens created will not be affordable and so new discussions are expected.

Physicians can count on fee increases. Despite the measures agreed to limit spending, it is expected that a further € 1 billion will be injected into outpatient care in 2011. However, this increase will involve stricter budgeting for individual doctors. It is feared that the fee system will become even more complex and less comprehensible for physicians. The aim in future must be to create a transparent, appropriate remuneration scheme for medical services.

A reform of both the fee schedule for physicians (GOÄ) and for dentists (GOZ) is currently being discussed for private treatment. A review of both schedules is long overdue and would be welcomed. The opening clause put forward by private health insurances, which caused the reform talks to fail in 2010, will pose new challenges for the negotiating partners in the coming year.

Financing situation remains stable overall

Despite the measures taken to limit the rise in spending, the health care sector will remain a growth market. The rise in the general contribution rate of 0.6 percentage points on 1 January 2011 alone will lead to an inflow of funds into the statutory health insurances of approx. €6 billion. This is in addition to the increase in the state contribution from tax revenues. A further rise in spending is also expected in private health insurance.

Successful business model to be continued

Over the next few years, the Bank will continue to apply its successful business model and consistently capture the market opportunities and business potential of the thriving health care market. The overriding aim of its business model remains to provide economic support to health care professionals, their associations and facilities. As a specialist and niche provider with decades of experience, the Bank continues to operate on the basis of its sustainably strong position in the growing German health care market.

Competition for customers in the banking sector, with a special focus on the apoBank clientele, will continue to remain high. Further challenges arise from the regulatory requirements, which are expected to increase further, and the resulting increase in demand for equity in the banking sector.

The Bank's unwavering strategic aim is to concentrate on its successful core business in this market environment. This also means that it will continue to reduce risk in structured financial products.

apoBank will strategically set the course to maintain and expand its market position. This includes designing processes and structures more efficiently to be able to respond better to new requirements and changes with improved overall bank control. In addition, it will continue to reduce its complexity. Particularly in the financial year 2011, this will require further significant investments, such as those the Bank has already made and continues to make as part of its IT migration.

Dividend distribution planned

In the next two financial years, apoBank expects to sustain the successful developments in its core business. Based on this, a net profit is planned, which will enable the Bank to pay a dividend to its members and to make a statutory allocation to its reserves.

Slight decline expected in net interest income

Net interest income will be the Bank's major source of earnings in the next two years. The Bank is planning to continue its growth in lendings and stabilise its customer deposits, also together with the cooperative FinanzGruppe. This will net out the burden of interest expenses from the silent partnership, which will impact the expenses for the first time in 2011.

In addition, net interest income will be augmented by the income from strategic interest rate risk management. In view of the slight increase in interest rates forecast for the next years, the Bank expects this to fall slightly. This decline is due to the fact that interest income from the partial sale of two global interest derivatives, which contributed around € 30 million to net interest income in 2010, will mature in 2011. As a result, net interest income is expected to be down on the previous year overall.

Net commission income will benefit from a steady amount of new business and the Bank's large portfolio in the lending as well as in the insurance business. In the securities business, including private asset management, the Bank expects to continue its good performance in 2010. Overall, the Bank expects net commission income in the coming years to be at the same good level as it was in 2010. This is conditional on a predominantly stable performance on the financial markets, particularly on the global equity markets.

General administrative expenses to grow due to IT investments

General administrative expenses will again be high in 2011, due to the multi-year implementation of the cooperative IT system bank21. These expenses will again rise noticeably compared to 2010. Once the IT migration is completed, general administrative expenses will drop sharply in the range of tens of millions of euros from 2012 onwards.

In 2011, the Bank will make further investments in expanding its core business. The expenditure involved will also weigh on general administrative expenses. From the coming year, general administrative expenses will be additionally affected by the newly introduced banking duty.

Positive performance in the core business expected – decline in profit before risk provisioning due to special effects in 2011

In view of the assumptions described above, the Bank expects its profit before risk provisioning, i.e. its operating result, to drop sharply compared to the previous year. The main reason for this is the additional costs of the IT migration. Thanks to its high operational profitability, however, the Bank aspires to achieve an adequate profit before risk provisioning. In 2012, it expects its operating result to be higher than in the year under review especially due to the reduction in administrative expenses.

Risk provisioning measures will be a burden on earnings

In the coming financial years, the Bank expects standard risk costs for the customer lending business to remain at the same level as the standard risks costs forecast for 2010. It therefore anticipates risk costs and precautionary measures for the customer lending business to be higher than the low level recorded in the year under review.

Risk costs for the Bank's financial instruments will also have a negative impact on results in 2011 and 2012. The continued uncertainties relating to country risks as well as the prevailing real economic risks, which could affect the performance of the Bank's structured financial products, mean that it is not possible to make an accurate forecast of risk costs at the present time. Overall, the Bank expects risk costs and precautionary measures with regard to financial instruments and participations to drop once again.

Further opportunities and potential risks for business development

During the implementation phase of the cooperative IT system bank21, the Bank may face additional expenses. It is equally possible that the Bank's financial instruments could incur risk costs that are higher than the expected standard risk costs overall.

These risks are countered by the opportunities granted by the Bank's solid market position, the steadily growing demand for financing in the health care sector and a continued stable rise in income amongst health care professionals. Thanks to the growing confidence in the Bank's industry and financial expertise, these opportunities may give rise to further business potential, especially in the investment sector.

Moreover, by exploiting the potential for write-ups on financial instruments, risk costs may be reduced to below the level of forecast standard risk costs for financial instruments.

Continued relief for the risk profile

The Bank will continue its strategy of reducing its riks positions, which already helped to relieve its risk profile in 2010. Thanks to the guarantee agreement with BVR, the Bank is able to absorb unexpected burdens from the remaining structured financial products based on its strong operational earnings. At the same time, it may be possible to reduce the total exposure of structured financial products quicker than originally planned. Here, the Bank relies on the expertise of Union Investment, which manages a large portion of the structured financial products via a special fund.

As a result, the Bank's risk profile will increasingly be shaped by the high granularity of the customer loan portfolio with low default rates and by the conservative handling of interest rate risks.

Necessary improvement in equity situation to be continued

Within the framework of the Basel III project launched at the end of 2010, the Bank is exploring options for dealing with the regulatory requirements, which will be much more stringent in future, focusing particularly on the requirements regarding equity capital. These measures should contribute to the compensation for other possible negative effects, e.g. a depreciation of the euro against the dollar and the pound, as well as further rating downgrades in the financial instruments portfolio. Equity strengthening measures will focus on the Bank's core capital, which is increasingly important in regulatory terms.

Liquidity position remains stable

The Bank's liquidity position remains stable and is based on customer deposits and a broad diversification of its investor base. In future, the Bank will pursue the aim to further expand refinancing through customer funds.

In addition to refinancing through short-term and medium-term customer deposits, as a market operator with a good rating, the Bank has the option of placing other secured and unsecured refinancing products with its institutional customers, members of the cooperative FinanzGruppe and in the capital market. The Bank's large portfolio of ECB-eligible securities helps to bolster its liquidity reserves in the event of unexpected liquidity outflows.

Annual Financial Statements 2010

Balance Sheet

Assets

	(Notes)	31 Dec 2010 €thous	1 Jan 2010[1] €thous	31 Dec 2009 €thous
1. Cash reserve		**365,572**	**496,581**	**496,581**
a) Cash on hand		37,140	34,084	34,084
b) Cash in central banks		328,432	462,497	462,497
Including: in the German Federal Bank (Bundesbank)		(328,432)	(462,497)	(462,497)
c) Cash in post office giro accounts		0	0	0
2. Debt instruments of public agencies and bills of exchange, eligible for refinancing with central banks		**0**	**0**	**0**
3. Loans and advances to banks	**(1, 14, 15)**	**837,404**	**2,826,401**	**2,830,911**
a) Mortgage loans		0	0	
b) Local authority loans		0	0	
c) Other receivables		837,404	2,826,401	726,863
Including: due on demand		(139,969)	(2,104,048)	
Including: lending against securities		(0)	(0)	
4. Loans and advances to customers	**(1, 14, 15, 18, 28)**	**26,276,751**	**25,600,471**	**25,600,471**
a) Mortgage loans		6,343,816	5,581,046	
b) Local authority loans		111,093	55,235	
c) Other receivables		19,821,842	19,964,190	
Including: due on demand		(2,280,464)	(2,109,112)	
Including: lending against securities		(0)	(0)	
5. Debt securities and other fixed-interest securities	**(15, 16, 17, 18, 20, 24, 28)**	**4,389,409**	**8,667,082**	**8,888,359**
a) Money market papers		226,518	244,479	247,969
aa) Of public issuers		0	0	0
Including: acceptable as collateral by the Bundesbank		(0)	(0)	(0)
ab) Of other issuers		226,518	244,479	247,969
Including: acceptable as collateral by the Bundesbank		(226,518)	(244,479)	(247,969)
b) Bonds and debt securities		4,162,891	8,422,603	8,450,108
ba) Of public issuers		132,701	213,882	213,882
Including: acceptable as collateral by the Bundesbank		(132,701)	(213,882)	(213,882)
bb) Of other issuers		4,030,190	8,208,721	8,236,226
Including: acceptable as collateral by the Bundesbank		(4,030,190)	(4,610,560)	(4,641,555)
c) Own debt securities		0	0	190,282
Nominal amount		(0)	(0)	(186,468)
6. Shares and other non-fixed-interest securities	**(17, 18, 19, 20, 24)**	**5,135,503**	**1,783,641**	**1,783,641**
6a. Trading portfolio	**(1, 4, 17, 21)**	**115,422**	**226,643**	
7. Participations and capital shares in cooperatives	**(6, 17, 22, 24)**	**168,047**	**130,368**	**130,368**
a) Participations		167,222	129,543	129,543
Including: in banks		(132,820)	(97,697)	(97,697)
Including: in financial services institutions		(14,755)	(14,755)	(14,755)
b) Capital shares in cooperatives		825	825	825
Including: in cooperative banks		(0)	(0)	(0)
Including: in financial services institutions		(0)	(0)	(0)
8. Shares in affiliated companies	**(17, 22, 24)**	**9,363**	**65,531**	**65,531**
Including: in banks		(0)	(0)	(0)
Including: in financial services institutions		(1,292)	(21,292)	(21,292)
9. Trust assets	**(23)**	**2,747**	**2,748**	**2,748**
Including: fiduciary loans		(9)	(10)	(10)
10. Compensation claims against the public sector including debt securities from their exchange		**0**	**0**	**0**
11. Intangible assets	**(1, 8, 19)**	**15,047**	**19,924**	**19,924**
a) Registered industrial property rights and similar rights and assets		0	0	
b) Concessions, industrial property rights and similar rights and assets acquired for a consideration, as well as licenses for such rights and assets		12,277	17,205	
c) Goodwill		0	0	
d) Payments in advance		2,770	2,719	
12. Tangible assets	**(7, 24)**	**223,883**	**225,400**	**225,400**
13. Other assets	**(25)**	**1,178,112**	**1,048,209**	**1,059,502**
14. Prepayments and accrued income	**(1, 26)**	**101,864**	**127,232**	**127,232**
a) From issuing and loan transactions		21,726	31,811	
b) Others		80,138	95,421	
15. Deferred tax assets	**(1, 27)**	**0**	**0**	
Total assets		**38,819,124**	**41,220,231**	**41,230,668**

1) Opening balance in accordance with the Accounting Law Modernisation Act (Bilanzrechtsmodernisierungsgesetz, BilMoG)

Liabilities

	(Notes)	31 Dec 2010 €thous	1 Jan 2010[1] €thous	31 Dec 2009 €thous
1. Liabilities to banks	**(1, 9, 37)**	**9,472,765**	**11,185,784**	**11,190,309**
a) Registered mortgage Pfandbriefe issued		304,411	304,431	
b) Registered public Pfandbriefe issued		0	0	
c) Other liabilities		9,168,354	10,881,353	9,291,689
Including: due on demand		(1,953,095)	(1,898,620)	
Including: mortgage Pfandbriefe and registered public Pfandbriefe delivered to the lender as collateral		(0)	(0)	
2. Liabilities to customers	**(1, 9, 37)**	**18,190,888**	**16,983,527**	**16,983,527**
a) Registered mortgage Pfandbriefe issued		523,123	522,824	
b) Registered public Pfandbriefe issued		0	0	
c) Saving deposits		88,730	91,812	91,812
ca) With an agreed notice period of three months		58,030	58,889	58,889
cb) With an agreed notice period of more than three months		30,700	32,923	32,923
d) Other liabilities		17,579,035	16,368,891	16,891,715
Including: due on demand		(10,028,232)	(8,844,298)	
Including: mortgage Pfandbriefe and registered public Pfandbriefe delivered to the lender as collateral		(0)	(0)	
3. Securitised liabilities	**(1, 9, 37)**	**8,001,151**	**9,937,914**	**9,937,914**
a) Debt securities issued		8,001,151	9,937,914	9,937,914
aa) Mortgage Pfandbriefe		942,597	993,466	
ab) Public Pfandbriefe		0	0	
ac) Other debt securities		7,058,554	8,944,448	
b) Other securitised liabilities		0	0	0
Including: money market papers		(0)	(0)	(0)
Including: own acceptances and promissory notes outstanding		(0)	(0)	(0)
3a. Trading portfolio	**(1, 4, 31)**	**936**	**3,275**	
4. Trust liabilities	**(32)**	**2,747**	**2,748**	**2,748**
Including: fiduciary loans		(9)	(10)	(10)
5. Other liabilities	**(33)**	**311,574**	**371,390**	**371,399**
6. Prepayments and accrued income	**(1, 34)**	**38,491**	**51,868**	**51,868**
a) From the issuing and lending business		27,967	38,212	
b) Others		10,524	13,656	
6a. Deferred tax liabilities	**(1)**	**0**	**0**	
7. Provisions	**(10)**	**235,936**	**368,739**	**381,198**
a) Provisions for pensions and similar obligations		118,532	119,308	128,911
b) Tax provisions		7,828	5,190	5,190
c) Other provisions		109,576	244,241	247,097
8. Subordinated liabilities	**(35)**	**508,789**	**520,237**	**520,237**
9. Participating certificate capital		**210,000**	**235,000**	**235,000**
Including: due within two years		(50,000)	(45,000)	(45,000)
10. Fund for general banking risks	**(1)**	**166,381**	**126,000**	**126,000**
Thereof special items according to Section 340e (4) of the German Commercial Code (HGB)		(381)	(0)	
11. Equity	**(38)**	**1,679,466**	**1,433,749**	**1,430,468**
a) Subscribed capital		1,184,615	991,070	991,070
b) Capital reserves		0	0	0
c) Revenue reserves		441,491	441,491	439,390
ca) Legal reserves		361,250	361,250	361,250
cb) Other revenue reserves		80,241	80,241	78,140
d) Balance sheet profit		53,360	1,188	8
Total liabilities		**38,819,124**	**41,220,231**	**41,230,668**

	(Notes)	31 Dec 2010 €thous	1 Jan 2010[1] €thous	31 Dec 2009 €thous
1. Contingent liabilities	**(39)**	**2,260,745**	**2,495,671**	**2,495,671**
a) Contingent liabilities from rediscounted, settled bills		0	0	0
b) Liabilities from guarantees and indemnity agreements		2,260,745	2,495,671	2,495,671
c) Collateral furnished for third-party agreements		0	0	0
2. Other obligations		**3,495,875**	**3,059,064**	**3,059,064**
a) Obligations under optional repurchasing agreements		0	0	0
b) Placement and underwriting obligations		0	0	0
c) Irrevocable loan commitments		3,495,875	3,059,064	3,059,064

Profit and Loss Account

Profit and loss account

	(Notes)	1 Jan – 31 Dec 2010 € thous	1 Jan – 31 Dec 2009 € thous
1. Interest income from	**(43)**	**1,401,316**	**1,754,920**
a) Lending and money market transactions		1,319,691	1,515,652
b) Fixed-interest securities and debt register claims		81,625	239,268
2. Interest expenses	**(43)**	**−735,948**	**−1,171,339**
3. Current income from		**13,827**	**34,575**
a) Shares and other non-fixed-interest securities		2,581	22,603
b) Participations and capital shares in cooperatives		6,229	2,363
c) Shares in affiliated companies		5,017	9,609
4. Income from profit pooling, profit transfer agreements or partial profit transfer agreements		**232**	**271**
5. Commission income	**(44)**	**200,641**	**192,420**
6. Commission expenses		**−73,531**	**−80,865**
7. Net income from trading portfolio	**(45)**	**3,430**	**8,220**
8. Other operating income	**(46)**	**15,056**	**16,473**
Including: from compounding		(1,466)	
9. General administrative expenses		**−428,627**	**−398,610**
a) Personnel expenses		−207,096	−217,586
aa) Wages and salaries		−180,391	−187,085
ab) Social security contributions and expenses for pensions and benefits		−26,705	−30,501
Including: for pensions		(−950)	(−7,327)
b) Other administrative expenses		−221,531	−181,024
10. Depreciation and value adjustments in respect of intangible and tangible assets		**−23,790**	**−24,011**
11. Other operating expenses	**(46)**	**−31,578**	**−14,296**
Including: from compounding		(−8,558)	
12. Write-offs and value adjustments in respect of receivables and specific securities and allocations to provisions for credit risks		**−159,823**	**−114,153**
13. Write-offs and value adjustments in respect of participations, shares in affiliates and securities treated as fixed assets		**−111,697**	**−474,254**
14. Expenses from the absorption of losses		**0**	**0**
15. Operating result		**69,508**	**−270,649**
16. Extraordinary income	**(47)**	**1,464**	**0**
17. Extraordinary expenditure	**(47)**	**−283**	**0**
18. Extraordinary result		**1,181**	**0**
19. Taxes on income	**(48)**	**23,048**	**−13,783**
20. Other taxes not indicated in item 11		**−385**	**1,310**
21. Allocation to the fund for general banking risks		**−40,000**	**0**
22. Net profit/net loss		**53,352**	**−283,122**
23. Profit carried forward from the previous year		**8**	**20**
24. Withdrawals from revenue reserves			
a) From legal reserves		0	0
b) From other revenue reserves		0	283,110
25. Balance sheet profit	**(49)**	**53,360**	**8**

Statement of Changes in Equity

Capital development

In the year under review, the amounts shown under liability item 11, 'Equity capital', 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 2009	841,070	150,000	0	361,250	78,140	8
Withdrawals	8,306	0	0	0	0	0
Additions	4,151	197,700	0	0	2,101[1]	53,352[2]
Distribution of annual result	0	0	0	0	0	0
31 Dec 2010	**836,915**	**347,700**	**0**	**361,250**	**80,241**	**53,360**

1) Due to initial recognition of BilMoG
2) Of which initial recognition BilMoG € 1,181 thousand

Cash Flow Statement

Cash flow statement

	2010
	€m
Net profit	**53.4**
Non-cash items included in net profit and carry-forward to cash flow from operating activities	
Write-offs, value adjustments and write-ups in respect of financial and tangible assets	239.2
Changes in provisions	−144.8
Changes to other non-cash items	40.4
Profit from the sale of financial and tangible assets	72.5
Other adjustments (on balance)	−673.1
Subtotal	**−412.4**
Change in assets and liabilities from operating activities after correction with non-cash components	
Loans and advances to banks	1,937.3
Loans and advances to customers	−761.3
Securities (unless financial assets)	869.7
Other assets from operating activities	−45.8
Liabilities to banks	−1,689.5
Liabilities to customers	1,215.5
Securitised liabilities	−1,913.0
Other liabilities from operating activities	−59.8
Interest and dividends received	895.7
Interest paid	−325.3
Extraordinary deposits	0.0
Extraordinary payments	0.0
Income tax payments	−7.3
Cash flow from operating activities	**−296.2**
Deposits from the sale of	
financial assets[1]	3,569.2
tangible assets	0.7
Payments for the acquisition of	
financial assets[1]	−3,544.0
tangible assets	−15.8
Fund changes from other investment activities (on balance)	−2.0
Cash flow from investment activities	**8.1**
Payments from increases in equity capital	201.8
Dividend payments	0.0
Other payments to members	−8.3
Fund change from subordinated capital and other hybrid capital (on balance)	−36.4
Cash flow from financing activities	**157.1**
Cash and cash equivalents at the end of the previous period	**496.6**
Cash flow from operating activities	−296.2
Cash flow from investment activities	8.1
Cash flow from financing activities	157.1
Changes to liquid assets due to foreign currency and valuation	0.0
Cash and cash equivalents at the end of the reporting period	**365.6**

1) Mainly concerns the transfer of structured financial products to the UIL special bond portfolio Special Bonds 1 fund (UIL fund) in accordance with note 13

Notes

A. General information

1. Framework for the preparation of the annual financial statements

The annual financial statements of Deutsche Apotheker- und Ärztebank eG (apoBank), Dusseldorf, as of 31 December 2010 were prepared according to the regulations of the German Commercial Code (Handelsgesetzbuch, HGB) giving due regard to the German Accounting Law Modernisation Act (Bilanzrechtsmodernisierungsgesetz, BilMoG), 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 the reporting year, apoBank prepared its financial statements in accordance with the provisions of BilMoG for the first time. As at 1 January 2010, the Bank created an opening balance in accordance with BilMoG. As part of the amendments to RechKredV by BilMoG, on 1 January 2010 apoBank also started to apply the format used for the balance sheets of Pfandbrief banks.

The preparation of the financial statements in accordance with the provisions of BilMoG and the application of the format used for the balance sheets of Pfandbrief banks result in changes in the balance sheet structure as well as in additions to the profit and loss account and to the notes.

The following new balance sheet items have been added in accordance with the requirements of BilMoG:
- Trading portfolio (assets)
- Deferred tax assets
- Trading portfolio (liabilities)
- Deferred tax liabilities

In addition, the following balance sheet items were reported in a modified format in accordance with the requirements of BilMoG and the modified format used for the balance sheets of Pfandbrief banks:
- Loans and advances to banks
- Loans and advances to customers
- Intangible assets
- Prepayments and accrued income (assets)
- Liabilities to banks
- Liabilities to customers
- Securitised liabilities
- Prepayments and accrued income (liabilities)
- Fund for general banking risks

Items on the liabilities side were renumbered, as the original balance sheet item ‘Special items with a reserve element’ was deleted entirely in accordance with RechKredV.

The profit and loss account was renumbered, as the items ‘Extraordinary income’, ‘Extraordinary expenditure’ and ‘Extraordinary result’ were added.

In accordance with Section 67 (8) 2 of the Introductory Act to the German Commercial Code (EGHGB), no adjustments were made to figures from previous years.

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

Significant changes in valuation according to BilMoG are explained in the individual marginal numbers of the notes.

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 default risks in loans and advances to customers are covered by individual value adjustments. A global value adjustment was made in respect of latent 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 diluted lower of cost or market principle. The strict lower of cost or market principle was applied to the equity funds allocated to fixed assets.

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

The tailor-made CDO structures are structured products within the meaning of IDW RS HFA 22 that have been split into an interest-bearing security and a protection seller position of a credit default swap (CDS). For the tailor-made CDO structures, the attributable value at the balance sheet date is calculated using a valuation model on the basis of correlations and credit spreads for the reference assets.

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 ABS are valued based on market indicators. ABS items in the INKA funds 1, 2 or 3 are valued by Internationale Kapitalanlagegesellschaft mbH (INKA). The UIL fund is valued by Union Investment Luxembourg S.A. The modified discounted cash flow method (DCF) used simultaneously up to and including 30 December 2010 will not be used for ABS positions due to the transfer of the majority of ABS direct investments to the UIL fund.

4. Trading portfolio

Financial instruments in the trading portfolio are reported under balance sheet items assets, 6a and liabilities, 3a. They are measured at fair value less a deduction/surcharge 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 deduction 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.

BilMoG initial recognition with €460,000 is reported in extraordinary profit/loss; changes in valuation and changes to the deduction for risk for the current financial year are reported in the net profit/loss of the trading portfolio.

The criteria defined internally for including financial instruments in the trading portfolio were not changed from the previous year.

5. Valuation units

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 issues. 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.

The effective portion of the valuation units formed is presented according to the freezing method.

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

For micro-hedge units with underlying transactions on the assets 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 liabilities side, the fixed valuation continues to be applied as long as it concerns a perfect hedge. The own issue 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 961 micro-hedges with a nominal volume of €13.0 billion:

- 901 hedges on own issues against the interest rate risk with a nominal volume of €11.9 billion, including
  - 6 caps with a nominal volume of €0.2 billion
  - 37 floors with a nominal volume of €0.3 billion
  - 54 swaptions with a nominal volume of €0.5 billion
  - 804 swaps with a nominal volume of €10.9 billion
- 54 asset swaps to hedge against the interest rate risk of acquired securities with a nominal volume of €0.7 billion
- 1 participation certificate (Chronos) collateralised by a total return swap with a nominal volume of €0.3 billion
- 5 cross-currency swaps to hedge against the exchange rate risk of own issues with a nominal volume 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 forward exchange transactions, FX swaps and non-deliverable forwards (NDF) as well as foreign currency syndicated loans. A portfolio is formed for each currency 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 2010, a volume of foreign currency swaps from foreign exchange trading was hedged in the amount of €2,327.4 million with offsetting swaps:
- €1,357.1 million FX swaps in US dollars
- €891.0 million FX swaps in British pounds
- €50.7 million FX swaps in Japanese yen
- €8.1 million FX swaps in Swiss francs
- €20.5 million FX swaps in other currencies

6. Participating interests and shares in affiliated companies

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

7. Fixed assets/tangible assets

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

Depreciation for buildings was made on a straight-line basis throughout the useful life or using declining-balance rates; movable assets were depreciated on a straight-line basis throughout the useful life. Economic goods for the purpose of Section 6 (2) Income Tax Act (EStG) were completely written off.

8. Fixed assets/intangible assets

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

9. Liabilities

All liabilities were carried as a matter of principle 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. Discounted debt certificates were discounted with the issuing yield.

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 5.16%, a wage trend of 3% and a pension 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’. Unlike in the previous year, pension provisions and the provision for deferred compensation have been netted with the corresponding cover assets in the amount of € 7,609 thousand in accordance with Section 246 (2) 2 HGB. The provision was made in accordance with the right of retention allowed by Section 67 (1) of the transitional provisions of BilMoG in the amount of € 4,927 thousand.

In contrast to the previous year, the provisions for part-time retirement and anniversary payments were also made on the basis of an interest rate of 5.16% and a wage trend of 3%.

Unlike in previous years, provisions for early retirement and part-time retirement were reported under the balance sheet item liabilities, 7c ‘Other provisions’.

Provisions with a remaining term of more than one year were discounted or compounded in accordance with Section 253 (2) HGB. Due to the initial recognition of BilMoG, € 2,101 thousand were transferred to other revenue reserves and € 721 thousand to extraordinary profit/loss. 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, as a matter of principle, 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.

CDS as a protection seller position 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'.

Provisions for contingent losses are set up if there is the threat of serious claims.

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

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 (debt securities issued) in accordance with Section 254 HGB.

13. Guarantee

In the fourth quarter of the year under review, apoBank transferred the majority of its structured financial products in its direct portfolio at book value to a special fund managed by Union Investment Luxembourg S.A. The guarantee agreement made with the Federal Association of German Cooperative Banks (BVR) in December 2009 was adapted in line with this. The guarantee now relates to the securities held in the special fund and is part of the fund's assets. The value of the guarantee covers the difference between the book and market values during the transfer of the securities to the special fund and amounts to maximum € 640 million.

The guarantee agreement currently in place with BVR provided further relief for regulatory capital requirements. Furthermore, it contributed significantly to safeguarding against unexpected burdens from structured financial products in the UIL funds from the Bank's operational profitability over time. If the BVR was claimed 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) €thous		Loans and advances to customers (A 4) €thous	
	2010	2009[1]	2010	2009
Accrued interest	479,555	569,363	23,062	23,351
Up to three months	277,849	75,000	319,078	634,584
Three months to one year	0	0	754,497	1,297,222
More than one year to five years	80,000	2,500	1,075,446	6,962,613
More than five years	0	80,000	21,824,204	14,573,030

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

Loans and advances to banks (assets, 3) include € 163,849 thousand of receivables from the relevant cooperative banks (WGZ BANK AG Westdeutsche Genossenschafts-Zentralbank).

The loans and advances to customers (assets, 4) include € 2,280,464 thousand (31 Dec 2009: € 2,109,671 thousand) of loans and advances with unspecified maturities.

15. Affiliated and associated companies

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

Affiliated and associated companies

	Loans and advances to banks (A 3) €thous		Loans and advances to customers (A 4) €thous		Debt securities and other fixed-interest securities (A 5) €thous	
	2010	2009	2010	2009	2010	2009
Loans and advances to affiliated companies	0	0	0	20,785	0	0
Loans and advances to associated companies	346,679	177,704	260,010	234,075	50,027	50,018

16. Debt securities and other fixed-interest securities

Of the debt securities and other fixed-interest securities (assets, 5) stated in the balance sheet, € 643,697 thousand (31 Dec 2009: € 951,774 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) € thous		Shares and other non-fixed-interest securities (A 6) € thous		Trading portfolio (A 6a) € thous
	2010	2009	2010	2009	2010
Non-negotiable	92,161	89,015	5,103,539	1,746,928	40,831
Negotiable	4,297,248	8,799,344	31,964	36,713	74,405
Quoted	4,222,005	7,548,696	7,278	6,937	47,257
Unquoted	75,243	1,250,648	24,686	29,776	27,148
Negotiable securities not valued at the lower of cost or market	2,490,230	5,678,021	745	745	

	Participating interest and capital shares in cooperatives (A 7) € thous		Shares in affiliated companies (A 8) € thous	
	2010	2009	2010	2009
Non-negotiable	132,832	130,253	9,363	65,531
Negotiable	35,215	115	0	0
Quoted	2	2	0	0
Unquoted	35,213	113	0	0

In inventory accounting, negotiable securities not valued at the lower of cost or market are held in separate portfolios 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 2010 €thous	31 Dec 2009[1] €thous
Debt securities and other fixed-interest securities		
Fixed assets	2,701,184	6,186,278
Liquidity reserve	1,688,225	2,480,804
Total	**4,389,409**	**8,667,082**

	31 Dec 2010 €thous	31 Dec 2009 €thous
Shares and other non-fixed-interest securities		
Fixed assets	3,817,628	451,825
Liquidity reserve	1,317,875	1,331,816
Total	**5,135,503**	**1,783,641**

1) In accordance with BilMoG, the trading portfolio included in the table in the previous year (as at 31 Dec 2009: €221,277 thousand) is reported under balance sheet item 'Trading portfolio' (assets, 6a) from 1 January 2010.

In addition, loans and advances to customers include fixed asset securities of €345,823 thousand (31 Dec 2009: €344,038 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 legally separate sub-trusts (funds) of one independent master trust platform. The sub-trusts 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 2010 €m
LAAM XXI	Panacea Trust	AC Capital Partners Ltd.	ABS/MBS	271
Total investment				**271**

AC Capital acts exclusively as the asset manager and thus holds no own portfolio of shares and structured products. Neither apoBank nor AC Capital have provided any liquidity lines.

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 €thous	Difference to book value €thous	Distribution made for the total financial year €thous	Restriction of the option for daily redemption
APO 1 INKA	Domestic and international bonds, forward transactions	778,693	26,591	0.00	no
APO 2 INKA	Domestic and international bonds, forward transactions	264,200	14,200	0.00	no
APO 3 INKA	Domestic and international bonds, forward transactions	264,200	14,200	0.00	no
APO High Yield Spezial INKA	Domestic and international bonds, forward transactions	11,431	831	856	no
APO Kupon Plus I	Domestic and international bonds	4,884	0	165	no
APO Pool A INKA	Domestic and international equities	10,456	0	289	no
APO Pool B INKA (capital growth)	Domestic and international equities, domestic bonds	6,057	0	161[1]	no
APO Pool D INKA	Domestic and international equities, domestic and international bonds	12,733	451	120	no
APO Pool SB INKA	Domestic and international equities, domestic and international bonds	5,697	172	233	no
APO Trend Select INKA	Domestic and international equities	6,403	0	75	no
arsago STIRT 2XL	Domestic and international bonds	24,373	18	0.00	yes
LAAM XXI	Domestic and international bonds	94,911	−176,308	0.00	yes
UIL fund	Domestic and international bonds	3,498,600	2,550	0.00	no
NORD/LB Am VT Protect	Domestic and international equities, domestic and international bonds	19,802	0	530	no

1) Reinvestment amount

20. Fixed-asset securities

Fixed-asset securities

Fixed-asset securities[1]	Book value as at 31 Dec 2010 €thous	Fair value as at 31 Dec 2010 €thous	Omitted depreciation €thous
Tailor-made CDO	50,000	49,637	363
LAAM fund	271,219	94,911	176,308
Other fixed-asset securities	2,433,699	2,404,947	28,752
Total	**2,754,918**	**2,549,495**	**205,423**

1) Includes only fixed-asset securities that show hidden burdens at the balance sheet date

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 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 2010, 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 hidden 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 are not regarded as long-term 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 portfolio (assets)

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

Trading portfolio (assets)

	31 Dec 2010[1]
	€ thous
Derivative financial instruments	**191**
Loans and advances to banks	**40,864**
Debt securities and other fixed-interest securities	**74,459**
Shares and other non-fixed-interest securities	5
Less deduction for risk	– 97
Total	**115,422**

1) The fair values are shown.

22. List of holdings

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

List of holdings

Company	Share in company capital %	Year	Equity of the company € thous	Result of the past financial year € thous
AC Capital Partners Limited, Dublin	51	2009	6,323	5,215
Apo Asset Management GmbH, Dusseldorf	70	2010	4,070	2,235
APO Beteiligungs-Holding GmbH, Dusseldorf	100	2010	4,164	0 (232)[2]
APO Consult GmbH, Dusseldorf[1]	76	2010	51	0 (0)[2]
APO Data-Service GmbH, Dusseldorf[1]	49	2010	3,066	296
APO Leasing GmbH, Dusseldorf[1]	100	2010	94	0 (0)[2]
APO Reiseservice GmbH, Dusseldorf[1]	100	2010	0	0 (0)[2]
apokom GmbH, Dusseldorf[1]	100	2010	75	0 (– 8)[2]
Kock & Voeste Existenzsicherung für die Heilberufe GmbH, Berlin[1]	26	2010	270	49
medisign GmbH, Dusseldorf[1]	50	2010	162	– 8
APO Immobilien-Kapitalanlagegesellschaft mbH, Dusseldorf	67	2010	8,407	1,935
aik Management GmbH, Dusseldorf[1]	100	2010	44	19
ARZ Haan AG, Haan	20	2009	21,597	4,355
CP Capital Partners AG, Zurich	24	2010	278	17
Deutsche Ärzte Finanz Beratungs- und Vermittlungs-Aktiengesellschaft, Cologne	25	2010	8,801	5,034
Deutsche Apotheker- und Ärztebank (Ireland) Investment Company, Dublin[3]	100	2009	162	– 695
Finanz-Service GmbH der APO-Bank, Dusseldorf	50	2010	1,969	447
IWP Institut für Wirtschaft und Praxis Bicanski GmbH, Münster	26	2010	16	–12
PATIOMED AG, Berlin	49	2010	4,600	– 400
Prof. Bicanski und Coll. IWP Beratungsgesellschaft mbH, Münster	26	2010	93	–14
Profi Erste Projektfinanzierungs- und Beteiligungsgesellschaft AG, Zurich	24	2010	1,781	985
Treuhand Hannover GmbH Steuerberatungsgesellschaft, Hanover	26	2009	22,692	3,196
ZA Zahnärztliche Abrechnungsgesellschaft Düsseldorf AG, Dusseldorf	50	2010	3,792	1,417

1) Indirect participations
2) Before profit transfer or loss absorption
3) The company is in liquidation.

Participations in major stock corporations 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 2010	31 Dec 2009
	€ thous	€ thous
Loans and advances to banks	9	10
Participations	2,738	2,738
Total	**2,747**	**2,748**

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 2010	31 Dec 2009
	€ thous	€ thous
Land and buildings used for the Bank's own business activities	172,395	174,845
Office furniture and equipment	46,733	45,668

Development of fixed assets

	Acquisition/ production costs	Additions	Write-ups	Changes in the reporting period Transfers	Disposals	Subsidies	Carried forward
	€ thous	€ thous	€ thous	€ thous	€ thous	€ thous	€ thous
Intangible assets	55,441	1,990	0	0	−126	0	**57,305**
Tangible assets							
Land and buildings	283,097	4,972	0	0	0	0	**288,069**
Office furniture and equipment	117,015	10,844	0	0	−8,333	0	**119,526**
Total	**455,553**	**17,806**	**0**	**0**	**−8,459**	**0**	**464,900**

	Carried forward	Depreciation (accumulated)	of which in the reporting period Depreciation	Depreciation of disposals	Book values at the balance sheet date
	€ thous	€ thous	€ thous	€ thous	€ thous
Intangible assets	57,305	−42,258	(−6,867)	(126)	15,047
Tangible assets					
Land and buildings	288,069	−110,919	(−7,554)	(0)	177,150
Office furniture and equipment	119,526	−72,793	(−9,369)	(7,923)	46,733
Total	**464,900**	**−225,970**	**(−23,790)**	**(8,049)**	**238,930**

	Acquisition cost	Changes (netted)	Book values at the balance sheet date
	€ thous	€ thous	€ thous
Receivables from customers	331,127	0	331,127
Fixed-asset securities	7,075,528	−564,551	6,510,977
Participating interests and capital shares in cooperatives	140,661	27,386	168,047
Shares in affiliated companies	135,052	−125,689	9,363
Total	**7,682,368**	**−662,854**	**7,019,514**

Total book values at the balance sheet date	**7,258,444**

25. Other assets

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

Other assets

	31 Dec 2010	31 Dec 2009
	€ thous	€ thous
Capitalised premiums from options	969,379	876,199
Tax receivables	178,257	137,744
Including: corporation tax credit according to Section 37 (5) KStG	(92,896)	(56,566)

26. Prepayments and accrued income (assets)

The prepayments and accrued income items include discount amounts from assumed liabilities of € 21,675 thousand (31 Dec 2009: € 31,734 thousand) as well as premiums for swaptions exercised of € 75,740 thousand (31 Dec 2009: € 90,736 thousand).

27. Deferred tax assets

Within the context of amendments made to the German Commercial Code by BilMoG, an asset surplus of deferred tax assets were calculated as at 1 January 2010. The option to capitalise under Section 274 (1) 2 HGB in conjunction with Section 67 (6) 1 EGHGB was not exercised.

As at 31 December 2010, 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 in affiliated companies, for shares and other non-fixed-interest securities as well as for provisioning reserves according to Section 340f HGB. Deferred tax assets also result from the valuation of tax losses brought forward as at 31 December 2010.

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 € 342,475 thousand (31 Dec 2009: € 27,110 thousand) and ‘Debt securities and other fixed-interest securities’ with € 50,027 thousand (31 Dec 2009: € 50,018 thousand) in the total amount of € 392,502 thousand (31 Dec 2009: € 77,128 thousand) included. A participating certificate included in the item ‘Loans and advances to customers’ with € 314,592 thousand was secured using a hedge.

29. Repurchase agreements

Real repurchase agreements did not exist at the balance sheet date.

30. Foreign currency items

Assets include foreign currency items with a value of € 213,841 thousand.

Notes to liabilities

31. Trading portfolio (liabilities)

The liabilities balance sheet item ‘Trading portfolio’ includes:

Trading portfolio (liabilities)

	31 Dec 2010[1]
	€ thous
FX swaps	745
Caps	191
Total	**936**

1) The fair values are shown.

32. Trust liabilities

Trust liabilities are subdivided into the following balance sheet items:

Trust liabilities

	31 Dec 2010	31 Dec 2009
	€ thous	€ thous
Liabilities to banks	9	10
Liabilities to customers	2,738	2,738
Total	**2,747**	**2,748**

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 2010	31 Dec 2009
	€ thous	€ thous
Premiums from options and caps carried as liabilities	246,580	267,271

34. Prepayments and accrued income (liabilities)

Prepayments and accrued income (liabilities) include:

Prepayments and accrued income (liabilities)

	31 Dec 2010	31 Dec 2009
	€ thous	€ thous
Premium from liabilities (securitised or unsecuritised))	874	1,327
Discount from claims	26,843	36,703
Other prepayments and accrued income	10,774	13,838

35. Subordinated liabilities

Details to liability item 8, 'Subordinated liabilities':
Expenses of € 29,962 thousand were incurred in the financial year. Premature repayment 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 have maturities of five to ten and 25 years.

Subordinated liabilities 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%

At the balance sheet date, no subordinated liabilities existed that exceeded 10% of the balance sheet item.

36. Liabilities due from affiliated or associated companies

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

Liabilities due from affiliated or associated companies

	Liabilities to affiliated companies €thous		Liabilities to associated companies €thous	
	2010	2009	2010	2009
Liabilities to banks (L 1)	0	0	782,005	821,490
Liabilities to customers (L 2)	21,042	28,817	46,069	41,333
Securitised liabilities (L 3)	0	0	1,463	624
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
	2010	2009[1]	2010	2009[2]	2010	2009[3]	2010	2009[4]
Accrued interest	154,602	181,933	0	0	119,972	127,413	115,246	0
Up to three months	2,022,137	397,601	9,012	9,491	12,193,939	2,226,900	707,993	0
More than three months to one year	477,540	2,496,752	66,438	10,891	817,174	654,828	1,887,250	0
More than one year to five years	1,067,829	2,366,780	1,562	12,179	1,369,649	1,148,039	4,980,968	0
More than five years	5,750,657	3,848,623	11,718	362	3,601,424	3,890,237	309,694	0

1) Relates to ‘Liabilities to banks with agreed term or notice period’
2) Relates to ‘Saving deposits with an agreed notice period of more than three months’
3) Relates to ‘Others liabilities to customers with agreed term or notice period’
4) Relates to ‘Other securitised liabilities’

Liabilities to banks include € 185,656 thousand of liabilities to the relevant central cooperative bank (WGZ BANK AG Westdeutsche GenossenschaftsZentralbank).

The following liabilities are secured by transfer of assets:

Liabilities secured by transfer of assets

	31 Dec 2010
	€ thous
Liabilities to banks	6,003,554

These liabilities are mainly publicly funded loans. Further securities with a book value of € 891.1 million have been pledged as additional security for public refinanced loan programmes. Irrespective of an assigned liability, we deposited cash collaterals of € 12.6 million within the framework of our collateral management for interest rate derivatives. Moreover, securities with a book value of € 260.2 million were pledged as collateral for margin obligations at futures and options exchanges and to secure payment obligations from securities transactions.

Of the debt securities issued (liabilities, 3a), €2,579,250 thousand (31 Dec 2009: €4,145,298 thousand) will mature in the financial year following the balance sheet date.

38. Equity capital

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

Subscribed capital

	31 Dec 2010 € thous	31 Dec 2009 € thous
Contributions of silent partners	**347,700**	**150,000**
Members' capital contributions	**836,915**	**841,070**
Of remaining members	817,538	832,763
Of departing members	17,064	7,309
Of terminated capital shares	2,313	998
Compulsory contributions due on shares in arrears	10	16

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

Revenue reserves

	Legal reserves € thous	Other revenue reserves € thous
As at 1 Jan 2010	361,250	78,140
Transfers		
from balance sheet profit of the previous year	0	0
from net profit of the financial year	0	0
from initial recognition of BilMoG	0	2,101
Withdrawals	0	0
As at 31 Dec 2010	**361,250**	**80,241**

apoBank has not taken advantage of the option according to Section 10 (4a) of the Banking Act (KWG) and has not created any revaluation reserve in accordance with Section 10 (2b) 1 no. 7 KWG for the year 2010.

39. Letter of comfort

Deutsche Apotheker- und Ärztebank eG, Dusseldorf, issued the following letter of comfort to Deutsche Apotheker- und Ärztebank (Ireland) Investment Company, Dublin, which is currently in liquidation: Deutsche Apotheker- und Ärztebank eG undertakes without any restriction the liability to ensure that Deutsche Apotheker- und Ärztebank (Ireland) Investment Company is managed and financially supported in such a manner that it is at all times in a position to meet, in a timely manner, all of its obligations incurred in connection with the investment of Deutsche Apotheker- und Ärztebank eG in Deutsche Apotheker- und Ärztebank (Ireland) Investment Company. The extent of the indemnification depends on the percentage of shares owned by Deutsche Apotheker- und Ärztebank eG at the time the obligations are entered into.

The letter of comfort was mutually cancelled with effect from 31 August 2010.

40. Foreign currency items

Foreign currency items with an equivalent value of € 283,754 thousand are included in liabilities and with an equivalent value of € 618,185 thousand in off-balance sheet contingent liabilities and other obligations.

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 € 63,494 million as of 31 December 2010 (31 Dec 2009: € 57,517 million). Included therein are the following types of transactions:

Distribution of traded derivatives/types of transactions

Interest rate-related transactions	Currency-related transactions	Stock-related transactions	Credit derivatives	Other transactions
▪ Interest rate swaps ▪ Swaptions ▪ Caps/floors ▪ Interest rate futures ▪ Index transactions	▪ Forward exchange transactions ▪ FX swaps	▪ Stock options ▪ Index transactions	▪ Credit default swaps ▪ Total return swaps	▪ 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 effected 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 market 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.

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 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.

In assessing the risk associated with the drawdown of separated credit derivatives, the rating-based future defaults anticipated in the reference portfolios are contrasted with the credit enhancement that exists. In this respect, we assume that the credit enhancement covers the anticipated losses determined in this way.

Risk structure

	Nominal value €m		Market value/ fair value €m		Credit equivalent €m	
	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009
Interest rate-related transactions[1]						
Time to maturity up to 1 year	7,670	6,726	201	276	223	314
1 to 5 years	33,585	30,185	1,125	1,097	1,307	1,291
> 5 years	14,075	14,257	598	449	987	826
Subtotal	**55,330**	**51,168**	**1,924**	**1,822**	**2,517**	**2,431**
Currency-related transactions						
Time to maturity up to 1 year	4,531	2,440	1	– 28	85	34
1 to 5 years	262	233	0	0	22	20
> 5 years	154	166	0	0	14	16
Subtotal	**4,947**	**2,839**	**1**	**– 28**	**121**	**70**
Stock-related transactions						
Time to maturity up to 1 year	884	685	0	0	52	48
1 to 5 years	0	28	0	0	0	3
> 5 years	0	0	0	0	0	0
Subtotal	**884**	**713**	**0**	**0**	**52**	**51**
Credit derivatives[2]						
Time to maturity up to 1 year	76	2	– 1	0	0	0
1 to 5 years	783	690	– 49	– 29	0	0
> 5 years	1,337	1,841	– 8	– 66	0	0
Subtotal	**2,196**	**2,533**	**– 58**	**– 95**	**0**	**0**
Other transactions						
Time to maturity up to 1 year	100	134	– 6	10	1	16
1 to 5 years	37	130	13	– 6	14	12
> 5 years	0	0	0	0	0	0
Subtotal	**137**	**264**	**7**	**4**	**15**	**28**
Total	**63,494**	**57,517**	**1,874**	**1,703**	**2,705**	**2,580**

1) Interest rate-related transactions are reported under the item ‘Other assets’ of € 969 million and under the item ‘Other liabilities’ of € 247 million.
2) Credit derivatives are reported under the item ‘Other liabilities’ of € 10 million and under the item ‘Other provisions’ of € 6 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. Interest income and expenses

Interest income includes income from the liquidation of two interest rate hedging transactions. This off-period income, which relates to the Bank's global interest rate management, amounts to € 30,635 thousand.

44. Commission income

Commission income includes insurance brokerage services rendered for third parties amounting to € 35,996 thousand.

45. Net income from trading portfolio

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

A special item under Section 340g HGB in accordance with Section 340e (4) HGB was calculated for the first time as at 31 December 2010. An allocation of € 381 thousand was made from the net income of the trading portfolio. Current interest income and expenses from the trading portfolio are also included in interest income.

46. Other operating expenses and income

The other operating income amounting to € 15,056 thousand (31 Dec 2009: € 16,473 thousand) includes, among other things, rental income amounting to € 3,924 thousand (31 Dec 2009: € 3,825 thousand) as well as income from the writing back of provisions amounting to € 2,207 thousand (31 Dec 2009: € 2,942 thousand) and from the current profit/loss from compounding of € 1,466 thousand (31 Dec 2009: € 0 thousand). Other operating income includes off-period income from the reversal of provisions in the amount of € 2,207 thousand.

Other operating expenses amounting to € 31,578 thousand (31 Dec 2009: € 14,296 thousand) mainly result from provisions for litigation costs of € 14,085 thousand (31 Dec 2009: € 6,171 thousand) and from the current profit/loss from compounding of € 8,558 thousand (31 Dec 2009: € 0 thousand). Other operating expenses include off-period expenses in the amount of € 4,268 thousand from the repayment of capital gains taxes related to income from a special fund.

47. Extraordinary expenditure/extraordinary income

Extraordinary expenditure and income result from the effects of initial recognition under BilMoG. Extraordinary income of € 1,464 thousand mainly includes the writing back of a provision of € 804 thousand and the write-up of bought-back own securities of € 544 thousand. Extraordinary expenditure of € 283 thousand mainly includes the allocation of provisions of € 83 thousand, the inclusion of derivatives carried as liabilities of € 99 thousand, and the deduction for risk relating to the securities in the trading portfolio of € 87 thousand.

48. Taxes on income

Income taxes are payable on the profit from ordinary business activities and on tax audits of the previous years. The income taxes were largely calculated on the basis of actual figures applying the currently valid tax rate.

49. Proposal for the appropriation of balance sheet profit

In 2010, apoBank recorded a net profit of € 53,352 thousand; the profit carried forward from the previous year amounted to € 8 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

	2010 € thous
Net profit	53,352
Profit carried forward from the previous year	8
Balance sheet profit	53,360
Allocations to legal reserves	10,000
Allocations to other revenue reserves	10,000
4% dividends	33,351
Carried forward to new account	9

E. Other notes

50. Other financial liabilities

Indemnity obligations from the guarantees received exist in relation to the deposit protection institution of the Federal Association of German Cooperative Banks.

51. Notes 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		Overcollaterisation %	
	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009
Nominal value	1,726	1,776	3,004	2,499	74	41
Net present value	1,887	1,930	3,142	2,594	67	34
Risk net present value[1] (upward shift)	1,810	1,834	3,005	2,483	66	35
Risk net present value[1] (downward shift)	1,970	2,035	3,292	2,715	67	33

	Maturity structure of outstanding Pfandbriefe €m		Maturity structure of cover pool €m	
	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009
x ≤ 1 year	62	75	428	319
1 year < x ≤ 2 years	30	62	372	350
2 years < x ≤ 3 years	790	30	375	303
3 years < x ≤ 4 years	107	790	343	332
4 years < x ≤ 5 years	184	107	309	271
5 years < x ≤ 10 years	553	712	870	702
x > 10 years	0	0	307	222

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

The cover pool comprises no derivatives.

Composition of the cover pool

Total amount of receivables used as cover	€m 31 Dec 2010	€m 31 Dec 2009	Share in the total amount of cover pool % 31 Dec 2010	31 Dec 2009
By size class				
x ≤ €300 thousand	2,661	2,262	– – –	– – –
€300 thousand < x ≤ €5 million	181	57	– – –	– – –
x > €5 million	0	0	– – –	– – –
By type of use (I) in Germany				
Residential	2,779	2,291	– – –	– – –
Commercial	63	27	– – –	– – –
By type of use (II) in Germany				
Flats	654	516	22	21
Single-family homes	1,483	1,304	49	52
Multi-family homes	643	472	21	19
Office buildings	0	0	0	0
Retail buildings	0	0	0	0
Industrial buildings	0	0	0	0
Other commercially used buildings	63	27	2	1
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 2010 €m	31 Dec 2009 €m
Total amount of claims being > 90 days in arrears	0	0

Other data

		Residential		Commercial
	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009
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

52. Cover statement mortgage Pfandbriefe

Cover statement mortgage Pfandbriefe

	31 Dec 2010 € thous	31 Dec 2009 € thous
Loans and advances to customers		
Mortgage loans	2,842,461	2,318,545
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 2010: € 179,974 thousand, 31 Dec 2009: € 199,884 thousand)	162,000[1]	180,000[1]
Total cover assets	3,004,461	2,498,545
Total of mortgage Pfandbriefe requiring cover	1,725,900	1,775,900
Overcollateralisation	1,278,561	722,645

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

53. Average number of employees

The average number of employees in 2010 was 2,122 full-time and 247 part-time employees. In addition, 73 apprentices were employed on average.

54. Changes in membership

Changes in membership

	Number of members	Number of capital shares	Uncalled liabilities
			€ thous
Beginning of 2010	101,176	555,213	832,820
Additions 2010	714	7,963	11,945
Departures 2010	1,975	18,129	27,194
End of 2010	99,915	545,047	817,571

55. Capital shares and uncalled liabilities of members

Capital shares and uncalled liabilities of members

	2010
	€ thous
The capital contributions of the remaining members declined in the year under review by	15,226
Uncalled liabilities declined in the year under review by	15,249

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

56. 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.) (31 Dec 2009: PricewaterhouseCoopers AG WpG), were € 1,231 thousand in the year under review (31 Dec 2009: € 1,876 thousand).

The expenses can be broken down as follows:

Auditors’ fee

	2010	2009
	€ thous	€ thous
Audit of the annual financial statements	1,031	1,356
Including: audit of the annual financial statements as at 31 Dec 2009	(106)	
Other assurance services	40	337
Tax advice	0	0
Other services	160	183

57. Remuneration of Board members

According to Section 285 (1) 9a HGB, the total remuneration of the Board of Directors amounted to € 3,387 thousand; the performance-related share of this total remuneration was 46%.

According to the remuneration structure for members of the Board of Directors agreed upon by the Board of Directors and the Presiding Committee for the 2010 financial year, variable remuneration is paid to Board members on top of the basic salary. This amounts to 40% of the aggregate salary if all goals are achieved. If the agreed goals are exceeded, the variable payment can amount to a maximum of 50% of the aggregate salary. If the results are clearly below the goals, no variable remuneration will be paid.

The total remuneration is comprised as follows:

Total remuneration of the Board of Directors

	2010	2009
	€ thous	€ thous
Contractual salaries including possible variable remuneration paid	3,039	3,818
Anniversary bonuses/special bonuses	62	150
Fringe benefits (non-cash benefits)	286	286

A remuneration structure that is oriented to the requirements of the German Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin) regarding the remuneration systems of banks has been agreed upon for the 2011 financial year.

Retirement pensions amounting to € 1,383 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 € 1,410 thousand.

Pension provisions for former members of the Board of Directors and their surviving dependants as of 31 December 2010 amounted to € 24,729 thousand.

The total remuneration for members of the Supervisory Board was € 435 thousand, which was divided up as follows: annual remuneration € 281 thousand, loss of income allowance € 87 thousand, attendance fees € 55 thousand, daily allowances € 12 thousand.

58. 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 2010	31 Dec 2009
	€ thous	€ thous
Members of the Board of Directors	0	1,119
Members of the Supervisory Board	2,525	2,260

59. Board of Directors

Members of the Board of Directors
- Herbert Pfennig, Bank Director, Spokesman
- Stefan Mühr, Bank Director (until 1 November 2010)
- Werner Albert Schuster, Bank Director (until 17 September 2010)
- Dr. Thomas Siekmann, Bank Director (since 29 Oktober 2010)
- Bernd Span, Bank Director (since 4 November 2010)
- Claus Verfürth, Bank Director (until 1 November 2010)

60. Supervisory Board

Members of the Supervisory Board
- Hermann Stefan Keller, Chairman, pharmacist
- Wolfgang Häck[1], Deputy Chairman, bank employee
- Karin Bahr[1], bank employee
- Ralf Baumann[1], bank employee
- Hans-Jochen Becker[2], bank employee
- Dr. med. dent. Peter Engel, dentist
- Dr. med. dent. Wolfgang Eßer, dentist
- Sven Franke[1], bank employee
- Eberhard Gramsch, physician
- Norbert Hinke[1], bank employee
- Klaus Holz-Skibinski[1] (since 18 June 2010), trade union secretary
- Prof. Dr. med. Dr. h. c. Jörg-Dietrich Hoppe, physician
- Uschi Jaeckel[1] (until 18 June 2010), trade union secretary
- Dr. med. Andreas Köhler, physician
- Ulrice Krüger[1], bank employee
- Dr. med. Ulrich Oesingmann, physician
- Dr. med. dent. Helmut Pfeffer, dentist
- Christian Scherer[1], bank employee
- Friedemann Schmidt, pharmacist
- Loni Wellert[1], bank employee
- Heinz-Günter Wolf, pharmacist

1) Employee representative
2) Representative of the executive staff

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

In 2010, members of the Board of Directors and employees of the Bank held seats on the supervisory boards or comparable boards of the following joint-stock companies pursuant to Section 267 (3) HGB or comparable organisations:

Name	Company	Function
Herbert Pfennig	AC Capital Partners Limited, Dublin	Member of the Board of Directors, until 10 May 2010
	Andreae-Noris Zahn AG, Frankfurt	Member of the Supervisory Board, since 26 Jan 2010
	Apo Asset Management GmbH, Dusseldorf	Chairman of the Supervisory Board, until 25 Oct 2010
	APO Immobilien-Kapitalanlagegesellschaft mbH, Dusseldorf	Chairman of the Supervisory Board, until 31 Dec 2010
	Apotheken-Rechen-Zentrum GmbH, Darmstadt	Chairman of the Administrative Board
	Internationale Kapitalanlagegesellschaft mbH, Dusseldorf	Member of the Supervisory Board
	PEIKER acustic GmbH & Co. KG, Friedrichsdorf	Member of the Supervisory Board, since 1 Jan 2010; Deputy Chairman of the Supervisory Board, since 19 May 2010
Dr. Thomas Siekmann	RMS RISK MANAGEMENT SOLUTIONS GmbH, Cologne	Member of the Supervisory Board
	ZA Zahnärztliche Abrechnungsgesellschaft Düsseldorf, Aktiengesellschaft, Dusseldorf	Member of the Supervisory Board, since 1 Dec 2010
Ulrich Sommer	Apo Asset Management GmbH, Dusseldorf	Member of the Supervisory Board
	APO Immobilien-Kapitalanlagegesellschaft mbH, Dusseldorf	Member of the Supervisory Board
Stefan Mühr	Deutsche Ärzteversicherung AG, Cologne	Member of the Supervisory Board, until 12 Nov 2010
	DGN Deutsches Gesundheitsnetz Service GmbH, Dusseldorf	Member of the Supervisory Board, until 11 Oct 2010
	Treuhand Hannover GmbH Steuerberatungsgesellschaft, Hanover	Member of the Supervisory Board, until 23 Nov 2010
	ZA Zahnärztliche Abrechnungsgesellschaft Düsseldorf, Aktiengesellschaft, Dusseldorf	Member of the Supervisory Board, from 3 Feb 2010 until 1 Dec 2010
Werner Albert Schuster	APO Data-Service GmbH, Dusseldorf	Chairman of the Supervisory Board, until 7 Oct 2010
	DGN Deutsches Gesundheitsnetz Service GmbH, Dusseldorf	Chairman of the Supervisory Board, until 7 Oct 2010
Claus Verfürth	Apo Asset Management GmbH, Dusseldorf	Member of the Supervisory Board, until 17 Nov 2010
	Deutsche Ärzte Finanz Beratungs- und Vermittlungs-AG, Cologne	Member of the Supervisory Board, until 12 Nov 2010
	Finanz-Service GmbH der APO-Bank, Dusseldorf	Chairman of the Supervisory Board, until 17 Nov 2010
	Treuhand Hannover GmbH Steuerberatungsgesellschaft, Hannover	Member of the Supervisory Board, from 8 June 2010 until 23 Nov 2010
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
Rainald Brune	Deutsche Apotheker- und Ärztebank (Ireland) Investment Company, Dublin	Member of the Board of Directors, until 19 Feb 2010
Regina Dörr	Deutsche Apotheker- und Ärztebank (Ireland) Investment Company, Dublin	Member of the Board of Directors, until 22 Sep 2010
	AC Capital Partners Limited, Dublin	Member of the Board of Directors, since 10 May 2010
Hans Fells	Finanz-Service GmbH der APO-Bank, Dusseldorf	Member of the Supervisory Board
Thilo Gewaltig	Patiomed AG, Berlin	Member of the Supervisory Board, since 30 Apr 2010
Georg Heßbrügge	Patiomed AG, Berlin	Member of the Supervisory Board, since 30 Apr 2010
Uwe Meyer-Vogelgesang	DGN Deutsches Gesundheitsnetz Service GmbH, Dusseldorf	Member of the Supervisory Board, until 27 Sep 2010
Dr. Barbara Schwoerer	AC Capital Partners Limited, Dublin	Member of the Board of Directors, since 10 May 2010
Uwe Zeidler	Apo Asset Management GmbH, Dusseldorf	Member of the Supervisory Board
	APO Immobilien-Kapitalanlagegesellschaft mbH, Dusseldorf	Member of the Supervisory Board, since 1 Feb 2010

62. Name and address of the responsible auditing association

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

Dusseldorf, 24 March 2011
Deutsche Apotheker- und Ärztebank eG
The Board of Directors

Herbert Pfennig   Dr. Thomas Siekmann   Bernd Span

Certifications

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, Dusseldorf, for the business year from 1 January 2010 to 31 December 2010. 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, 25 March 2011

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, 24 March 2011
Deutsche Apotheker- und Ärztebank eG
The Board of Directors

Herbert Pfennig Dr. Thomas Siekmann Bernd Span

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80339 Munich

Telephone +49 89 55112-0
Fax +49 89 55112-288

Münster, branch
Gartenstraße 208
48147 Münster
Telephone +49 251 9286-0
Fax +49 251 9286-190

Murnau[3]**,** advisory office
Obermarkt 51
82418 Murnau
Telephone +49 89 55112–346
Fax +49 89 55112–406
Appointments via Munich regional office

N

Neubrandenburg, advisory office
An der Marienkirche 2 a
17033 Neubrandenburg
Telephone +49 395 5639273
Appointments via Rostock branch

Neustadt, branch office
Lindenstraße 7–13
67433 Neustadt/Weinstraße
Telephone +49 6321 9251-0
Fax +49 6321 34536

Nuremberg, branch
Spittlertorgraben 3
90429 Nuremberg
Telephone +49 911 2721-0
Fax +49 911 2721-155

3) Opened on 25 March 2011

O

Oldenburg, branch office
Huntestraße 14 a
26135 Oldenburg
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Fax +49 441 26685

Osnabrück, branch
An der Blankenburg 64
49078 Osnabrück
Telephone +49 541 94403-0
Fax +49 541 442682

P

Passau, branch office
Bahnhofstraße 7
94032 Passau
Telephone +49 851 988448-0
Fax +49 851 988448-20

Potsdam, branch
Hegelallee 12
14467 Potsdam
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Fax +49 331 27521-90

R

Regensburg, branch
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93049 Regensburg
Telephone +49 941 39603-0
Fax +49 941 37610

Rosenheim, branch office
Salinplatz/Bahnhofstraße 15
83022 Rosenheim
Telephone +49 8031 40831-0
Fax +49 8031 40831-11

Rostock, branch
August-Bebel-Straße 11/12
18055 Rostock
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Fax +49 381 45223-27

S

Saarbrücken, branch
Puccinistraße 2
66119 Saarbrücken
Telephone +49 681 58606-0
Fax +49 681 58606-67

Schwerin, branch
Wismarsche Straße 304
19055 Schwerin
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Fax +49 385 59122-70

Siegen, advisory centre
Spandauer Straße 40
57072 Siegen
Telephone +49 271 703071-0
Fax +49 271 703071-50

Straubing, advisory office
Lilienstraße 5 – 9
94315 Straubing
Telephone +49 941 39603-0
Appointments via Regensburg branch

Stuttgart, regional office
Alexanderstraße 5
70184 Stuttgart
Telephone +49 711 7879-0
Fax +49 711 7879-122

T

Thüringen/Erfurt, branch
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99085 Thüringen/Erfurt
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Fax +49 361 57654-70

Trier, branch office
Balduinstraße 16 – 18
54290 Trier
Telephone +49 651 94805-0
Fax +49 651 42330

Tübingen, branch office
Herrenberger Straße 85
72070 Tübingen
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Fax +49 7071 97558-33

U

Ulm, branch office
Karlstraße 31 – 33
89073 Ulm
Telephone +49 731 14034-0
Fax +49 731 14034-20

W

Weimar, advisory office
Zum Hospitalgraben 8
99425 Weimar
Telephone +49 361 57654-0
Appointments via Thüringen branch

Wiesbaden, branch office
Abraham-Lincoln-Straße 36
65189 Wiesbaden
Telephone +49 611 74499-0
Fax +49 611 721822

Wuppertal, branch
Berliner Straße 45 – 47
42275 Wuppertal
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Fax +49 202 508549

Würzburg, branch
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97080 Würzburg
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Map of Locations

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