

2004

A Deutsche Apotheker-
und Ärztebank

Annual Report 2004



Balance Sheet Figures (€ million)	2004	2003	Change in %
Balance Sheet Total	27,349	25,596	+ 6.8
Customer Loans	18,206	16,837	+ 8.1
Customer Deposits	10,888	10,076	+ 8.1
Securitised Liabilities	7,502	6,892	+ 8.9
Liable Equity Capital	2,410	2,109	+ 14.3

Earnings Development (€ million)

Net Interest Income	446	399	+ 11.7
Net Commission Income	91	80	+ 13.3
General Administrative Expenses	310	283	+ 9.4
Operating Profit before Risk Provisions	234	204	+ 14.9
Balance of Loan Loss Provisions	59	50	+ 18.0
Net Income after Taxes	90	72	+ 25.1

Selected Key Figures

Return on Equity	13.1 %	14.0 %
Cost-Income Ratio	57.9 %	59.2 %
Equity Ratio	11.8 %	11.4 %
Core Capital Ratio	7.0 %	6.9 %

Ratings

Standard & Poor's*	A-/A-2 Outlook stable	A-/A-2 Outlook stable
Moody's	A2/P-1/C+ Outlook stable	A2/P-1/C+ Outlook stable

Other Data

Number of Employees	1,959	1,914	+ 2.4
Number of Members	99,484	97,432	+ 2.1
Number of Customers	277,500	263,100	+ 5.5

* Version 1st August 2005: A/A-1 Outlook stable

Deutsche Apotheker- und Ärztebank
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Dear Members, Customers and Business Partners,

Looking back on the development of the general economic situation in the year 2004, one is tempted to think of the proverbial half-filled glass that can be viewed as being either half full or half empty – depending on one's personal point of view. True, during the year under review Germany has overcome the economic downturn after a three-year period of weakness. However, the positive forces were not even strong enough to lead to a further acceleration of growth in the second and third quarter. Against this background, there was no chance for the urgently needed trend reversal on the labour market to be achieved. On the other hand, it is positive to note that the price level rose comparatively moderately, despite higher administered prices and the significant increase in oil prices.

After the very difficult last two years, the situation of the German banking industry relaxed somewhat in 2004. On the cost side, the earnings situation was largely stabilised through the sometimes very drastic restructuring measures. In general, however, it is still too early to speak of a sustained and significant earnings improvement, particularly because the reduction of risk assets, which numerous banks pressed ahead with, had an unfavourable effect on net interest income, while commission income was negatively impacted by the continuing weakness on the stock markets.

In view of our customers – and thus also with regard to the framework conditions relevant to us – the year 2004 has brought substantial changes with the implementation of the GKV Modernisation Act

(GKV-Modernisierungsgesetz, GMG). True, the self-governing structure of the health care system has been preserved, which could not always be taken for granted in the run-up to the GMG coming into force, and the overall financial budget for medical services has remained unchanged. But the limited permission of “Mehrbesitz” (i.e. a pharmacist can own up to three subsidiaries) has resulted in an increase in the number of pharmacies. As regards doctors, there have even been signs of far-reaching structural changes – apart from the introduction of the “Base Fee” – resulting from the GMG facilitating and promoting new contract, remuneration and care models, thus strengthening the trend towards geographic concentration of outpatient therapy providers. As regards dentists, the major changes resulting from GMG have occurred or will occur only in 2005.

On the whole, the general economic conditions could hardly have provided the appropriate basis for a successful development of a financial institution. But even at the peak of the deep-rooted earnings and structural crisis in the German banking industry, which seriously threatened the existence of some banks and destroyed many thousands of jobs in this sector, there were some – though only a few – institutions that did not suffer any ill effects.

Why did these banks perform better than the average of the industry as a whole? Obviously, there must be strategies, concepts and structures that make a financial institution less susceptible to changes in exogenous factors or the combination of adverse market conditions even in an unfavourable environment. From our point of view, in order to be successful these institutions must pursue their



F. l. t. r.: Werner Albert Schuster,
Günther Herion, Gerhard K. Girner,
Günter Preuß, Jürgen Helf,
Dr. Franz Georg Brune

respective clear strategies, have a distinctive identity, concentrate on their core competences, take their customers seriously and motivate their employees.

Through consistent orientation towards these guidelines, our Bank has overcome the changes and distortions in the banking sector without suffering damage, at the same time specifically expanding its market share and its service level. It may seem a bit old-fashioned to act according to the maxim “cobbler, stick to your last” instead of always looking for new promising business ideas. But looking back on the development of the last few years, there can be no doubt that APO-Bank’s seemingly rather conservative approach has proved right.

However, to interpret this as a static business policy that does not take account of changes would not correspond to reality at all. On the contrary: “The better is the enemy of the good” – this is our motto, regarding both the efficiency enhancement of internal processes and the steady improvement of our customer-oriented measures. The Bank wants to actively shape its own future, thereby also influencing the emerging changes in its environment. This intention is clearly expressed, in particular, in the transformation from a “bank for the medical professions” into the “partner of the medical professions”, which was achieved by the inclusion of a wide range of services that goes far beyond the usual banking services.

We have noticed with pleasure that our self-understanding as a partner of the medical professions has met with positive response. Meanwhile, the new positioning of the Bank and its subsidiaries has been widely accepted even by those representatives of the professional groups who had been rather critical of it first. Against this background, we regard it as particular proof of confidence that we were able to expand our basis among pharmacists, physicians, dentists, psychological psychotherapists and veterinarians as well as their associations and business organisations.

This Annual Report gives us the opportunity to inform you that Deutsche Apotheker- und Ärztebank seamlessly continued the successful trend of the previous years also in the year under review. Even more so: On the basis of a solid expansion of the balance sheet and supported by the high number of new clients, APO-Bank further improved its earnings position, achieving the best result in its more than 100-year history.

One of the reasons for this gratifying development is the increase in net interest income - above all due to the demand for loans from the 14,400 new customers as well as from existing customers. But net commission income has also increasingly contributed to the earnings performance. Although we believe there is still some potential for further expansion here, we can say right now that the implementation of the new securities strategy has proved to be successful, as it has met with very good response from our institutional and private clients.

However, it is not only earnings that have increased. Administrative expenses were affected by a series of future-oriented projects

during the year under review and had to be increased correspondingly. Some of the projects were statutory measures such as “Basel II”, while some were plans with a strategic focus, for example on the optimisation of internal processes or on the creation of additional capacities for customer services. The cost increases caused by all these projects were acceptable from a business policy point of view, which can be seen in the fact that the cost-income ratio improved from 59.2% in 2003 to 57.9% in the year under review.

As we look to the years ahead of us, we must note that in times of imminent drastic changes in the health care system it will certainly not become easier than it was in the past to cope with our Bank’s task as laid down in the Articles of Association – i.e. the economic support and promotion of members of the medical professions. But with its high degree of readiness and ability for innovation as well as motivation and efficiency, Deutsche Apotheker- und Ärztebank will nevertheless remain a very reliable partner for members of the medical professions also in the future.

Yours sincerely,

Deutsche Apotheker- und Ärztebank



Günter Preuß



Dr. Franz Georg Brune



Gerhard K. Girner



Jürgen Helf



Günther Herion



Werner Albert Schuster

Agenda

of the Annual General Meeting
on Friday, 17 June 2005, 15.30 hours, Swissôtel Düsseldorf/Neuss,
Rheinallee 1, 41460 Neuss

Words of Welcome

1. Report of the Board of Directors for the 2004 Financial Year
2. Report of the Supervisory Board
3. Report on the Legal Audit, Statement by the Supervisory Board, Resolutions passed
4. a) Resolution on the 2004 Financial Statements
b) Resolution regarding the appropriation of distributable profit in 2004
5. a) Ratification of the Actions of the Board of Directors in the 2004 Financial Year
b) Ratification of the Actions of the Supervisory Board in the 2004 Financial Year
6. Proposal to amend the Articles of Association
 - a) Deletion of Article 37(7) of the Articles of Association
 - Cessation of the deferral of compulsory contributions to members with residence in the former GDR -
 - b) Amendment of the Articles of Association by replacing the terms “composition” and “bankruptcy” by the term “insolvency”
 - Adjustment to the wording of the Insolvency Statute -
7. Additional regulations for the upper limits of credits according to § 49 Cooperative Societies Act (GenG)
8. Election of the Supervisory Board
9. Any other business

The session may be briefly interrupted at the beginning of Item 8 of the Agenda to give the individual professional groups an opportunity for consultation.

Only the elected representatives of the Bank have the right to vote.

Günter Preuß

Düsseldorf
Spokesman

Dr. rer. pol. Franz Georg Brune

Düsseldorf
(from 1 October 2004)

Gerhard K. Girner

Düsseldorf

Günther Herion

Düsseldorf

Jürgen Helf

Düsseldorf
(until 30 June 2005)

Werner Albert Schuster

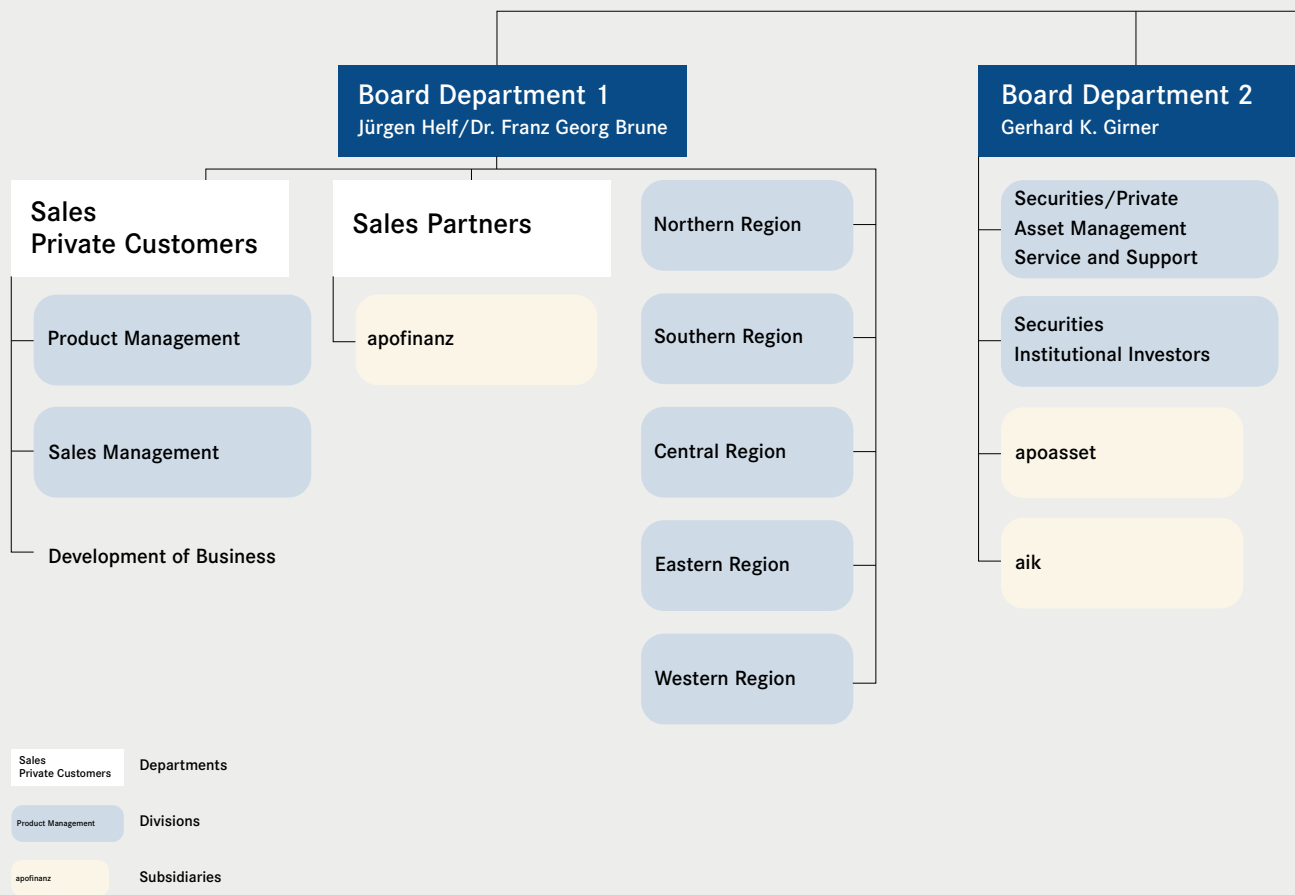
Düsseldorf

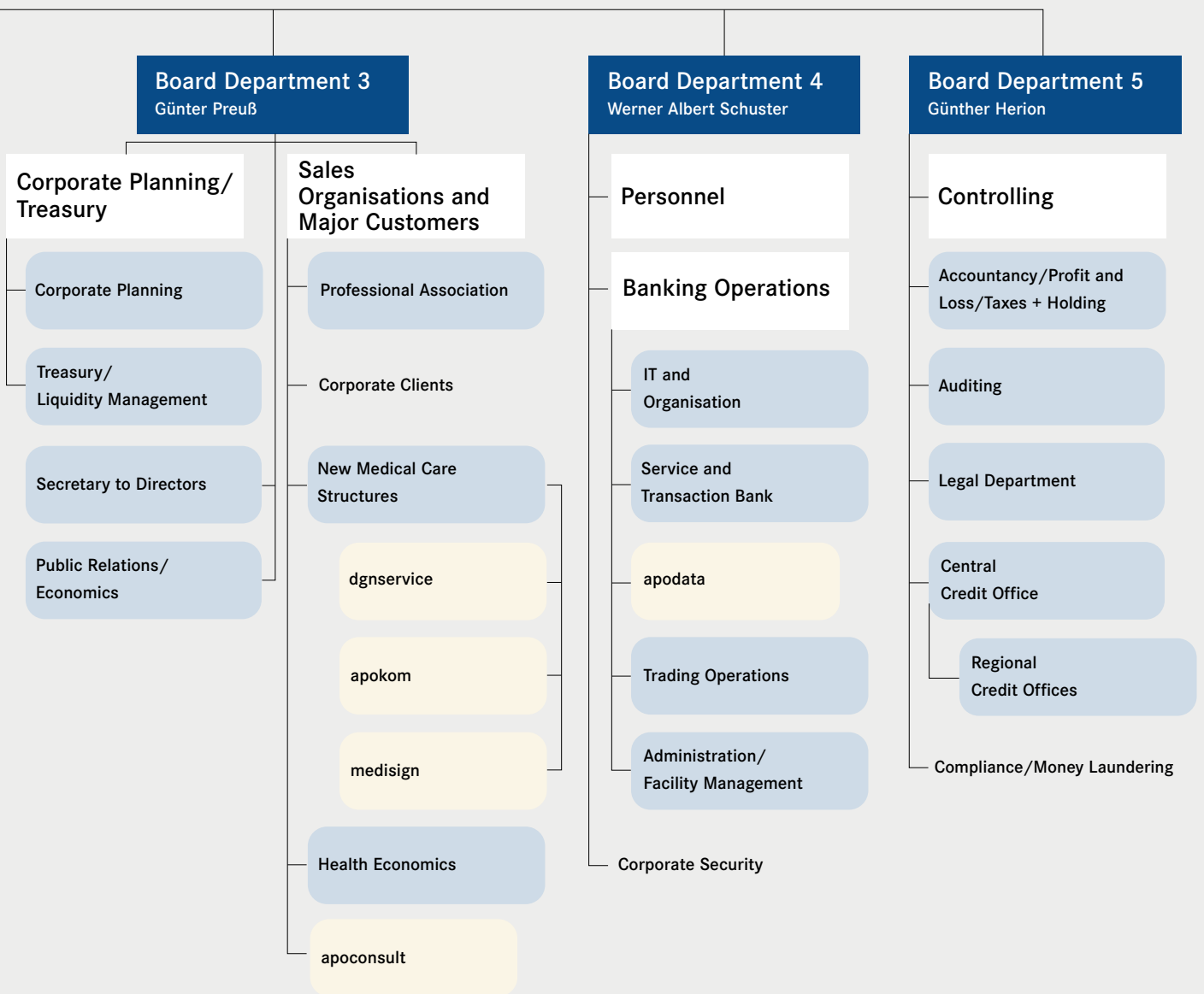
Werner Wimmer

Düsseldorf
(until 30 June 2004)

Organisational Chart

Deutsche Apotheker- und Ärztebank





Dr. med. dent. Wilhelm Osing Düsseldorf Chairman
Norbert Hinke Düsseldorf* Vice-Chairman
Ralf Baumann Düsseldorf*
Berthold Bisping Neuss*
Dr. med. dent. Dieter Dahlmann Neuss
Dr. med. dent. Wolfgang Eßer Mönchengladbach
Hans-Günter Friese, Pharmacist Fröndenberg
Erich Gottwald Töging* (from 1 January 2005)
Wolfgang Häck Aachen*
Thomas Höll Düsseldorf*
Prof. Dr. med. Dr. h. c. Jörg-Dietrich Hoppe Düren
Uschi Jaeckel Mülheim/Ruhr*
Britta Jansen Hamburg* (until 31 December 2004)
Hermann-Stefan Keller, Pharmacist Mainz
Dr. med. Ulrich Oesingmann Dortmund
Gerhard Reichert, Pharmacist Hengersberg
Dr. med. Manfred Richter-Reichhelm Berlin
Christian Scherer Neustadt*
Michael Sell Düsseldorf*
Roland Wark Heusweiler*
Dr. med. Wolfgang Wesiack Hamburg

* elected by employees

Honorary Legal Counsel of the
Supervisory Board

Dipl.-Kfm. Richard Deutsch, Lawyer
Meerbusch

Honorary Chairman of the Board of
Directors

Dipl.-Volkswirt Walter Schlenkenbrock
Ratingen

Holder of the Karl-Winter-Medal
and Honorary Member of the Bank

Prof. Dr. h. c. J. F. Volrad Deneke
Bonn

Honorary Members of the Bank

Dr. med. dent. Rudolf Cramer
Wiesbaden

Elfriede Grl
Munich

Dr. med. dent. Rudolf Oschika
Moers

Dr. jur. Albert Peterseim, Pharmacist
Essen

Klaus Stürzbecher, Pharmacist
Berlin

Dipl.-Betriebswirt Werner Wimmer
Meerbusch

Dipl.-Betriebswirt Wolfgang Abeln Pinnow	SR Dr. med. dent. Manfred Grub Losheim
Dr. med. Helmut Anderten Hildesheim	Dr. med. Manfred Halm Dresden
Dr./RO Eric Banthien Hamburg	Dipl.-Stom. Dieter Hanisch Freyburg
Dr. med. Johannes Baumann Coswig	Dr. med. Leonhard Hansen Alsdorf
Dr. med. dent. Wilfried Beckmann Gütersloh	Dr. med. Gunter Hauptmann Saarbrücken
Dr. med. Margita Bert Rüsselsheim	Dr. med. Klaus Heckemann Dresden
SR Dr. med. Wolfgang Beyreuther Zwickau	Dr. med. dent. Rudolf Hegerl Daun
Dr. rer. nat. Rainer Bienfait, Pharmacist Berlin	Dr. med. Hans-Joachim Helming Belzig
Dr. med. Klaus Bittmann Plön	Dr. med. Torsten Hemker Hamburg
Dr. med. Volker Böttger Dortmund	Dr. med. Wolfgang Herz Rastatt
Dipl.-Volkswirt Dieter Bollmann Hamburg	Dr. med. Folkert Hinrichs Leer
Dr. med. dent. Jürgen Braun-Himmerich Nierstein	Dr. med. Achim Hoffmann-Goldmayer Stetten a. k. M.
Dr. med. vet. Ernst Breitling Gärtringen	Dr. med. Rolf Holbe Kreiensen/Greene
Dr. med. dent. Gerhard Bundschuh Groß-Glienicke	Dr. med. dent. Jörg-Peter Husemann Berlin
Dr. med. dent. Jobst-Wilken Carl Osnabrück	Dr. med. Burkhardt John Schönebeck
Dr. med. Konrad F. Cimander Wedemark	Dietrich Jost, Pharmacist Lorsch
Dr. med. dent. Walter Dieckhoff Gütersloh	Dipl.-Kfm. Daniel F. Just Munich
Dipl.-Stom. Holger Donath Neu Heinde	Dr. jur. Ulrich Kirchhoff, Lawyer Hanover
Dr. med. Wolfgang Eckert Schwerin	Dr. med. Andreas Köhler Berlin
Armin Ehl Cologne	Dipl.-Kfm. Hans Kopicki Düsseldorf
Dr. med. Brigitte Ende Buseck	Dr. med. dent. Peter Kriett Bad Segeberg
Dr. med. Dr. rer. nat. Klaus Enderer Cologne	Dr. med. dent. Peter Kuttruff Stuttgart
Dr. med. Stefan Engelbart Bad Oeynhausen	Dr. rer. pol. Andreas Lacher Gauting
Dr. med. Karsten Erichsen Bremen	Prof. Dr. rer. pol. Dirk Lepelmeier Düsseldorf
Heinz-Ulrich Erlemann, Pharmacist Cologne	Volker Linss Villmar-Aumenau
Rolf Eskuchen Wilhelmshaven	Magdalene Linz, Pharmacist Hanover
Albert Essink, Dentist Berlin	Dr. med. Burkhard Lütkemeyer Bad Essen
Dr. med. dent. Jürgen Fedderwitz Schlangenbad	Dr. med. dent. Kurt Mahlenbrey Aichwald
Dipl.-Med. Regina Feldmann Meiningen	Dr. med. dent. Ute Maier Tübingen
SR Dr. med. Franz Gadomski Saarbrücken	Dipl.-Kfm. Dr. rer. pol. Dietrich L. Meyer Mülheim/Ruhr
Dr. med. dent. Dietmar Gorski Wilnsdorf	Dipl.-Ing. Hartmut Miksch Düsseldorf
Eberhard Gramsch Göttingen	Peter Milius Darmstadt
Dr. med. vet. Karl-Ernst Grau Sendenhorst	Dr. med. dent. Dirk Mittermeier Bremen
Dr. phil. Jörn Graue, Pharmacist Hamburg	Hansjörg Mogwitz, Lawyer Hanover

Dr. med. Carl-Heinz Müller Trier
Dr. med. dent. Wilfried Müller Neumünster
Dr. med. Axel Munte Munich
Dipl.-Kfm. Siegfried Pahl Haan
Dr. med. dent. Volker von Petersdorff Isernhagen
Dr. med. dent. Helmut Pfeffer Wohltorf
Dr. med. Angelika Prehn Berlin
Dr. med. dent. Janusz Rat Munich
Dr. med. Hans-Joachim Raydt Stade
Dipl.-Volkswirt Manfred Renner Planegg
Dr. med. Klaus Rittgerodt Königslutter
Dr. med. Karl-Friedrich Rommel Mechterstädt
Dr. med. Jochen-Michael Schäfer Kiel
Dipl.-Med. Ralf-Rainer Schmidt Leipzig
SR Dr. med. Ulrike Schwäblein-Sprafke Hohenstein-Ernstthal
Dr. med. Till Spiro Bremen
SR Dr. med. dent. Helmut Stein Clausen
Dr. med. Volker Steitz Nienburg
Dieter Teichmann Munich
Dr. med. Jürgen Tempel Wunstorf
Dr. med. Ulrich Thamer Gelsenkirchen
Dr. med. Hans-Jürgen Thomas Erwitte
Dr. med. dent. Ulf Utech Frankfurt
Ralf Wagner, Dentist Heimbach
Dr. med. dent. Holger Weißig Gaußig
Dr. med. Dr. med. dent. Jürgen Weitkamp Lübbecke
Dr. med. Heiko Wohlers Oldenburg
Heinz-Günter Wolf, Pharmacist Hemmoor
Dr. med. Gerd W. Zimmermann Hofheim/Ts.
Dr. med. dent. Gert Zimmermann Braunfels
Dr. med. Maximilian Zollner Friedrichshafen

Report of the Board of Directors

Management Report 2004

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Capital Markets
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Lending Business
Deposit Business
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Outlook

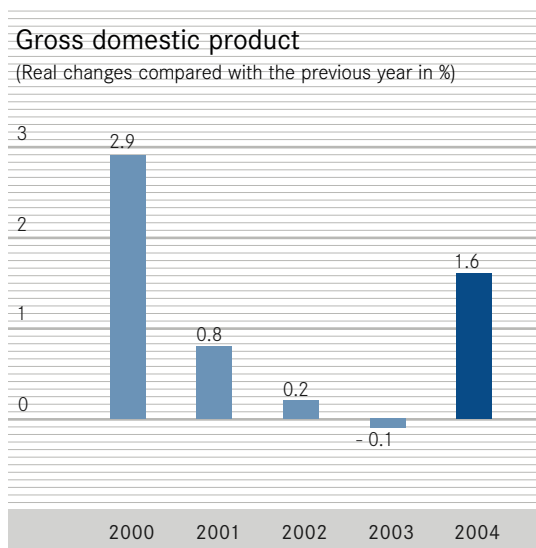


Economic Environment

Unstable recovery of the world economy

In the course of the year 2004, the upward trend in the world economy strengthened once again. While the USA and Japan achieved a turnaround in their economies already one year earlier, the series of falling growth rates, which had characterised the economy since the beginning of the millennium, has now come to an end for the European countries, too. Real gross domestic product (GDP) in the European Union rose by 2.3% – compared to only 0.9% in the previous year.

Yet this upward trend stands on feet of clay, especially because the world economy has lost some of its momentum in the second half of the year. Further economic recovery is made more difficult, in particular, by the persistently high raw material prices – above all the oil price. On top of that, according to the economists of the Kiel Institute for World Economics, the monetary stimuli from the Federal Reserve will gradually become weaker. This would result in a slower growth of the world economy in the years 2005 and 2006.



Germany “up without swing”

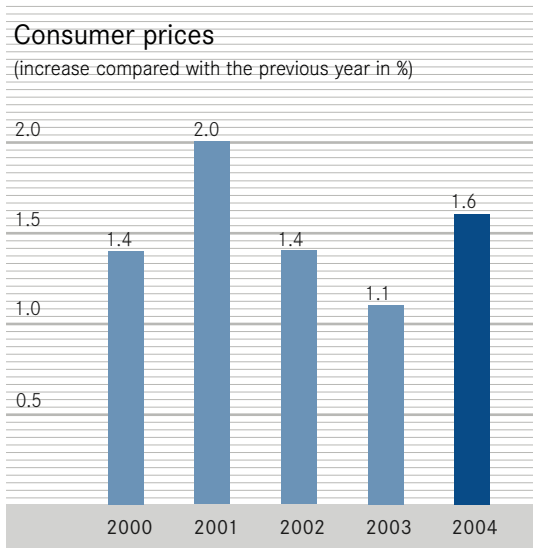
The German economy, too, has bottomed out. However, with a GDP growth rate of 1.6% (2003: -0.1%), Germany was still putting a brake on European recovery. The export-oriented German industry suffered from the continued weakness of the US dollar, which is having a negative impact on the price competitiveness of eurozone goods.

Against this background, Germany’s structural problems became even more apparent.



Unemployment, in particular, has reached ever more worrisome levels. Although the unemployment rate rose only marginally by 0.1 percentage points in 2004 compared with

the previous year, the number of unemployed persons passed the five million mark at the beginning of 2005. Since this unfavourable development is accompanied by a further



there are currently no indications that the European Central Bank will change its monetary policy stance.

The outlook for the German economy is for rather modest growth for the next few years. This is also indicated by the highly observed IFO Business Climate Index of the Economic Research Institute in Munich. Stagnation at a low level is to be expected, so that Germany is likely to remain the last and weakest country in terms of economic growth in the euro-zone for some years to come.

increase in national debt, Germany's ability to reform itself, which is completely questioned by other countries, is very limited.

On the other hand, the moderate increase in inflation seems uncritical. Consumer prices rose by 1.6% in 2004 (2003: 1.1%). This increase is mainly due to the economic recovery in Germany. Against this background,



Capital Markets



Euro still on the up

As already in the year before, the Euro dominated the situation on the capital markets in 2004, too. The single European currency had reached record highs in 2003; at the end of last year, after an initial lack of direction, the Euro came under strong upward pressure once again. At the end of the year under review, the Euro stood at US \$ 1.34, some 11 US cents higher than at the end of 2003.

The persistently high public debt of the United States is probably the main reason for the weak dollar. In order to counteract this development, the US Federal Reserve initiated a turnaround in interest rates in 2004, raising its key rates in five steps by a total of 125 basis points to 2.25%. The European Central Bank, however, responded calmly, and left its key interest rates at the level of summer 2003. Thus, the minimum bid rate for main refinancing operations remained unchanged at 2.0%; the interest rates for the marginal lending facility and for the deposit facility remained at 3.0 and 1.0%, respectively.

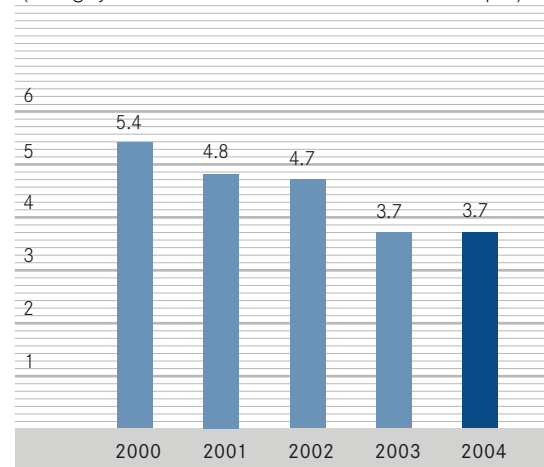
Vigorous capital markets

Against this background, the current yield of German fixed-interest securities remained almost unchanged. But this must not hide the fact that the capital market rates dropped significantly in the course of the year from 3.8 to 3.3%, triggering a rally in the bond markets as a result. Therefore, towards the end of the year some experts increasingly warned of the threat of overheating.

Also the stock markets showed a positive development last year. Indices were on the

Current yields

(average yields of German fixed-interest securities in % p.a.)





rise worldwide, whereas in the first half of the year it had looked as if trading would cool off somewhat. In the course of the year, the German stock index (DAX) rose by about 300 to 4,256 points on 30 December 2004. This increase, albeit moderate compared with the previous year, is mainly attributed to the positive impetus from the economy, which was able to withstand the pressure of both the Euro appreciation and the increase in oil prices.

Restrained outlook

At the beginning of 2005, the DAX continued its upward movement. However, in view of the expected slowdown in economic activity, the upward scope for the index will be quite limited until the end of the year. Share prices will continue to be determined largely by the EUR/USD exchange rate as well as by the further development of commodity prices.

Summary of Business Development

Successful business year

The 2004 Annual Financial Statements of Deutsche Apotheker- und Ärztebank show the highest operating profit before risk provisions in the Bank's more than 100-year history. From this aspect alone, the past business year can be regarded as a successful one. But what has been achieved is very satisfactory from other points of view as well: The cost-income ratio improved again, the equity base was further strengthened, the efficiency of internal processes was increased, and the continued inflow of new customers resulted in additional expansion of the lending business, thus strengthening the Bank's number one position as the leading financial service provider to the medical professions.

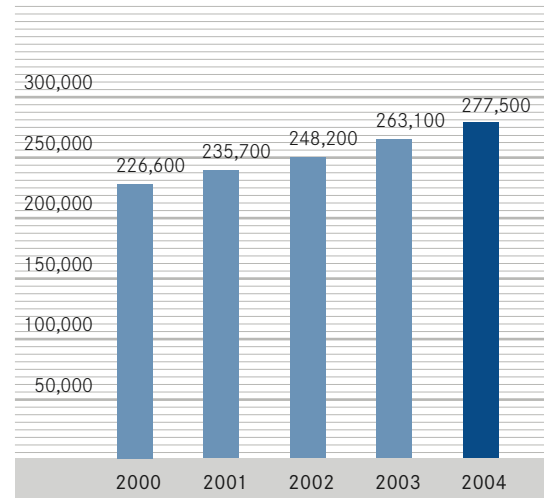
Earnings development driven by new customers

In the year under review, the development of business was again characterised by continuous demand for APO-Bank's specific financing know-how. The net increase in the number of customers from 14,400 to 277,500 alone resulted in a strong expansion of the

lending business; on top of that, there was financing demand from the existing customer base. Above all the expansion of customer loans in connection with a higher interest-free net liability position and successful global treasury measures contributed to a net interest income of Euro 446.2 m, up 11.7% compared with the previous year.

The development of net commission income was also pleasing, rising by 13.3% to Euro 90.7 m. This increase was largely due to the classic securities business, whose development was pushed forward by the implementa-

Number of clients



It was a difficult test today.
And not the last by any means.
But I have a good feeling about this one.
All this learning really paid off.
What am I to do after finishing my studies?
I hope it will go on like this ...

**The years of study provide the foundation for professional success.
We help our customers to make optimal use of their academic
training and to prepare themselves in time for the start of their
careers.**







tion of our securities strategy and supported by successful product concepts. The discontinuation of the tax privilege for life insurance at the end of the year triggered a boom in the sale of life insurance and a significant increase in commission income from the brokerage of such products, in particular as a substitute for repayment of loans.

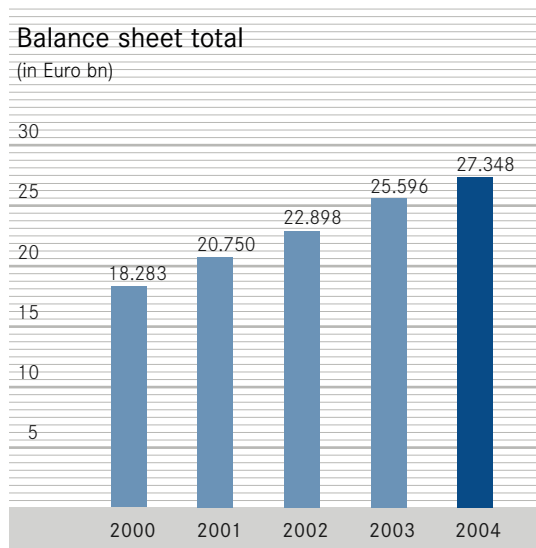
operating expenses. In particular, additional costs for strategic and statutory projects had an impact here. These cost increases were acceptable from a commercial and business policy point of view, which can be seen in the fact that the cost-income ratio improved again from 59.2% to 57.9% in the year under review.

Further improvement in cost-income ratio

The administrative expenses including depreciation on tangible assets rose by 9.4% to Euro 309.9 m in the year under review. The growth in personnel expenses, which is primarily due to new appointments, wage increases from collective bargaining and special payments, was outstripped by the rise in

Positive result of operative business

The continuing expansion of loan demand that has been going on for years is expressed in the profit and loss account as an increase in the operating profit before risk provision by 14.9% to Euro 234.1 m. Accounting profit was shown with an increase of 25.1% to Euro 89.6 m. The more than satisfactory operating results allowed adequate provision to be made for all foreseeable risks arising from our business operations, for the appropriate build-up of equity and for a comparatively high dividend to be paid to the members of the Bank.



Solid growth of the balance sheet

Our business policy is aimed at achieving qualitative growth while saving resources and generating additional income, which is also expressed in the development of the balance sheet in 2004. Compared to the end of the



previous year, the balance sheet total grew by 6.8% or Euro 1.75 bn to Euro 27.35 bn. This means that we have been able to further

expand our position as the largest cooperative bank – a position held for more than 30 years.



Once again, the lending business was the mainstay of growth. The demand for loans for business start-ups and real-estate financing as well as for other investments led to a record level of customer loans at Euro 18.2 bn. The obvious market leadership in the financing of business start-ups has again been confirmed in the year under review. Refinancing of the loans occurred by accepting customer funds and issuing certificated liabilities.

Partner with professional experience

The positive response by pharmacists, physicians, psychological psychotherapists, dentists and veterinarians as well as their associations and commercial organisations to the range of services offered by the Bank may well be interpreted as an indication that, in view of the difficult situation in the health sector, having a bank with experience in that profession as your partner is greatly appreciated. We believe that our advisers' sound knowledge, which is continually updated with new information, has become a special value that contributes to lasting customer relationships and will acquire even greater importance in the light of the changes in the health sector.

Expansion of advisory service capacity

In order to further improve our customer service, we have made way for additional advisory services by shifting tasks within our branches. The recruitment of new employees at the head office primarily served to strengthen key positions and to expand special know-how. As a result, the number of employees rose by 45 to 1,959. The effective number of employees (including staff on short-term contracts, early retirement, trainees etc.) is 2,182. Our customers are served by 46 outlets and branches throughout the whole of Germany, a few advisory centres and external offices, our subsidi-

aries and the head office in Düsseldorf. With the move into the new head office building, the business units and subsidiaries that were previously dispersed over seven different locations in Düsseldorf were united under one roof for the first time.

With the newly established “agency” branch type, which offers lower start-up and operating costs than a traditional branch, we will in future be able to meet our customers’ requests for stronger local presence. Thus we will be providing our services to the members of the medical professions also in areas

where there is some customer potential, but not enough to set up a branch of the classic type.

Opportunities for more intensive service



“Through investments in new agencies, the expansion of our mobile distribution and the modernisation of our e-business services we will gradually be able to significantly improve our closeness to customers. At the same time, we have created opportunities for more intensive service in order to focus even more effectively on the advisory needs of the members of the medical professions in all phases of their lives.”

Dr. Franz Georg Brune, Member of the Board of Directors of Deutsche Apotheker- und Ärztebank



Lending Business

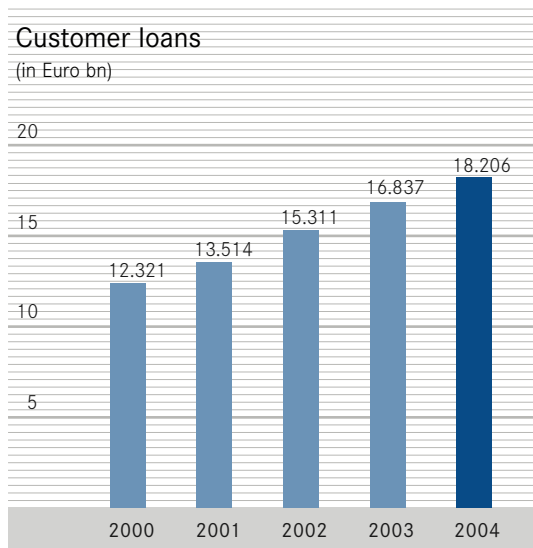
Strong demand for financing expertise

A major part of the expansion of the balance sheet total was again attributable to the high level of new advances in the loans sector. This intensive use of the Bank's specific financing expertise was reflected by the 8.1% increase in customer loans to Euro 18.2 bn. The total volume of credit – including bank guarantees – amounted to Euro 18.5 bn.

In view of the maturity dates of the loans, the advances on current accounts on the closing date show a decrease by Euro 149 m to Euro

2.0 bn. However, the average use of the current account advance facility remained at the previous year's level. The majority of advances, after growing by Euro 1.4 bn to Euro 16.2 bn – in accordance with the volume of funds used to finance real estate or start up a practice/pharmacy – are increasingly in the form of loans.

The high level of demand for credit and, therefore, the actual amount of credit given, is expressed by the volume of new advances which, at a level of Euro 3.1 bn, exceeds the already high level of the previous year by about Euro 100 m. This rise is all the more remarkable because, in view of the deteriorating economic situation of the medical professions, not nearly every request for funding can be granted. Also significant as regards the volume is the fact that the granting of loans calls for an exceptionally high standard of advisory service in which particular importance is attached to the economic aspects of the future.

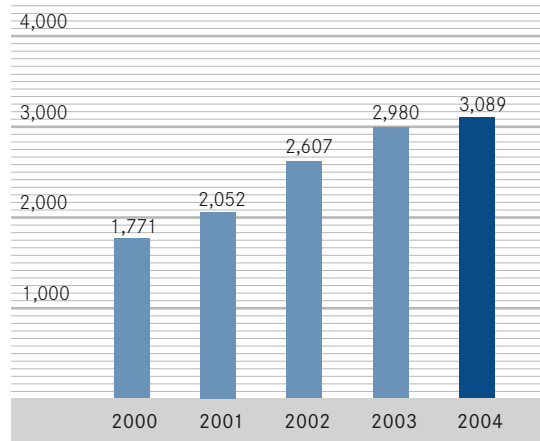


Number one in the financing of business start-ups

With regard to the use of funds, 28 % of new advances were used for business start-ups, 45 % for real-estate financing and 27 % for other financing - for example to finance investments in replacements and new assets as well as for private purposes. Especially within the framework of the financing of self-employment, always regarded as one hallmark of our Bank, competent advisory services and thus the transmission of specific long-term experience are of particular importance. In view of the dif-

New advances in the loans sector

(in Euro m)



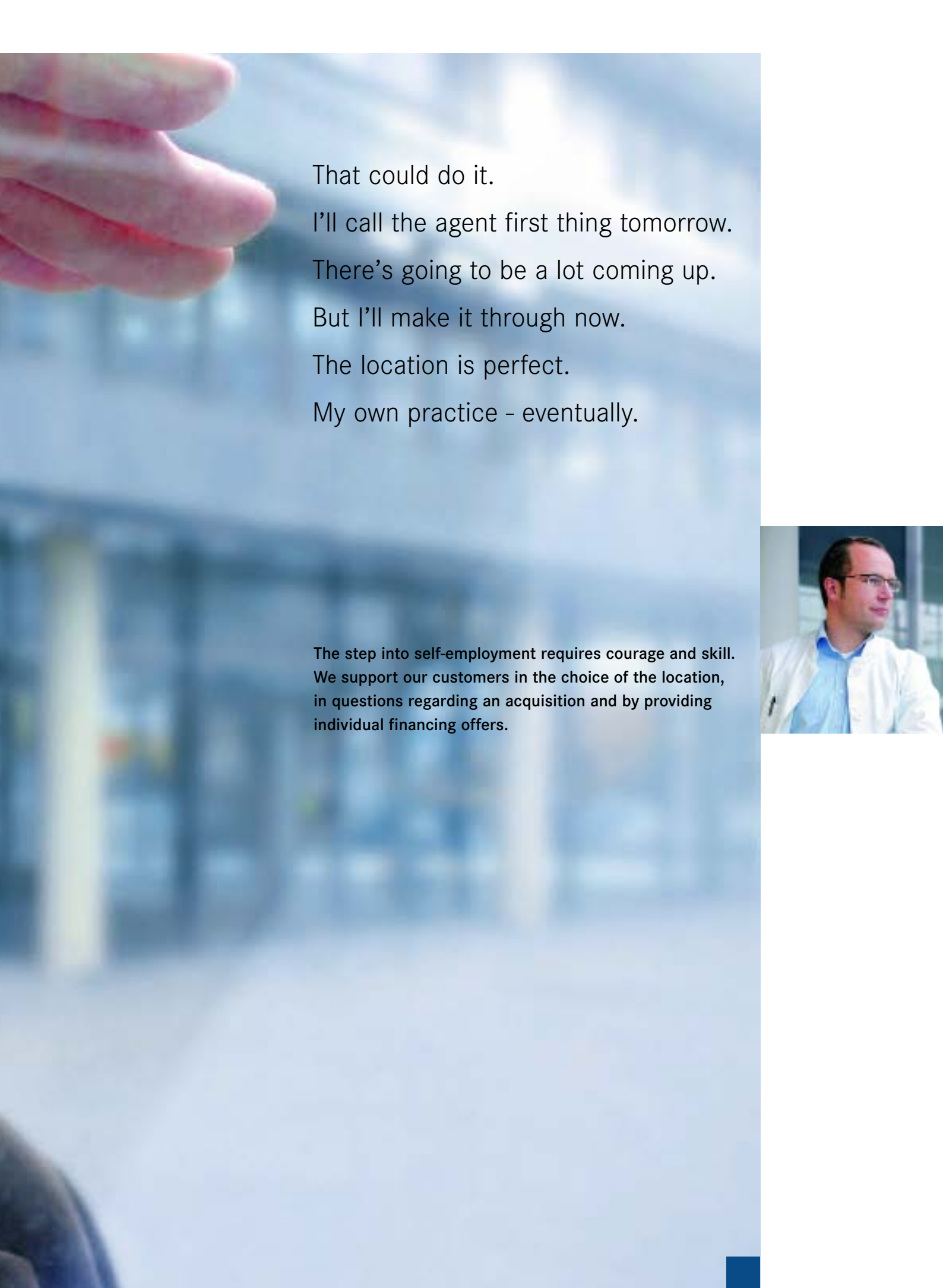
Seminars and individual consulting

“Today, our customers enjoy comparatively better economic stability than the average of the respective medical profession group in Germany. One major reason for this is probably that we were early to direct the attention of the members of the medical professions to economic aspects of the management of practices and pharmacies, and that we supported them in their entrepreneurial decisions by means of seminars and individual consulting.”

Jürgen Helf, Member of the Board of Directors
of Deutsche Apotheker- und Ärztebank







That could do it.
I'll call the agent first thing tomorrow.
There's going to be a lot coming up.
But I'll make it through now.
The location is perfect.
My own practice - eventually.

The step into self-employment requires courage and skill. We support our customers in the choice of the location, in questions regarding an acquisition and by providing individual financing offers.



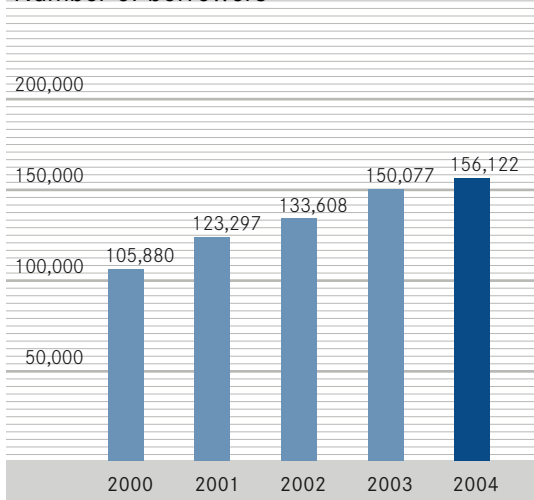


difficult underlying conditions in the health sector, the expansion of our market leadership in financing start-ups can certainly be regarded as further evidence of the competence of our consultants and appreciation of their financial expertise. Wherever possible, they take account of any available public subsidy programmes in their financing concepts. In particular, frequent use was made of pro-

grammes of the “Mittelstand” bank of the Kreditanstalt für Wiederaufbau (KfW) (reconstruction loan corporation) currently offered as “loans to entrepreneurs” (“Unternehmerkredit”).

From a risk perspective, it is important to note that more than three quarters of business start-up financing is used for the acquisition of a practice/pharmacy or for entering into an existing practice or joint practice arrangement. As regards pharmacies, the limited permission of “Mehrbesitz” (i.e. a pharmacist can own up to three subsidiaries) has led to a strong increase in the number of branch pharmacies, with two thirds of them resulting from acquisitions. It is interesting to note that in 90% of all cases “Mehrbesitz” means a branch pharmacy.

Number of borrowers



Real-estate financing again in strong demand

Intensive use was also made of our real-estate financing services in 2004, too. The number of such commitments amounted to about 6,000 funding transactions in the year under review. Special modern software made it easier for customer advisers to cope with the advisory needs resulting from this.



Deposit Business

More liquid assets held

The total volume of deposits rose in the Financial Year by 8.4% to Euro 18.4 bn. This growth was due not only to client deposits in the narrower sense but also to the issue of bearer bonds, whose placement is explained in the “Treasury/Liquidity Management” section.

There has been growth in deposits on demand by 3.6% to Euro 4.3 bn, which was due to closing-date disposals by institutional clients. On the other hand, the analysis of the average values shows a significant increase compared with the previous year, which is due, apart from the higher number of customers, above all to the higher liquidity held by private clients.

A current-account full-service package with attractive services helps our clients to make disposals from their current account. This package includes freedom from banking charges for accounts kept in credit, no postage charges for monthly bank statements, extensive fee refunds for the use of domestic ATMs, a versatile and efficient credit card service rounded off by the PC banking and

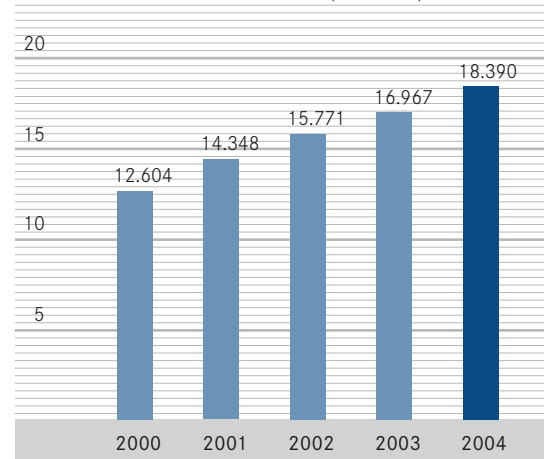
the “apodialog” range of services described in more detail elsewhere in this report.

Attractive twins “APO GoldenTwin“

There were around 11,200 orders in the year under review for our dual credit card service VISA GOLD and MASTERCARD GOLD, which was introduced in the year 2000 under the name of “APO GoldenTwin”. The 14% increase on the previous year underlines the success of this attractive offer, which is meanwhile used by more than 90,000 people. The Bank waives

Customer deposits

incl. securitised liabilities (in EUR bn)





Expansion of term deposits and loans against promissory notes

Term deposits increased in the year under review by 5.7% to Euro 3.0 bn. However, this rise is not due to investments made by private customers, but – as can be seen in the average values – to closing-date disposals. The APO loans against promissory notes were very well received by our institutional clients and expanded strongly by 20.8% to Euro 3.1 bn. On the other hand, there was a decline in savings accounts of various types and maturities towards the end of the year because of interest in other forms of investment.

the usual annual credit card fees entirely for this service. Furthermore, the card package offers flexible liquidity on the one hand through an optional credit facility called “APO CashCredit” but also a short-term investment facility for credit balances up to Euro 25,000.



Asset Management

Little impact of favourable global conditions

In 2004, the performance of the world economy provided a good basis for a favourable development of the world capital markets. The year was characterised by a global economic upturn of 4%, which well exceeds growth in the previous three years. However, the traditional mechanisms of phases of expansion, i.e. an above-average performance of stocks and a moderate rise in interest rates, took effect only partially.

After the big gains of 2003, stock market investors had to be content with rather average earnings again. For instance, the DAX and EuroStoxx indices rose by less than 7%, and furthermore the strong Euro resulted in significantly lower returns on investments in Japan (+4.4%) and in the USA (-4.2%). But apart from the modest stock yields, many investors were even more surprised by the development of the bond market. The growth of the world economy did not lead to considerable inflation, so that the risk aversion of many investors caused the prices of fixed-interest securities to rise to new record highs. In the end, bond investors (basis REX





index) realised a return of well over 6 %, while dollar bond investors suffered a loss of almost 3.8 % (in Euro terms). Investors continued reluctance to take risks could also be felt in the market for new issues. While business was slowly coming around again abroad, the development of the German market was disappointing, with comparatively few more or less successful new issues of shares.

Public funds in the lead in Germany

According to the figures published by the Bundesverband Investment und Asset Management e. V. (BVI), the country's national association representing investment and asset management, German asset managers regard the year 2004 as "mediocre". The 4.7 % increase to Euro 1.1 trillion in the German investment industry's assets under management was smaller than suggested by the performance figures. With a growth of 5.5 %, public funds were ahead of special funds for institutional investors (+4.4 %) this time. The relatively young market for real estate special funds was much more successful and continued to post double-digit growth rates (13 %).

Against the background of the above-described market development, our securities business made yet another very positive earnings contribution in 2004. This result was based less on the development of the stock

markets than on the quality of the products offered, especially the "APO Dachfonds" fund of funds family. Furthermore, the business with certificates proved to be very successful. Here we choose the best suppliers with the most innovative products according to the "best advice approach". The demand for certificates confirms that also this expansion of our range has come just at the right time.

Expansion of asset management

APO-Bank's asset management was able to more than just maintain its position in this environment, further successfully expanding, for instance, in the segment of wealthy private clients. The investment volume under management increased by more than 30 % – a proof of confidence in our good investment policy of the last years as well as in the management of assets, which is tailored to the needs of the individual customer. In the past year, we further optimised our successful investment strategies. In the second half of the year 2004, our asset management experts developed the additional "Einkommen Plus" investment strategy, which is characterised by attractive unique selling points. This strategy, whose investment objectives are "preservation of capital" and "monthly annuity payment", has met with very positive response.

Special service for institutional clients

In the direct business with institutional clients, sales of so-called structured bond products increased due to the continued decline in capital market yields below the 4% threshold which is important for the realisation of pension rights under company pension schemes. The yields of this product group are significantly improved through the targeted use of the issuer's call options. Together with our institutional clients we make a reasonable selection of possible call dates in accordance with the individual cash flow structure of their direct loan portfolios.


We were able to enhance customer loyalty by consistently developing the instruments provided by our Bank for the management of strategic asset allocation. Moreover, within the development of a risk budgeting process we have provided the decision-makers with a management module for the further optimisation of their capital investment process. This facilitates an efficient allocation of our customers' special funds, while also taking into consideration the ratios of their other investments. In view of this, customers often take advantage of the benefits and flexibility of the master fund for their special fund invest-

IT platforms for depositary bank services




“In the field of asset management, APO-Bank has significantly expanded its distribution and production capacities, making considerable investments in the effectiveness of IT platforms for depositary bank services. Together with our subsidiaries apoasset and aik, our range of services for professional pension funds meets all supervisory law and portfolio theory requirements. This is the reason for the significant increase in market shares over the last few years.”

**Gerhard K. Girner, Member of the Board of Directors
of Deutsche Apotheker- und Ärztebank**



A lot has changed in the last few years.
But my customers have remained with
me. And my team works well together.
That's the most important thing.
Maybe I'll have to hire another pharma-
ceutical assistant soon ...



The economic environment requires entrepreneurial far-sightedness. We counsel our clients in all business matters and provide them with economic analyses for safeguarding the future.





apoasset

ments. Our Bank benefited from this development by gaining additional depositary bank mandates in the field of master funds. Correspondingly, the growth in the volume of securities administered for our customers was well ahead of our expectations. The securities portfolio of institutional clients rose by 46 %, the deposit volume of funds even by 54 %.

apoasset continues to gain popularity

Apo Asset Management GmbH, apoasset for short, a subsidiary that concentrates on the consultation and management of special and public funds in the securities sector, was able to further improve its “assets under management” and result in 2004. The company operates in an increasingly competitive environment, where “breaking up the value-added chain” has become the catchphrase of the day. By this is meant that the market no longer accepts any “package solutions”. Instead, each partial performance in the “asset management” value-added chain has to prove its own competitiveness. The company has met the increasing demands by clearly focusing on selected fields of activity. Last year, the inflow of funds on a scale of more than Euro 450 m reflected our private and institutional customers’ trust in this concept.

Successful APO fund of funds

The very positive volume growth of the “APO-Dachfonds” fund of funds must be particularly emphasised. In this context, the company benefited, on the one hand, from the distribution performance of our branches, which was even up on the already good result of the previous years. On the other hand, however, also the performance of all three funds of funds was better in 2004 than that of the leading competitors. With a volume of more than Euro 500 m at the end of the year 2004, the “APO-Dachfonds” family has meanwhile become one of the ten biggest products of this kind on the German market.

In order to address the requests for a benchmark-independent concept made, above all, by our special fund customers, apoasset has developed a product for the management of European shares that has a more quantitative orientation. In addition to its own efforts, the company has also undergone an intensive investment process review carried out by a renowned consultancy firm. During customer presentations, the revised approach is almost always met with positive feedback.

A continuously positive development has been registered for pension funds. For instance, assets under management in special pension funds have grown significantly due to very satisfactory increases in capital.

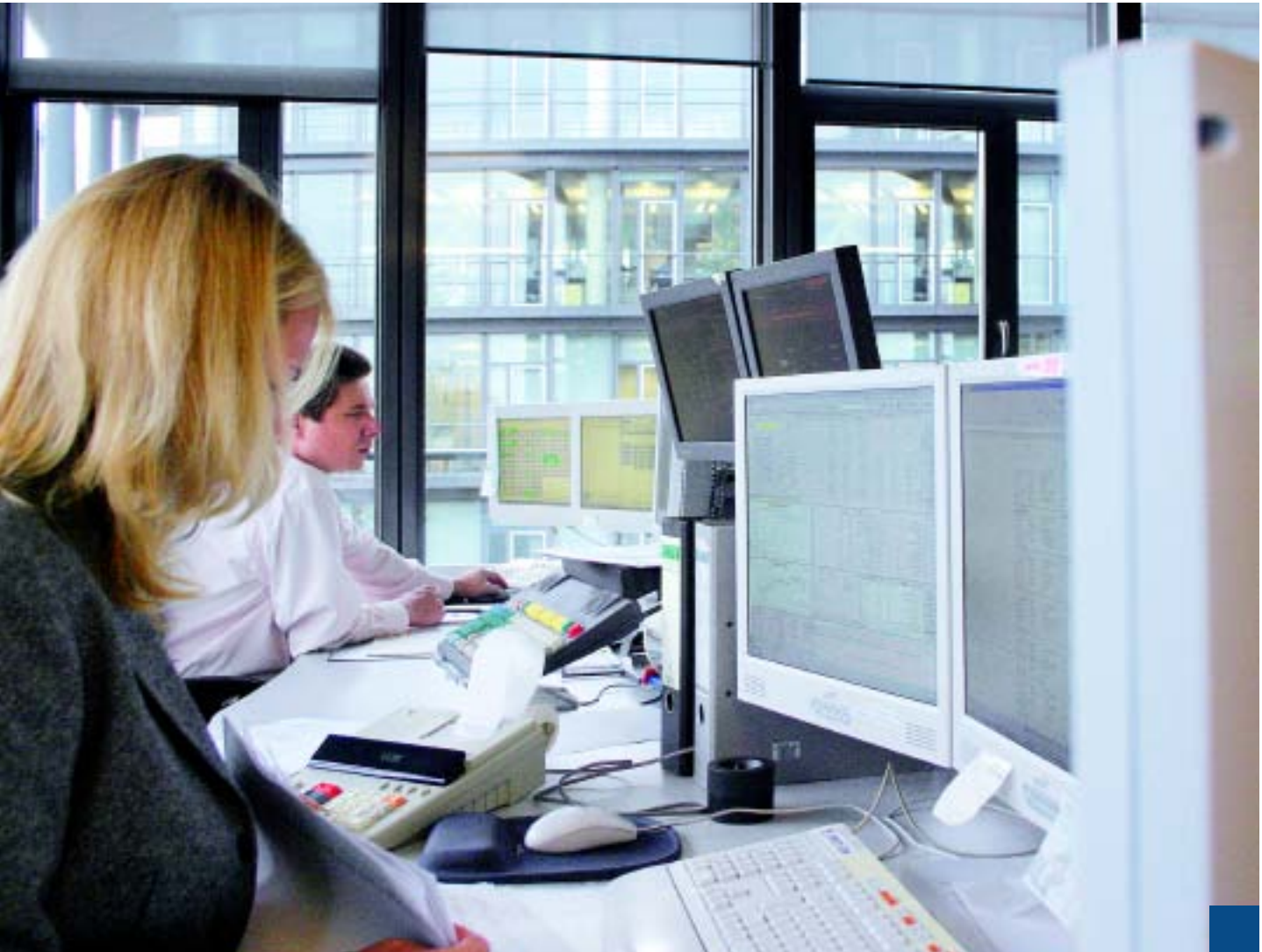
Besides this, the “APO Rendite Plus INKA” corporate bond fund, which is managed in cooperation with the New York-based company, Muzinich & Co., continued to draw a strong response. Once again, this was because of its attractive dividend yield. In the case of its money market product, apoasset was able, after the dividend payment in autumn, to reach the volume achieved earlier in the year.

This product, which focuses on the stocks of generics companies and which is offered both as a special fund and as a certificate, con-

firmed its attractiveness, even when compared to the increased number of competitors. Moreover, during the year 2004 the company made intensive preparations to launch this product on the market in 2005 in the form of a public fund with an additional focus on the “health market”.

Above-average expansion of aik

APO Immobilien-Kapitalanlagegesellschaft mbH (aik), which concentrates on property investment business and on professional property-





asset management, has successfully established itself, since its founding in 1999, as the property investment company for the pension funds of the professions, and succeeded in continuing this promising business development in 2004 as well. With the launch of another fund last year, the total number of property funds administered by aik has increased to seven. Thus, aik has positioned itself as one of the leading players in the sector. Through numerous acquisitions at home and abroad, the average real property assets administered rose by 50% in 2004 compared with the previous year.

Although the market continues to be in a difficult situation, considerable letting successes were achieved in property management also in 2004: Through active letting manage-

ment, 104 lease contracts were concluded for approximately 14,000 m² and annual rental income of Euro 1.4 m. As a result of this positive letting performance, the letting status of all properties administered by aik amounted to 96.2% at the end of the year. The performance of all properties acquired by aik in relation to capital employed was 6.1% in the past Financial Year.

Positive outlook for asset management

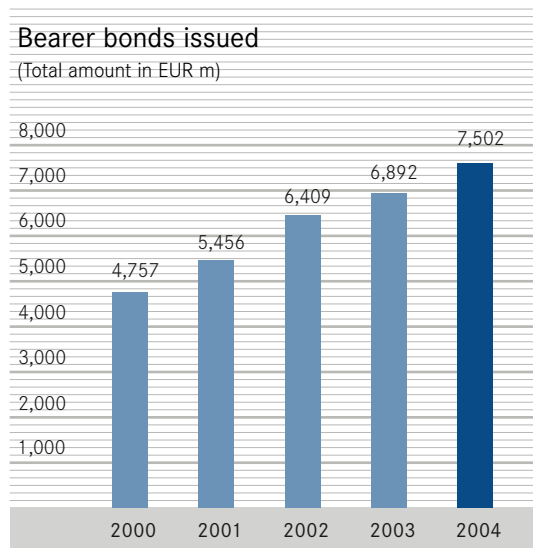
With the successful development in all areas of asset management, we are well prepared for the future. However, we are aware of the fact that we will have to continue to face the ever new challenges posed by the markets and by the competitive environment in the field of asset management with a willingness to adjust and to change constantly.



Treasury/Liquidity Management

Further expansion of issuing activities

Our Bank's issuing activities on the international capital markets increased in line with the expansion of the lending business. As a result, long-term issues of Euro 2.25 bn were placed with international investors in the 2004 Financial Year. We have continued to expand this investor base by the issuance of an inaugural Euro 750 m benchmark bond, with the emphasis on Europe. The outstanding volume of the "European Medium Term Note Program" was at Euro 5.7 bn at the end of the Financial Year.



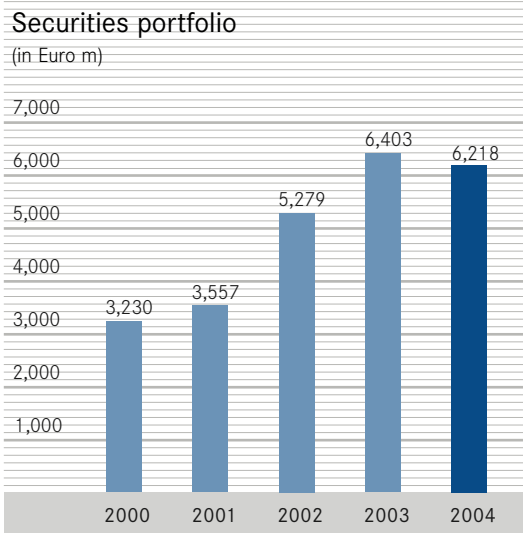


advantage is a higher degree of flexibility for liquidity management.

Placements with private customers on the scale of one billion Euro complete the range of investment opportunities. With a volume remaining stable, the various tenors to maturity reflect the interests of our private investors.

Active management interest rate and liquidity risk

The portfolio of securities for the investment of free floating liquidity amounted to Euro 6.22 bn. The Bank's interest rate and liquidity risks are actively managed. The liquidity reserve is controlled in strict compliance with a narrowly defined security concept. These securities are included in the Bank's liquidity management system.



The decision to add a “European Commercial Paper Program” to the shorter term range of issues provides permanent liquidity safeguards at attractive rates of interest. Another

Sales Channels



Multi-channel banking long established

For many years we have let our customers make the decision how they want to contact us. The basic concept of this “multi-channel banking”, which is meanwhile regarded as the perfect medium for the sale of banking products, was introduced by our Bank as early as 1996. Since then, the individual distribution channels have been constantly expanded and adapted in line with the latest developments. Despite all possibilities offered by modern communication technologies, branch sales continue to be of very great importance because we regard personalised advice in the branches as an indispensable part, and also as the hallmark of our service as the bank for the medical professions.

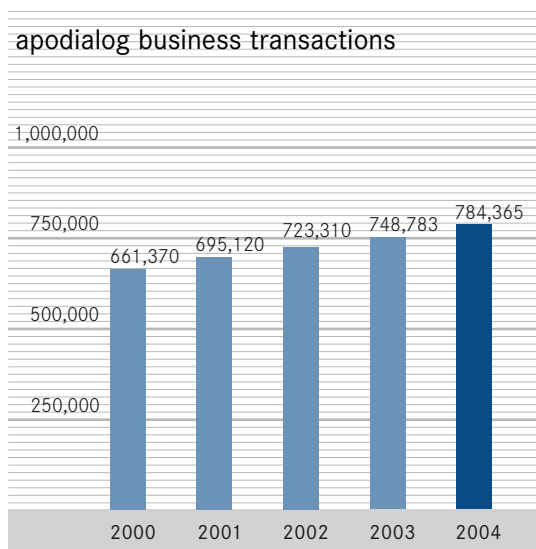
Good earnings contribution from apofinanz

Since 1997, our branch services have been supplemented by the field services offered by our mobile sales arm Finanz-Service GmbH of the APO-Bank („apofinanz” for short), which was founded together with Deutsche Ärzteversicherung. It accords with the principles

of these financial consultants to advise our customers when it best suits them. We increased the number of consultants to 74 because of positive response. “Financial planning” was permanently established within apofinanz as a logical extension of training to enhance the quality of advisory services in all banking sectors. The company’s business volume and income increased significantly in the year under review. apofinanz has meanwhile assumed a major part of the total brokerage business of the Bank. But apofinanz consultants also made an excellent contribution to the Bank’s results by supporting existing business clients in the sectors of loans and investments.

“apodialog” realises almost half a million contacts

The “apodialog” telephone service has been available to our customers since 1996 and is an important cornerstone of our service range. By the end of 2004, more than 61,000 customers took advantage of the opportunity of having a contact person answer questions and accept instructions regarding their current account. This contact person is also



able to provide information on term deposits and various types of savings and savings programmes. Moreover, also included in “apodialog” is the “apobrokerage” service package, so that our customers can order securities on the German stock exchanges not only using the StarMoney software, but also by telephone. In almost 48,000 cases, apodialog provided help as a PC banking hotline.

Ever growing popularity of online banking

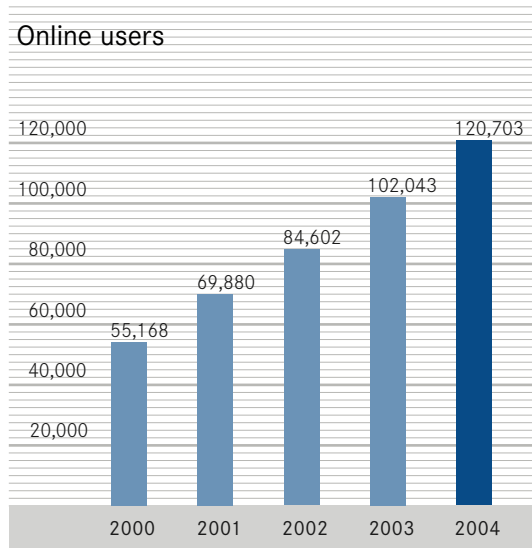
It is impossible to imagine life today without a PC and the Internet, for the opportunities of data communication have revolutionised, among other things, our daily routine in banking transactions, making life much easier in

many respects. Meanwhile, more than 120,000 of our customers make use of the unbeatable advantages of the “electronic account”. Our customers are able to arrange their standard banking transactions – e.g. transfers, standing orders or balance checks – via the Internet or even more conveniently using the cost-free “StarMoney APO-Edition” payment software. On top of that, our apobrokerage service enables them to place orders for securities also outside the business hours of our branches.

Since April 2004, the Bank has been offering the new eTAN procedure to the participants of its PC banking. With the help of a medesign Card (a personal SmartCard), the accompanying software and a card reader, PC banking participants are now able to generate their own electronic TAN (eTAN) for our PC banking service whenever they need them. Thus the eTAN procedure replaces the traditional TAN list and can be used for all accounts that have the same client number.

Cashless payment in practices and pharmacies

The credit card is a well-established form of payment in retail stores and petrol stations. But it is gaining more and more importance in pharmacies and practices, too, because it is fast, convenient and riskless. This form of



approach. From a quality management aspect, ideas and suggestions for improvement from customers are systematically evaluated in order to detect possible weaknesses and potentials for improvements in the interests of quality of service and customer satisfaction. From the point of view of complaint management, the Customer Communications department tries to solve problems that arise between the Bank and individual customers, clarify misunderstandings and to provide for good relations between customers and the Bank.

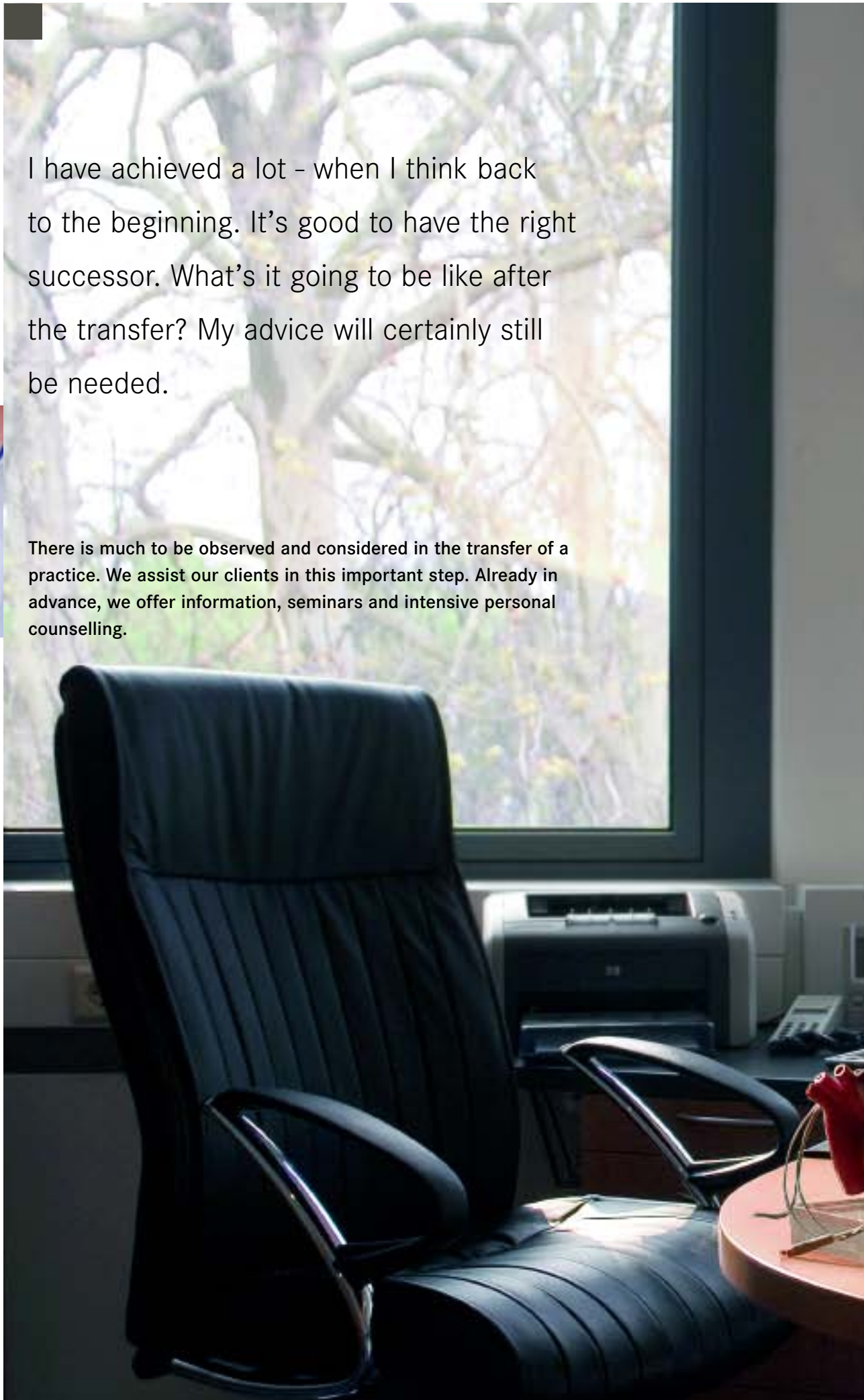
payment is highly comfortable for patients and customers, thus improving the service of the practice or pharmacy. In cooperation with our partner TeleCash, we offer individual card terminal solutions for practices and pharmacies, which are meanwhile used by many customers to pay for IGeL offers, practice fees or pharmaceutical products.

Communications with our customers

As well as widening the range of services we provide as “partner of the medical professions”, further improvements in the quality of service are as important to us as ever. We assigned this task to our Customer Communications department, which has since dedicated itself to this project with a two-pronged

I have achieved a lot - when I think back to the beginning. It's good to have the right successor. What's it going to be like after the transfer? My advice will certainly still be needed.

There is much to be observed and considered in the transfer of a practice. We assist our clients in this important step. Already in advance, we offer information, seminars and intensive personal counselling.







Partner for the Medical Professions

New structures in the health system

Since the GKV Modernisation Act (GKV-Modernisierungsgesetz GMG) shifted the focus of attention to medical care centres and the modified conditions for comprehensive care, the health care landscape has changed dramatically. Although there is no clear line in many of the legal requirements, meanwhile approximately 70 medical care centres and about 300 contracts for comprehensive care have been initiated since the GMG came into effect at the beginning of the year 2004. The relatively small number of contracts concluded in 2004 can be explained by inherent legal, contractual and tax-related obstacles as well as by the projects' time horizons for planning, structuring and realisation activities. Because of the political will, the intended economic advantages and the subsidised fees, it is to be expected that the number of these state-initiated care structures will increase in the future. This trend is reinforced by the fact that hospitals have started to make use of outpatient medical services, too. On the basis of the new law, the hospitals hope to enter into new markets and to compensate for economic constraints in the inpatient area.

Various innovative forms of cooperation

Leaving the legislator's perspective out of consideration, the figures suggest an even stronger trend towards new forms of care among physicians and within the sector as a whole. With their mix of medical specialties and services and their multiple cooperation opportunities, these market-driven cooperations deviate clearly from the legal pattern of "medical care centres". Thus they generate proprietary advantages and facilitate optimal distribution of specific benefits and risks. Moreover, the medical professions involved, regardless of any budgetary constraints, can realise innovative forms of contract and remuneration in the economic organisation of new forms of cooperation. In practice, the names of such cooperation under one roof vary: Centre for Health Care, Medical Care Centre, Medical Specialists Centre, Innovative Medical Centre and Health Centre, as well as other names. The resolutions of the 107th Annual Congress of German Physicians in Bremen (Deutscher Ärztetag) have supported the tendency to expand the innovative scope and depth of cooperation to the extent that the changes of the "Musterberufsordnung" (Model Regulations) have gradually been included in state law and social law.



Comprehensive support for the new forms of cooperation

During the year under review, we helped a multitude of state-initiated and market-driven cooperations on their way from the definition of targets to their approval. These extensive and complex projects are fully supported by the Bank's "New Medical Care Structures" division in the areas of consulting, coaching, financing and e-health. As the partner for the medical professions, we feel responsible not only for the present, but especially for the future of freelance medical professionals. Both health economics research and steady communication with our market partners in the medical professions form the basis for anticipating as well as playing an active role in shaping future developments and structural changes in the health environment.

As a rule, innovative forms of cooperation and care cannot be realised with outdated processes and instruments. When providing our advisory services, we can rely on the many years of experience of our wholly owned subsidiary "apokom Kooperations- und Organisationsmanagement GmbH" as well as on our participation in PMG (Praxismanagement) AG. In the advisory services offered by these companies, major emphasis is placed on the design of cooperation structures in order to realise the greatest possible synergy effect potentials, and on the development of the operating result. In the year under review, apokom further expanded its position as the Bank's innovative advisory service.



health care akademie trains specialists

Within the framework of complex cooperation structures, medical professionals often face entrepreneurial decisions they will be unable to make without competence in consultation and management. This applies also to the individual decision whether to participate in competition or to remain within the system of collective bargaining. In order to convey the required orientation knowledge as well the specialist knowledge which is sometimes needed, the “health care akademie” for management knowledge of new care structures in the health sector was founded by the Federal Board of Physicians (Bundesärztekammer), National Association of Statutory Health Insurance Physicians (Kassenärztliche Bundesvereini-

gung) and our Bank in the year 2000. In the year under review, another curricular course was completed. Additional courses are currently being prepared for the year 2005.

Market-leading provider DGN

In order to adapt in the best way to the changing market conditions, we have been working intensively in the area of e-health, among other things. In this way, we enabled our subsidiary DGN Service GmbH to become the leading provider of secure communication in the medical sector.

The company’s core services are the very successful intranet services for health





professionals, i.e. “D/G/N” (for physicians), “aponet Professional” (for pharmacists) and “DZN” (for dentists). The participants’ motivation is based on the recognition that networking and communication among the individual medical professionals as well as the electronic exchange of data and information, as required by the legislator in the GMG, have become increasingly important in order to optimise processes while guaranteeing the highest possible level of data security.

Multifunction signature card from medisign GmbH

In order to provide security not only to the DGN service’s net accesses, but also to the care professionals’ appliances, another subsidiary, medisign GmbH, was created. This joint venture was formed in 2004 in conjunction with the medical billing service “PVS/Privatärztliche Verrechnungs-Stellen” in order to establish our own public-key infrastructure. medisign GmbH offers the multifunction signature card “medisign Card”, which ensures secure communication according to the strict requirements of the signature law. Apart from signature, authentication and ciphering, the medisign Card offers another concrete benefit: APO-Bank’s PC banking customers can generate their transaction numbers electronically with the help of the integrated electronic TAN

generator. In addition, the medisign Card can be used for secure online billing with the PVS and with the Association of Health Insurance Fund Dentists (Kassenzahnärztliche Vereinigung). Since the card’s successful start in spring 2004, medisign has meanwhile become the market leader for signature cards in the health care sector. It is also the first company to have received approval for “Zahnärzte Online Deutschland” (ZOD, Dentists Online Germany), so that the medisign Card is the first officially available “Health Professional Card” (HPC) in Germany. This development is particularly important in view of the introduction of the electronic health card in the year 2006 and the resulting need for an electronic physician card.

Expanded seminar offerings in response to demand for information

The paradigm shift initiated by the GMG, which permitted many different practice structures, led to a high demand for information about the new forms of cooperation. We responded to this demand by expanding our seminar offerings on topics such as “The future lies in cooperation” or “Together rather than alone – entrepreneurial concepts for the future”. Most of these seminars, which had been conceived by our subsidiaries “apoconsult” and “apokom”, were again organised in collaboration with the Associations of Statutory Health Insurance Physicians and some professional



associations (e.g. the Hartmannbund) – according to our business philosophy “partner for the medical professions”. Overall, in the year under review apoconsult offered 182 training events on all business subjects relevant to practice management. The seminars were attended by 7,600 participants.

As a result of the unchanged tight economic situation in the health sector, the seminars on offer still concentrated on matters of business management and liquidity. Very high demand was registered again for seminars on the subject of “Success in selling your practice” and “Selling your practice for a profit”. These seminars are part of the extensive service package offered by the Bank to all those members of the medical professions who intend to sell their practice to a successor in the foreseeable future. This service package includes brochures (“What is the value of my practice?”), checklists and a comprehensive file on those giving up their practice. The latter comprises about 250 practices for sale nationwide, offering a convenient way of seeking a suitable practice via the Bank’s own intranet in the course of a meeting with a consultant.

Information brochures in strong demand

Information brochures about business management matters were asked for very often again last year. The Bank provides them free of charge to its customers. Their subjects range from “My own practice” or “My own pharmacy” and “Together rather than alone” to “What is the value of my practice?”. In correspondence with the changes brought about by the GMG, the brochure “Together rather than alone” was significantly expanded in the year under review to include an extensive presentation of the new forms of cooperation as well as of comprehensive care. The revised versions of the brochures, some of them already in their 10th edition, have a circulation of 12,000 each.

Banking Operations

Industrialisation of internal banking processes continues

We regard the future-oriented optimisation of our internal processes as a direct means to reduce costs while enhancing quality. From this perspective, those areas responsible for banking operations performed not only back office tasks, but also took important decisions to promote the “industrialisation” of our internal settlement processes. The strategic objective of these activities is to further expand the distribution services offered by the Bank as well as its control divisions, and to apply standards based on the “industrial” division of labour in the process.

In accordance with this objective, the Bank’s regional back office units for payment and account maintenance took on additional back office tasks from the branches in the course of the year 2004. In particular, these tasks consisted in the complete current account and savings account settlement. This arrangement took a lot of workload off the branches.



Additional optimisation measures, particularly the greater use of electronic archiving systems, enabled the back office units to take on the new tasks without hiring additional staff.

Another focus of process optimisation was on the support of the lending business. In this context, an extensively expanded IT system with the name “APO Office Plus” was provided for automated contract creation in March 2004.

Improved IT infrastructure

As early as in 2002 we started to equip our IT applications with uniform navigation and operation tools, while new applications were consistently developed with a uniform “look” in order to facilitate user comfort and user guidance. In the year under review, another milestone was reached with the bank-wide transition of our mainframe applications for core accounting systems to web-based interfaces.

Apart from the optimisation of applications, the technical infrastructure of the branches

Increase in staff level



“In the course of ten years, the tasks of about 500 employees from the Bank’s branches were concentrated in five Regional Service Centres. As a result of process optimisation, economies of scale and the targeted use of IT for process automation, the tasks are now carried out by 215 employees in the Regional Service Centres, so that the “saved” personnel capacities could be used to strengthen distribution. During this time, however, the staff level was not reduced but increased in line with the Bank’s growth.”

Werner Albert Schuster, Member of the Board of Directors of Deutsche Apotheker- und Ärztebank



was renewed to a considerable extent in 2004. The main objectives were achieved, such as the installation of a demand-related, future-oriented infrastructure for the branch server network. We replaced our entire nationwide teller application for branches and major clients. Outside branch opening hours, a total of approximately 2,500 workplaces, 125 servers and 600 printers were switched over in 12 projects. In addition, quality and capacity – the so-called “bandwidth” – of connections between our branches increased. The optimisation measures also involved the selection of a new service provider for the technical support of the branches.

Successful implementation of supervisory law regulations

Work on the implementation of the organisational and technical preconditions for meeting the new Basel Capital Accord (“Basel II”) has made fast progress. The existing data in the IT systems were processed in conformity with Basel II, and the high quality of the rating process provided by our Basel II solution was confirmed both by the Federal Supervisory Office and by external reports. After the selection of the technical platform, implementation work began in the middle of the year.

Increase in provision for operational risks

In 2004, we greatly improved the Bank’s ability to deal with emergency situations in an adequate way that will limit the damage. APO-Bank has guidelines as well as organisational and technical regulations which ensure uniform procedures in case of emergency. For instance, as a means to improve our emergency management system on the basis of catastrophe scenarios – from partial power and EDP failure to “unusability” of the head office – we set up alternative rooms outside the main building in order to guarantee emergency operation. Besides this, the reliability of the mainframe was further enhanced.

Further improvements in Trading Operations

Considerable efforts were made in the Trading Operations Department to implement the master depositary bank concept. It was possible to use the existing technical platform for a concept which now operates a powerful master depositary bank concept for three pension funds. With regard to the attractiveness of this product from our customers’ point of view we have decided to install a new promising software platform.



Thus, communication with the asset management partners selected by the pension funds and with APO-Bank as depositary bank can be significantly improved, as well as the efficiency in expenditure and in work processes.

Another focus in the strategic development of securities operations is on the pre-selection of a new platform that is geared to future requirements. For this purpose, we started a project to define fundamental internal requirements and our customers' demands regarding a new securities platform, as well as to obtain a recommendation from a market survey. After receiving the results in April 2005 we could start with the concrete planning of the new concept.

For all our customers who are liable to income tax we have created a product, the "Annual Tax Certificate 2004", that does not only meet the statutory minimum requirements, but also helps our customers to complete their income tax returns by also showing the gains and losses from trading operations which are liable to capital gains tax.

Modernisation measures in the branches

In 2004, the Bank again pursued its strategy of maintaining the value of its real estate assets. Extensive façade and roof repairs were made at the branches in Koblenz and

Kassel. At the Aachen and Koblenz locations, the cash desk areas were updated to meet modern organisational and visual standards.

The Essen and Hamburg branches moved to new premises in their respective city centres. The branches have an attractive appearance with a modern, light and friendly environment. Service has been enhanced yet again by improved work processes and optimised space utilisation.

In February 2004, head office moved into its new building. The new building is characterised by its open, spacious and transparent construction. The offices are used in a "combined offices" style, which also includes the use of corridor space for teamwork and archiving purposes, thus contributing to the development of formal and informal communications. In just one year, the concept of open construction has received wide acceptance from our employees and has become part of the Bank's corporate culture. As regards customers and shareholders, in particular the use of the foyer for events and seminars met with great acceptance.

Old buildings still in use

The areas Central Payment Transactions, International Payment Transactions, Regional Service Centre West including APO Data-Service GmbH, and our computer centre have been

united under one roof. The building belongs to the complex of the old head office and has been brought up to current technical and visual standards.

combination with our new head office, facility management serves as a link between the individual, the workplace and the work process.

Reorientation of Facility Management

The move into our new head office has laid the foundation for a reorientation of facility administration and management, providing for the establishment of a modern facility management for all of the Bank's real estate and locations. We understand Facility Management as the integrated management of real estate with the objective to provide support in the areas of technology, economy, ecology and law over the entire life cycle of "planning - construction - operation - dismantling". In





What a nice day – just perfect for our match. I used to be in my practice at this time of day. Retirement has its advantages. Ah, here come my colleagues.

It is never too early to prepare for your well-deserved retirement. Therefore, we support our customers at all stages of their professional and private life, providing them with analyses and solutions for wealth formation and old-age provision.





Equity Capital

Further increase in capitalisation

With a view to international standards, we have again slightly increased the equity ratios, and the core capital ratio in particular, in spite of the very positive increase in the number of lending operations. The significant increase in equity capital by approximately Euro 300 m or 14.3 percent was due above all to a dynamic expansion of business credit and the strengthening of equity out of own funds. Moreover, we have issued participating certificate capital in the amount of Euro 80 m, which was mainly placed with our private customers.

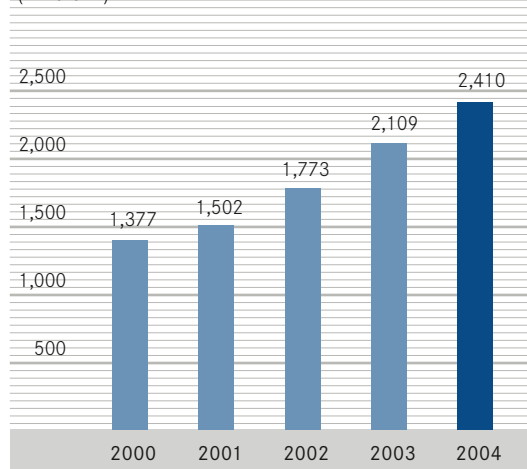
Increasing number of members

With the aid of successful sales activities, the Bank gained more than 5,000 new members in the Financial Year ended. The number of members rose on balance by 2,052 to 99,484. As a result of the entry of new members and the subscription of further shares by existing Bank shareholders, members' capital contributions rose by Euro 118 m. As a result, the Bank disposed of members' capital contributions for remaining members of Euro 763 m

as of 31 December 2004. We are quite aware that the subscription of member shares is almost certainly also due to the attractive returns for the members of our Bank. But we also assume that the rising number of members and members' shares can at the same time be taken as a sign of loyalty and lasting confidence on the part of health professionals in the certainty and continuing prosperous development of their profession's own Bank.

Liable equity capital as of 31.12.

(in Euro m)



Liabe equity capital of approx. Euro 2.5 bn

Independently of growth in equity from new members and the subscription of further shares by existing shareholders, the Bank strengthens its capital base whenever reasonable and necessary from funds that it generates itself. Supervisory Board and Board of Directors shall propose to the Annual General Meeting that a sum of Euro 47 m from the accounting profit of Euro 89.6 m be allocated to the open reserves and a comparably high dividend of 6% be distributed. As a result, the Bank will dispose of liable equity capital of Euro 2.48 bn after implementing the proposals for allocation to the reserves and distribution of the dividends.

Appropriation of profits	€
Accounting profit	89,638,419.28
Legal reserves	23,500,000.00
Other reserves	23,500,000.00
6% dividend	42,625,052.27
Carried forward for new account	13,367.01



Our Staff



Performance-related remuneration for customer advisers and investment consultants

In 2001, we introduced a system of performance-related remuneration for our senior executives. On the basis of the knowledge gained from this, we also developed a system of performance-related remuneration for the customer advisers and investment consultants in our branches. This system was set up in collaboration with representatives from all specialist areas and by borrowing from remuneration systems that currently exist in today's banking world. As a result, the profit contributions of customer advisers and investment consultants are calculated on the basis of previously stipulated criteria and with the help of certain weighting factors.

In the middle of the Financial Year, the plan was discussed with the central works council. Due to very good communication between representatives of employees and employers, a central works agreement was reached in next to no time. After that, information events were held in the branches in order to explain the new system to all customer advisers and investment consultants. The new system has been in operation since 1 January 2005.

New team structure in customer consulting

In the year 2003, we had delegated tasks out of the service teams of the branches into our subsidiary, APO Data-Service GmbH. The Bank's freed capacities were fully shifted to the area of sales in the form of the newly created position of team assistants. So since the fourth quarter of 2003, all 46 branches have gradually been adapted to the new organisational structure, tasks have been shifted into the subsidiary, and team assistants have been employed in the customer consulting teams.

Far more than 90% of the over 100 newly created team assistant jobs were filled internally with the Bank's own employees. These employees were prepared for their new jobs by way of a six-month "on-the-job" training scheme and in seminars.

In September of the year under review, we were able to successfully complete this reorganisation process. The team assistants support the Bank's customer advisers in preparing and reviewing consultancy services. Moreover, they ensure that our customers can contact the teams by phone.

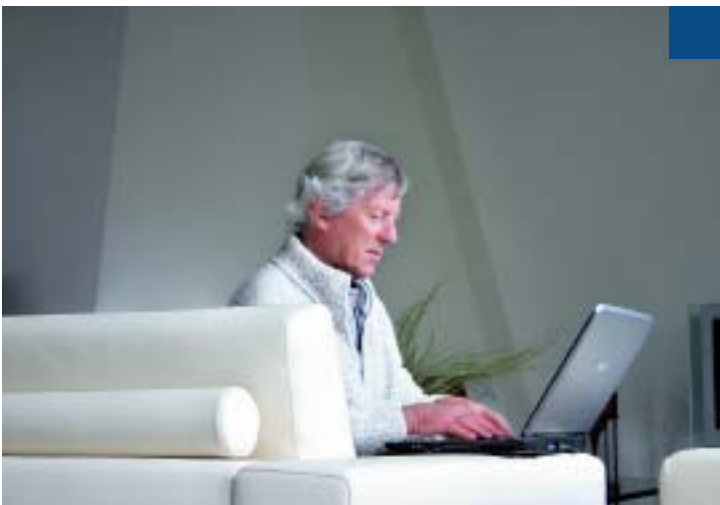
Employee survey

Since the last employee survey, held in 2001, we have started numerous Bank-wide projects and measures aiming at the optimisation of processes and business areas. These changes were to be studied in a new survey, whose purpose it was also to find out the current general atmosphere among the employees as well as to show the Bank's strengths and improvement potentials. With support from the geva-institut in Munich, which specialises in employee surveys, APO-Bank invited all its employees in January 2005 to express their opinion on questions of workplace, on cooperation, management and information as well as on current developments. The questionnaire had been worked out by a project group representing all functions and levels of the Bank as well as representatives of the works council. This time, the questions could be answered online, and about 95% of the participating employees made use of this opportunity. The very high

participation rate of 77% reflects our employees' interest in taking an active role in the Bank's transformation processes. Apart from a comparison with the employee survey 2001, the report on the survey results for the Bank as a whole also includes a benchmarking of the results against other companies which shows a clear trend towards higher satisfaction.

Conflict management

In the 2001 employee survey, the handling of conflicts had been identified as one of the issues that required improvement. Therefore, in continuation of the communication training, a seminar was developed that can help to cope successfully with difficult discussion situations. Conflicts arise every day, and they cost all those involved a lot of time and energy. Therefore, the new measures aimed at offering guidelines for the behaviour in conflict situations that went beyond the training.





For instance, apart from the one-day training courses for employees, management executives have an additional day for training their problem-solving skills in conflict situations.

Moreover, checklists are available on the intranet, informing about the causes of conflicts and serving for the preparation of conflict discussions. This does not prevent con-

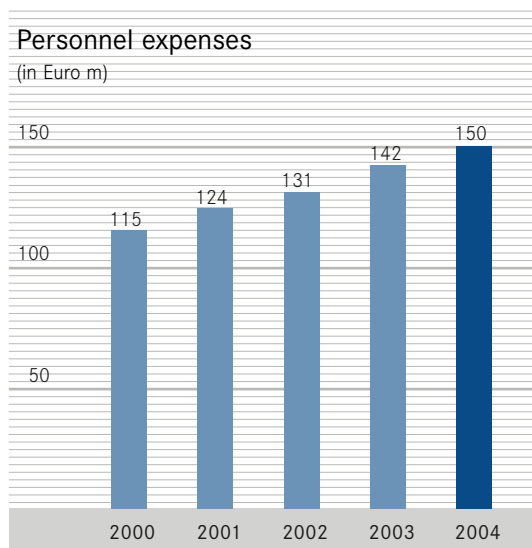


flicts from arising, and it does not always help to solve conflicts, but it shows that we set great store by a modern culture of conflict.

Personnel expenses

Personnel expenses increased by 5.8% to Euro 150.4 m in the year under review. This rise in personnel costs is primarily due to wage increases from collective bargaining as well as to new appointments in the branches and in the head office. Decisive for the new appointments were capacity expansions in the area of sales and the implementation of statutory requirements, as for example “Basel II”. In addition to the cost increases resulting from personnel measures, a considerable part is accounted for – as already in

2003 – by the allocation of reserves for part-time employment of pensioners, which has been very popular among our employees. The number of employees rose in 2004 by just under 2.5% to 1,959.



Risk Report

Risk management as core competence

Given the growth of the Bank and the expansion of its product range, we are increasingly faced with challenges in the management of credit risks, market risks and operative risks, to which we respond by continuing to improve our approaches to risk management. In the year 2004, we further developed risk management as a core skill to enable us to handle risks in a responsible and target-oriented manner in the future also.

Ability to bear risks

The basis of our risk management is the ongoing identification, measurement and monitoring of all risks arising from the business operations of the Bank. The Board of Directors has defined a general upper limit for the whole Bank that takes account of potential counterparty default risks, market price risks and operational risks. The Bank's ability to bear risks is monitored in conjunction with the operating profit before risk provisions and the upper limit according to the types of risks. Equity items or hidden re-

serves are not included in the calculation of ability to assume risks. The Bank's risk excess cover calculated in this way covered all potential risks, which are to be understood additively as a "worst case" in this report, at any time in the year under review, and satisfied the members' dividend rights including the tax due on the same.

Basel II

The aim of the new Basel Capital Accord is to safeguard the stability of the banking system and achieve bank supervision and capital backing which are sensitive to risks. Already in preceding years, an extensive bank-wide project was launched to implement the anticipated rules of the new Basel Capital Accord and the project manager reported to a "Process Steering Committee Credit" also comprising members of the Board of Directors. The project is going as planned, and we are confident that we will be able to apply the internal ratings-based approaches to the substantial credit portfolios at the beginning of 2007.

After the expansion of our internal rating procedures in the course of the year, an internal rating procedure is now used for all retail customers, except for loans to Bank employees. In addition, the rating procedure of the Bank Verlag (BV rating) was introduced for the company portfolio.

At the same time, the APO-Masterskala (APO master scale) was introduced to provide for the ranges of default probabilities to be assigned to individual rating categories. The APO-Masterskala makes the results of

the customer-group-specific internal and external rating procedures comparable, so that the same rating categories always have the same default probability, irrespective of the procedure used. Moreover, the APO-Masterskala makes it possible to transfer the rating results of external rating agencies or the KfW (Reconstruction Loan Corporation) to the rating categories of APO Bank.

Apart from the review of the default probabilities calculated by our procedures, the distinguishability of the internal rating pro-

Rating-oriented risk assessment



“The introduction of rating-oriented risk assessment has considerably changed and enhanced the Bank’s risk management. Apart from the advantages for Bank control, customers benefit from optimisation potentials in risk and process costs. With the introduction of APO-Rate, the APO-Bank has taken an important step towards successful acceptance of the internal systems for Basel II. For our customers, this is an opportunity they should take advantage of, and they can do so in open communication with the Bank.”

Günther Herion, Member of the Board of Directors
of Deutsche Apotheker- und Ärztebank

cedure – and hence its suitability for a Basel II IRB approach – is regularly validated by an independent external test.

We assume that sophisticated methods of risk measurement in combination with the Bank's favourable risk profile will reduce the equity burden. This is strongly confirmed by test calculations, also those done as part of our participation in the Quantitative Impact Studies (QIS) performed by the Bank's supervisory office, which were last carried out in the period from December 2004 to February 2005 (QIS 4).

Minimum requirements of lending business (MaK)

The regulations stipulated on 30 June 2004 within the framework of the "Mindestanforderungen an das Kreditgeschäft" (minimum requirements of lending business) were implemented within the specified period.

The separation of functions between the front office and back office had already been largely implemented by introducing the regional credit offices at the beginning of 1996 for lending business with branch customers. For the other areas of lending business – for example with corporate loans, counterparties from commerce and issuers of liquid investment stocks as well as participations – the organisational structure and the structuring of operations in conformity with MaK was introduced in good time in the Financial Year.

The risk guidelines, the Bank's portfolio structure as well as a concept for the ability to bear risks were combined in our credit risk strategy passed at the beginning of 2004, which is updated every year, and defined with binding effect for all employees of the Bank and its majority shareholdings.

This MaK-compliant strategic position paper makes the underlying principles and guides





for the handling of risks transparent to all employees of the Bank. We had positive experiences with the implementation in 2004, so that we were able to limit the 2005 revision mainly to an update of the business environment and editorial changes.

Organisation of risk management

Risk management describes the identification, measurement and control of the risks assumed as well as the methods and processes used. For the purpose not only of avoiding conflicts of interest, but also because of the complexity of the tasks involved and the transparency required by banking supervisory law, we have assigned these tasks to different organisational units. The Board of Directors is responsible for passing the credit risk strategy of the Bank and for implementing the risk guidelines for all types of risks.

The department of Corporate Planning/ Treasury is responsible for controlling the market and liquidity risks on the basis of the framework conditions passed by the Board of Directors. The Central Credit Office is responsible for controlling all counterparty default risks. Responsibility for measuring risks, reporting risks and for assuring the quality of risk data for all types of risks lies with the specialist department Risk Con-

trolling. The Auditing division subjects the organisational units involved in the risk management process and the agreed processes, systems and individual risks to a regular independent examination. Responsibility for the controlling and monitoring areas of the back office lies with a Board department, irrespective of the market divisions. The Sales Private Customers and Sales Organisations and Major Customers departments are responsible for the market function in the customer business.

As a supervisory body, the Supervisory Board and its Auditing Committee regularly meet to discuss the current risk situation as well as measures for risk control and limitation and are largely involved in decisions of major importance. Since 2004, this has also been done, among other things, by means of the quarterly risk report as per MaK.

Counterparty default risks

Counterparty default risks are understood as the potential losses that may arise as a result of the complete or partial default of a borrower or contractual partner. A distinction is made between borrowers ("classic" credit risk), business partners in trade and treasury (counterparty risk) or issuers of securities (issuer's risk). The counterparty

Volume

in Euro m including contingent liabilities as of 31 December 2004

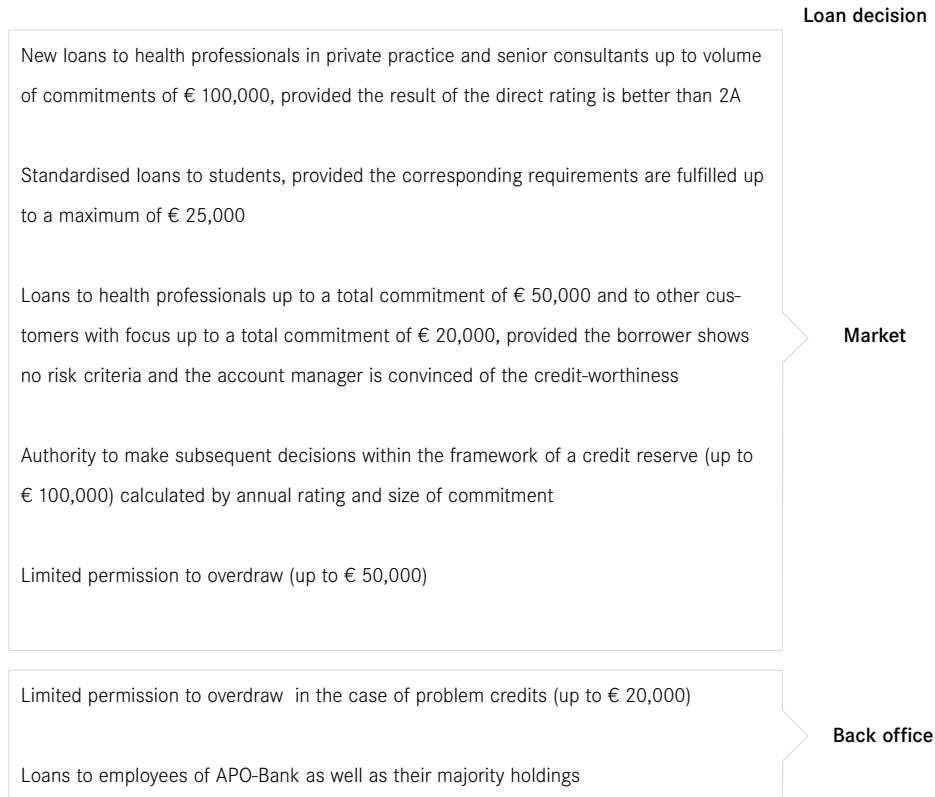
	Loans to private customers/ branch business	Loans to organisations and major clients	Receivables from financial instruments	Participations and shares in affiliated undertakings	Total
Credit lines/ limits	21,840	2,433	26,829	62	51,164
thereof used	17,555	1,421	9,364	62	28,401

default risk is limited and monitored in each area by means of individual and portfolio caps. This takes account of both individual risks and also the group exposure/the risk category.

The branch customers' counterparty default risks are controlled via six regional credit offices assigned to the Central Credit Office in collaboration with the branches. The loan applications, which are made by the branches and given a market vote, are processed in the regional credit offices and assigned the assessment of the back office. On the basis of liquidity calculations prepared for each individual customer that take account of the previously available or forecast income figures and the degree of debt of the customer, a check is made using further parameters as

to whether the customer's investment wishes appear feasible financially. Many years of experience in dealing with the medical profession are an indispensable requirement to arrive at a balanced credit assessment during this examination. The subsequent decision is made, dependently of rating and size class, in a combined business competence of front office and back office. For the private customer/branch business portfolio, we have defined the low-risk business, where loan decisions are made according to the two-eye principle, as follows:

Low-risk business

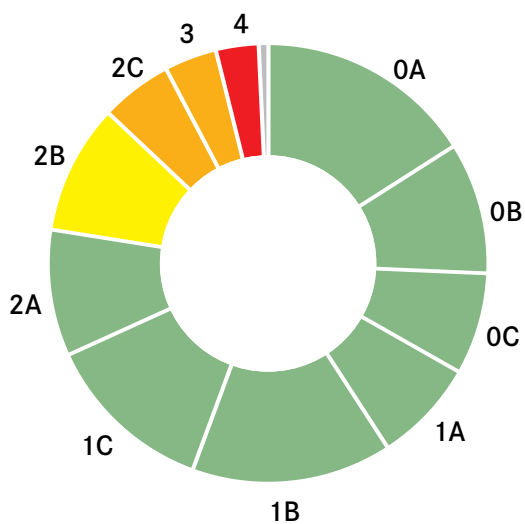


The existing procedures of intensive management and problem credit management were adjusted according to the requirements of the MaK. Intensive management includes the elaboration, together with the customer, of a catalogue of measures to solve liquidity or yield problems with the goal to return to normal management of the customer as quickly as possible. Within the framework of problem

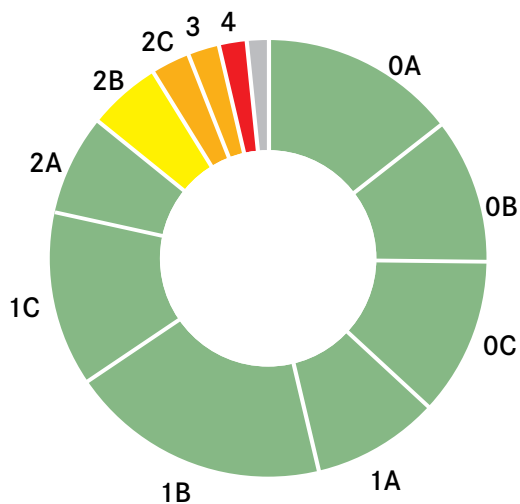
credit management, the customer is supported mainly by the risk teams formed in the regional credit offices. Their task is to assist the customer in this period of financial recovery or, if financial recovery of the customer's commitment is impossible, to pursue the termination of the commitment.

Rating class distribution in the Private Customers/Branch Business portfolio

Volume distribution (in € m)
 on the basis of loans taken
 total € 17,555 m



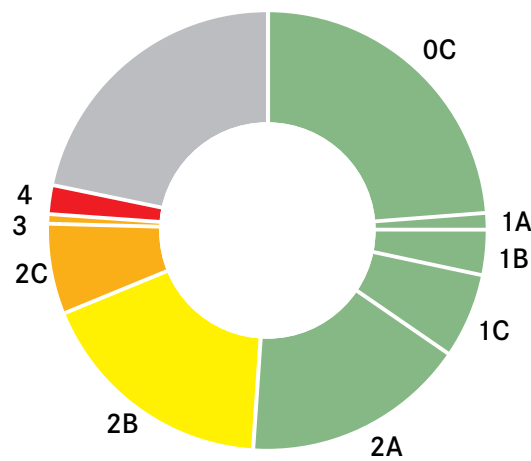
Distribution of borrowers
 on the basis of loans taken
 total 105,525



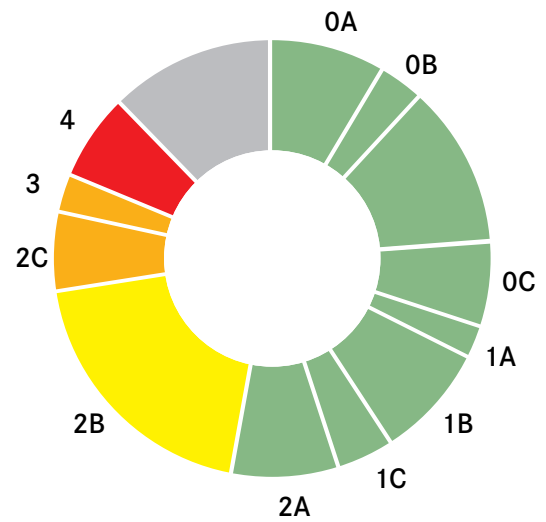
Rating class	Meaning
0A	Commitments impeccable as regards credit-worthiness. No risk factors.
0B	
0C	
1A	Commitments good as regards creditworthiness with individual risk factors
1B	
1C	
2A	Commitment with low risks
2B	Commitment with greater risks
2C	High-risk commitments
3	Higher-risk commitments
4	Commitments threatened by default (according to Basel II definition) - Commitments overdue by more than 90 days - Commitments for which a loss provision was already allocated in the previous year or a loss provision was made in the current year - Write-offs - Insolvency
	No rating

Rating class distribution in the Organisations and Major Customers portfolio

Volume distribution (in € m)
 on the basis of loans taken
 total € 1.421 m



Distribution of borrowers
 on the basis of loans taken
 total 277



We have assigned professional associations, companies in the medical sector and new medical care structures to the Organisations and Major Customers portfolio. On the market side, the “Sales Organisations and Major Customers” department is responsible for the management of risks assumed as well as for the initial vote. The Central Credit Office is responsible for risk control and credit processing.

As regards the Corporate Clients portfolio, risk is concentrated in rating classes 2A and 2B, although rating class 2B cannot be inter-

preted as increased risk, because it is typical for a Corporate Clients portfolio of small and medium-sized companies. In the course of the next few months, the volume of commitments that have not yet been rated will be reduced through the full implementation of rating.

Ratingclass distribution in the Financial Instruments portfolio*

Volume distribution (in € m)
 on the basis of loans taken
 total € 9,346 m



Long-term ratings		Short-term ratings	
Securities, derivatives, ABS, foreign exchange	AAA	Money dealings, commercial papers	A-1+
	AA		A-1
	A		A-2
	BBB		A-3
	above BB		B
			No rating

* includes money dealings, liquid investments and derivatives
 ** on the basis of external ratings of the rating agencies S & P, Moody's and Fitch

The Financial Instruments portfolio comprises the money and capital market investments and derivatives of the Treasury/ Liquidity Management division. The liquidity and profit-oriented investment of free funds serves the liquidity and balance sheet structure management as well as the control of the Bank's aggregate interest position. The Central Credit Office is responsible for the control of default risks, the Risk Controlling division for the monitoring. The unrated parts of the portfolio are mainly accounted for by interbank balances and an unrated special fund, which includes only ABS transactions with AAA ratings. In order to reduce the counterparty default risk from derivative commercial transactions, we entered into multi-product master netting agreements. Moreover, a collateral management system will be introduced in the 2005 Financial Year.

The responsible specialist departments and investment committee continually monitor the development of the investments and report to the Board of Directors, for example about the quarterly investment report. The Supervisory Board and the Economic and Financial Committee are informed at regular intervals of developments in the investments portfolio and involved in decisions.

As part of the bank-wide "Basel II" project, the Bank develops further advanced methods specially tailored to the needs of the Bank

Analysis of Limit Exploitation 2004 on the key date

(maximum 100% in each case)

	31.03.2004	30.06.2004	30.09.2004	31.12.2004
Market price risks				
Currency risks				
Foreign currency/foreign notes and coins/ precious metal				
	29.3 %	28.6 %	28.6 %	18.9 %
Risk of changes in interest rates				
Money dealings	41.5 %	32.2 %	44.6 %	23.8 %
Liquidity reserve	51.4 %	26.0 %	49.4 %	63.3 %

for the analysis and control of the credit risk at portfolio level. For selected portfolios, the credit risk portfolio model CreditMetrics will be introduced in 2005 as a more sophisticated control instrument. The quantitative processes and methods already implemented help to recognise and control risk concentrations.

Market price risks

We understand market price risks as the potential loss that can arise as a result of interest rate and market price volatilities on the markets for our items. Commercial transactions are performed only within the limits of clearly defined rules on competence. Only those products may be traded that have passed through an introduction

process for new products before. We have limited the type, scope and risk potential of the transactions by an internal bank limit system. The limits set for market price risks were adhered to at all times in the year under review.

Risks of changes in interest rates for the whole Bank

The Company Planning division is responsible for the control of the risks of changes in interest rates for the whole Bank. To this purpose, simulation and scenario calculations are set up by means of various interest rate scenarios that are included in the Bank's planning calculations.

Liquidity risks

The liquidity risk represents the risk that the Bank fails to meet its present and future payment obligations at all, in full or on time. The Treasury/Liquidity Management division is responsible for controlling the liquidity risk. The liquidity reserve of the Bank was significantly extended as in previous years, while the excellent credit risks remained unchanged.

Country risks

No limits were stipulated for country risks due to their small extent. As far as a commitment is exposed to country risk through transactions in foreign countries, this risk is covered by the existing commitment. The existing country risks mainly concern countries of the European Union and the USA; other countries can only be concerned in the case of structured financial products. However, the Bank does not include emerging market risks in its portfolio.

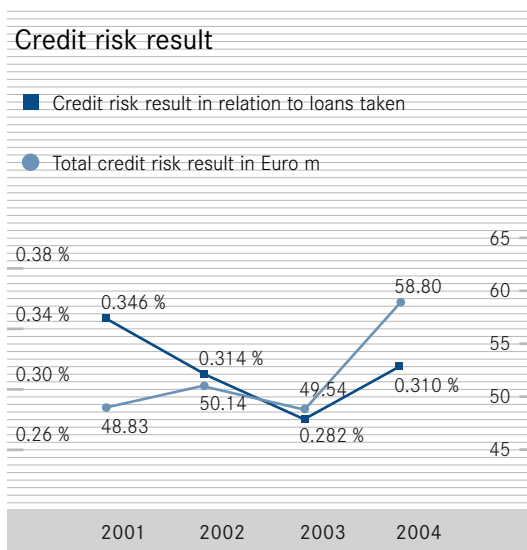
Operative risks

We understand operative risks as the risks of losses that occur as a result of the failure or inappropriateness of internal processes, humans and systems or through external events. Control instruments for the manage-

ment of operative risks were further developed in the Basel II part project "Operative Risks". For this purpose, a damages database was established for the damages that occur in the business areas.

Risk provisioning and special risk developments

As in past Financial Years, the Bank made sufficient provision for all credit risks as of 31.12. 2004. The graphic shows the detrimental effects on the profit and loss account of the bad debt provisions since 2001:



Risk provisioning was characterised by an individual risk in the company portfolio, which accounted for approximately 25% of the total bad debt provisions in the year under review. We assume that the potential risk from this commitment is fully covered. In the core business with private customers, we were able to post, among other things due to the measures for the early identification of risks, a significantly lower bad debt provision rate than in the previous year.

In January 2005, the Bank received a statement of claim from the BKK für Heilberufe. Its contents are as follows:

- The loan to the BKK für Heilberufe is said to have been illegal, so that there was no redemption claim of at least EUR 113 m.
- Damages are claimed against the Bank to the amount of EUR 391 m, since the BKK had increased its contribution rates too late because of the loan. The Bank responded to the complaint by filing a motion to dismiss the case. In summary, the following can be stated:
 - The Bank is entitled to full repayment of the loans granted. The loan is based on a liquidity safeguarding agreement between the BKK für Heilberufe, the Land association of BKK NRW and APO-Bank. Moreover, the repayment obligation results from § 222 (5) of the Social Security Code (SGB V).

- Damage claims cannot be derived from the explanation of the case in the statement of claim.

- The Bank considers the action by the BKK für Heilberufe to be unfounded.

According to this assessment, no provisions were made for the litigation.

No major additional risks arose after the balance sheet date. We expect the credit risk result rate to be at the same level as the average of the Bank in recent years also in the current year.

Rating

Deutsche Apotheker- und Ärztebank has regularly subjected itself to critical review and credit analysis by the renowned and internationally recognised rating agencies Moody's and Standard & Poor's since 1998 and 1999 respectively. The Bank is assigned both a long-term and a short-term rating. These ratings take into account all risk aspects that are relevant for the credit-worthiness of a financial institution, including the ability to meet future deposit obligations. Contrary to the sector trend prevailing in the more recent past, the previous long-term rating of the APO-Bank of "A2" (Moody's) and "A-" (Standard & Poor's)* was confirmed again by both agencies - in both cases with a stable outlook. The Bank's short-term ratings remain unchanged at "Prime 1" (Moody's) and "A-2" (Standard & Poor's)*.

Major reasons for this constantly good credit rating are the stable underlying financial data and the good risk profile of our Bank, its market position and the capability for the future of its focused business model as well as the Bank's participation in the security systems of the German cooperative banking sector. The positive estimation of the rating agencies and the confidence in the long-term credit-worthiness of the Bank is also reflected in the - yet again extended - base of international investors.

*Rating agency Standard & Poor's raised its ratings on Deutsche Apotheker- und Ärztebank from "A-" to "A" (long-term rating) and from "A-2" to "A-1" (short-term rating) on 29 July 2005. The outlook remains stable.



Outlook

Customer needs and profitability in focus

We continued our efforts to perfectly meet the needs of our customers and to orient the Bank's profitability on international standards with the same degree of intensity. Great importance was still assigned to maintaining the good quality of assets and the maintenance of an adequate capital base.

Ambitious targets also for 2005

To provide the basis for a successful development in the Financial Year 2005, we continue to strive for quality-based growth in the lending business and the associated cross-selling products. Under these premises, another rise in net interest income should be possible. We assume that commission income will again exceed the exceptionally good 2004 level. We anticipate a moderate rise in costs compared to the previous year, since we have again increased the budget for strategic investments in the future. As we want to continue to streamline processes, the cost-income ratio is likely to improve again. Regarding return on equity, we do not expect a decline.

Further improvement in results

Based on these prerequisites that accord with the results of the first quarter of 2005, we expect that the operating profit before risk provision will again exceed the corresponding value of the previous year. As a result, the cost-income ratio improves again from 58 % in the previous year to around 56 % in 2005. The interest margin is likely to remain largely stable.

Stable risk situation and capitalisation

In 2005 the risk provisioning for the lending operations will continue to exhibit the same stable development as in previous years. It reflects the solid credit quality and takes account of the Bank's organic lending growth.

In spite of the huge growth in lending operations, the core capital ratio will remain around the level of the previous year, especially as we have contributed to this through a dynamic allocation to reserves.

With a view to the capital level achieved and the implementation of Basel II, which we expect to ease the pressure on equity capital due to the quality of our loan portfolio, we are planning to adjust the dynamic expansion of capital shares correspondingly for 2005.

Good description anticipated for 2005

If we describe the 2004 Financial Year as “more than satisfactory”, then, as things look today, this assessment will almost certainly apply to the current year 2005.

Getting fit for the future



“After very successful results in 2004 and a promising start into the new year, it may seem strange to call for strict cost discipline and even higher profitability. However, APO-Bank is in fierce competition with its rivals, which have rediscovered private customers working on a freelance basis. Therefore, already today we need to be aware of the challenges we will face, to see the changes as chances and to make the Bank fit for the future from a position of strength.”

**Günter Preuß, Spokesman of the Board of Directors
of Deutsche Apotheker- und Ärztebank**



Report of the Supervisory Board

In performance of its duties in accordance with the statutes and Articles of Association, the Supervisory Board ensured that it was regularly kept informed in the course of the Financial Year by the Board of Directors of all significant events at its regular meetings, meetings of the Audit, Credit and Risk Committee, the Economic and Financial Committee as well as the Personnel Committee.

Discussed were fundamental matters of business policy in the investment and lending sector and in the other service areas as well as the development of results and important individual events. The economic changes in the medical sector and their effects on the Bank were given special consideration. The transactions presented for approval on the basis of provisions in statutes and in the Articles were discussed in depth.

Moreover, the general economic situation of the medical professions, the promotional measures designed by the Bank in this connection to stabilise the financial base of its clients and the projects and measures within the framework of internal optimisation and the strategic and future orientation of the Bank were the subject-matter of detailed discussions.

The firm of auditors, PwC Deutsche Revision AG Wirtschaftsprüfungsgesellschaft, performed the audit of the Annual Financial Statements and of the Management Report for the 2004 Financial Year. According to the unqualified auditor's opinion, they conform to the law and the Articles. The Supervisory Board has acknowledged the results of the audit with approval. The Supervisory Board has examined the Annual Financial Statements and Management Report and, after completing its subsequent examination, found them to be correct and approves the proposal of the Board of Directors for the appropriation of profits. The proposal accords with the provisions of the Articles of Association.

The “Corporate Governance Code of the Deutsche Apotheker- und Ärztebank” was adapted to satisfy new requirements. The current version of the code and the mutual declaration of conformity by the Supervisory Board and the Board of Directors are published on the Bank’s Internet site. The mutual declaration of conformity is reproduced in this Annual Report, too.

In accordance with Article 24(8) of the Articles of Association, leaving the Supervisory Board this year is:

Gerhard Reichert, Pharmacist
Dr. med. Manfred Richter-Reichhelm
Dr. med. dent. Wilhelm Osing

Re-election is possible.

In its meeting on 4 March 2004, the Supervisory Board appointed Dr. rer. pol. Franz Georg Brune to the Bank’s Board of Directors. Dr. Brune assumed his duties as a member of the Board of Directors of Deutsche Apotheker- und Ärztebank on 1 October 2004.

In their joint meeting on 20 March 2003, the Supervisory Board and the Board of Directors appointed bank director Günter Preuß to succeed bank director Werner Wimmer as spokesman of the Board of Directors. Mr Preuß took on this task on 1 July 2004.

Mr. Preuß celebrated his 60th birthday on 8 February 2005. On the occasion of this special birthday, the Supervisory Board would like to express its sincere thanks and special appreciation to Mr. Preuß for his great commitment in the interests of the Bank as well as for his role in the successful development of the institute from a “bank for the medical professions” into the “partner of the medical professions”.

Bank director Jürgen Helf is leaving the Bank’s Board of Directors on reaching the age limit on 30 June 2005. The Supervisory Board takes the opportunity of

Mr. Helf's forthcoming retirement to express its sincere thanks to him for the long years of committed efforts. In the 37 years of his work for the Deutsche Apotheker- und Ärztebank, 17 years of which were spent with responsibility as a member of the Board of Directors, he has made a major contribution to the success of our Bank.

Düsseldorf, May 2005

The Supervisory Board

Dr. med. dent. Wilhelm Osing
Chairman

Annual Declaration of Conformity based on
§ 161 Stock Corporation Act (AktG)

The Board of Directors and the Supervisory Board of Deutsche Apotheker- und Ärztebank eG (APO-Bank) declare that the recommendations of the government commission “German Corporate Governance Code”, published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette (Bundesanzeiger) on 4 July 2003 were complied with, but for the following exceptions:

- 1) *The Bank undertakes to adhere to this Code while complying with the requirements of the Cooperative Societies’ Act (Genossenschaftsrecht) which the Bank must apply as a registered cooperative.*

This has led to deviations from the recommended standard of the Code primarily in the following regulatory areas:

- Shareholders and General Meeting (Article 2 of Code)
- Takeover offers (Article 3.7 of Code)
- Performance-related compensation of the Supervisory Board (Article 5.4.5 of Code)
- Audit of Annual Financial Statements (Article 7.2 of Code).

- 2) *If the company takes out a D&O (directors’ and officers’ liability insurance policy for the Board of Directors and the Supervisory Board), a suitable deductible shall be agreed (Article 3.8 of the Code).*

No deductible has been agreed as yet for the Directors’ & Officers’ insurance for the Board of Directors and the Supervisory Board.

We are of the opinion that a contribution deductible from the claims settled under the D&O insurance is not conducive to providing an additional incentive for Board members to act in accordance with their responsibilities. Moreover, the Board member continues to have criminal law liability in the event of grossly negligent acts or breach of trust, without prejudice to the terms of the D&O insurance.

- 3) *The chairperson of the Supervisory Board shall outline the underlying principles of the compensation system and any changes thereto to the General Meeting (Article 4.2.3 of the Code).*

The underlying principles of the compensation system and any changes to them are published in the Annual Report. This is available to the Annual General Meeting at the time of adopting the Annual Financial Statements.

- 4) *Compensation of the members of the Board of Directors shall be reported in the Notes of the Consolidated Financial Statements subdivided according to fixed, performance-related and long-term incentive components. The figures shall be individualised (Article 4.2.4 of Code).*

The remuneration paid to members of the Board of Directors is shown in summarised form in the Notes to the Annual Financial Statements. The performance-related portion of total remuneration is quoted as an average percentage. These details are important for the assessment of whether the division of the remuneration into guaranteed and performance-related portions is reasonable and the necessary performance incentives are created for members of the Board of Directors. There are currently no remuneration components with long-term incentive effects, such as stock options or similar arrangements.

- 5) *Compensation for members of the Supervisory Board should also take account of the exercising of the Chair and membership of committees (Article 5.4.5 of Code).*

The chairpersons and committee members currently receive no additional remuneration.

- 6) *Compensation for the members of the Supervisory Board should be shown individually in the Notes to the Annual Financial Statements and subdivided according to components (Article 5.4.5 of Code).*

The Annual General Meeting defines the amount of fixed remuneration. Performance-related remuneration is not permitted by the regulations of the Cooperative Societies' Act (Genossenschaftsgesetz). We consider the information on the overall remuneration of the Supervisory Board to be adequate.

- 7) *The Consolidated Financial Statements and interim reports shall be prepared under observance of internationally recognised accounting principles (Article 7.1.1 of Code).*

The Annual Financial Statements and interim reports are prepared in accordance with the commercial law provisions of the national regulations of the Commercial Code (HGB) that also form the basis for taxation.

Düsseldorf, 10 März 2005

For the Supervisory Board

Dr. med. dent. Wilhelm Osing

The Board of Directors

Günter Preuß
Dr. Franz Georg Brune
Gerhard K. Girner
Jürgen Helf
Günther Herion
Werner Albert Schuster

We pay our respects to our departed members

Dr. Ursula Auerswald

Dr. Hans Bonath

Dr. Karl Hans Metzner

Dr. med. Ingeborg Retzlaff

Dr. Bodo Rischke

Knut Vocke, Pharmacist

The deceased were closely associated with our Bank as committee members. We have lost good friends and esteemed helpers who endeavoured to advance our Bank.

We shall continue to honour them in our thoughts.

Financial Statements for 2004

Balance Sheet

Profit and Loss Account

Notes

Assets	€	€	€	€	Previous year in € thousand
1. Cash reserves					
a) Cash on hand			21,308,141.26		20,867
b) Cash in central banks			31,478,061.66		100,023
Including: with Deutsche Bundesbank	31,478,061.66				(100,023)
c) Cash in post office giro accounts			0.00	52,786,202.92	0
2. Debt instruments of public agencies and bills of exchange eligible for refinancing with central banks					
a) Treasury bills and non-interest-bearing treasury notes and similar debt instruments of public agencies			0.00		0
Including: eligible for refinancing with Deutsche Bundesbank	0.00				(0)
b) Bills of exchange			0.00	0.00	0
Including: eligible for refinancing with Deutsche Bundesbank	0.00				(0)
3. Loans and advances to banks					
a) Due on demand			110,542,528.58		153,795
b) Others			1,666,001,413.47	1,776,543,942.05	1,176,236
4. Loans and advances to customers				18,206,302,519.43	16,837,222
Including: secured by mortgages	2,873,168,720.81				(2,555,488)
Municipal loans	241,085,012.81				(249,664)
5. Debt securities and other fixed-interest securities					
a) Money market papers					
aa) of public issuers		0.00			0
Including: eligible as collateral with Deutsche Bundesbank	0.00				(0)
ab) of other issuers		860,614,049.05	860,614,049.05		1,467,291
Including: eligible as collateral with Deutsche Bundesbank	49,816,748.00				(0)
b) Bonds and debt securities					
ba) of public issuers		100,291,505.18			100,305
Including: eligible as collateral with Deutsche Bundesbank	100,291,505.18				(100,305)
bb) of other issuers		3,680,944,624.04	3,781,236,129.22		3,426,352
Including: eligible as collateral with Deutsche Bundesbank	2,312,633,312.25				(2,177,076)
c) Own debt securities			79,125,500.47	4,720,975,678.74	99,802
Nominal amount	76,961,631.71				(97,177)
6. Shares and other non-fixed-interest securities				1,496,638,061.59	1,309,738
7. Participating interests and capital shares in cooperatives					
a) Participating interests			7,415,142.47		7,361
Including: in banks	277,406.64				(277)
in financial services institutions	0.00				(0)
b) Capital shares in cooperatives			6,248,794.13	13,663,936.60	6,249
Including: in cooperative banks	6,240,102.26				(6,240)
in financial services institutions	0.00				(0)
8. Shares in affiliated undertakings				47,863,389.89	47,766
Including: in banks	3,429,320.24				(3,600)
in financial services institutions	1,292,236.21				(1,292)
9. Trust assets				2,824,986.78	2,900
Including: loans for third-party accounts	87,466.15				(162)
10. Compensation claims against the public sector, including debt securities from their exchange				0.00	0
11. Intangible assets				0.00	0
12. Tangible assets				218,828,684.57	209,696
13. Other assets				748,655,928.95	569,770
14. Prepayments and accord items				63,510,759.30	61,075
Total assets				27,348,594,090.82	25,596,448

Liabilities	€	€	€	€	Previous year in € thousand
1. Liabilities to banks					
a) Due on demand			415,913,271.78		1,063,251
b) With agreed term or period of notice			5,606,208,912.90	6,022,122,184.68	5,103,230
2. Liabilities to customers					
a) Savings deposits					
aa) With agreed period of notice of three months	231,286,663.52				247,307
ab) With agreed period of notice of more than three months	287,989,249.15	519,275,912.67			295,914
b) Other liabilities					
ba) Due on demand	4,280,184,488.99				4,132,815
bb) With agreed term or period of notice	6,088,317,583.80	10,368,502,072.79	10,887,777,985.46		5,399,677
3. Certificated liabilities					
a) Debt securities issued			7,502,327,893.15		6,891,557
b) Other certificated liabilities			0.00	7,502,327,893.15	0
Including: money market papers	0.00				(0)
own acceptances and promissory notes outstanding	0.00				(0)
4. Trust liabilities				2,824,986.78	2,900
Including: loans for third-party accounts	87,466.15				(162)
5. Other liabilities				351,367,929.12	263,176
6. Deferred income and accruals				101,338,827.09	103,633
7. Provisions					
a) Provisions for pensions and similar obligations			82,698,252.00		72,800
b) Tax provisions			35,275,180.00		25,457
c) Other provisions			20,494,292.29	138,467,724.29	19,929
8. Special items with a reserve element				0.00	0
9. Subordinated liabilities				341,351,300.32	237,804
10. Participating certificate capital				459,968,427.72	379,968
Including: due within two years	163,613,401.98				(112,484)
11. Fund for general banking risks				52,000,000.00	42,000
12. Equity capital					
a) Subscribed capital			923,453,951.14		804,453
b) Capital reserves			0.00		0
c) Revenue reserves					
ca) Legal reserves	237,721,584.96				219,222
cb) Other revenue reserves	238,232,876.83	475,954,461.79			219,733
d) Accounting profit		89,638,419.28	1,489,046,832.21		71,622
Total liabilities				27,348,594,090.82	25,596,448
1. Contingent liabilities					
a) Contingent liabilities from rediscounted, settled bills		0.00			0
b) Liabilities from guarantees and indemnity agreements	303,920,280.81				278,205
c) Collateral furnished for third- party liabilities		0.00	303,920,280.81		0
2. Other obligations					
a) Obligations under optional repurchasing agreements		0.00			0
b) Placement and underwriting obligations		0.00			0
c) Irrevocable loan commitments	1,388,184,803.26	1,388,184,803.26			1,112,235

Profit and loss account				Previous year
for the period from 1 January 2004 to 31 December 2004				in € thousand
	€	€	€	€
1. Interest income from				
a) Lending and money market transactions	1,004,275,185.92			953,943
b) Fixed-interest securities and debt register claims	160,942,048.57	1,165,217,234.49		140,226
2. Interest expenses		773,660,177.41	391,557,057.08	727,366
3. Current income from				
a) Shares and other non-fixed-interest securities		52,404,278.86		31,942
b) Participating interests and capital shares in cooperatives		522,050.71		471
c) Shares in affiliated companies		1,696,847.37	54,623,176.94	161
4. Income from profit pooling, profit transfer agreements or partial profit transfer agreements			0.00	0
5. Commission income		142,921,050.94		118,225
6. Commission expenses		52,200,454.14	90,720,596.80	38,119
7. Net income from financial transactions			9,210,024.34	8,953
8. Other operating income			10,979,308.28	10,449
9. Income from release of special items with a reserve element			0.00	0
10. General administration costs				
a) Personnel expenses				
aa) Wages and salaries	120,991,047.18			114,371
ab) Social security contributions and expenses for pensions and benefits	29,367,226.42	150,358,273.60		27,858
Including: for pensions	10,252,839.83			(9,294)
b) Other administration costs		140,598,346.68	290,956,620.28	124,708
11. Depreciation and value adjustments in respect of intangible and tangible assets			18,900,180.05	16,333
12. Other operating expenses			12,911,472.98	11,807
13. Write-offs and value adjustments in respect of receivables and specific securities and allocations to provisions for credit risks		63,312,951.78		53,417
14. Income from write-ups of receivables and specific securities and write-backs of provisions for credit risks			0.00 -63,312,951.78	0
15. Write-offs and value adjustments in respect of participating interests, shares in affiliated undertakings and securities treated as fixed assets		1,867,746.25		5,533
16. Write-ups in respect of participating interests, shares in affiliated undertakings and securities treated as fixed assets			0.00 -1,867,746.25	505
17. Expenses from the absorption of losses			227,296.47	0
18. Transfers to special items with a reserve element			0.00	0
19. Profit on ordinary activities			168,913,895.63	145,363
20. Extraordinary income		0.00		0
21. Extraordinary expenditures		0.00		0
22. Extraordinary profit/loss			0.00	(0)
23. Taxes on income		68,978,814.87		73,399
24. Other taxes not indicated in item 12		333,110.05	69,311,924.92	354
24a. Transfer to fund for general banking risks			10,000,000.00	0
25. Distributable profit			89,601,970.71	71,610
26. Profit carried forward from the previous year			36,448.57	12
			89,638,419.28	71,622
27. Withdrawals from revenue reserves				
a) From the legal reserves		0.00		0
b) From other reserves		0.00	0.00	0
			89,638,419.28	71,622
28. Allocations to revenue reserves				
a) To the legal reserves		0.00		0
b) To other reserves		0.00	0.00	0
29. Accounting profit			89,638,419.28	71,622

A. General information

- No remarks.

B. Explanation of the accounting, valuation and translation methods

- In preparing the balance sheet and profit and loss account, the following accounting and valuation methods were used:

Loans and advances from 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 deferred income and accruals. Identifiable credit risks arising in loans and advances to customers are covered by individual value adjustments. A global value adjustment was carried out in respect of latent credit risks with consideration given to tax guidelines. Additional provisions were made for the specific risks of the business with credit institutions.

Current asset securities 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 latter valuation has changed compared to the previous year. Depreciation of € 251,753 was not applied because there was no permanent diminution in value. Securities procured in connection with interest rate swaps were combined with these into one valuation unit. Securities with a nominal volume of € 1.8 bn on the balance sheet date were hedged by asset swaps.

We calculated the acquisition costs for securities of the same type using the averaging method.

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

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

Non-scheduled depreciation of € 337,580 was required for office and business equipment from the head office that was no longer required.

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

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 deferred items and written back on an accrual basis. Discounted savings certificates and debt certificates were carried at cash value.

We made provisions for all current and accrued pension rights in accordance with actuarial principles applying the fiscal interest rate. Adequate provisions were also made for other uncertain liabilities.

- Items based on amounts in foreign currency or which were originally based on foreign currency, were translated to EURO as follows:

Fixed assets were valued at historical costs.

Foreign currency receivables and liabilities and cash transactions not completed by the balance sheet date were translated at the spot rate in accordance with § 340h (1) of the German Commercial Code (HGB). In the year under review, the Bank for the first time translated foreign currency liabilities secured by cross-currency swaps also at the spot rate on the balance sheet date. The corresponding valuation result was neutralised by an offsetting item.

C. Statement of Fixed Assets 2004 (EURO, rounded)

	Acquisition/ production costs	Additions	Write-ups	Transfers (+ / -)	a) Disposals b) Subsidies	Depreciation (cumulative)	Book values on balance sheet day	Depreciation in Financial Year
	€	€	of the Financial Year €	€	€	€	€	€
Intangible assets	0	0	0		a) 0 b) 0	0	0	0
Tangible assets:								
a) Land and buildings	249,991,267	14,177,295	0	-5,472,075	a) 7,965,098 b) 0	72,307,113	178,424,276	6,576,427
b) Office furniture and equipment	111,541,162	18,413,030	0	5,472,075	a) 30,655,894 b) 0	64,365,964	40,404,409	12,323,753
a.	361,532,429	32,590,325	0	0	38,620,992	136,673,077	218,828,685	18,900,180

	Acquisition costs	Changes (netted)	Book values on balance sheet day
	€	€	€
Long-term securities	12,222,132	110,558,710	122,780,842
Participating interests and capital shares in cooperatives	13,609,751	54,186	13,663,937
Shares in affiliated undertakings	47,765,804	97,586	47,863,390
b.	73,597,687	110,710,482	184,308,169
Total of a and	435,130,116		403,136,854

D. Notes to the Balance Sheet and the Profit and Loss Account

1. Balance Sheet

• Loans and advances to banks include € 402,522,556 of receivables from the relevant central institution of cooperative banks (Westdeutsche Genossenschafts-Zentralbank eG).

• The receivables shown in the balance sheet have the following maturities: (previous year's figures in brackets)

	Accrued interest	up to three months	more than three months to one year	more than one year to five years	more than five years
	€	€	€	€	€
Other loans and advances to banks (A 3b) (excluding building society deposits)	320,922,854 (302,818,761)	976,190,740 (623,125,796)	230,258,631 (191,662,819)	56,129,188 (56,129,188)	82,500,000 (2,500,000)
Loans and advances to customers (A 4)	1,335,036 (1,657,722)	342,703,396 (338,742,409)	612,628,790 (573,806,149)	4,425,118,346 (4,003,800,216)	10,689,756,391 (9,643,673,022)

	Receivables from			
	Affiliated undertakings		Associated companies	
	Financial Year	Previous Year	Financial Year	Previous Year
	€	€	€	€
Loans and advances to banks (A 3)	0	0	135,560,991	171,150,043
Loans and advances to customers (A 4)	38,941,922	3,413,294	64,233,497	58,252,880
Debt securities and other fixed-interest securities (A 5)	0	0	0	0

	negotiable	quoted	unquoted	negotiable securities not valued at the lower of cost or market
	€	€	€	€
Debt securities and other fixed-interest securities (A 5)	4,720,975,679 (5,093,750,074)	3,760,063,041 (3,566,787,333)	960,912,638 (1,526,962,741)	110,483,170 (0)
Shares and other non-fixed-interest securities (A 6)	810,496 (1,536,031)	810,496 (1,536,031)	0 (0)	0 (0)
Participating interests and capital shares in cooperatives (A 7)	2,595,006 (2,595,006)	2,481,828 (2,481,828)	113,178 (113,178)	
Shares in affiliated undertakings (A 8)	0 (0)	0 (0)	0 (0)	

- The cooperative bank holds capital shares amounting to at least 20% in other companies:

The list has been deposited at the Amtsgericht - Genossenschaftsregister (Local Court - Register of Cooperatives), Mühlenstrasse 34, 40213 Düsseldorf, and can be inspected there.

Consolidated financial statements were not prepared in view of § 296 (2) German Commercial Code (HGB) since the results for the whole Group are of minor importance for the provision of a fair picture of the Group's net worth, financial position and profit situation.

- Participating interests in major stock corporations with more than 5% of voting rights existed as follows:

Treuhand Hannover GmbH, Steuerberatungsgesellschaft

DAPO International Finance N.V., Amsterdam

- The trust transactions shown in the balance sheet are loans for third-party accounts totalling € 87,466 and contributions to capital held in trust totalling € 2,737,521.

- Asset item 12 (tangible assets) includes:

Land and buildings used in the course of own business	171,767,253
Office furniture and equipment	40,404,409

- "Other assets" include the following larger amounts:

Capitalised premiums from options	699,746,434
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- Deferred items include discount amounts from assumed liabilities of € 62,303,526.
- Assets with a book value of € 190,000,000 were transferred in the course of repurchase agreements. The amount received for the transfer was shown as a liability.
- Subordinated assets are included in the items "Loans and advances to banks" (€ 51,129,188), "Debt securities and other non-fixed-interest securities" (€ 23,262,448), "Shares and other non-fixed-interest securities" (€ 113,339) with a total of € 74,504,975 (previous year: € 51,919,869).
- Assets include foreign currency items with a value of € 97,636,206.
- Liabilities to banks include € 76,265,538 of liabilities to the relevant central cooperative bank (Westdeutsche Genossenschafts-Zentralbank eG).

- The receivables shown in the balance sheet have the following maturities: (Previous year's figures in brackets)

	Phase limitation of interest	up to three months	more than three months to one year	more than one year to five years	more than five years
	€	€	€	€	€
Liabilities due to banks, with agreed term or period of notice (L 1b)	235,599,642 (260,437,130)	606,504,104 (498,493,082)	308,124,212 (351,952,211)	2,049,020,199 (1,939,807,399)	2,406,960,756 (2,052,540,145)
Saving deposits with agreed period of notice of more than three months (L 2ab)	0 (0)	93,330,585 (121,549,298)	154,285,067 (123,458,229)	38,667,505 (48,909,164)	1,706,092 (1,996,922)
Other liabilities to customers with agreed term or period of notice (L 2bb)	63,640,726 (58,570,408)	2,773,554,910 (2,637,862,536)	191,481,867 (130,099,907)	1,660,653,375 (1,581,801,465)	1,398,986,706 (991,342,719)
Other certificated liabilities (L 3b)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)

Of the debt securities issued (L 3a), € 2,757,737,845 (previous year: € 2,535,091,110) will mature in the 2005 Financial Year.

- “Other liabilities” include the following larger single amounts:

	€
Premiums from derivatives carried as liabilities	258,640,943
Offsetting item from foreign currency valuation	34,809,695
Interest, participating certificates and contributions of silent partners	30,872,476

- Deferred income and accruals (L 6) include discounts deducted on the payment of receivables totalling € 94,629,570.

- Details of liability item 9 (subordinate liabilities):

Expenses of € 15,592,125 were incurred in the Financial Year.

There is no obligation to make premature repayment.

Subordination has been arranged as follows:

In the event of the insolvency or liquidation of the bank, the liabilities are repayable only after all higher-ranking creditors have been satisfied.

These liabilities have maturities of 8, 10 and 25 years.

Subordinate liabilities carry the following rates of interest:

Subordinate bearer bonds with a variable rate of 6-month Libor plus 0.4% to 0.6% and six-month Euribor plus 1% and fixed interest rate of 5.0% and 5.3%.

Subordinate note loans with fixed interest rates of 4.76% to 7.55%.

New subordinate bearer bonds with an aggregate nominal amount of € 100,000,000 were issued in the year under review.

- The following liabilities include the following amounts that are also liabilities due from affiliated undertakings or associated companies:

	Liabilities to			
	affiliated undertakings		associated companies	
	Financial Year	Previous Year	Financial Year	Previous Year
	€	€	€	€
Liabilities to banks (L 1)	2,024,330	1,257,986	361,724,903	631,561,220
Liabilities to customers (L 2)	870,567,160	824,669,064	46,648,641	33,345,389
Certificated liabilities (L 3)	67,380	65,649	186,788,527	207,060,602
Subordinated liabilities (L 9)	0	0	0	0

- Liabilities include foreign currency items with an equivalent value of € 586,641,903.

- The members' capital contributions shown under "Subscribed capital" of liability item 12a:

	€
Contributions of silent partners	150,000,000
Members' capital contributions	
a) of remaining members	762,551,533
b) of departing members	9,862,346
c) of terminated members' capital shares	1,040,072
Compulsory contributions due on shares in arrears	€ 10,421,437

- The revenue reserves (L 12c) developed as follows in the course of the Financial Year:

	Legal reserves	Other revenue reserves
	€	€
Status as of 1 January 2004	219,221,585	219,732,877
Transfers from the accounting profit of the previous year	18,500,000	18,500,000
Transfers from the distributable profit of the Financial Year	0	0
Withdrawals	0	0
Status as of 31 December 2004	237,721,585	238,232,877

- Unrealised reserves in the amount of € 17,332,378 were assigned to liable equity capital as per 31 December 2004 in accordance with § 10 (4a) Banking Act (KWG).
- The volume of unsettled forward transactions affected by a settlement risk or currency, interest rate and/or other market price risk arising from open items, and in the event of counterparty default, also from closed items, amounted to € 49,713 m (previous year: € 57,876 m). Included therein are the following types of transactions:

Interest rate swaps
 Interest rate/currency swaps
 Currency swaps
 Caps/floor
 Swap options
 CDS
 Forward exchange transactions
 Index transactions

These forward transactions, which are subject to fluctuations as regards interest rate, exchange rate and market price, are effected almost exclusively for the purpose of covering positions.

Existing derivatives contracts are broken down below according to their risk structure. In accordance with standard international practice, the nominal values are stated; however, these figures are not the same as the default risk value.

€ m	Nominal Value		Market Value		Credit Equivalent	
	31.12.2004	31.12.2003	31.12.2004	31.12.2003	31.12.2004	31.12.2003
Interest rate-related transactions						
Time to maturity						
- up to 1 year	14,418	26,062	148	157	164	157
- over 1 year up to 5 years	23,366	21,052	441	519	764	563
- over 5 years	9,543	8,370	76	276	470	397
	47,327	55,484	665	952	1,398	1,117
Currency-related transactions						
Time to maturity						
- up to 1 year	1,532	1,852	-22	25	34	43
- over 1 year up to 5 years	143	312	3	6	15	22
- over 5 years	92	0	-9	0	7	0
	1,767	2,164	-28	31	56	65
Stock-related transactions						
Time to maturity						
- up to 1 year	118	228	0	1	8	11
- over 1 year up to 5 years	0	0	0	0	0	0
- over 5 years	0	0	0	0	0	0
	118	228	0	1	8	11
Other transactions						
Time to maturity						
- up to 1 year	0	0	0	0	0	0
- over 1 year up to 5 years	0	0	0	0	0	0
- over 5 years	501	0	8	0	83	0
	501	0	8	0	83	0
Total: in aggregate	49,713	57,876	645	984	1,545	1,193

The nominal amount of the derivatives assigned to the trading portfolio was € 9,898 m as of 31 December 2004, with a market value of € 1 m and a credit equivalent of € 11 m.

• The following liabilities (incl. Eurex and clearing transactions) are secured by transfer of assets: €
 Liabilities due to banks 2,857,990,450

II. Profit and Loss Account

- The income of the bank is generated primarily in Germany.
- Income taxes are payable on the profit from ordinary activities.

E. Other Details

- The total remuneration paid to the Board of Directors in the Financial Year was € 2,703,607; the performance-related portion of the aggregate remuneration was 47%.
- The total remuneration for members of the Supervisory Board was € 342,844, which was divided up as follows: Annual remuneration € 234,080; attendance fees € 27,714; loss of income allowance € 73,598; daily allowances € 7,452.
- The total remuneration for former members of the Supervisory Board and their surviving dependants was € 1,072,093.
- Pension provisions for former members of the Board of Directors and their surviving dependants as of 31 December 2004 were € 9,642,030.

• The following liabilities had been assumed on the balance sheet date for	€
Members of the Board of Directors	1,482,007
Members of the Supervisory Board	10,098,069

- Financial liabilities of € 80,744,452 have not been shown in the balance sheet or referred to in the Notes but are of significance for the assessment of financial status.

Total liability obligations arising from the acquisition of equity interests	€
for cooperatives	12,480,884
Guarantee obligation given to the protection scheme of the BVR cooperative banking sector organisation	68,263,568

- As at 31 December 2004, members of the Board of Directors and employees of the Bank held seats on the Supervisory Boards of the following joint-stock companies or comparable organisations pursuant to § 267 (3) German Commercial Code (HGB):

Name	Company	Function
Mr. Preuß	APO Immobilien-Kapitalanlagegesellschaft mbH	Member of the Supervisory Board
Mr. Girner	Apo Asset Management GmbH, Düsseldorf	Chairman of the Supervisory Board
	APO Immobilien-Kapitalanlagegesellschaft mbH	Chairman of the Supervisory Board
	Apothekerversorgung Mecklenburg-Vorpommern	Member of the Administrative Board
	DÄV Allgemeine Versicherungs-AG	Member of the Supervisory Board
	Deutsche Apotheker- und Ärztebank (Ireland) Investment Company, Dublin (Ireland)	Member of the Supervisory Board
	Deutsche Ärzteversicherung Vermittlungs- und Finanzberatungs-AG, Cologne	Member of the Supervisory Board
	INKA Internationale Kapitalanlagegesellschaft mbH, Düsseldorf	Member of the Supervisory Board
	Normura Maintrust GmbH, Frankfurt	Member of the Supervisory Board
Mr. Helf	APO Immobilien-Kapitalanlagegesellschaft mbH	Member of the Supervisory Board
	Apo Asset Management GmbH, Düsseldorf	Member of the Supervisory Board
	DÄV Deutsche Ärzteversicherung AG, Cologne	Member of the Supervisory Board
	DAPO International Finance N.V., Amsterdam	Member of the Supervisory Board
	Finanz-Service GmbH der APO-Bank, Düsseldorf	Deputy Chairman of the Supervisory Board
	Treuhand Hannover GmbH Steuerberatungsgesellschaft, Hanover	Deputy Chairman of the Supervisory Board
	ZA Zahnärztliche Abrechnungsgesellschaft Düsseldorf AG, Düsseldorf	Member of the Supervisory Board
	ZA Zahnärztliche Abrechnungsgenossenschaft eG, Düsseldorf	Member of the Supervisory Board

Name	Company	Function
Mr. Herion	ENRO AG, Essen Rheinisch-Westfälischer Genossenschaftsverband e. V., Münster	Member of the Supervisory Board Member of the Administrative Board
Mr. Schuster	APO Data Service GmbH, Düsseldorf	Chairman of the Supervisory Board
Mr. Becker	apokom GmbH, Düsseldorf DAPO International Finance N.V., Amsterdam Deutsche Apotheker- und Ärztebank (Ireland) Investment Company, Dublin (Ireland) PROFI - Erste Projektfinanzierungs- und Beteiligungsgesellschaft AG, Zurich	Member of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board Member of the Administrative Board
Mr. Bisping	apokom GmbH, Düsseldorf ARZ Haan AG, Haan PMG Praxismanagement AG, Erlangen	Member of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board

- The average number of employees in 2004 was:

	Full-time	Part-time
Clerical staff	1,794	133
Non-clerical and technical staff	17	0
Total	1,811	133

36 trainees on average were also employed.

- Changes in membership

	Number of members	Number of shares	Liability amounts €
Beginning of 2004	97,432	446,517	669,775,500
Additions in 2004	5,034	82,401	123,601,500
Reductions in 2004	2,982	13,097	19,645,500
End of 2004	99,484	515,821	773,731,500

	€
The capital shares of the remaining members increased during the Financial Year by	117,283,233
The uncalled liabilities increased during the Financial Year by	103,956,000
Amount of the capital share € 1,500, amount of the uncalled liability € 1,500	

Name and address of the auditing association:

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

Members of the Board of Directors (first name and surname)

Günter Preuß, Bank Director, Spokesman
 Dr. Franz Georg Brune, Bank Director (from 1 October 2004)
 Gerhard K. Girner, Bank Director
 Jürgen Helf, Bank Director
 Günther Herion, Bank Director
 Werner Albert Schuster, Bank Director
 Werner Wimmer, Bank Director, Spokesman (until 30 June 2004)

Members of the Supervisory Board (first name and surname)

Dr. med. dent. Wilhelm Osing, Chairman, Dentist
 Norbert Hinke*, Vice-Chairman, Bank Employee
 Ralf Baumann*, Bank Employee
 Berthold Bisping**, Bank Employee
 Dr. med. dent. Dieter Dahlmann, Dentist
 Dr. med. dent. Wolfgang Eßer, Dentist
 Hans-Günter Friese, Pharmacist
 Erich Gottwald* (from 1 January 2005), Bank Employee
 Wolfgang Häck*, Bank Employee
 Thomas Höll*, Bank Employee
 Prof. Dr. med. Jörg-Dietrich Hoppe, Physician

Uschi Jaeckel*, Trade Union Secretary
 Britta Jansen* (until 31 December 2004), Bank Employee
 Hermann-Stefan Keller, Pharmacist
 Dr. med. Ulrich Oesingmann, Physician
 Gerhard Reichert, Pharmacist
 Dr. med. Manfred Richter-Reichhelm, Physician
 Christian Scherer*, Bank Employee
 Michael Sell*, Bank Employee
 Roland Wark*, Bank Employee
 Dr. med. Wolfgang Wesiack, Physician

*elected by employees

**representative of management executives

Düsseldorf, 25 February 2005
 Deutsche Apotheker- und Ärztebank eG
 The Board of Directors

Preuß

Dr. Brune

Girner

Helf

Herion

Schuster

Report of the Auditors:

We audited the Annual Financial Statements - including the accounts - and the Management Report of Deutsche Apotheker- und Ärztebank eG, Düsseldorf, for the Financial Year 1 January 2004 until 31 December 2004. Under German commercial law regulations and the supplementary rules of the Articles of Association, responsibility for the accounts and for preparation of the Annual Financial Statements and Management Report lies with the Board of Directors of the cooperative bank. It is our duty to give an opinion on the Annual Financial Statements - including the accounts and Management Report - on the basis of our audit.

We audited the Annual Financial Statements in accordance with § 317 Commercial Code (HGB), in observance of the generally accepted German auditing principles for Annual Financial Statements adopted by the Institute of German Qualified Accountants (Institut der Wirtschaftsprüfer (IdW)). Accordingly the audit must be planned and performed in such a way as to be able to detect, with a sufficient degree of certainty, any inaccuracies and breaches that have a material effect on the presentation of the view of the net worth, financial position and income position conveyed by the Annual Financial Statements in accordance with the generally accepted accounting principles and the Management Report. When determining the audit examinations, knowledge of the business activities and legal and financial environment of the cooperative and expectations of possible errors were taken into account. An assessment was also made, in the course of the audit, of the efficacy of the internal audit system and of the documentation of the information in the accounts, Annual Financial Statements and Management Report primarily on the basis of random samples. The audit includes assessment of the applied accounting principles and the material estimations made by the Board of Directors and the evaluation of the overall presentation of the Annual Financial Statements and the Management Report. We are of the opinion that our audit constitutes a sufficiently reliable basis for our assessment.

Our audit gave rise to no objections.

In our opinion, the Annual Financial Statements, in conformity with the generally accepted accounting principles, present a true and fair view of the net worth, financial position and income position of the cooperative bank. The management report provides an appropriate presentation of the state of affairs of the cooperative bank and appropriately shows the risks of future development.

Düsseldorf, 25. May 2005
PwC Deutsche Revision
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Erner, Certified Auditor

ppa. Koschwitz, Certified Auditor

About the Bank

[Division Heads and Unit Heads at Head Office](#)

[Heads of Regional Divisions and Branches, Heads of Regional Credit Offices](#)

[Head Office, Branches](#)

[Regional Divisions](#)

[History of the Bank](#)

Division Heads	Heinz Abler	Sales Private Customers
	Berthold Bisping	Sales Organisations and Major Clients
	Holger Brettschneider	Controlling
	Hans Fells	Sales Partners
	Stefan Kunac	Banking Operations
	Claus Verfürth	Personnel
	Jörg Voll	Corporate Planning/Treasury
Unit Heads at Head Office	Hans-Jochen Becker	Accountancy/Taxes
	Rainald Brune	Treasury/Liquidity Management
	Reiner Caesar	Health Economics
	Siegfried Charchulla	Administration/Facility Management
	Hugo Daldrup	Central Credit Office/Risk Management
	Heiko Drews	Product Management
	Wolfgang Hammel	Legal Department
	Manfred Hermes	Public Relations/Economics
	Georg Heßbrügge	New Medical Care Structures (temp.)
	Andreas Kalle	Sales Management
	Jürgen Otto	Auditing
	Martin Pietsch	IT and Organisation
	Hans-Georg Schell	Secretary to Directors
	Axel Schneider	Trading Transactions
	Dr. Thomas Siekmann	Corporate Planning
	Klaus Söhler	Service and Transaction Bank
	Ulrich Sommer	Securities/Institutional Clients
	Uwe Zeidler	Securities/Private Asset Management
Head of E-Health Market	Uwe Meyer-Vogelgesang	

Heads of Regional Divisions	Eastern Region	Michael Brüne
	Northern Region	Johannes Henkel
	Central Region	Christian Hübscher
	Western Region	Peter K. Konrad
	Southern Region	Rolf Post

Branch Managers	Aachen	Hartmut Paland	Leipzig	Helmut Picker
	Augsburg	Joachim Lehmann	Lübeck	Dietmar Godt
	Bayreuth	Klaus Trendel	Magdeburg	Thorsten Werner
	Berlin	Stefan Mühr	Mainz	Rolf Traupel
	Braunschweig	Eberhard Groß	Mannheim	Werner Gebauer
	Bremen	Reinhard Pretzsch	Marburg	Bernd Posdlich
	Chemnitz	Wilhelm Spitz	Munich	Bruno Höfter
	Cologne	Werner Höhl	Münster	Franz-Josef Gebker
	Darmstadt	N.N.	Neustadt	Otmar Herrmann
	Dortmund	Jürgen Grabensee	Nuremberg	Martin Steinkühler
	Dresden	Raimund Pecherz	Oldenburg	Dirk Müller
	Düsseldorf	Siegfried Crefeld	Osnabrück	Werner Goldkamp
	Duisburg	Markus Herzig	Potsdam	Jürgen Nitsche
	Essen	Frank Orichel	Regensburg	Frank Hillemanns
	Frankfurt	Gerhard Schork	Rostock	Ronald Hensel
	Freiburg	Jörg Jahnz	Saarbrücken	Dietmar Schmidt
	Göttingen	Michael Arndt	Schwerin	Gerrit Altenburg
	Hamburg	Peter Schlögell	Stuttgart	Holger Lebender
	Hanover	Michael Goltz	Thuringia	Peter Jesse
	Karlsruhe	Lothar Heim	Trier	Ulrich Ober
	Kassel	Franz-Josef Nolte	Wiesbaden	Werner Ensberg
	Kiel	Peter Geiß	Würzburg	Michael Wagner
	Koblenz	Heinz-Jürgen Mantai	Wuppertal	Carsten Ferch

Heads of Regional Credit Offices	Berlin	Jost Vierbücher
	Dresden	Dr. Gerald Barth
	Düsseldorf	Karl-Josef Wening
	Frankfurt	Norbert Prokasky
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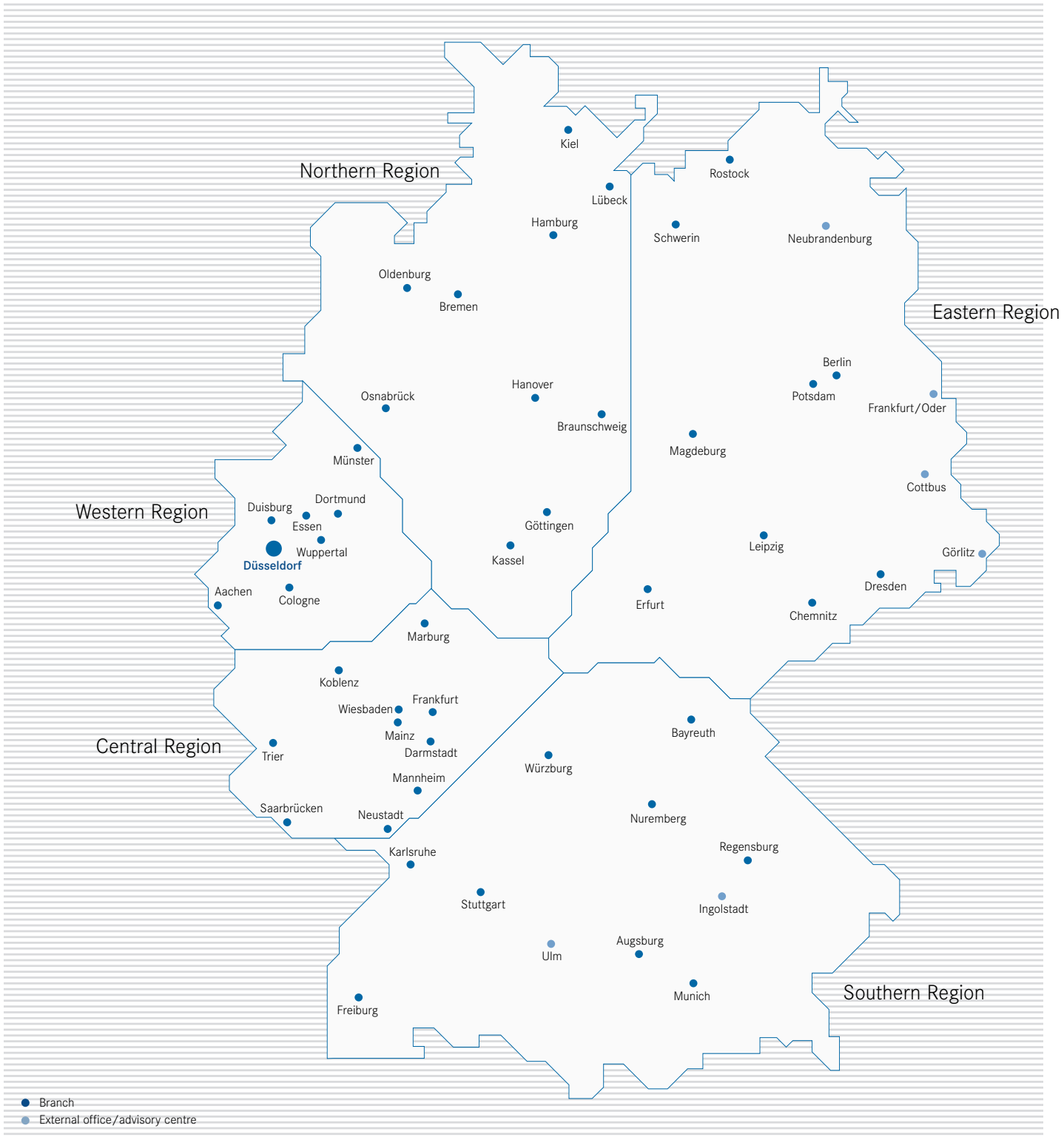
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- 1902** Founding of the “Kredit-Verein Deutscher Apotheker e.G.m.b.H.” (KREDA) by 18 pharmacists in Danzig. Primary purpose of the association is to provide its members with affordable loans.
- 1904** First branch opens in Berlin.
- 1907** The cooperative numbers 1,000 members. All business units are near completion. Nineteen representatives look after the interests of the Bank throughout Germany.
- 1920** The head office is moved to Berlin.
- 1938** Name changed to “Deutsche Apothekerbank e.G.m.b.H.” as a requirement in the merger with the “Spar- und Kreditverein Deutscher Apotheker m.b.H.” (SPARDA), which takes place one year later.
- 1945** Bank closed due to Allied laws. The balance sheet total almost reaches 30 million Reichsmarks. Membership at 2,800.
- 1948** Bank resumes operations by founding the “Westdeutsche Apothekerbank e.G.m.b.H.” in Düsseldorf. Authorisation granted in 1949. Customer base expanded to include members of all medical professions. From 1950 this is expressed in the tag line “Bank for the health care sector”.
- 1952** Membership passes the 1,000 mark. Number of employees is 23. Balance sheet total is DM 4.8 million.
- 1955** Takeover of the “dormant” Berlin institution by means of a merger agreement. This move establishes direct legal succession to the bank founded in 1902. Renamed “Deutsche Apothekerbank e.G.m.b.H.”. First branches established in Berlin and Stuttgart.
- 1957** The name “Deutsche Apotheker- und Ärztebank e.G.m.b.H.”, applied for in 1950, is approved and takes effect.

- 1958** Introduction of account services free of charge for creditor accounts.
- 1961** Constitution of the Annual General Meeting as a result of the rapid growth in membership which has reached 5,477.
- 1965** The tenth branch office is opened. One of the first banks in Germany to enter the real estate business.
- 1972** Membership at 22,809. There are now 16 branch offices. Number of employees up to 581. Balance sheet total exceeds DM 1 billion for the first time.
- 1979** First primary cooperative bank to issue its own bearer bonds.
- 1982** Balance sheet total exceeds DM 5 billion. Membership reaches 54,501. Now 40 branches. Number of employees at 1,135.
- 1985** First primary cooperative bank to issue participating certificates.
- 1990** Bank expands into the new federal states and sets up 10 new branches there.
- 2002** Successful developments in the anniversary year despite structural and income crisis in the banking sector.
- 2004** Move to the new head office in Düsseldorf, Richard-Oskar-Mattern-Straße 6.

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