deutsche apotheker- und ärztebank

Annual Report 2006

Balance Sheet Figures (€ million)	2006	2005	Change in % *
Balance Sheet Total	**32,950**	29,644	+ 11.2
Customer Loans	**20,662**	19,575	+ 5.6
Customer Deposits	**12,346**	11,482	+ 7.5
Securitised Liabilities	**10,188**	7,177	+ 42.0
Liable Equity Capital[1)]	**2,701**	2,592	+ 4.2

Earnings Development (€ million)			
Net Interest Income	**491.9**	465.4	+ 5.7
Net Commission Income	**142.0**	119.2	+ 19.1
General Administrative Expenses	**357.8**	324.1	+ 10.4
Operating Profit before Risk Provisioning	**291.6**	259.1	+ 12.5
Result of Loan Loss Provisions (net)	**81.9**	54.0	+ 51.9
Net Income after Taxes	**113.3**	105.2	+ 7.6

Selected Key Figures		
Return on Equity	**14.7%** [2)]	14.1 %
Cost-Income Ratio	**55.8%**	56.5 %
Equity Ratio[1)]	**11.4%**	11.7 %
Core Capital Ratio[1)]	**7.3%**	7.3 %

Ratings		
Standard & Poor's	**A+/A-1** **Outlook stable**	A/A-1 Outlook stable
Moody's	**A2/P-1** **Outlook stable**	A2/P-1 Outlook stable
FitchRatings (Verbund rating)	**A+/F-1** **Outlook stable**	A+/F-1 Outlook stable

Other Data			
Number of Employees	**2,036**	2,007	+ 1.4
Number of Members	**100,982**	101,036	- 0.1
Number of Customers	**298,000**	289,000	+ 3.1

1) According to the resolutions of the Annual General Meeting on the appropriation of profits
2) Before one-off special effects
* Deviations due to rounding differences

Deutsche Apotheker- und Ärztebank

Annual Report 2006

Dear Members, Customers and Business Partners,

The economic upswing in Germany during the second half of the year 2006 exceeded even the most optimistic forecasts, for the recovery was much stronger than expected after the first quarters. True, the continued increase in demand from abroad contributed significantly to this positive development. But meanwhile, the spark has obviously ignited the domestic economy, too, creating such a strong upward trend that even the “value added tax shock” has been absorbed more easily than originally expected.

In this comparatively stable situation, the German economy is reaping the fruits of improved competitiveness, whose foundations were laid through the implementation of multiple restructuring measures on the part of companies and by years of wage restraint on the part of employees. However, this development was accompanied by the socio-political problem of rising unemployment and, for a long time, only very small growth in private consumption. One may be comforted by the fact that exactly this sluggishness of consumption helped to keep inflation in check.

In the year under review, the German banking industry benefited from the credit expansion in the wake of the overall economic development and the parallel expansion of stock market activity. There are signs that in 2006, after an intense phase of reorganisation and consolidation, the financial institutions were able to continue the gratifying trend reversal of the previous year and generally achieved their best result in the last five years.

The measures taken to improve efficiency and limit risks, combined with effective cost management, have obviously had the desired effects.

However, the increasingly fiercer competition led to stronger pressure on margins in many areas, or allowed only for their stabilisation at an already low level. Therefore, the fact that recruiting is taking place in the banking industry again is above all due to efforts to improve one's market position in private banking. For many banking institutions that regarded private customers mainly as a cost factor in recent years have now switched their focus back to them with great intensity.

The "rediscovery" of private banking by competitors as well as the ruinous price war for market share have presented us with new challenges, particularly because we service clients who are courted and preferred by all banks, and also because we are the biggest target with a market share of almost 60 %. However, those changes that will result from the already decided, though not yet completely implemented reform plans for the health care system are even more serious for us.

The hope that the grand coalition would make use of the chance of a real reform of the health care system in order to counter the development of expenses, on the one hand, and the insufficient financial base, on the other, has meanwhile given way to fears that the self-employed status of many members of the health professions will fall by the wayside due to increasing government control in patient care.

F. l. t. r.: Claus-Harald Wilsing, Dr. Franz Georg Brune, Günter Preuß, Günther Herion, Werner Albert Schuster, Gerhard K. Girner

At any rate, the painstaking compromise between opposing concepts, which has been reached in the current health care debate, is being rejected by all those concerned.

The health care reform is criticised not only by the so-called care providers and numerous scientific research institutes, but also by a great majority of the population. According to a survey, 74 % of Germans expect that health care in Germany will rather deteriorate as a result of the “Act to increase competition in the statutory health insurance system”. Seldom has the perception of those governed and those governing been as contradictory as it is in the case of this health reform.

With the “Act on the cost-effectiveness of the supply of medicines”, which came into force on 1 May 2006, the government even decided on a concrete austerity package on the account of third parties – in this case on the account of pharmacists, the pharmaceuticals industry and partially doctors as well. True, the "law changing the legal framework for contract doctors", which has been in effect since 1 January 2007, has brought some of the desired flexibilisation and liberalisation in its wake; however, it has also contributed to the further dissolution of the barriers between the outpatient and inpatient sectors. Moreover, we view the trend away from self-employment as a long-term problem, which will in the longer run change the image of health professionals in private practice.

We regard it as an essential task to strengthen the members of the health professions in maintaining their self-employment status. We also contribute to this objective by supporting them in introducing and establishing new forms of cooperation in outpatient care. We have made the corresponding resources available at an early stage by setting up new business areas and with the involvement of our subsidiaries; we will continue their expansion in a targeted manner with respect to the further development of the new care structures.

Apart from this special aspect, we have realised, as part of an overall corporate strategy, sales and product-related measures in private banking in order to further improve the service and support of our customers. In this context, above all the project "management of existing customers", the further development of our securities strategy, our location expansion with four new agencies, and the refocusing of our mobile distribution are to be mentioned.

Our competitiveness and sustainability have been decisively strengthened by the approval of our internal rating procedure, apoRate, for the assessment of the capital backing of our core lending business under the IRB approach. Through the gradual reduction of equity capital tied up by regulatory requirements, we have gained significant strategic flexibility.

But also internally we have made a lot of efforts to ensure that our Bank comes up to its own standards. The broad range reaches from diverse measures within the framework of technical support to the expansion of treasury operations into a strategic business field and the further development of the Bank's performance control to the implementation of a new leadership model and the continuation of the value discussion that was initiated in the circle of senior executives. In order to ensure that all employees of the apoBank Group observe binding value and behavioural principles, a code of conduct was developed and published in the autumn of the year under review.

Within the framework of the Annual General Meeting 2006, in connection with the presentation of our new logo and claim, we presented for the first time the foundations of our current brand identity. The old word-picture emblem, which was developed 30 years ago and had never been altered since then, had not been consistent with our self-image as a modern, dynamic and innovative bank for a long time. The change of the logo does not mean that traditions were thrown overboard; instead, we intended to express the Bank's open-mindedness in a future-oriented way. At the same time, the slogan "Weil uns mehr verbindet", or "Because there is more connecting us", underlines the particular value that the professional Bank offers to health professionals.

When you read this Annual Report 2006, the first Report with apoBank's new logo, your will certainly notice that we have by no means just dealt with internal affairs or corporate design studies, but have tried everything to add another chapter to the successful history of Deutsche Apotheker- und Ärztebank. This will remain our task also in the future, and it will be our concern to further expand, and to stabilise in the long term, our position as a bank as well as a partner in the health care sector – for the good of our members and our customers.

Yours sincerely

Deutsche Apotheker- und Ärztebank

Günter Preuß | Dr. Franz Georg Brune | Gerhard K. Girner

Günther Herion | Werner Albert Schuster | Claus-Harald Wilsing

Agenda

of the Annual General Meeting
on Friday, 15 June 2007, 15.30 hours, Swissôtel Düsseldorf/Neuss,
Rheinallee 1, 41460 Neuss

Words of Welcome

1. Report of the Board of Directors for the 2006 Financial Year
2. Report of the Supervisory Board
3. Report on the Legal Audit, Statement by the Supervisory Board, Resolutions
4. a) Resolution on the 2006 financial statements
   b) Resolution regarding the appropriation of distributable profit in 2006
5. a) Ratification of the Actions of the Board of Directors in the 2006 Financial Year
   b) Ratification of the Actions of the Supervisory Board in the 2006 Financial Year
6. Resolution on the amendment of the Articles of Association
   - Adjustment to the new version of the Cooperative Societies' Act (Genossenschaftsgesetz) -
7. Resolution on the amendment of § 3 (2) and § 9 of the election regulations
   - Adjustment to the new version of the Cooperative Societies' Act (Genossenschaftsgesetz) -
8. Election of the Supervisory Board
9. Election of the members of the Election Committee
10. 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.

Günter Preuß
Düsseldorf
Spokesman

Dr. rer. pol. Franz Georg Brune
Düsseldorf

Gerhard K. Girner
Düsseldorf

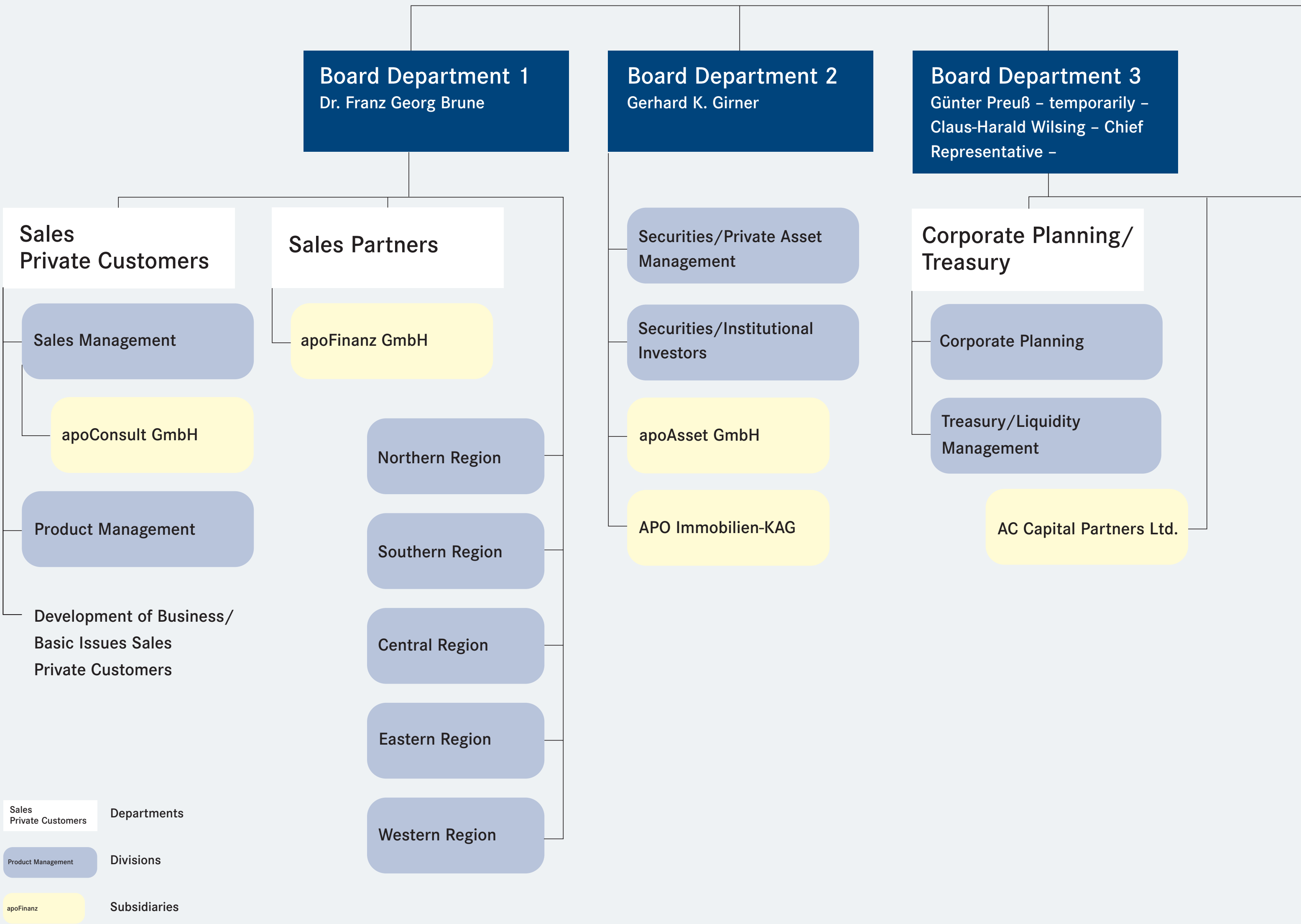
Günther Herion
Düsseldorf

Werner Albert Schuster
Düsseldorf

Claus-Harald Wilsing
Düsseldorf
Chief Representative

Organisational Chart

Deutsche Apotheker- und Ärztebank



- Sales Organisations and Major Customers
  - Professional Associations
  - Health Markets and Policy
    - health care akademie
    - apoKom
  - Medical Care Structures and Corporate Clients
  - E-Health-Market
    - medisign
    - DGN Service

Board Department 4
Werner Albert Schuster

- Personnel
- Banking Operations
  - IT and Organisation
  - Service and Transaction Bank
    - apoData Service GmbH
  - Trading Operations
  - Facility Management
- Corporate Security

Board Department 5
Günther Herion

- Controlling
- Accounting/Profit and Loss/Taxes/Management of Shareholdings
- Audit
- Legal Department
- Central Credit Control Private Customers - Branch Business/RCM
  - Regional Credit Control North; West; East/Berlin; East/Dresden; Central; South
- Central Credit Control Private Customers - Branch Business/Basic Issues
- Central Credit Control Corporate Clients/Medical Care Structures/Financial Instruments
- Compliance

Board Department 6
Günter Preuß – Spokesman of the Board of Directors

- Communication and Committees
- Service Coordination for the Professional Associations
- Strategy and Project Consulting

Dr. med. dent. Wilhelm Osing Düsseldorf Chairman
Norbert Hinke Düsseldorf* Vice-Chairman
Ralf Baumann Düsseldorf*
Berthold Bisping Neuss*
Dr. med. dent. Wolfgang Eßer Mönchengladbach
Hans-Günter Friese, Pharmacist Fröndenberg
Erich Gottwald Töging*
Wolfgang Häck Neuss*
Thomas Höll Düsseldorf*
Prof. Dr. med. Dr. h. c. Jörg-Dietrich Hoppe Düren
Uschi Jaeckel Mülheim/Ruhr*
Hermann-Stefan Keller, Pharmacist Mainz
Dr. med. Andreas Köhler Berlin
Dr. med. Ulrich Oesingmann Dortmund
Dr. med. dent. Helmut Pfeffer Wohltorf (from 9 June 2006)
Gerhard Reichert, Pharmacist Hengersberg
Christian Scherer Neustadt*
Michael Sell Düsseldorf*
Roland Wark Heusweiler*
Dr. med. Dr. med. dent. Jürgen Weitkamp Lübbecke (until 9 June 2006)
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	**Klaus Stürzbecher, Pharmacist** Berlin
Honorary Members of the Bank	**Dr. med. dent. Rudolf Cramer** Wiesbaden
	Elfriede Girl Munich
	Jürgen Helf Meerbusch
	Dr. med. dent. Rudolf Oschika Moers
	Dr. jur. Albert Peterseim, Pharmacist Essen
	Dipl.-Betriebswirt Werner Wimmer Meerbusch

Dipl.-Betriebswirt Wolfgang Abeln Schwerin
Dr. med. Helmut Anderten Hildesheim
Dr. Eric Banthien Hamburg
Dr. med. Johannes Baumann Coswig
Karl-August Beck, Pharmacist Fürth
Dr. med. Margita Bert Frankfurt
Dipl.-Volkswirt Christoph Besters Stuttgart
SR Dr. med. Wolfgang Beyreuther Chemnitz
Dr. rer. nat. Rainer Bienfait, Pharmacist Berlin
Dr. med. Klaus Bittmann Plön
Rudi Bittner Munich
Dipl.-Volkswirt Dieter Bollmann Hamburg
Dr. Roswitha Borchert-Bremer, Pharmacist Lübeck
Dr. med. dent. Jürgen Braun-Himmerich Mainz
Dr. med. vet. Ernst Breitling Bonn
Dr. med. dent. Günther E. Buchholz Cologne
Ralf Wilhelm Büchner Klanxbüll
Dr. med. dent. Gerhard Bundschuh Potsdam
Dr. med. dent. Jobst-Wilken Carl Hanover
Dr. med. Edith Danda Langenhagen
Dr. med. Wolfgang Axel Dryden Dortmund
Dr. med. Wolfgang Eckert Schwerin
Dipl.-Kfm. Armin Ehl Berlin
Dr. med. Brigitte Ende Frankfurt
Dr. med. Dr. rer. nat. Klaus Enderer Düsseldorf
Dr. med. Karsten Erichsen Bremen
Heinz-Ulrich Erlemann, Pharmacist Düsseldorf
Rolf Eskuchen Wilhelmshaven
Albert Essink, Dentist Berlin
Dr. med. dent. Jürgen Fedderwitz Cologne
Dipl.-Med. Regina Feldmann Weimar
Ass. jur. Christian Finster Stuttgart
Dr. med. Hans-Walter Fischer Verden
SR Dr. med. Franz Gadomski Saarbrücken
Dr. med. dent. Dietmar Gorski Münster
Eberhard Gramsch Hanover
Dr. med. vet. Karl-Ernst Grau Sendenhorst
Dr. phil. Jörn Graue, Pharmacist Hamburg
SR Dr. med. dent. Manfred Grub Saarbrücken
Dr. med. Manfred Halm Dresden
Dipl.-Stomatologe Dieter Hanisch Magdeburg
Dr. med. Leonhard Hansen Düsseldorf
Dr. med. Gunter Hauptmann Saarbrücken
Dr. med. Klaus Heckemann Dresden
Dr. med. dent. Rudolf Hegerl Mainz
Rolf Hehemann Düsseldorf
Dr. med. Hans-Joachim Helming Potsdam
Dr. med. Torsten Hemker Hamburg
Dr. med. Wolfgang Herz Stuttgart
Dr. med. Achim Hoffmann-Goldmayer Stuttgart
Dr. med. Rolf Holbe Kreiensen/Greene
Dipl.-Kfm. Wilfried Hollmann Essen
Dr. med. dent. Jörg-Peter Husemann Berlin
Dr. med. Burkhardt John Magdeburg
Dipl.-Kfm. Daniel F. Just Munich
Dr. jur. Ulrich Kirchhoff, Lawyer Cologne
Dr. med. Thorsten Kleinschmidt Braunschweig
Dipl.-Kfm. Hans Kopicki Düsseldorf
Dr. rer. pol. Andreas Kretschmer Münster
Dr. rer. soc. Thomas Kriedel Dortmund
Dr. med. dent. Peter Kriett Kiel
Dr. med. dent. Peter Kuttruff Stuttgart
Dr. rer. pol. Andreas Lacher Munich
Prof. Dr. rer. pol. Dirk Lepelmeier Düsseldorf
Volker Linss Villmar-Aumenau
Magdalene Linz, Pharmacist Berlin
Dr. med. Burkhard Lütkemeyer Bad Essen
Dr. med. dent. Kurt Mahlenbrey Tübingen

Dr. med. dent. Ute Maier Stuttgart
Dipl.-Ing. Hartmut Miksch Düsseldorf
Dr. med. dent. Dirk Mittermeier Bremen
Hansjörg Mogwitz, Lawyer Hanover
Dr. med. Carl-Heinz Müller Mainz
Dr. med. Axel Munte Munich
Gert Nagel Darmstadt
Christian Neubarth Hanover
Dr. Ralph Nikolaus Dresden
Dipl.-Kfm. Siegfried Pahl Haan
Dr. rer. nat. Paul Peter Frankfurt
Dr. med. Angelika Prehn Berlin
Dr. med. dent. Janusz Rat Munich
Dr. med. Hans-Joachim Raydt Stade
Dr. med. dent. Michael Reinhard Mainz
Dr. med. dent. Martin Reißig Munich
Dipl.-Volkswirt Manfred Renner Planegg
Dr. med. Karl-Friedrich Rommel Erfurt
Dr. med. Jochen-Michael Schäfer Kiel
Dr. med. dent. Karl-Horst Schirbort Burgdorf
Dr. med. Gabriel Schmidt Munich
Dipl.-Finanzwirt Peter Schmidt Münster
Dipl.-Med. Ralf-Rainer Schmidt Leipzig
Dipl.-Med. Thomas Schmidt Potsdam
SR Dr. med. Ulrike Schwäblein-Sprafke Hohenstein-Ernstthal
Dr. med. dent. Richard Siepe Eslohe
Dirk Smolka, Dentist Düsseldorf
Dr. med. Till Spiro Bremen
Dr. med. Wolfgang Stehle Friedeburg
SR Dr. med. dent. Helmut Stein Mainz
Dr. med. Volker Steitz Binnen
Dr. med. dent. Helke Stoll Eilenburg
Dr. med. Jürgen Tempel Wunstorf
Dr. med. Ulrich Thamer Dortmund
Dr. med. Christoph Titz Ganderkesee
Dr. med. dent. Ulf Utech Frankfurt
Ralf Wagner, Dentist Düsseldorf
Ulrich Weigeldt Berlin
Dr. med. dent. Holger Weißig Dresden
Dr. med. Dr. med. dent. Jürgen Weitkamp Lübbecke
Dr. med. Elmar Wille Berlin
Dr. med. Kuno Winn Berlin
Dr. med. dent. Walter Wöhlk Kiel
Heinz-Günter Wolf, Pharmacist Berlin
Dr. rer. pol. Thomas Zalewski Stuttgart
Dr. med. Gerd W. Zimmermann Frankfurt
Dr. med. dent. Gert Zimmermann Braunfels

Report of the Board of Directors

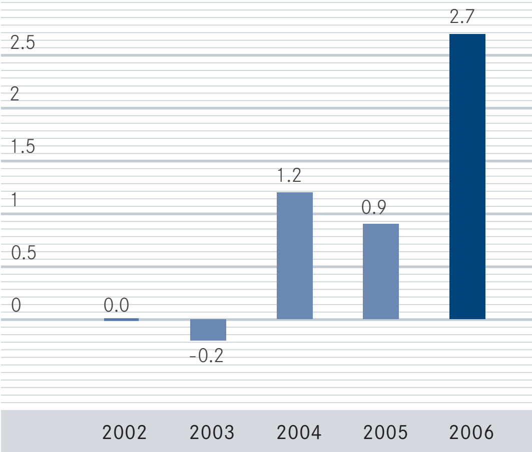
Management Report 2006

Economic Environment

Further recovery of world economy

The upswing of the world economy continued in 2006, but it lost some of its momentum in the course of the year. In the countries of the Eurozone, economic activity last year was much stronger than expected: Gross domestic product (GDP) rose by 2.7 % - a significant increase compared to 2005 (1.6 %). It is gratifying that for the first time since the New Economy boom, the four biggest economies are experiencing an upturn at the same time, with Germany in the lead. The Japanese economy also grew, thus continuing the previous year's upswing. In the United States, however, the driving forces became weaker and weaker in the course of the year. Apart from higher energy prices, this was due to the impact of 17 hikes in interest rates from mid-2004 to mid-2006, which affected above all the historically high share of residential real estate, with a corresponding dampening effect on new housing construction demand.

Gross domestic product
(real changes compared with the previous year in %)



For the year 2007, the OEDC expects a global growth of almost 3 %, i.e. a slight slowdown in economic activity. This slowdown is rooted largely in the United States and Japan. Euroland, on the other hand, has carried its momentum into the New Year. In view of the still attractive interest rates, low risk premiums and the favourable situation many companies are in, investment demand is likely to remain high also in 2007, as well as exports and consumption.

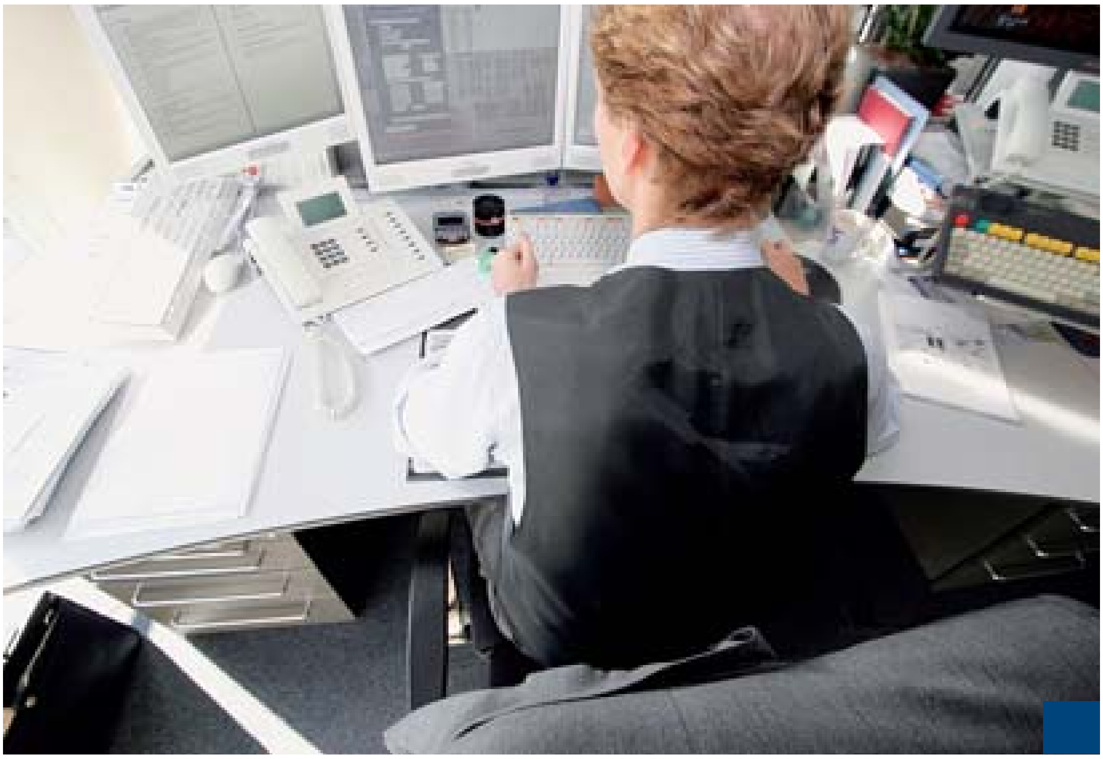
Strong economic growth in Germany

In 2006, sentiment in Germany improved considerably. Contrary to all expectations, the IFO business climate index of the Economic Research Institute in Munich

reached an all-German record high in December. Gross domestic product expanded at a rate of 2.7% (2005: 0.9%), which is one percentage point more than economic researchers had expected of the German upswing one year ago. What seems particularly noticeable is the fact that not only exports but also domestic demand contributed to the strengthening of the recovery process.

This contributed to the fact that the impact of the increase in value-added tax at the beginning of 2007 remained low. In the first quarter 2007, the driving forces were largely unaffected; the overall positive sentiment continued. At more than 2.0%, the growth rate in Germany could turn out to be only slightly smaller than in 2006.

There are positive signals for the labour market as well: According to the six leading economic research institutes, the unemployment rate will fall below the 10% mark in 2007 for the first time since 2002. In their autumn report, the researchers anticipate a rate of only 9.9 % - down from more than 12 % at the beginning of 2006.

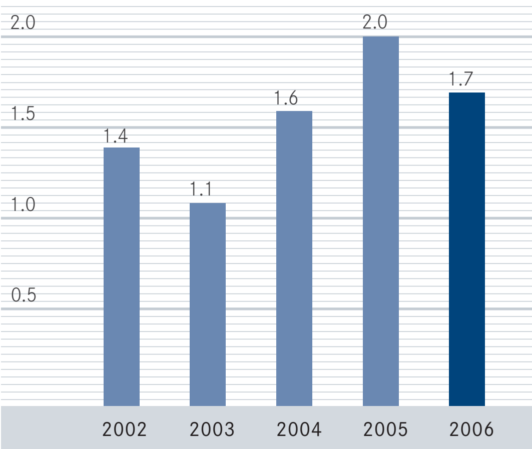


This would correspond to 4.3 million unemployed at an annual average. The institutes' forecast fuels the hope that the labour market is slowly but steadily improving. The development of consumer prices eased as expected. After a gradual increase in 2005, the inflation rate was 1.5 % at year-end 2006, which is the same level as at the beginning of 2005.

Strong recovery of the Euro

The exchange rate of the US dollar moved on a downward trend in 2006. While one Euro cost around 1.18 US dollar in December 2005, Americans had to pay 1.2958 US dollar for one Euro already at the beginning of June. After that, the greenback recovered somewhat, but towards the end of the year it lost in value against the European single currency, closing the year at an exchange rate of 1.3193 US dollar/Euro. Apart from the slowdown of the U.S. economy, this was probably mainly due to the continued large current account deficit of the United States.

Consumer prices
(increase compared with the previous year in %)



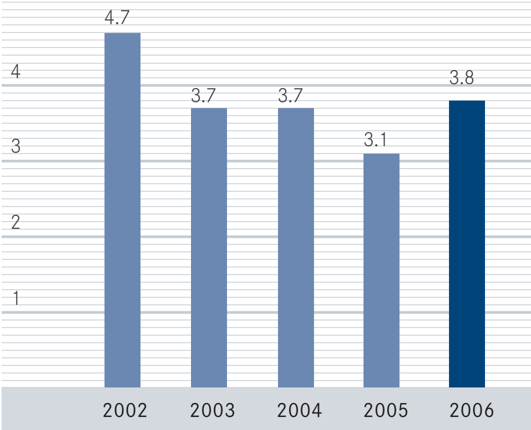
For bond investors, 2006 was the worst year since 1999. Interest rates at the bond markets – in terms of the yield of a 10-year Federal Government Bond – increased from around 3.3 % in January to 4.3 % in mid-year, decreasing to 3.95 % by year-end 2006.
The main reason for the initial increase was the interest rate hikes on both sides of the Atlantic. During the first half year, the Fed raised its rates by 0.25 percentage points four times to the currently stable level of 5.25 %. In Euroland, the ECB – after a first hike in 2005 – raised its key rate on six occasions to 3.5 %. The end of U.S. interest rate hikes and the signs of a weaker U.S. economy, particularly on the residential real estate market, boosted the U.S. bond market in the course of the year and resulted in rising share prices and falling yields in Germany, too.

Stocks continue upward trend

As already in 2005, the stock market was the clear winner also in 2006. After a period of weakness from mid-May to mid-June, in which most stock market indicators lost between 15 and 20% of their value without any discernible reason, confidence in stock investments improved in line with the companies' earnings prospects; the DAX resumed its rally. The index reached its highest level since February 2001 at an annual high of 6,629 on 28 December 2006 and an annual gain of around 22%. On the other hand, pure investments in U.S. or Japanese indices were less profitable for investors thinking in Euro, since both the US dollar and the Japanese yen lost more than 10 and 9% of their respective values against the European single currency. While the leading U.S. indices closed just in the black, the Japanese Nikkei 225 index even posted a slight loss.

Low interest rates along with high company profits will continue to be arguments in favour of the stock markets also in 2007, even though the fluctuations will inevitably become more pronounced. Shares are still cheap despite their performance in 2006, although the DAX shortly passed the 7,000 point mark. In the long-term comparison, the current price/earnings ratios (PER) are far below their average value. For instance, the DAX price/earnings ratio is 12.8 at the moment, while the ten-year average is almost 17. Of course, the stock markets may take a temporary breather. In view of the whole year, however, one can expect a market growth at least in line with the earnings growth. Depending on the respective region, the estimated growth rates will be in the high single digits or even in the low double digits. As for the DAX, it is quite realistic that the index will exceed the 7,000 points mark.

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



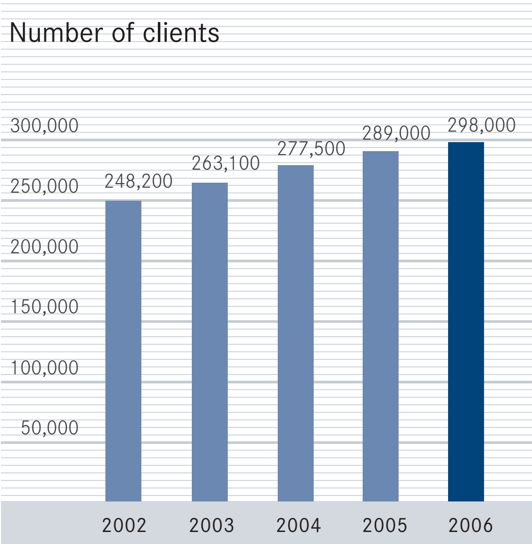
To fulfil the manifold wishes of my customers,
I need a lot of flexibility and enthusiasm.
And this is also what I expect from my bank.

We are proud to have particularly demanding customers. Customers with a clear idea of what is important for their professional and private future planning. Therefore, we serve our customers through all stages of their lives – in professional as well as in private decisions. With flexibility, enthusiasm, and expertise.

Summary of Business Development

2006: a successful business year

The operating profit before risk provisioning, i.e. the income of the operating business, shows that 2006 was the most successful year in the more than 100-year history of the Deutsche Apotheker- und Ärztebank - the result of ambitious goals and highly motivated employees. The Bank was able to continue the trend of the previous years, achieving a double-digit percentage improvement in the operating result for the fourth time in a row. Contributing to this was the continued addition of new customers at a gratifying level, as well as the accompanying expansion of the lending business, which has lost some of its momentum, though. But also in the existing customer base, business relations were extended with the addition of new products, thereby increasing the cross-selling ratio.



At the same time, the efficiency of internal processes was further enhanced, which was reflected in a further improvement in the cost-income ratio. Apart from the measures to improve the quality of service, the projects to meet the statutory requirements were pushed ahead. After a period of five years, our “Basel II” project reached an important milestone with the on-schedule regulatory approval of apoRate, the internal rating system for our business with private clients and small companies. Our Bank’s new brand appearance, which was presented for the first time at the Annual General Meeting in June of the year under review, was largely implemented in the second half of the year. The Bank could further strengthen its number one position as the leading financial services provider to the medical professions, which was undoubtedly also due to the altogether more than just satisfactory development of apoBank in the 2006 financial year.

Net commission income significantly increased

The demand for our profession-specific financing expertise was the main source of growth again. The net increase in the number of customers by 9,000 to 298,000 alone led to a further expansion of the lending business, and the financing demand from the existing customer base was adding to this. In combination with a slight reduction of liabilities and successful global interest rate hedging measures, the credit expansion of the last few years contributed to an increase in net interest income of 5.7 % to Euro 491.9 million compared to the previous year.

With an increase of 19.1 % to Euro 142 million, net commission income showed a particularly pleasing development. The main focus was on the classical securities business with private customers - certainly a result of the new securities strategy, but also a positive response to our range of products. The securities business with institutional investors increased more strongly than in the previous years, too. Overall, the share of net commission income in net interest income has meanwhile reached a ratio of 29 %. Thus, despite the considerable increase in net interest income, the expansion of our non-interest business has reached a target level that was far out of reach only a few years ago.

Administrative expenses characterised by extraordinary effects

Administrative expenses including depreciation on tangible assets increased by 10.4 % to Euro 357.8 million. While personnel expenses rose by 9.6 % to Euro 174.5 million as a result of wage increases from collective bargaining, special payments, new appointments of staff in the course of business expansion and particularly due to the neces-

sary interest rate adjustment following a review of our pension provisions, operating expenses increased by 12.3% to Euro 165.3 million, particularly due to the strategic and legally induced projects. The further improvement in the cost-income ratio by 0.7 percentage points to 55.8% shows that the increase in administrative expenses is acceptable from a commercial and business policy point of view.

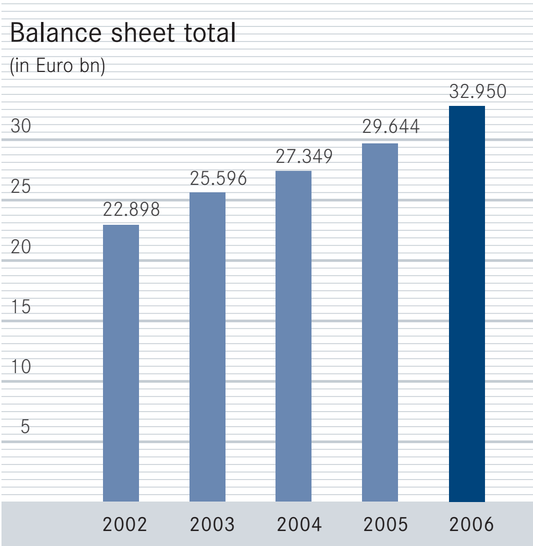
Result of operating business at record level

The very positive development of net interest and commission income more than compensates the cost increases and is reflected in an increase in the operating profit before risk provisioning by 12.5% to Euro 291.6 million. Thus, since the year 2001 – even during the so-called "banking crisis" – we have been able to continuously expand the income from operating business. Net income after taxes is reported as Euro 113.3 (2005: 105.2) million for the 2006 financial year. The more than just satisfactory operating results allowed adequate provision to be made for all foreseeable risks arising from our business operations, for an appropriate build-up of equity and for the payment of a relatively high dividend to the meanwhile more than 100,000 members of the Bank.

Sound balance sheet growth

What is relevant for us is not volume per se, but return; therefore, we have generally aimed our Bank's business policy at achieving qualitative growth while saving resources and generating additional income. The increase in the balance sheet total of 11.2% to Euro 32.95 billion only reflects the positive business development. As already in the past years, apoBank has thus remained the largest cooperative bank in Germany by far since 1974; this is convincing proof of our clients' positive response to our offers and services.

As in the previous years, the growth was driven by the lending business. Although the momentum of the expansion declined in the course of the year, the demand for loans for



business start-ups and real estate financing as well as for projects in the health sector and for other investments led to a 5.6% increase in customer loans to Euro 20.7 billion. Our dominating market position in the financing of business start-ups was strengthened in the year under review. Refinancing of the loans occurred by accepting customer funds and increasingly by issuing certificated liabilities.

Expanded advisory service capacities

Despite all efforts to optimise procedures and processes, the continued improvement of our advisory services, the maintenance of a high service quality and new jobs with special skills necessitated the further recruitment of new employees also in the year under review. As a result, the number of employees rose by 29 to 2,036. Including trainees, staff on short-term contracts, employees of subsidiaries as well as temporary workers, the so-called effective number of employees is 2,345 (2,250). The employees

Major changes in the health care system

"Not least due to new providers, the traditional care structures will change drastically. This has a considerable impact on the medical professions, which are subject to increasing structural and economic uncertainties for the future. Thus we are facing big new challenges. As the partner for the medical professions, we will actively support the process of change in close cooperation with the organisations and provide concrete assistance within our capacity. More than ever, the Bank will have to see the health market as a whole. The satisfaction of our customers is and will remain our maxim."

Claus-Harald Wilsing, Chief Representative of Deutsche Apotheker- und Ärztebank

serve our customers in 46 outlets and branches throughout the whole of Germany, four agencies, five advisory centres as well as our subsidiaries and the head office. In addition, the advisers of our mobile sales arm “apoFinanz” ensure the provision of service to customers in areas far from the next branch.

Partner also in times of radical change

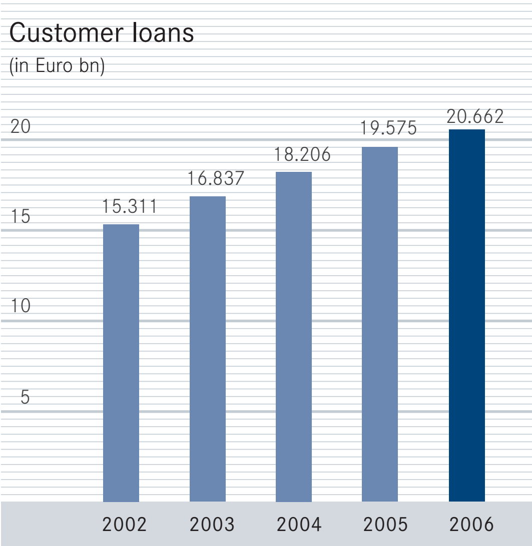
The expertise of the professional Bank for pharmacists, physicians, psychological psychotherapists, dentists and veterinarians offers valuable assistance, especially in a period in which the German health care system is undergoing an unparalleled process of change. This does not only refer to the sound knowledge acquired by our customer advisers over many years, which enables them to understand the business and management concerns in practices and pharmacies, but also to the willingness to provide customers with competent support on their way into new medical care structures and to advise medical professionals in questions of telematics.

In view of the upcoming major changes in the health sector, our Bank will change, too – or rather, it will have to change by anticipating and adapting to new developments in good time. However, this does not mean that we give up our identity; we will remain faithful to our customers in accordance with the provisions of our Articles of Association. For we are convinced that the health market as a whole is a growth market and will remain a growth market in the future.

Lending Business

Financing expertise in demand

As in the previous years, the expansion of the balance sheet total was characterised by the high levels of new lending business also in 2006. The Bank's highly specialised financing expertise in the three business areas of business start-up financing, real estate financing and investment financing/ personal loans was again in strong demand from academic health professionals. This is impressively reflected in the 5.6% growth of the customer loan portfolio to Euro 20.7 billion. The total volume of credit – including guarantees and credit derivatives – amounted to Euro 22.0 billion.



The intensity of credit demand and, therefore, the actual amount of credit granted are reflected in the volume of new advances in the loans sector, which, at a level of Euro 3.2 billion, even exceeds the level of the previous year. Given the substantial structural changes in the health care system and in view of the significantly intensified competition in the year under review, this high level is particularly remarkable. The structure of the new business in the private customer segment is as follows: Business start-up financing accounts for 25%, real estate financing for 45% and investment financing/personal loans for 30%. The real estate and investment financing business in particular showed a very positive development in 2006. This was the focus of new advances besides the traditional core business of business start-up financing and the related investment financing.

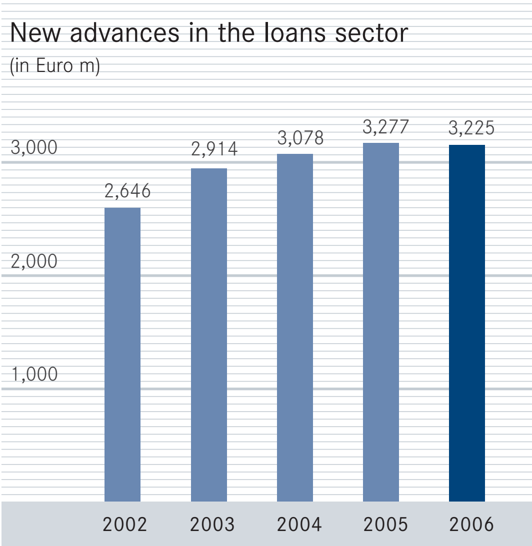
We primarily attribute the continued positive development of the lending business to our target-group-specific business model. Our decades of experience and the exclusive

orientation of our lending and financing products to the academic health professions give us a central positioning advantage in the market. We combine the granting of loans with an exceptionally high standard of advisory services while attaching particular importance to the special future-oriented economic aspects. Substantial repayments - in particular unscheduled repayments, which are possible because of the flexibility of our financing products – were again made, and the loan portfolio increased by 7% to Euro 18.8 billion in the year under review. In view of the maturity dates, the volume of advances on current accounts as at the closing date remained constant at Euro 1.9 billion.

However, despite the decline in the market as a whole, we were able to further strengthen our position as market leader in the financing of business start-ups. Our customer advisors' specific and comprehensive advisory competence in the development of individual financing solutions remains the key success factor here. Wherever possible, they take account of any available low-interest public funds in their financing concepts. From a risk policy perspective, it is positive to note that, as in the previous year, more than three quarters of business start-up plans were based on the acquisition of a practice or pharmacy or the entry into an existing practice or joint practice arrangement.

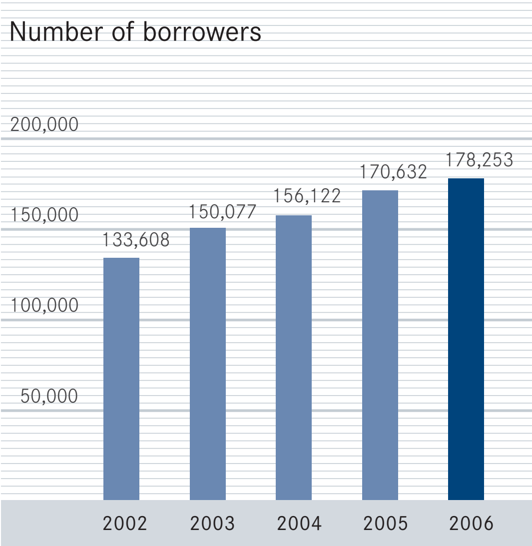
Number one in the financing of business start-ups

For decades, the financing of business start-ups has been the hallmark and core business of our Bank. Due to the structural changes in the health care sector and the resulting decline in the total number of business start-ups, new business in this area fell short of the previous year's figure. The reasons for this are, on the one hand, that the uncertainty of medical professionals who want to open up their own practice has grown in the wake of the health reform; on the other hand, prices for practice acquisitions have declined, with corresponding effects on the volume of credit.




Running gives me time to think.
Then I review the day in my mind.
That is when I often have my best ideas.

Good and solid ideas for the long term – this is what our customers expect from us for their personal financial planning. Therefore, we offer a broad range of innovative, tailor-made investment products to meet the individual needs and wishes of every single client. To make sure that everything is running well.



Real estate financing further expanded

In the year under review, the Bank's real estate financing division again recorded an exceptionally positive development. The average loan portfolio grew by 8.1 % to Euro 7.8 billion, sustaining the growth momentum of the previous years. Despite fierce pricing competition, particularly from direct banks, the number of financings increased again compared to the previous year. A total of about 6,400 real estate financings with a volume of new business amounting to Euro 1.6 billion were granted. Apart from the classic version with a 10-year maturity, the "apoZinscap" interest rate cap loan with a maturity of 15 years that we introduced last year was in particularly strong demand. We expect the start of the cooperation agreement with PlanetHome AG – in addition to the further development of our product and advisory services – to ensure a continued positive business development in the 2007 financial year. We cooperate with PlanetHome in the acquisition and sale of real estate as capital investment or for our customers' personal requirements, thus closing a gap in our portfolio of services concerning real estate financing.

Deposit Business

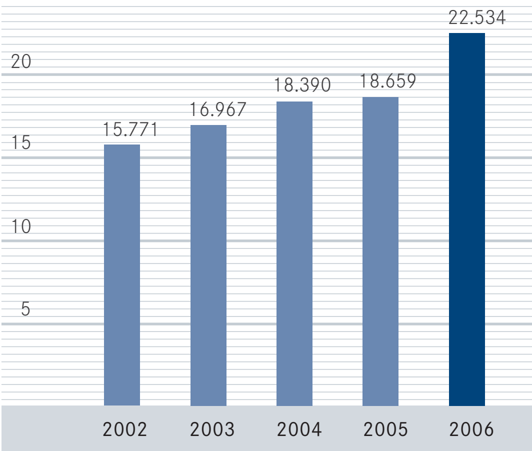
Current-account full-service package in demand

In the year under review, the total volume of deposits increased by 20.8 % to Euro 22.5 billion. This increase 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.

Deposits on demand rose by 6.3 % to Euro 4.7 billion, which was due to closing-date disposals by institutional clients. The analysis of the average deposits of our private clients – not including our money market account – shows an increase of 2.7% compared with the previous year, which is mainly due to the higher liquidity held by private clients. Our 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 with the apoBank Card, a versatile and efficient credit card service rounded off by the online banking and the apoDialog range of services described in more detail elsewhere in this report.

For short-term investments, our liquidity account, which was updated in 2005, is available as a call account with a tiered interest rate structure. In the year under review, the average volume rose by more than 60 % to Euro 695 million compared with the previous year. This clearly showed that investors are more interested in investing – especially in money market accounts – when interest rates are rising. Following this trend, we further improved our liquidity account as of

Customer deposits
incl. securitised liabilities (in Euro bn)



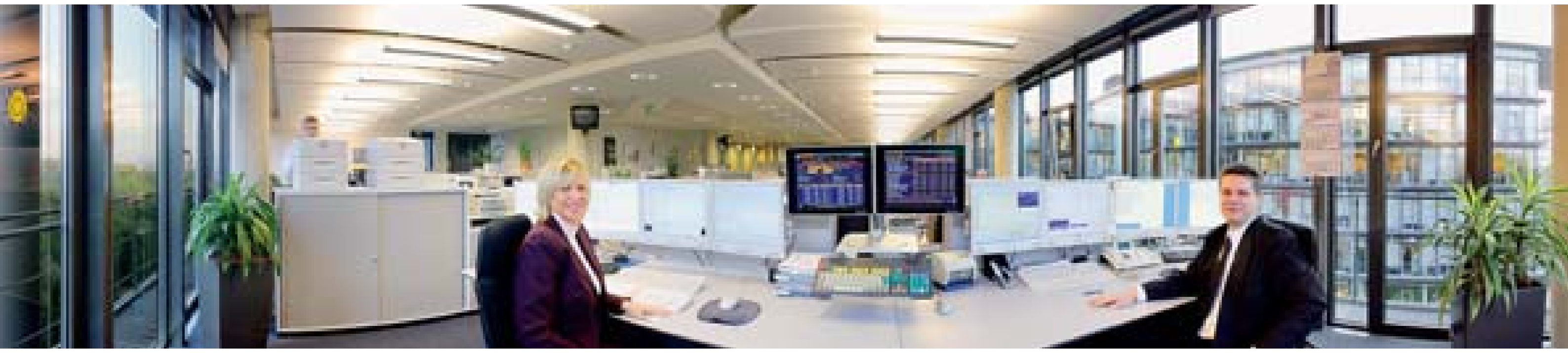
2007, offering it under the name of “apo-ZinsPlus” with a higher graduated interest rate from the first Euro.

Attractive twins “apo GoldenTwin”

Again, in the year under review, there were almost 700 orders per month by our customers for our dual credit card service VISA GOLD and MASTERCARD GOLD without annual credit card fees. This dual credit card, which was introduced six years ago, is meanwhile being used by more than 107,100 people. Furthermore, the card package offers flexible liquidity on the one hand through an optional credit facility called “apo CashCredit”, but also an investment facility for demand deposits of up to Euro 25,000.

Differentiated development of term deposits

The increase in term deposits by 19.5 % to Euro 3.8 billion resulted from the activities of our institutional clients. Regarding our private customers, the average term deposit portfolio declined by 5.8 % compared with the previous year. The volume of apo loans against promissory notes decreased by 3.3 % year-on-year. However, there was a growth in the usage of savings accounts of various types and maturities – at a persistently low level – for the first time in years.



Asset Management

Strong uptrend in volatile markets

Satisfactory returns on stocks, zero performance on bonds – this was the result for investors in the year under review. However, a double-digit performance in 2006 was hard work for those who invested in stocks. On the one hand, Euro investors had no chance of making a profit in the most important stock markets outside Europe, the United States and Japan, because the strong Euro eroded the local gains achieved there in part or in full. On the other hand, stock investors had to have strong nerves last year in order to avoid selling their shares at the wrong time. This development was accompanied by an altogether moderate rise in interest rates together with interest rate hikes by the ECB, so that the annual performance of the usual bond indices was only slightly above zero on balance.

Against the background of this development, and in view of the considerable uncertainty among many investors resulting from the "crisis" of open-end property funds, which had been provoked by the troubles of Grundbesitz Invest, a DB Real Estate fund, many investors also left the stock and bond markets. However, investors who stayed in these two major forms of financial investment by mid-year were rewarded. While interest rates were declining, the stock markets experienced a five-month rally. This was not only the basis for strong gains in the stock markets, but also for a temporary revival of investments in longer-term bonds.

Against this background, it is particularly gratifying that performance, increase in assets under management and earnings contributions were ahead of our expectations. Especially in times of growing uncertainty among investors, we were able to convince our customers by adapting our range of products to their needs. In particular our tried and tested “best advice approach” led to a balanced and attractive range of investment products. Under this approach, we cooperate in the funds and certificates business with the most competent partners in Europe, irrespective of Group affiliation. In the wake of the globalisation of stock markets, our investment focus shifted to new topics and regions.

Closed-end funds: Market remains in motion

Despite the continuing discussion about tax issues, sales of closed-end funds continued to show a positive development. We are pleased that the good sales result of the previous year was even exceeded in this segment. Like in the previous years, the limited number of investment and return alternatives led to strong demand for direct investments. The focus here was clearly in the field of domestic and foreign real-estate funds as well as investments in ships.

Our strategic approach of giving priority to conservative product concepts proved worthwhile for our customers and was again confirmed by the positive business development. In the current financial year 2007, we will maintain our conservative business orientation and further expand our cooperation with efficient partners and well-known companies. Also here, the focus will always be on the “best advice approach”.

Continued strong growth in private asset management

Also in 2006, the asset management business continued its strong growth trend. The very good result of the previous year regarding the volume administered and the number of mandates managed by our asset management business was increased by 36 %. Thus, our asset management has doubled its volume and mandates within a period of only two years. From our point of view, this is evidence of the success of our individual investment policy and the apoAsset

personal customer service provided by our asset managers and investment advisors.

apoAsset – more than funds of funds

The funds of funds managed by our subsidiary apoAsset Management GmbH, or apoAsset for short, continued the positive development of the previous year. Their volume meanwhile increased from slightly more than one billion Euro at year-end 2005 to over Euro 1.3 billion as at the end of 2006. Our success product, “apoDachfonds”, is increasingly benefiting from saving schemes and asset accumulation through fund-related life insurance. Thus, the Bank has further solidified its position as the number four provider of funds of funds in the German market. In spring 2006, our funds of funds were honoured with two “Lipper Fund Awards” for their steadily above-market-average performance.

Asset management business is catching up

“Have we made progress in the securities business? The good news is, we are catching up quickly: The earnings contribution from private and institutional investment transactions has led to a significant expansion of net commission income. About Euro 30 billion assets under management, about 7 billion of these for private clients alone, and a strongly increasing share of more than 25 % in so-called “managed assets” in the apoDachfonds funds of funds and in the asset management business are a very remarkable development. However, the ratio of core customers with a portfolio improved only marginally compared to the previous year. We will have to exploit this great potential if we want to reach our ambitious goals.”

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

But also beyond the funds of funds business, apoAsset was able to continue its upward trend in 2006. The volume of assets under management continued to rise, amounting to more than Euro 3.5 billion on 31 December 2006. This volume expansion, together with an improvement in the average margin, led to another significant increase in the result. Accordingly, the amount distributed to the partners increased significantly, too.

The company was able to report very positive progress with respect to mandates invested in European equities. The quantity-based investment process, which was used for the first time in 2004, generated much higher returns than the common European stock indices. In a cross comparison over 12 months, our “apo Trend Selekt” public fund, which is managed under this approach, significantly improved and now ranks within the top 7% of a group of about 500 European equity funds. The approach is increasingly accepted by our institutional clients, too, which is reflected in additional allocations to existing mandates as well as in a number of new mandates.

The maturity decisions made by apoAsset were convincing when compared to the competition; however, they could not really compensate but only alleviate the disappointing development of the bond markets. In view of the customers’ growing demand for absolute return funds, apoAsset accelerated work on a further modified bond product. In the corporate bond business, our management’s risk-averse investment policy paid off once again.

Our money market product, which is largely based on floating rate bonds of good to very good quality, benefited strongly from the European Central Bank’s interest rate policy in 2006. The steady increases in money market rates in the course of the year had a direct impact on the fund as well. Compared to the competition, the fund still occupies one of the top ranks.

The apo Medical Opportunities fund, which invests worldwide in stocks from the health care market and is managed by apoAsset in cooperation with the Munich-based specialist Medical Strategy, has reached the top ranks of the respective competition comparisons. Nevertheless, the overall performance of this fund was unsatisfactory as a result of the underperformance of the sector. apoAsset remains committed to its goal of expanding

this business into a mainstay of growth, asserting the apoBank's special expertise in all aspects of the health care market.

Business with institutional clients tipped for success

In the year under review, the business with our institutional clients once again showed a very positive development. Driven by the good performance of the depositary banking business, revenue generated from the management of securities rose by approximately 30 % year-on-year. The volume of all funds held by our Bank amounted to more than Euro 9 billion. As in the previous years, the managed master funds contributed considerably to this positive development. On top of that, the depositary banking volume was largely driven by additions to the successful quantitative equity product of our subsidiary apoAsset.

The persistently low level of interest rates led to a slight decline in direct bond investments. As already in the previous years, customers were focused on buying structured bond products. We significantly expanded our advisory services in the area of this product group in order to generate value-added for our customers by using optimised combinations of options and interest reset rights.

Together with our subsidiary holding company, AC Capital Partners Ltd., Dublin, we closed a gap in our product portfolio. In the course of the year we were able, for the first time, to offer our customers an investment in a managed pool of first-class ABS products. Via the so-called LAAM fund (Leveraged Accrual Asset Management), the Bank offers a product that meets the special investment requirements, in particular of pension funds, for low volatility and stable yields which are higher than the assumed rate of interest, thus providing an excellent addition to the individual asset classes.

The risk control model which was developed for our institutional clients over the last few years was in strong demand also in the 2006 financial year. Its functionality was further improved through modification. Our announcement to support the strategic asset management of our customers via an asset liability study was implemented in 2006 by winning additional mandates.

Overall, the extension of our advisory services and the expansion of our product range may certainly be seen as a further strengthening of our competitive position in servicing our institutional clients.

Independence on the job has always been very important to me. But I also take my time to relax and enjoy life.

Independence has always been of particular importance to the members of the health professions. How good it is to have a bank that provides support in financial matters as well as in practice management, e.g. by offering a comprehensive business training programme. To be able to stay on course at all times.

aik's convincing management quality

Our property investment company, APO Immobilien-Kapitalanlagegesellschaft mbH (aik), a joint venture of Deutsche Apotheker- und Ärztebank and professional pension funds, has positioned itself as a real estate asset manager and enjoys the best reputation in the market and among customers. This success was continued in 2006, too. At the beginning of the year, another joint fund was launched by two professional pension funds and an insurance company. Another Pension Fund of a Chamber of Dentists launched a special fund with aik at the year-end. Thus, aik now manages a total of 10 special real-estate funds and provides its services to 18 institutional investors. In the 2006 financial year, real estate assets increased to more than one billion Euro as a result of numerous property acquisitions in Germany and other European countries.

While in the past years the focus had been on investments abroad, investments were mainly made in Germany in 2006 due to the favourable market situation. Here, aik advanced to the top of the sector in portfolio management, too. Moreover, the company made use of the situation on the German real estate market by selling a partial portfolio and individual properties as part of its active portfolio management.

Given a value-added-oriented portfolio development and active rental management, the funds continued to generate good returns. In addition, aik once again proved its expertise in project development. In the field of property management, the remarkable rental performance of the prior year was even surpassed. With commercial rental agreements for an area of approximately 31,500 m^2 and a rental income of approximately Euro 5.6 million, a positive rental balance was achieved.

Despite its safety-oriented and conservative investment policy, aik generated current net earnings of 5.40 % on average for all funds in the 2006 financial year. The performance of all properties acquired by aik in relation to capital employed was 7.43 % in the past financial year.

Treasury and Liquidity Management

Strategic interest rate risk management

Responsibility for the management of market price risks in the Bank's investment and trading book as well as for the controlling of liquidity lies with the department of Corporate Planning/Treasury. The Bank's market price risks primarily consist of interest rate risks. Currency risks and share price risks are of minor importance, and raw material risks are not taken. As a matter of principle, we do not take any longer-term fixed-rate interest positions exclusively aimed at achieving arbitrage profits. Management of the consolidated interest rate risks of the Bank's investment book is one of the tasks of the Corporate Planning division, and it aims at realising a moderate interest rate profile at the overall bank level. Insofar, the strategic management of interest rate risks is understood as an integral part of P&L management with a focus on risk hedging and sustainability of the results of the bank as a whole over time.

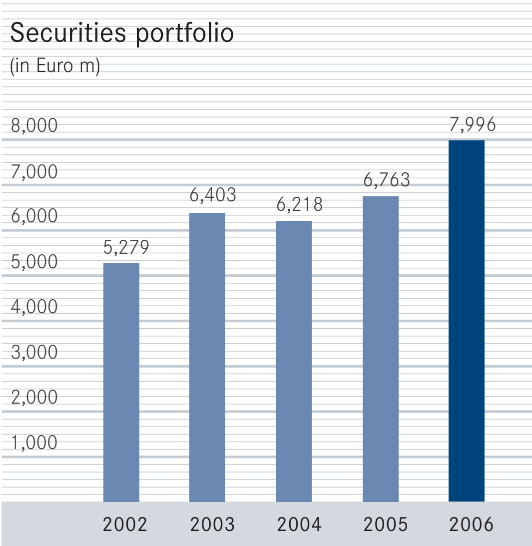
The interest rate risks of apoBank are decisively determined by the core business with its customers. As a result of the special characteristics in its business and refinancing structure, the Bank's interest rate positions are managed according to a multi-period, P&L-oriented elasticity approach, under which the consolidated interest rate risks are recorded, simulated and controlled at the overall bank level. Taking the planned new business into account, the Bank on principle does not enter into open positions, or only to a limited extent.

Our Bank holds a high share of money-market-oriented positions with variable interest rates. The Bank's own securities portfolio and institutional refinancing are converted to variable rates via swap transactions. The long-term lending business is refinanced at matching maturities. On the basis of regular simulation calculations, global hedging measures are taken, contributing to the Bank's moderate interest rate risk profile and sustainability of results. Apart from the above-mentioned multi-period P&L management of interest rate risks, the Bank has installed a present-value model under various interest rate scenarios at the overall bank and portfolio level.

Profit-oriented equity investments with good credit rating

The Treasury/Liquidity Management division is responsible for investments in securities, the operating liquidity management and refinancing activities by means of securitised liabilities. Investments in securities are carried out, on the one hand, in the “liquidity reserve” portfolio.

This portfolio includes positions which are concluded in connection with the Bank’s interest book, above all with regard to profit and loss and liquidity management. Investments are made in bonds, promissory note loans, funds and securitised money market products (commercial papers). As a rule, maturities in this segment amount to up to 15 years.



Most issuers of the securities in this portfolio are countries (including federal states, regions and communities), banks and insurance companies. A fixed share of the bonds is especially secured (Pfandbriefe). The amount of the investment volume in this portfolio is particularly dependent on the development of the assets and liabilities volumes of the customer business as well as on the requirements of the regulatory liquidity principle and of liquidity management. Only the Bank’s free liquid funds are invested.

On the other hand, investments in securities with higher credit spreads are made in order to achieve earnings improvements through additional interest income in the own investment portfolio. The investments are largely made in bonds, promissory note loans (governments, banks, companies), structured financial products and through risk assumptions by means of credit derivatives. These investment activities are rounded off by capital-guaranteed and low-risk non-capital-guaranteed fund investments. The management of the entire own securities portfolio is carried out in strict compliance with a narrowly defined security concept.

Professional liquidity management

Within the department, the money market business is responsible for the operating management of short-tem liquidity. In 2006, monitoring of the liquidity was carried out in close cooperation of the Corporate Planning and Treasury/Liquidity Management divisions. A liquidity committee, which was established together with the Controlling department, monitors and manages the observance of the regulatory liquidity principle on the basis of projected calculations for the next five days, also taking into account all transactions of a relevant dimension planned or due in the next few days. In addition, stress tests are carried out and worst-case scenarios are considered.

The management of the medium and long-term liquidity is based on statements of liquidity holdings and liquidity cash flows, in which core assets and core liabilities as defined by the Bank are compared as at reference date and over time. By means of suitable refinancing measures, the ratio of core assets and core liabilities is managed within a defined target corridor. The essential objectives of this long-term strategic liquidity management are to secure a congruent refinancing structure over time and the pre-management of the regulatory liquidity principle in the medium term.

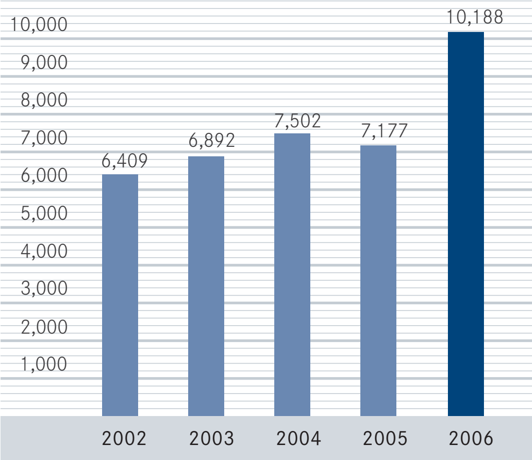
Refinancing activities increased

We pushed ahead with our strategy of attracting new international investors by means of benchmark bonds. In the year under review, both a fixed-rate benchmark bond and a floating-rate benchmark bond

were placed very successfully with international investors. We further extended our refinancing activities by adding tailor-made issues for institutional investors. Overall, long-term issues and promissory note loans with a volume of Euro 3.3 billion were placed in the capital market in 2006. By the end of the financial year, we had made use of the "European Medium Term Note Program" to an amount of Euro 8.2 billion.

For short-term financing requirements, we increased the "European Commercial Paper Program" from Euro 1 billion to Euro 5 billion in the year 2006. It ensures permanent liquidity at attractive rates of interest and offers a higher degree of flexibility for liquidity management. The average outstanding volume was at approximately Euro 750 million in 2006.

Securitised liabilities
(Total amount in Euro m)



The contribution of the private customers business remained successfully stable, with its volume remaining approximately constant. At the moment, bonds with a volume of about Euro 1 billion are placed with private customers.

AC Capital Partners Ltd.

Since September 2005, our Bank has owned a 51 % stake in the Irish investment management company AC Capital Partners Ltd. in Dublin. Apart from the focus on investment income, the strategic expansion of Treasury is to be accelerated and the business with institutional clients is to be expanded by the subsidiary.

A view to the results of our biggest holding in the 2006 financial year shows that it was very successful. On the product side, three new special funds were issued, two managed and two static collateralised debt obligations were structured and two fund of funds platforms were launched. Apart from these transactions, which were developed and arranged in 2006 by AC Capital Partners Ltd. primarily for apoBank's Treasury, investment mandates were acquired among apoBank's institutional clients, i.e. savings banks, state banks and investment managers.

In the segment of leveraged ABS funds, the funds volume in AAA rated ABS managed by AC Capital Partners Ltd. rose to Euro 26.5 billion. Thus, the company is one of the biggest European fund managers in this asset class. The volume of managed investment mandates increased by 70% to Euro 1.7 billion.

In order to secure the long-term success of the company's business operations, another six new employees were added to the team. All services outside the core competences – e.g. back office - were and are rendered by competent partners. This guarantees a lean organisation structure and makes it possible to respond in a flexible way to customer requirements and market developments. In March 2006, a new representative office was opened in Wiesbaden; in November of the year under review, the new head office in Dublin was ready for occupation.

At the moment, the focus of activities is primarily on the further expansion of the customer business. Products from the segments of asset backed securities (ABS), collateralised debt obligations (CDOs), fund of funds products and structured capital market transactions, which are characterised, above all, by an attractive risk/reward profile, were developed in cooperation with renowned investment banks and are offered to customers in order to diversify their portfolios.

Sales Channels

Consulting and communication a priority

The individual sales channels of the Bank were further expanded in 2006. Our customers still appreciate the personal contact with the Bank, but they also want to use the possibilities of communication and information by electronic media or telephone. We have accordingly responded to this demand: The number of advisors in the branches was further increased, and local presence was improved by establishing agencies. Electronic access to service, information and communication was also expanded. A new project was started in the current year to optimise and expand our telephone service.

New "agency" branch type has established itself

Four agencies have been set up so far; they offer a comprehensive range of services, with the exception of over-the-counter-business and safe deposit boxes, and have been very well accepted by our customers. The customers that were transferred to one of the agencies were contacted by our customer advisors, either personally or by telephone. At an early stage, some customers wished to be served by their "old" branch; of course, we met these requests. First of all, one focus of the agencies' activities was on the existing customer management, so that the existing business relations were successfully intensified. Another focus was on the acquisition of new customers as well as on brokerage relationships that had to be expanded at the local level.

apoFinanz: Customer service far from branches

For almost ten years, the advisors of our subsidiary Finanz-Service GmbH der apoBank – or apoFinanz for short – have been serving our customers with mobile field services. In the year under review, 76 financial consultants were operating nationwide. In order to increase the efficiency of the Bank as a whole, we specified apoBank's use of apoFinanz in 2006. Our subsidiary is now even more focused on those customer potentials that are further away from the next branch. Thus, the mobile field service advises our customers in areas where we have no branches. We regard this as an opportunity to enlarge our market share also in these areas.

apoFinanz

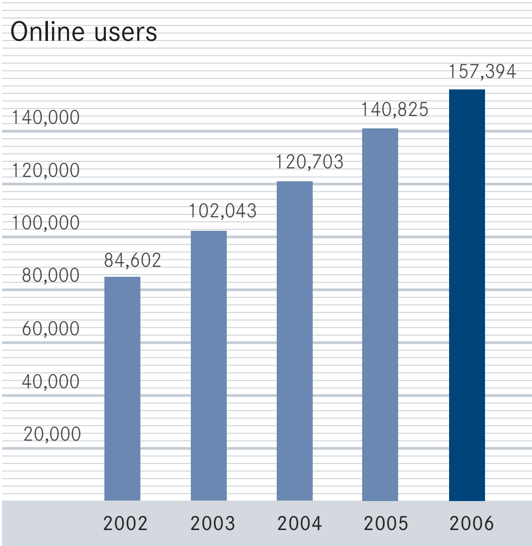
The services offered by the apoFinanz advisors correspond exactly to the services offered by apoBank. In 2006, the brokerage performance of apoFinanz to our Bank amounted to a product volume worth about half a billion Euro. Customers can make use of the apoFinanz services as an additional apoBank service.

E-banking activities in focus

The numerous advantages of the "electronic account" led to a strong increase in the number of online banking users also in 2006. With a growth of around 16,600, the number of those customers who operate their accounts comfortably and independent of counter opening times has risen to 157,400.

Introduction of the new Internet banking system

Ease of use, time saving, transparency and flexibility – these are the benefits of a new Internet banking service that we introduced for a short time in November 2006; however, it was successfully realised only in the current year due to massive failures at the initial stage. One of the essential innovations of this banking with HBCI (PIN/TAN) is that all accounts of one base number can be shown if they are activated and have the same PIN.



All accounts are immediately available for online banking; a new registration is no longer required. Direct debiting, standing orders and aggregated orders can be submitted electronically. All account data of payees and payers can be saved as template and are thus available for transfers, individual debits and EU standard transfers. Relevant information on the respective account, such as account holder, balances, number and amount of due bookings, forward orders, credit amounts, interest rates, amounts saved, IBAN & BIC as well as other information are neatly available.

In addition, the users both of the Internet banking and of the banking programs via HBCI (e.g. StarMoney) can see the booked sales and all orders submitted via online banking that have not yet been booked. Another new feature is the EU standard transfer to other European countries. Moreover, the range of services was expanded by showing the exemption amount and the amounts already used up or still available.

Service by telephone in dialogue with customers

Our telephone service "apoDialog" is an important addition to our customer services. The range of services includes questions regarding the current account and other products of the Bank as well as transfer orders, term deposits and savings account investments. Overall, our customers made more than 780,000 transactions via the apoDialog sales channel in 2006.

Product innovations

"We started the new year with highly attractive products for our customers: Interesting certificates in the securities sector, apoZinsPlus for the deposit business, and also in the lending business we launched two product innovations on the market: the apoExistenzgründungsfinanzierung start-up financing with "airbag" and the apoForwardZinscapDarlehen forward interest rate cap loan. In addition, there will be changes such as the expansion of apoFinanz. Together with the expertise and commitment of our employees, these are good prerequisites to convince our customers that there is more connecting us."

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

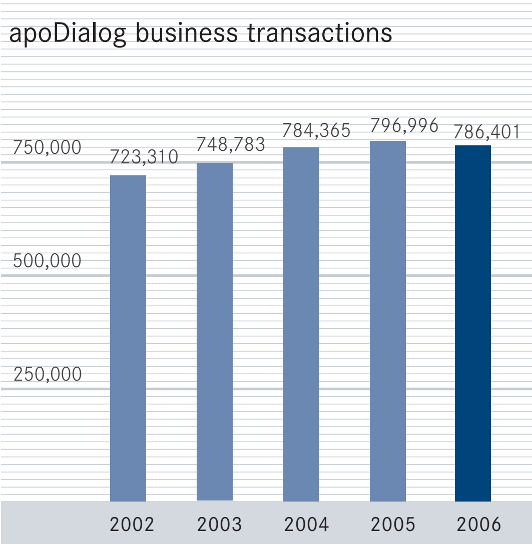
To reconcile job and family is sometimes not so easy.
That is why it is important to have a partner you can
always rely on.

We see ourselves as our customers' partner right from the start. Our advice and services are tailored to our customers' individual life situations. For if you want to go your own way, at work and in private, you will need an understanding and reliable partner to "play along" in any situation.

The apoDialog telephone service is available to our customers also outside the opening hours of the branches. In particular during the noon and evening hours, call-back and consulting requests to the branch's customer advisors are accepted. The electronic banking hotline is available for questions regarding electronic account management via the Internet and StarMoney. Within the framework of our apoBrokerage-Service, apoDialog also accepts securities orders by telephone.

Cashless payment in practices and pharmacies

The trend towards credit card payment in practices and pharmacies continued also in 2006. Our service is already being used by a total of more than 9,000 customers. Overall, 11.2 million credit card payments were settled and a volume of Euro 670 million was credited to our customers' accounts through the credit card payment systems provided by the Bank. Thus, credit card payment has already become an established form of payment for patients and customers in practices and pharmacies.



Successful communication with our customers

Despite all efforts to permanently improve the service quality, occasional customer dissatisfaction cannot be totally avoided in the ever more complex daily operations. In such situations, complaint management can strike a balance in the interest of both sides. It comprises all systematic measures a company can take when customers express their dissatisfaction in order to restore their satisfaction and to stabilise problematic customer relations. Active complaint management gives important information on strengths and weaknesses of a company from the customers' point of view. Since dissatisfied customers mostly turn away from a company without any further feedback, complaints are an important second chance to keep the customers all the same.

Since the implementation of the Customer Communications department in our Bank, the customers' feedback has been recorded and can be used for the company's learning process. Our experience has shown that successfully resolved complaints have a strong emotional effect with a long-term positive influence on the customers' feeling of connection to the Bank. This includes the willingness to continue the business relationship, as well as positive mention and recommendation of apoBank in their personal environment.

This finding is supported by various studies that have shown the importance of successful complaint management. According to these analyses, it costs a company ten times more money to get new customers than to keep doing business with their existing ones. Furthermore, dissatisfied customers spread their experience ten times more than satisfied customers. As a result, potential customers are scared off before they can even gain their own experience with the company.

Partner in the Health Care System

Close cooperation with the organisations

As a professional financial institution, our Bank has traditionally been geared to close cooperation with the professional associations of pharmacists, physicians, dentists and veterinarians. The relationship is based on mutual trust and is a fundamental element of the Bank. In a time of change in the health care system, this is more important than ever.

Social welfare legislation is increasingly establishing the political will to change the traditional care structures. This does not leave the professional groups unaffected, which see themselves more and more exposed to structural and economic uncertainties and thus to a future that is hardly predictable anymore. In close coordination and cooperation with the professional associations, we will endeavour to manage the largely legally induced issues of "New Medical Care Structures" and "Health Telematics".

Prepared for changes in care structures

While the GKV Modernisation Act (GKV-Modernisierungsgesetz, GMG), which came into force in 2004, was already regarded as a “radical change” in medical services in the outpatient area due to its new regulations (medical care centres, employment of physicians ...), it is no exaggeration to call the structural changes of the law amending the panel doctor law (Vertragsarztrechtsänderungsgesetz, VändG) a real paradigm shift. Already in the year 2004, the German Congress of Physicians (Bundesärztetag) decided on a new “Musterberufsordnung” (Model Regulations), which has meanwhile been largely transformed into applicable law by the regional medical councils. Thus, the medical professional law was liberalised in fundamental aspects, particularly with regard to cooperation and employment possibilities and practice location. First of all, however, these new possibilities of professional practice only applied to the private medical sector.

The cooperation and professional practice possibilities, which were merely “implied” by the new medical professional law, were brought to life on 1 January 2007 through modification of the social law. The consequences are, among other things, an increase in the possibilities of cooperative professional practice beyond the local level, increasing employment of physicians in practices and medical care centres and a further growing together of outpatient and inpatient care. Also on the income side, given the standard benefit volumes announced for 2009, it cannot realistically be expected that there will be more money for the outpatient panel doctor system. As a consequence, pressure on traditional medical practices will continue to increase.

We prepared ourselves for the anticipated changes in care structures at a very early stage by establishing the “Health Markets and Health Policy” and “Medical Care Structures and Corporate Clients” divisions within the Sales Organisation and Large Customers department. On the one hand, these divisions have the task of permanently analysing the health markets and health policy with regard to the structural and economic changes that are relevant for the Bank and its clients, and of bringing about the necessary consequences. On the other hand, they are responsible for offering services in those sub-areas of the health markets that have not been the in the focus so far, e.g. in care structures at the interface between outpatient and inpatient care, in other “new” care structures and in health companies outside the health care field.

As the partner for the academic medical professions, of course we give those projects priority that concentrate on promoting structures under the responsibility of freelance doctors and dentists, that serve the move away from institutionalised forms of professional practice, that support freelancers and promote the cooperation between family doctors and specialists, that are oriented towards quality-supported and quality-assuring measures and that, above all, offer acceptable prospects for registered medical professionals with their own practices as well as for employed medical professionals. However, given our responsibility for the further development of the Bank, we are increasingly looking at those market segments of the health sector that have not been in the focus of our core business so far.

apoKom provides advisory services in our target market

We assume that the structural changes effected by the VändG and the (health) economic effects of the GKV-Wettbewerbsstärkungsgesetz (the "law to strengthen competition" in the health care sector, GKV-WSG) will favour the outlined development of a heterogeneous health care landscape. In this connection, the Bank faces a considerable demand for structural consulting. Medical professionals who want to take advantage of the opportunities offered by the changing health care landscape are often left alone with their questions.

As early as in 2000, we therefore established a consulting subsidiary for cooperation as well as for the organisation and management of care structures, which provides interested market participants with its expertise as well as its technical and management competence in the development and support of cooperative business models and organisation forms. We provide this support from the first project idea to its realisation in actual practice. The advisory services are meant as an addition to the advisory services offered by the professional associations, because some of the issues (investment and financing, tax law, company law etc.) exceed their core competence.

health care akademie provides management competence

Established forms of cooperation often lack competent temporary or permanent support with management issues. In order to remedy this lack, the Bank has founded the "health care akademie" together with the Federal Board of Physicians (Bundesärztekammer) and the National Association of Statutory Health Insurance Physicians (Kassenärztliche Bundesvereinigung). Its task is to provide management knowledge for new forms of cooperation and care in the health sector. The offers of the health care akademie are very popular, so that ten management courses have meanwhile taken place.

E-health market offers innovative solutions

Modern information and communication systems have profoundly changed processes in the health sector, thus contributing decisively to making routine business processes more efficient and to facilitating electronic imaging of new cooperation forms. Our Bank has responded to this development by offering support and suitable solution packages to cope with the requirements made on medical professionals and their associations. The Bank's qualified subsidiaries, medisign GmbH and DGN Service GmbH, offer the corresponding basic technologies and product batches: Signature cards to secure sensitive business processes in the health sector, as well as extremely secure network platforms and Internet access.

Both subsidiaries are market leaders in their respective market segments. The customer-oriented offer is geared to concrete applications, and through the reduction of process costs it gives customers the opportunity to further improve the efficiency of administration processes. Apart from apoBank's electronic TAN (eTAN) procedure, the online billing in the area of statutory and private health insurance is of particular importance here, which is offered by the medical billing service "Privatärztliche Verrechnungsstellen" and also increasingly by the associations of panel dentists and panel doctors.

DGN Service – telematics service provider for the German health system

Our subsidiary DGN Service GmbH (or dgnservice for short) is a system house specialised in E-health and the leading provider for the academic medical professions in the German health market. dgnservice counts more than 35,000 medical professionals and more than 70 organisations and companies among its customers. Core services include the successful intranet services for health professionals, D/G/N Deutsches Gesundheitsnetz (for physicians), DZN Deutsches Zahnarzt-Netz (for dentists) and aponet Professional (for pharmacists). In the context of the continuous further development of its products, dgnservice was awarded in 2006 the KV-SafeNet certification for secure communication in the health care system by the Association of Statutory Health Insurance Physicians.

In addition to its provider products, dgnservice is successfully expanding its competence in the consulting and project business. Among the customers are professional associations and companies operating in the German health market. The range of services includes the conception, realisation and operation of specialist portals and telematics platforms as well as the optimal implementation of the respective business processes. With its solutions for physician networks and medical care centres, dgnservice also supports new forms of cooperation in the health sector.

As a third pillar, dgnservice also offers technical trust centre services for the preparation of signature cards. Thus, as a supplier to the Bank's subsidiary medisign, dgnservice is bundling its technical competencies to produce cards and to operate technical infrastructures. In summer 2006, an independent certification authority confirmed that the trust centre of dgnservice is in compliance with the requirements of the Signature Act and the Signature Ordinance. This laid the foundations for dgnservice to produce signature cards of a high quality for medisign in the future. These cards will be in great demand when the electronic Health Professional Card is introduced. dgnservice has already proved its technical expertise also in this special area of signature cards by producing Health Professional Cards for selected users in the pilot regions.

medisign GmbH further expands market position

Since the summer of 2004, apoBank has been issuing the medisign card together with its partner, the medical billing service "Privatärztliche Verrechnungsstellen". Thus, as a sales organisation, medisign performs all sales activities around "signature cards in the health care sector" under its own name. As mentioned above, the sister company dgnservice provides the technical services for producing the cards and operating the infrastructure. medisign has consistently pursued the approach of marketing the signature card with an attractive bundle of services, thus being able to further expand its market leadership for signature cards in the health care sector also in 2006. Meanwhile, a total of 4,000 physicians, dentists and pharmacists rely on medisign's security technology in their online communications. The combination of several practical applications secured by the medisign card offers a direct benefit to physicians, dentists and pharmacists, leading to steady growth in the customer base and a higher profile. medisign's product range is continuously expanded; apart from the signature card, it also includes the appropriate identity management for application suppliers.

For medical professionals with their own practices, the online billing of GKV payments is of growing importance, which can clearly be seen in the example of the dental sector. Here, more and more associations of panel dentists offer their members online billing and function portals on the Internet, safeguarding them with signature cards according to the ZOD (Zahnärzte Online Deutschland, Dentists Online Germany) standard of the Federal Association of Panel Dentists. medisign is the first supplier to meet the high quality requirements of this standard and has established itself in the market with this edge in quality. In 2006, for example, the Association of Panel Dentists in Westphalia-Lippe awarded medisign the contract to supply 3,000 dentists in Westphalia-Lippe with the medisign card.

Corporate clients business in the health sector is becoming increasingly important

Apart from the support of the professional associations and of the changing medical care structures, including E-health activities, the business with companies in the health sector is slowly but steadily becoming more important, also in the context of the above-mentioned market changes. Here we are interested in companies from the area of pharmaceutical wholesale and from the pharmaceutical industry, as well as in companies involved in services, production or trade in the health sector, especially when their operations are close to the medical professions and to medical care.

Banking Operations

Structural optimisation of back office processing continued

The Banking Operations division comprises the back office processing for the branches in the areas of payment transactions including account management, deposit business and the settlement of securities and foreign exchange transactions. In addition, the Banking Operations division is responsible for IT and organisation as well as for the facility management. In the year under review, the strategy for "industrialisation" of internal settlement processes was consistently used and expanded in the organisation of the Bank and in the internal work processes. We understand "industrialisation" as the further expansion of the distribution services offered by the back office units and the application of principles based on the industrial division of labour in the process.

The structure optimisation of the back office processing was successfully continued in 2006. According to the optimisation approach, we delegate tasks from the branches to our service company apoData and streamline through automation, thus realising economies of scale. In this way, back office productivity was increased by a remarkable 25% in the last three years. In return, the branches became increasingly focused on sales. This has brought us significantly closer to our goal of focusing our sales units on market processing. We expect further improvements in productivity and in cost structures as a result of the current plans to optimise processes in payment transactions; they are being continued and will be completed by mid-2007.

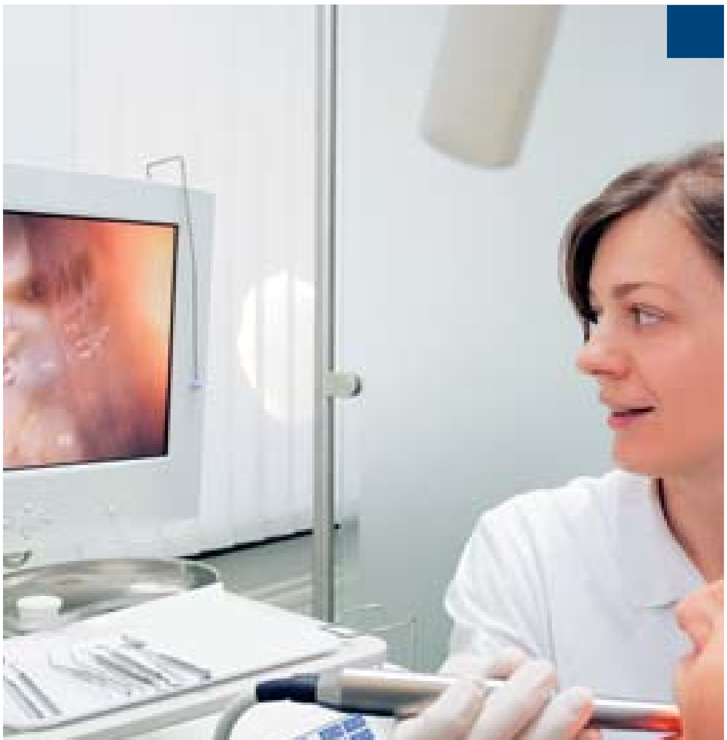
In the past financial year, a comprehensive strategy was worked out for the further structural development of apoData. This strategy organically continues the banking strategy and develops existing strengths. Its goal is the creation of a competitive internal service provider for the back office tasks in order to cope with the foreseeable strategic challenges from our customers' quality demand on banking services as well as with the market development and the legal requirements. One essential element of the new strategy was already implemented in 2006: The development of a quality assurance concept to improve and guarantee the highest level of quality in our internal services regarding the long-term aspect of customer loyalty. The basis are clearly defined agreements

("service levels") between the internal service provider apoData and the internal customer, e.g. the branches, with regard to processing volume, quality and processing times. The mentioned aspects are regularly controlled and deviations are corrected.

Apart from this, one of the challenges of EU harmonisation was addressed: Major changes are looming for international payment transactions at the regulatory, procedural and technical levels as a result of the creation of the Single Euro Payment Area (SEPA) as intended by the bodies of the European Union. By the year 2008, transfers, direct debits and the processing of card payments in Europe are to be made via uniform procedures and data formats. First analyses on the effects on apoBank and apoData were performed in this context. Implementation is planned for 2007.

Introduction of the new core banking system goes according to plan

With the introduction of the new "Kordoba Core24" core banking system, we have made our accounting and settlement system future-proof in the long run. The Bank's specialist departments are supported in their daily work through comprehensive functional improvements. Our clients may benefit from this investment because it enables them to look at current information on account balances and on pending accounting entries at any time in the course of the day. The next stage of the introduction of the system is planned for the first half year 2007. From the aspect of technology management, it is intended to replace the previous manufacturer-specific technological platform by a standard Unix product in the medium term. As an accompanying measure, the strategic Kordoba



development cooperation was continued in the past financial year.

Progress in "integrated workflow processing"

The requirements of the functional development and modernisation in credit processing was appropriately accounted for in 2006 by further developing the IT applications "EKK Plus", "apoOffice Plus" and "apoRate", which support sales and credit processing. Benchmark figures of the internal productivity progress are established through the higher integration of the applications. This makes it possible to process new loan applications much faster, so that they are approved and paid out to our customers more quickly. The introduction of paperless account management contributes to easing the "daily" workload of the customer advisers, thereby providing additional time to expand and improve the quality of customer advice. What is more, the new account opening procedure in the new business ideally combines the high comfort demands of our customers with the internal optimisation. Besides that, another focus of our activities in the year under review was to support our branches and our mobile sales subsidiary apoFinanz. In order to improve acquisition and consulting, a multitude of new functions were created and the ergonomics of the programs was enhanced.

Since 2005, the so-called "integrated workflow processing" has been the central idea of technical optimisation; it is designed to significantly increase the degree of automation and interconnection of processing steps in the back office organisation and provides for the use of electronic archives. By choosing the technical archive platform, we have come much closer to this goal in the year under review. The technical realisation is planned for 2007. Another important milestone was reached with the development of a prototype for "integrated workflow processing". This prototype has been field-tested with selected branches since the end of 2006. In our opinion, it is of great technological importance because it creates basic conditions for further process optimisation and quality improvements in the back office processing in particular.

Technical infrastructure for "Securities and Treasury" expanded

In the year under review, a concrete goal development plan for the next few years was passed, which forms the planning basis for the technical projects. In addition, the "starting pistol was fired" for important modernisation and expansion projects, which will enable us, in the long run, to confirm and increase our high competence in the area of structured products in the market. Among other things, first of all the foundations were improved by significantly increasing and optimising the performance of the program and database servers used. Subsequently, the management software for the depositary bank and the central application for the treasury management were updated, thus introducing in the Bank new technical functions to manage the Master KAG mandates.

On the basis of the new development plan, the risk management systems were expanded in further projects. In the future, market price risks will be monitored by a central integrated risk control system which follows the value-at-risk approach. Also local, previously unlinked databases were integrated and automations introduced in the wake of this innovation. From a technical point of view, the data warehouse was extensively revised and expanded – among other things, the loan portfolios and the reporting structure of risk management were extensively adjusted.

At my work, I have to be very careful and determined at the same time. With putting, it is just the same.

If you are engaged in a lot of professional and private activities, you will need a clear mind to secure your own and your family's future. Then it can be helpful to have a bank by your side that thinks ahead. For instance when it comes to investments in the practice or construction financing. With the right swing, even great goals can be achieved.

Opportunities of the Pfandbrief Act are used

The new Pfandbrief Act came into force in July 2005. It abolished the prevailing business constraints for mortgage banks. Moreover, the Pfandbrief Act allows all banks to issue mortgage bonds under certain conditions in the future. We want to make use of the opportunities of the new law by acting as a bond issuer on the market ourselves. Therefore, we need a risk management system that guarantees the identification, assessment, control and monitoring of the risks associated with this business segment. In order to meet these requirements, we started to implement such a risk management system in 2006. The Banking Operations department contributes decisively to the bank-wide organisational and technical implementation of the procedure.

Successful implementation of Basel II

The efforts made over the last few years in the context of the Basel II project aimed at preparing apoBank for the advanced internal rating approach. The successes in the implementation of the projects enabled the Bank to submit an official application for approval of the IRB Advanced Approach to the Federal Supervisory Office for Financial Services (Bundesanstalt für Finanzdienstleistungsaufsicht) in 2006. We expect a significant competitive advantage from the approval of the internal rating approach, because our lending policy, which depends on the respective individual default risk, is reflected in a corresponding reduction in our regulatory equity capital required to secure these credit risks. The lower costs of equity capital have a positive effect on the profit and loss account.

Group accounting according to IFRS aimed at

As a capital market-oriented company with increasingly successful subsidiaries, we had to devise a project to implement group accounting according to IFRS. It is a cross-sectional project with consequences for all important internal divisions and investments, and it includes not only balance-sheet accounting and reporting system, but also IT and communications with our shareholders and lenders. At the moment, we aim to publish IFRS consolidated financial statements for the first time for the 2008 financial year.

Improved IT infrastructure

We continue to make considerable investments in the expansion and modernisation of our technical infrastructure in order to always be able to offer our clients better solutions. In the framework of various projects, we have completely replaced the technical platforms of our telephone customer service centre apoDialog and the central software of our payment transactions without affecting business operations. We pursue the objective of providing “around-the-clock banking services” to our customers in the future, thus enabling them, for example, to be able to look at current information on account balances and on pending accounting entries at any time, 24 hours a day, seven days a week. As an important precondition to achieve this goal, a central technical control station was installed in the year under review to carry out the permanent automatic control of the IT infrastructure and of the critical banking applications. In addition, this measure also strengthens provisions for operating risks, because it allows for the early identification of undesirable developments or emergencies.

In the area of provisions for operational risks, the focus is on measures for the further development of IT system security as well as the security of existing legal data. This included, among other things, the improvement of security standards, the introduction of new technologies within the framework of the development of our system and network security in order to protect against increasing external threats and to meet the increased demands on mobility and availability of IT systems. At the same time, our employees receive constant further training in these areas.

Progress in the implementation of the IT strategy

In order to be able to compete successfully in the future, the strategy for the further development of “IT and Organisation” was revised in 2005 to cope with the strategic challenges foreseeable in the medium-term future as a result of market developments, changes in technology and legal requirements. Thus, it forms the planning basis for IT projects and the organisational development of the “IT and Organisation” division. In the year under review, the implementation of important core issues was pushed forward. Interim results for the planned milestones were achieved in time, in quality and in budget:

Systematic and integrated medium-term development plans for the application systems were developed with regard to the most important business areas and their corresponding IT systems and processes. The new strategy regulates the way in which data is managed, which is directly reflected in the specialist departments, branches and regional credit control units in the form of clear data structures and improved reporting possibilities. Within the framework of the further development of our overall bank control systems, the corresponding methods and procedures were developed and the technical piloting was started.

In the year under review, the structural development of the "IT and Organisation" department was promoted: The organisation structure as well as important management processes were intensively investigated in an "IO Governance" project. Its focus was on the identification of optimisation potentials while taking future requirements into account. The objective of the project is to create and develop efficient organisational structures and to have them implemented by competent staff. Results are summarised in an implementation plan.

The above-mentioned projects are planned to be finished in 2007. Sustainability is guaranteed: The critical success factors of all the individual projects are regularly reported to an internal control body. Due to the importance of IT as a technological driver of our business strategy, we continued to invest in additional staff with special qualifications as well as in intensive further training measures also in 2006.

Securities processing: Efficient management of increased transaction volumes

In the trade and securities services, transaction volumes significantly increased once again in 2006 compared with the previous

year. For 2007, we expect a continuation of the trend away from plain vanilla and toward structured capital market products. Moreover, we expect that the number of settlements and the administration volumes of our depositary bank will continue to grow. The organisational and technical reorientation of securities processing, which was started in 2005, was continued in the year under review. As a result of the introduction of a new securities processing platform, we will have a modern and efficient infrastructure within one of the market-leading transaction banks and, at the same time, will be able to reduce the cost development of securities processing through high economies of scale in the future. The organisation of the Trading Operations department was strengthened by the creation of a new control team, which receives the demands of our customers and of internal market divisions, supports their implementation and increases the efficiency and quality of the processes and settlement functions in the operating units through an improved interface function.

Value-maintenance strategy in the focus of facility management

In the past year under review, our Bank's construction and modernisation activities were characterised by major measures. With regard to the location of our Berlin branch, comprehensive restructuring of the two buildings "Kantstraße 129" and "Kantstraße 44-45" was decided and begun in the year under review. A total of approximately 6,500 m^2 of office space was gutted and modernised. The renovation is planned to be finished in 2007/2008. This measure must be seen against the background of business growth, of the resulting space requirements and of the maintenance of value of the buildings. For the duration of the renovation, our outlet will move to alternative premises. Another large construction measure will be realised at our Frankfurt location. In the year under review, we acquired a modern building shell with five floors and approximately 5,000 m^2 of office space in the "Mainzer Landstraße 275", thus finding a new building for the outlet that will be usable in the long term. The planning work has been completed, and completion of the building construction work is planned for 2007. Also in this case, the move from the previous location has become necessary because of business growth and restricted spatial conditions. For the outlet in Hanover, a comprehensive modernisation concept was developed and adopted. The planning work has been completed, and the modernisation of the building is planned for 2007.

According to the principle of "going new ways while maintaining the tried and tested", we have developed a construction compendium for the expansion and renovation of our branches. In this connection, we have defined construction and equipment standards that are oriented to the successful concept of the new head office building in Düsseldorf.

Its open, spacious and transparent type of construction as well as the use of the offices in a “combined offices” style, which also includes the use of corridor space for teamwork and archiving purposes and contributes to the development of communication, are characteristics of the future standard. The current construction completions in Berlin, Frankfurt and Hanover as well as new construction measures planned for 2007 follow this standard. Further modernisation measures will be carried out in the Mainz and Regensburg branches. The planned optimisation and repair of the installations in the buildings in Kassel, Nuremberg and Dortmund has been implemented. In the year under review, our model of cyclical restructuring and renovation of our business premises was optimised and adjusted to the increased demands on workplace equipment and design.

Equity Capital

Good capitalisation

Despite the gratifying increase in lending business, we have maintained the good level of equity ratios and of the core capital ratio in particular. The renewed increase in regulatory core capital of approximately Euro 80 million as of 31 December 2006 could be realised solely out of own funds. For instance, the Bank's capitalisation was strengthened by the allocation to general reserves and reserves pursuant to § 340g of the German Commercial Code. Owing to this self-financing power and in view of the implementation of Basel II, which we expect to ease the pressure on equity capital due to the quality of our loan portfolio, we have not expanded our members' capital contributions. The core capital base will be further strengthened by the planned profit appropriation from the positive result of the 2006 financial year.

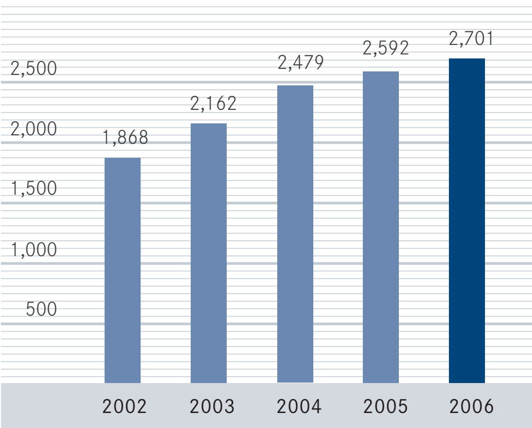
Stable number of members

The Bank gained approximately 2,800 new members in the year under review. Taking account of the departing members, the number of members amounted to 100,982 at the year end. As a result, the Bank disposed of members' capital contributions for remaining members of approximately Euro 800 million as of 31 December 2006. 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 assume as well that the acquisition of membership at the same time expresses loyalty and that the lasting confidence on the part of health professionals in the certainty and continuing prosperous development of their professions' own Bank is reflected therein.

Liable equity capital of approximately Euro 2.7 billion

The Bank continuously 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 65 million from the accounting profit of Euro 113.3 million be

Liable equity capital* (in Euro m)
* incl. the respective proposed profit appropriation and increase in prudential reserves



allocated to the general reserves and a comparably high dividend of 6 % be distributed. As a result, the Bank will dispose of liable equity capital of Euro 2.7 billion after implementing the proposals for the appropriation of profits.

Appropriation of profits	€
Balance sheet profit	**113,289,636.97**
Legal reserves	32,500,000.00
Other reserves	32,500,000.00
6 % dividend	48,270,523.34
Carried forward for new account	19,113.63

Our Staff

Thanks for the strong commitment

Our thanks and appreciation go to all employees of apoBank, who have again contributed to achieving a successful result for Deutsche Apotheker- und Ärztebank with their strong commitment and much initiative in the past financial year. We would also like to thank the employees' representatives for the trusting and constructive cooperation and their sustained commitment in representing the employees' interests.

The 2006 financial year was again characterised by high dynamism. This is particularly reflected in the implementation of leadership instruments resulting from the introduction of the new leadership model in the Bank. Primarily, this includes the standardisation of applicant selection procedures, the preparation of a 180 degree feedback for management staff and the implementation of a special staff development measure for leading management staff of the Bank. Not least, the introduction of the General Equal Treatment Act (Allgemeines Gleichbehandlungsgesetz) required a number of organisational measures to meet the legal requirements.

Standardisation of applicant selection procedures

Also in the year under review, we have hired additional staff. This strengthening of staff capacities will be continued in the long run. Thus, our Bank is one of the few banks in the Federal Republic that continuously increase the number of their qualified employees with a lasting effect. In order to hire only the best suited applicants, we have decided to define and use standardised applicant selection procedures. In the past, the applicant selection was based on one or two detailed job interviews and – dependent on the position – an individual assessment in order to be able to determine the suitability of the potential employee. Now, all senior executives dealing with the selection of applicants are provided with the same techniques and analysis instruments in order to be able to make standardised personnel decisions geared to the needs of the Bank. Job interviews no longer consist only of a question and answer situation, but are supplemented by practical exercises to a considerable extent. In these practical exercises, the applicant should not only be able to describe and explain his suitability for the advertised position, but also to show it in practice.

New ways to train qualified staff

In the past financial year, we tried new ways to find well-qualified employees for our Bank also in the future, which is becoming increasingly difficult because of the demographic development. For instance, we offer young people the opportunity to conduct job-integrated studies – in cooperation with the Fachhochschule für Ökonomie und Management eGmbH (FOM, Advanced Technical College of Economics and Management). This job-accompanying course of studies lasts seven semesters and is characterised by a high degree of practice orientation. Upon successful completion, students are awarded a recognised diploma. Both school-leavers and bank clerks who have completed their vocational training are the target group for this newly developed training programme.

In the year 2007, the Bank will start a trainee programme for different functions in the sales areas. In this way, we want to prepare trained bankers, in a target-oriented 24-month programme, for their sales tasks as customer advisers and investment advisers. Past experience has shown that qualified advice for academic health professionals requires systematic additional training. In this sense, the trainee programme is to contribute to the goal that our clients will be serviced by very well-qualified staff also in the future. Moreover, this measure is to secure junior advisers for our Bank and to promote qualified own staff in order to gain a certain independence in the increasingly competitive market for good applicants in the banking sector.

180 degree feedback for management staff

With the implementation of 180 degree feedback, our Bank will introduce a structured assessment of management staff for the first time. It provides for the management work of the executive to be assessed by three feedback givers: Assessments by direct employees and the superior of the executive on the one hand, and a self-assessment on the other hand. By introducing this 180 degree feedback, we want to support the further development of the constructive and open feedback culture and give systematic instructions on how to use it. In addition, it is meant to stimulate the further analysis and reflection of the leadership model, and the latter's importance for leadership should become more apparent. Not least, it has to be examined to what extent the individual components of the new leadership model have already been implemented in practice.

The first performance of the 180 degree feedback is planned for the beginning of 2008. By then, we will give senior executives, who will be the first to go through the 180 degree feedback process, additional confidence in dealing with the entire range of instruments of the leadership model. This will be achieved within the framework of a management business game in combination with practical advice for the operational implementation. During the business game, the respective executives are accompanied by observers. After that, the executive performs a self-assessment regarding his management behaviour and receives feedback from the respective employees and the observers of the game. Thus, the business game serves the purpose of giving feedback on the effect and effectiveness of one's own management behaviour, of recognising strengths and weaknesses in the implementation of the new leadership model in everyday management and of testing and optimising one's own management behaviour in concrete situations. Moreover, we hope for an even stronger integration of the leadership model

Implementation of the apoBank leadership model

"In 2006, a series of measures was introduced in human resources management in order to implement the further development of our Bank's leadership model. After the pilot project, which was carried out in autumn by a number of volunteers to experience our values in a real work situation outside the Bank, the 180 degree feedback for senior executives and the talent review will be the next steps. Last year, we made good progress in the area of information technology/organisation with regard to process optimisation and sales support. In the new year, apart from regulatory projects, the focus will be particularly on tasks aimed at having more time for our customers."

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

and the resulting recommendations for action into everyday operating management, but also an optimal preparation of the leading senior executives for the first performance of the 180 degree feedback.

“Practical discussion about values”

In order to test the leadership model in practice, on the one hand, and to meet the Bank’s responsibility under the Corporate Citizenship, on the other hand, we carried out a social project outside the usual daily work environment, in which two members of the Board of Directors and 14 executives participated. The reason for this special staff development measure for management staff was the discussion on the question “What value system is the basis for our entrepreneurial actions?”, which was initiated by the introduction of the new leadership model.

Together with a company specialised in innovative team and management staff development, the construction of a playground was planned and realised in a mother/child facility on the site of the community care centre in Düsseldorf-Kaiserswerth. The plan included, first of all, the construction of all the playground equipment in the model, then the procurement of the necessary raw material, and finally the implementation of the on-site construction measures. Since the participants were using unfamiliar material in an unfamiliar work environment, they could not revert back to their usual working patterns. They had to build the respective constructions and pieces of equipment in five different groups by applying the various dimensions of the leadership model. The aim was to give the participants new knowledge in a senior executive’s familiar spheres of activity – informing, challenging, delegating and coaching – in order to transfer this experience to concrete situations in everyday management. This special form of management staff development made it possible to combine two interests: The practical use of the leadership model outside the known hierarchy and the familiar action alternatives, on the one hand, and the intensified participation of the Bank's employees in social obligations within the framework of the discussion about values since 2005, on the other hand.

The project was a complete success. All expectations regarding the application of the new leadership model as well as the team-building processes were far exceeded. Thus, interesting and useful conclusions could be drawn for the practical operational management task, which would not have been achieved by a conventional measure. In addition, a full playscape was made available for the inhabitants of the Kaiserswerth community care centre, which was celebrated with an official opening ceremony at the end of the project.

General Equal Treatment Act

With the coming into force of the General Equal Treatment Act (Allgemeines Gleichbehandlungsgesetz, AGG) on 18 August 2006, legislation requires a number of organisational measures for the implementation of the socio-political demand for equal treatment in companies. The Act prohibits discrimination on the grounds of so-called race, ethnic background, sex, sexual identity, religion, personal beliefs, handicap or age.

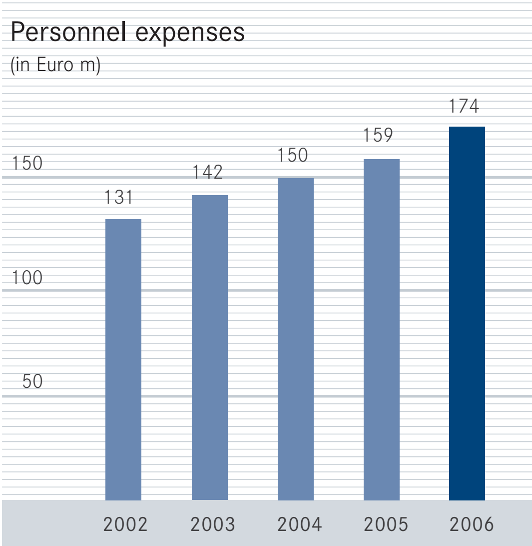
Within the meaning of the Act and with regard to the relationship between the Bank and its staff, employees, apprentices, trainees, applicants, retired employees and temporary workers are worth protecting. If the Bank itself or an employee contravenes the Act, this can give rise to claims for damages and compensation for pain and suffering – apart from the damage to reputation to be expected. We declare our unconditional support to the provisions of this Act; for this purpose, we have explicitly informed all executives about the General Equal Treatment Act in in-person trainings. Moreover, all employees have received online training on the AGG at their workplace.

We are currently in negotiations with the central works council in order to conclude a central works agreement on "fairness and respectful treatment in the workplace". This central works agreement will comprise the internal interpretation of the legal requirements, on the one hand, and the legally

required introduction of a complaints office including the implementation of a complaints process, on the other hand. For with the AGG, the legislator has once again delegated socio-political responsibility for equal treatment to the companies.

Key figures from the personnel division

In the year under review, the number of employees rose by 1.4 %; as of 31 December 2006, our staff consisted of 2,036 employees. The share of female employees is 53 %. The average age of the employees is 42 years, the average period of employment with the Bank is 12 years. Personnel expenses increased by 9.6 % to Euro 174.5 million in the year under review. Apart from wage increases from collective bargaining and expenditure for new employees, the growth in expenses is mainly due to a necessary interest rate adjustment on the occasion of the assessment of our pension provisions in the past year.



In the year under review, 17 apprentices successfully completed their training as bank employees; we were able to recruit 13 of these as employees. From now on, they will support us in various areas of the Bank. Also in the future, we will provide initial education in order to be able to recruit apprentices to meet part of our personnel requirements. Under this aspect, therefore, another 18 new apprentices started their training as bank employees in our Bank on 1 August 2006.

Risk Report

Principles of risk management and risk controlling

Targeted and controlled risk taking is one of the substantial elements of successful banking business. In 2006, as in the years before, we have improved and further developed our risk processes and methods in order to be able to control our business expansion in a risk- and yield-oriented way also in the future. The business and risk strategies as well as the risk guidelines for all types of risks, which are defined by the Bank's Board of Directors, provide the framework for risk control. Observance of these guidelines is monitored at the portfolio level within the framework of the overall bank control and through continuous reporting. Our risk culture is characterised by a conservative handling of the risks of the banking business.

We define the types of risks as follows:

- **Sales risks/Strategic risks**
  We understand sales risks as the deviation of the realised net interest income and net commission income from the target performance in the customer business.

  Strategic risks result from change effects on the Bank's business model and premise risks of the business planning and are closely connected with the sales risk. Both types of risks react to future internal and external factors. Since strategic risks have an influence on the sales performance, they are measured by their effects on the sales risk.

- **Counterparty default risk**
  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. We distinguish between the classic counterparty default risk of the customer loan business and the counterparty risk and issuer's risk of the trade or treasury business. A subcategory here is the country risk as the loss that may arise due to transfer/conversion restrictions or prohibitions. Against the background of the domestically oriented business structure of the customer loan business, country risks only arise in the financial instruments portfolio.

- **Market price risk**
  We understand market price risks as the potential loss that can arise as a result of changes in market prices (share price risk, interest rate risk and foreign currency risk) on the markets for our items.

- **Liquidity risk**
  In terms of liquidity risk we differentiate "insolvency risk" and "refinancing risk". Insolvency risks are understood as the risks that current or future payment obligations cannot be met at all or not to the full extent. The aim of being able to guarantee permanent solvency requires short-term liquidity management. We understand refinancing risks as the risk of rising refinancing costs due to a negative change of apoBank's own rating (credit spreads) and/or a changed liquidity position in the money and capital markets. The credit spread is basically calculated from the term of refinancing and apoBank's rating.

- **Operational risk**
  Operational risks are risks of losses that occur as a result of the failure or inappropriateness of internal processes, humans and systems or through external events.

Organisation of risk management and risk controlling

A functional and organisational separation of the front office/distribution functions from the back office/risk management and risk controlling functions has been implemented up to Board level in order to avoid conflicts of interests and to maintain objectivity. Risk management, risk controlling and audit are separated below Board of Directors' level.

The individual responsibilities are distributed as follows: The department of Corporate Planning/Treasury is responsible for controlling the market price and liquidity risks on the basis of the framework conditions passed by the Board of Directors. The Sales Private Customers and Sales Organisations and Large Customers departments are responsible for the market function in the customer business. The Central Credit Control departments are responsible for controlling all counterparty default risks. This includes, apart from the individual credit assessment of customers, counterparties and issuers, both the ongoing portfolio monitoring and the responsibility for the credit methodology and organisational guidelines of the lending business.

Responsibility for quantifying risks, complying with the legal framework conditions, reporting risks and for assuring the quality of risk data for all types of risks lies with the specialist department Risk Controlling within the Controlling department. The Audit department subjects the organisational units involved in the risk management process and the agreed processes, systems and individual risks to a regular independent examination. As a supervisory body, the Supervisory Board and the Audit, Credit and Risk Committee are kept regularly informed about the current risk situation as well as measures for risk control and limitation.

Control and monitoring of the individual types of risks

Sales risks/Strategic risks

Sales risks/strategic risks are taken in the business areas "Private Customers/Branch Business" and "Organisations and Large Customers". Within the framework of an annual planning calculation, net interest incomes and net commission incomes, among other things, are planned and fixed as the planned sales performance for the coming financial year. The sales risk is understood

Team success: apoRate approved

"In 2006, the Bank proved it once again: We are a strong team! And it was team spirit and stamina that made possible the successful completion of the supervisory approval test of our apoRate rating system with regard to capital backing. After years of efforts by employees from many specialist departments, branches and regional credit control units, we were one of only 10 banks in Germany to receive the approval for our internal rating system for our clients in the medical sector as of 1 January 2007. A huge success for all those involved, and an important step to safeguard the future of our Bank."

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

as the deviation of a sales performance actually achieved at a certain date from the corresponding target performance. This also includes the Bank's strategic risk in the sense of a negative deviation from plan due to market changes that were not taken into account in the planning or due to changes in the competition conditions to the Bank's disadvantage. The figures calculated on the basis of past-related target-performance deviations in the customer business are included in the risk-bearing ability calculation as value-at-risk figures.

Counterparty default risks

The counterparty default risk is limited and monitored in all portfolios by means of individ-

ual and portfolio caps. This takes account of both the individual risk and also the group exposure/the risk category. Sophisticated rating approaches are used for the different sub-portfolios. The apoMasterskala (apo master scale) makes the results of the customer-group-specific internal rating procedures and the rating results of external rating agencies or development banks comparable, so that the same rating categories always have the same default probability, irrespective of the rating procedure used. As a result of the annual validation, the rating procedures were recalibrated and adjusted to the apoMasterskala. The rating results are a substantial part of the exercise of competence and of the procedures for the classification of borrowers into service categories; they are also used for external pricing as well as for the internal business calculation.

Private Customers/Branch Business portfolio

The branch customers' counterparty default risks are controlled via six regional credit control units assigned to the Central Credit Control - Private Customers Business in collaboration with the branches. Those loan applications which have been made by the branches and given a market vote are given the vote of the back office in the regional credit control units after initiating a rating for the borrower. On the basis of cash flow calculations prepared for each individual customer, which take account of the previously available or forecast income figures and the indebtedness of the customer, a check is made under consideration of all private and professional revenue and expenditure streams as to whether the customer's loan request appears financially feasible. Many years of experience in dealing with the medical professions are an indispensable requirement to arrive at a balanced credit assessment during this examination. The subsequent decision is made, dependent on rating and volume, in a joint approval by the market and credit units. For the Private Customers/Branch Business portfolio, we have defined a sub-portfolio as a low-risk business, where loan decisions can be made in individual competence. On the one hand, this includes loan approvals, which occur in a large number but only with small volume of credit. On the other hand, standardised loans are also processed, as long as the strict programme conditions are observed.

The processes of intensive management and problem credit management were modified on the basis of the experience gathered. The regulated intensive management includes the elaboration, together with the customer, of a catalogue of measures to solve his liquidity or earnings problems with the goal of returning to standard management of the customer as quickly as possible. Beside it, the simplified intensive management is applied if the risk factors that have occurred have no discernible influence on the customer's account maintenance. Within the framework of problem credit management, the customer is supported mainly by the risk teams formed in the regional credit control units. Their task is to assist the customer in this period of financial recovery or, if financial recovery of the customer's commitment is impossible, to pursue the termination of the commitment. The Claim Management group, which belongs to the Central Credit Control, supports the regional credit control units in the enforcement of the Bank's claims on defaulters.

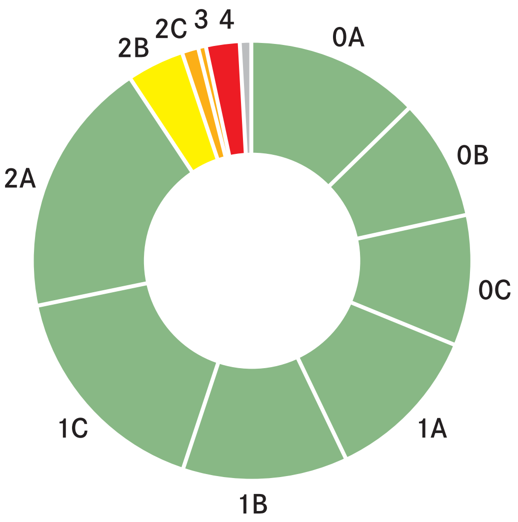
Our apoRate rating procedure, which we have developed ourselves and which is especially geared to our clients in the Private Customers/Branch Business portfolio, has been further developed and has meanwhile been accepted. The rating reflects the early warning indicators and allows us to identify impending payment problems at an early stage. The portfolio is evenly distributed among the good rating classes, and with almost 180,000 individual borrowers it shows a broad spread, with the largest individual risk accounting for less than 0.1 % of the total credit volume.

Organisations and Large Customers portfolio

We have assigned professional associations, companies in the medical sector and new medical care structures to the Organisations and Large Customers portfolio. On the market side, the Sales Organisations and Large Customers department is responsible for the management of risks assumed as well as for the initial vote. The Central Credit Control Corporate Clients/Medical Care Structures/

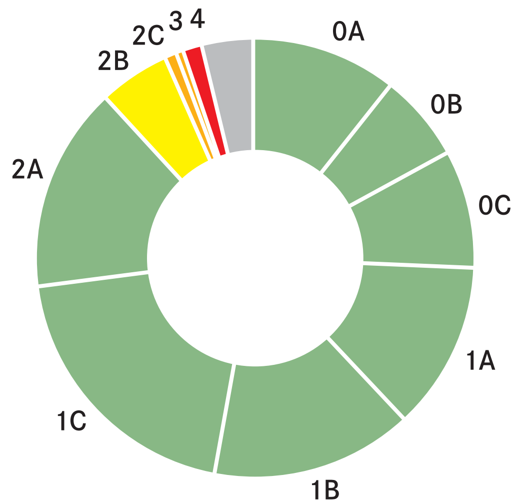
Rating class distribution in the Private Customers/Branch Business portfolio

Volume distribution (in € m)
on the basis of loans taken
total € 19,887 m



Rating class		Meaning
0A 0B 0C	green	Commitments impeccable as regards credit-worthiness. No risk factors.
1A 1B 1C	green	Commitments good as regards credit-worthiness with individual risk factors
2A	green	Commitments with low risks
2B	yellow	Commitments with greater risks
2C 3	orange	High-risk commitments Higher risk commitments
4	red	Commitments threatened by default (according to Basel II definitions) - 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
	grey	No rating

Distribution of borrowers
on the basis of loans taken
total 131,139



Financial Instruments department is responsible for the credit office function. This includes the assessment of the submitted applications and the continuous monitoring of individual loans as well as of the portfolio.

In the corporate clients business, the rating system of the Bank Verlag, a pool solution of the Bundesverband Deutscher Banken (Federal Association of German Banks), is used to assess corporate risks. Thus we could achieve portfolio coverage of more than 90% in the past year.

For the New Medical Care Structures portfolio, which mainly comprises the financing of special real estate, a rating procedure is used in accordance with the criteria for the simple risk weighting of specialised financing according to Basel II. This procedure takes account of the peculiarities of the health market as well as of special real estate for medical professionals, and it allows a structured and consistent analysis of the individual projects with the help of qualitative and quantitative criteria.

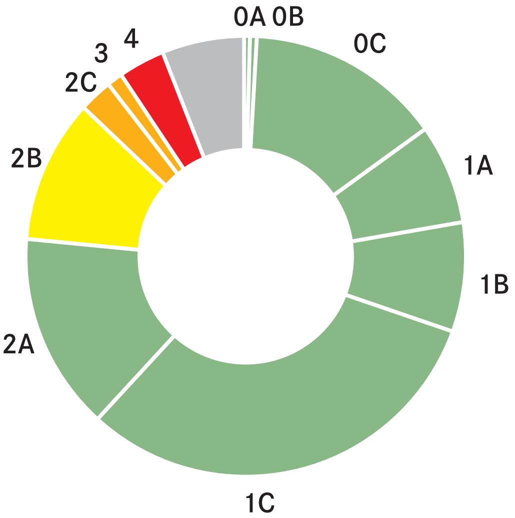
The portfolio of Organisations and Major Customers shows a higher concentration in the rating class 2B than the Private Customers/Branch Business portfolio. However, this must not be interpreted as increased risk, because it is typical of the customer groups and types of transaction pictured here. The other focus of the portfolio is on the rating class 0C and reflects the high portfolio share of public corporations.

Financial Instruments portfolio

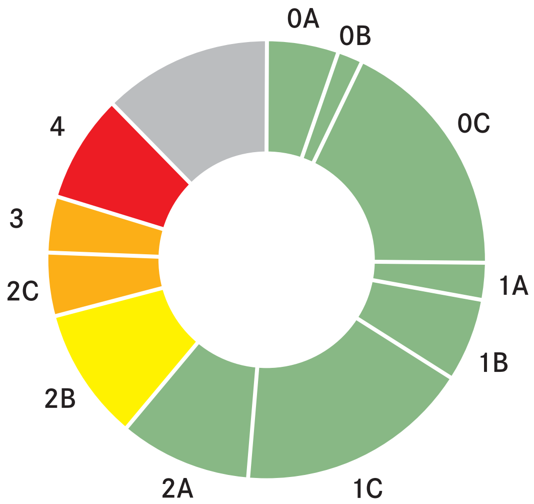
The Financial Instruments portfolio comprises the money and capital market investments and derivatives of the Treasury/Liquidity Management division. In the interest of our clients of the Securities Institutional Investors division, additional risks are taken from foreign exchange and securities trading as well

Rating class distribution in the Organisation and Major Customers portfolio

Volume distribution (in € m)
on the basis of loans taken
total € 1,575 m



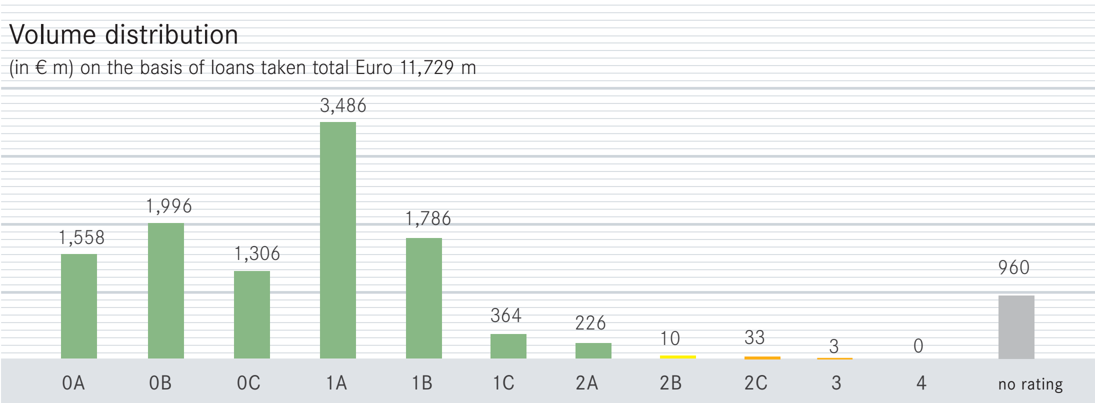
Distribution of borrowers
on the basis of loans taken
total 353



Rating class	Meaning
0A 0B	Commitments impeccable as regards credit-worthiness. No risk factors.
0C 1A 1B 1C	Commitments good as regards credit-worthiness with individual risk factors
2A	Commitments with low risks
2B	Commitments with greater risks
2C	High-risk commitments
3	Higher risk commitments
4	Commitments threatened by default (according to Basel II definitions) - 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

as from start-up financings or co-investments in fund products. 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. In order to reduce the counterparty default risk from derivative commercial transactions, we enter into multiproduct master netting agreements (netting of opposite positions). Moreover, the Bank uses collateral management (collateralisation of open positions) for the derivatives business in order to prevent risk expansion in view of the increased business volume. In the Financial Instruments portfolio, country risks are taken to a small extent. The existing country risks mainly concern countries of the European Union as well as the USA and Australia. No limits were set for country risks due to their low risk content and their small extent. Counterparty default risks are controlled by the Central Credit Control Corporate Clients/Medical Care Structures/Financial Instruments department, and they are measured and monitored by the Risk Controlling department. We secure the early identification of deteriorating risks through a daily automated rating control of the total portfolio, so that risk-limiting measures can be taken if necessary.

Rating class distribution in the Financial Instruments portfolio*

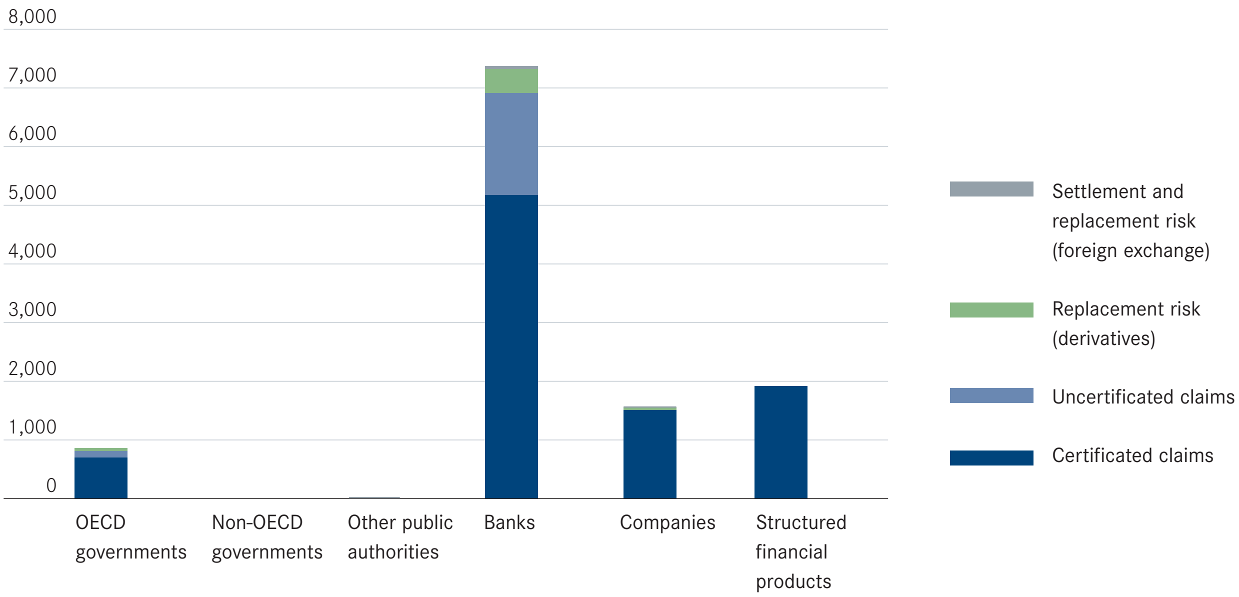


* includes money dealings, liquid investments and derivatives

Financial instruments by sectors and types of risks

Sector	Certificated claims (book value Euro m)	Uncertificated claims (book value Euro m)	Derivatives (LEE Euro m)	Foreign exchange (LEE Euro m)	Total
OECD governments	710	112	27	0	**849**
Non-OECD governments	0	0	0	0	**0**
Other public authorities	0	0	0	4	**5**
Banks	5,186	1,738	410	40	**7,374**
Companies	1,523	0	41	11	**1,575**
Structured financial products	1,925	0	0	0	**1,925**
Total	9,344	1,851	478	56	**11,729**

Volumes = Loans taken (key date, after netting and collateral management) on the basis of book values or loan equivalent exposures (LEE) in Euro m



The rating distribution reflects the Bank's conservative risk policy. The transactions with 0A ratings are ABS structures, while another focus of the portfolio is on derivatives and money market lines of banks with a 1A rating.

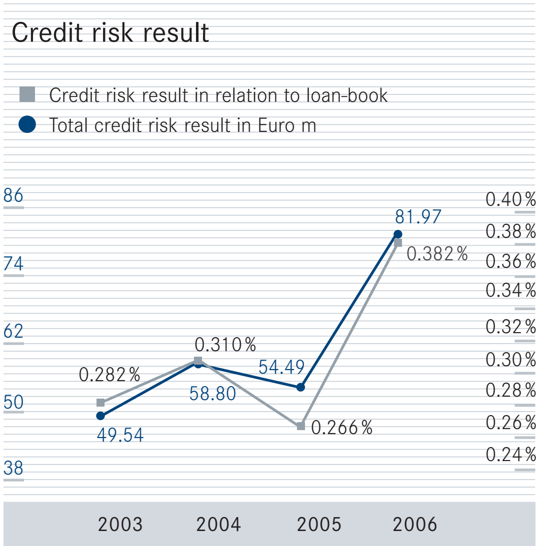
Investments portfolio

The responsible specialist departments and the investment committee continually monitor the development of the investments and report to the Board of Directors, for example by means of 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. Apart from the existing investment in WGZ Bank AG, we increased our investment in DZ Bank AG in the 2006 financial year in order to strengthen our involvement in the cooperative Finanzverbund.

Risk provisioning and special risk developments

As in the past financial years, the Bank made sufficient provision for all credit risks as of 31.12.2006. The graphic shows the detrimental effects on the profit and loss account of the bad debt provision since 2003:

In the Private Customers/Branch Business portfolio, we maintained our policy of cautious risk assessment also in the year 2006. Provisioning is above the level of the previous years, which is also due to the earlier identification of risks through more sophisticated methods and processes and the more consistent treatment of these risks. The average volume of risks occurred has increased, while the number of borrowers who needed new



provisioning has remained the same. There are no risk concentrations, neither in individual health professional groups nor at the regional level.

In the Organisations and Large Customers portfolio, larger provision was made in order to account for a maturity extension granted to a customer. However, the Bank assumes that all loans granted will be repaid in the medium term.

The Regional Court Düsseldorf dismissed the action by the BKK für Heilberufe in May 2006. The plaintiff appealed, but no new arguments were brought forward. We continue to assume that our opinion will prevail in the appeal proceedings, too. The Bank is entitled to full repayment and claims for damages still cannot be derived. According to this assessment, no provisions were made for this litigation in 2006 either. The first court hearing will take place at the Higher Regional Court Düsseldorf in June 2007.

No major additional risks have arisen after the balance sheet date. For the current year, we expect the value adjustment ratio to be at the same level as the average of the Bank in recent years.

Market price risks

The department of Corporate Planning/Treasury is responsible for controlling the market price risks, while the Risk Controlling department is responsible for measuring and monitoring the risks. apoBank primarily takes interest rate risks, while currency risks and share price risks are of minor importance at the moment and commodity risks are not contracted. The essential element for the control of market price risks is a differentiated risk measurement and limit system which limits the risk of the different portfolios or the risk at the overall bank level with the help of a value-at-risk approach or with a present-value-oriented approach. It is based on different scenarios, taking account of both normal and stress situations. The results are not only analysed with regard to the limit system, but are also included in the Bank's planning calculations.

Liquidity risks

The Treasury/Liquidity Management division is responsible for controlling the liquidity risk, which takes place in compliance with the external framework conditions. In order to guarantee permanent solvency, potential maximum liquidity outflows within certain periods are estimated and compared with the potential of liquidity sources (funding potential). The funding potential represents the liquidity provision capacity. To secure sufficient liquidity, we hold marketable floating-rate securities, which can be sold or are eligible as collateral at any time. The liquidity reserve of the Bank was significantly extended as in previous years, while the excellent credit risks remained. The refinancing risk is taken into account in the ability to bear risks. For controlling the liquidity risks, a Liquidity Committee was appointed from the Corporate Planning, Treasury/Liquidity Management and Controlling divisions, which monitors the compliance with the liquidity principles and decides on appropriate control measures.

Operational risks

apoBank has implemented a system for the assessment, measurement and control of operational risks. This facilitates a systematic identification of operational risks as well as a presentation of the current risk situation, and thus allows for appropriate measures to be taken in time. In the organisational units, decentralised risk managers are responsible for the identification, monitoring and control of operational risks. Each risk manager has to decide on and to implement measures to control operational risks (occurring in his field of responsibility) for the area allocated to him. Every month, the risk managers report loss events to the Risk Controlling department, which in turn analyses and processes the losses and then records them in a separate operational loss database. On the basis of the risk analyses and scenario evaluations carried out so far, we do not expect any risks threatening the existence of our Bank. Prevention measures have been taken for all identified risks, and possibilities of early identification as well as emergency plans have been created. Applying our risk management and controlling system for operational risks we will use the standard approach for equity assessment.

Risk-bearing ability as an instrument of overall bank control

The basis of our risk management is the ongoing identification, measurement and monitoring of all risks arising from the business operations of the Bank. To comply with the increased internal demands on our risk management and risk controlling and the new expanded supervisory law requirements, we have further developed our concept of capital adequacy. This concept provides for all identified risks to be compared with risk cover funds which are available to cover the potential losses in the case of a risk. Through the setting of limits, the risk cover funds have been distributed among the individual risk areas. The risk cover funds are derived from our risk cover potential. In deriving the risk cover funds, we have taken care that the Bank's continued existence is not threatened in the case of risk. The identified risks are measured and applied against the limits.

Within the framework of the quarterly risk reporting, the Audit, Credit and Risk Committee as well as the Supervisory Board are informed about the current situation. This includes both a reporting of the above-mentioned risks and the complete presentation of all types of risks defined in the minimum requirements for risk management (MaRisk). In the year under review, the Bank was able to cover all potential risks and to satisfy the proposed dividend payments including the tax due on the same and to make the planned allocation to reserves at any time.

Essential project activities

Minimum requirements for risk management (MaRisk)

On 20 December 2005, the Federal Supervisory Office for Financial Services (Bundesanstalt für Finanzdienstleistungsaufsicht) published the minimum requirements for risk management (MaRisk), which have replaced the former minimum requirements for lending operations (MaK), trading activities (MaH) and internal audit (MaiR). This has provided the framework for the implementation of qualitative banking supervision in accordance with Basel II. In order to determine to what extent apoBank complies with the MaRisk, a delta analysis was performed. The results of the analysis confirmed that the essential parts of the requirements defined by the supervisory authority were complied with, but in detail some adjustments were still needed. The appropriate measures were taken in due time. The entire Board has adopted these measures at all points. Thus, apoBank fully complies with the minimum requirements for risk management.

Basel II/IRBA approval

The aim of the new Basel Capital Accord is to safeguard the stability of the banking system and achieve a risk-adjusted capital backing. An essential milestone of apoBank's Basel II project, which has been running since 2001, was reached at the beginning of 2007 after a period of more than five years. As a result of the IRBA on-site-review carried

out in August of this year, apoBank has reached an important milestone with regard to the IRBA approval for all portfolios: The Bank obtained approval of apoRate, the rating system in the business with private customers and small companies, by the Federal Supervisory Office for Financial Services (Bundesaufsichtsamt für Finanzdienstleistungen, BaFin). The approval is backdated to 1 January 2007, the date when the application of the new German Solvency Regulation (Solvabilitätsverordnung, SolvV) started. The deficiencies detected in the IRBA on-site-review could already be corrected in the year 2006 or will be corrected by the end of the first quarter of 2007. The recognition we have received in the form of the supervisory IRBA approval confirms us to continue our efforts to improve the risk-control systems. With this approval, more than 60 % of the total portfolio have already been approved for the advanced IRB retail approach. There is an implementation plan for the Basel II capability of the other sub-portfolios (mainly financial institutions and companies) which provides for an implementation and a supervisory review of the not yet reviewed portfolios in the years 2007 and 2008. After a successful supervisory review of the other IRBA portfolios, we will have achieved almost 100 % coverage with the IRB retail approach and the IRB basis approach, i.e. with an advanced approach for the measurement of credit risks according to Basel II. As a result of the approval of the IRB approach, we expect a gradual reduction of the regulatory capital backing requirement to 30 % of the present minimum capital with noticeable effects on the profit and loss account in the long run. In addition, there will be positive effects on the internal risk control.

Summary of the risk situation

The Bank consistently continues to pursue its conservative risk policy. The decisive risks are closely monitored and limitation measures are taken. The risk provision covers all discernible risks in the lending business. Despite the changes in the health sector that have already taken place or are expected to take place in the future, we believe that the risk potential of our portfolio will not deteriorate. The existing risk measurement systems, which are subject to permanent further development, secure early information about changes in the Bank's risk situation and allow us to take proactive measures for risk limitation.

Rating

Rating - an important success factor

Since 1998 and 1999, respectively, apoBank has regularly subjected itself to critical review and credit analysis by the renowned and internationally recognised rating agencies Moody's and Standard & Poor's. The Bank is assigned both a long-term and a short-term rating. These ratings take into account all aspects that are relevant for the credit-worthiness of a financial institution, also regarding the ability to meet future deposit obligations.

In October 2005, the rating agency Fitch-Ratings assigned the first so-called Verbund rating for the cooperative Finanzverbund (cooperative financial services network). The Verbund rating applies at the same time to all individual institutes which are associated with the cooperative Finanzverbund and which are members of the protection scheme of the Federal Association of German Cooperative Banks (Bundesverband der Deutschen Volksbanken und Raiffeisenbanken, BVR), thus also to Deutsche Apotheker- und Ärztebank. So besides the existing ratings of Moody's and Standard & Poor's, apoBank's credit-worthiness has indirectly received a rating also from the third internationally recognised rating agency.

The central advantage of an external rating is the access to the capital market. While until the beginning of 2000 it was still possible to place a bond without the rating of a recognised rating agency at least in the national capital market, this has become impossible today. Our Bank, too, increasingly funds its asset growth, apart from client deposits, on the international capital market. Therefore, our external rating is an important success factor for our growth-oriented business model.

Ratings of apoBank improved

In summer 2006, Standard & Poor's changed the rating outlook for apoBank from "stable" to "positive". In the wake of the rating improvement for the member banks of the cooperative banking sector, Standard & Poor's raised apoBank's ratings by one notch to "A+/A-1" in December 2006. The outlook was rated as "stable". Moody's confirmed its previous “A2/P-1” ratings with a stable outlook. The annual management meetings with the rating agencies Moody’s and Standard & Poor’s were both held in August 2006. The Verbund rating by FitchRatings remains unchanged at “A+/F-1” with a stable outlook.

Major reasons for the Bank’s good credit rating by the agencies are the stable underlying financial data, the solid risk profile and the good market position. This is supported by our distinctive market expertise and our business model’s future viability. Moreover, the agencies have rewarded apoBank’s participation in the security systems of the cooperative Finanzverbund and the continued progress of the cooperative banking sector as a whole. The positive estimation of the rating agencies and the confidence in the long-term credit-worthiness of the Bank are also reflected in the yet again extended base of international investors.

Outlook

Customer needs and earnings-conscious growth in focus

In the financial year 2006, the Bank's profitability and efficiency were increased again. By taking a look at the continuous improvement of operating profits and efficiency ratios in the past years, it becomes clear that our business policy focus is on risk-sensitive growth of income as well as efficient deployment of resources. We will continue our efforts to perfectly meet the needs of our customers and to orient the Bank's profitability to international standards with the same degree of intensity also in the future. In a banking environment that is characterised by price-aggressive competition, competent customer service and long-term customer satisfaction are the main focus of our business philosophy.

Opportunities outweigh risks

As a specialist and niche supplier, our Bank has a strong market position in the German health sector, which will remain a growth market with regard to the demographic development, the increasing health awareness and the medical progress. However, the permanently changing basic conditions and the continuous reforms in our health system lead to structural changes. A growing together of outpatient and inpatient care as well as the establishment of new forms of care and organisation, also integrating employed medical professionals, are examples of discernible trends.

We have recognised the challenges our Bank faces from these changes at an early stage and have adapted our organisation and distribution accordingly. In the longer term, the reforms will offer more opportunities than risks. Despite the current structure discussions in labour market and health policy, we think that the good economic situation of our clients is guaranteed in the long term, provided that the individual customer adequately adapts to the changing basic conditions. The "second health care market" outside the statutory health insurance system will also become increasingly important here in terms of self-payment and self-medication.

Our aim is to make consistent use of the market opportunities and business potentials of the health care market and to permanently

maintain the Bank's current profitability and risk situation or to improve it further. The maxim of our business policy is a balanced risk/return ratio with respect to our conservative risk guidelines.

Ambitious goals also for 2007

To provide the basis for a successful development in the financial year 2007, we continue to strive for quality-based growth in the lending business as well as an expansion of sales of the associated cross-selling products. Our current focus remains the same – expanding our customer base in the area of self-employed academic health professionals. We actively support interested members of the medical professions on their way into new health care structures. Starting with business start-up financing and payment services, we want to secure our market leadership position in the long term. Moreover, it is our aim to increase our market share in the area of employed health professionals.

In order to achieve our growth and profit targets, we will also continually improve the services for our existing customers through our active existing customer management ("growing with the customer") as well as through the continuation of our successful securities strategy and the implementation of the newly introduced funding strategy. Our aim remains to provide individual services oriented to the stage of life that our clients are in. This is supported by the optimisation of our sales channels as well as by the introduction of innovative products. In this way, we want to develop existing market and customer potentials and intensify the relationship with our customers.

In addition, through our support for the gradually developing market for new innovative medical care structures and through the controlled expansion of business with companies in the medical professions sector, we will take the opportunities arising from the changes in the health sector. In the area of institutional clients, we intend to further strengthen our position as a competent partner in asset management, which also includes the integration of our specialised subsidiaries.

Within the framework of the optimisation of own investments from a risk/return point of view, we will further expand our treasury activities. By investing into capital-guaranteed and structured products of excellent credit standing, we want to diversify our balance sheet structure. This controlled expansion will be accomplished while maintaining our conservative risk profile.

Positive earnings trend continues

Under these premises, we expect another increase in net interest income despite the ongoing pressure on interest margins. Due to the continuous success in the classical securities business with our private and institutional clients as well as to the increase in other income, we assume that net commission income will once again significantly exceed the record result of the year under review.

On the cost side, we expect an increase in appropriate relation to the planned earnings and volume growth. Apart from the expansion of business, these costs are mainly due to the fulfilment of legal requirements and to regulatory expenses. With market-oriented investments in the future, we secure the Bank's long-term earnings power and financial strength. Apart from that, within the framework of strategic cost management, we invest in projects for the improvement of service and efficiency, which contribute to an increase in productivity and service quality.

Stable risk situation and equity relief effects from Basel II

After a temporary increase in risk provisioning for the lending business in the financial year 2006, risk provisioning will from today's view decrease in 2007 to the relative level of the previous years again. It reflects the solid credit quality, which is supported by our many years of market experience and by professional risk control instruments, as well as the Bank's planned organic lending growth. With a view to the implementation of Basel II and the supervisory approval of apoRate, our rating system in the business with private customers and small companies, as of 1 January 2007, we reckon with equity relief effects because of the quality of our loan portfolio. Despite the planned asset growth, we expect a significant increase in capital ratios.

"More than just satisfactory" rating anticipated for 2007

Based on these prerequisites, which accord with the results of the first quarter of 2007, we expect our operating result in its different expressions to exceed the values of the previous year once again. Both cost-income ratio and interest margin should remain largely stable at around 55 % and around 1.6 %, respectively. Regarding return on equity, we assume that we will be able to exceed the previous year's value of 14.7 %. If we describe the 2006 financial year as "more than just satisfactory", then, as things look today, this assessment will almost certainly apply to the current year 2007, too.

apoBank has assets

The Bank's foundation is its invaluable assets:

- We have a clear, distinctive profile. This is what our customers appreciate.
- We know exactly what we want and where we want to go. This provides orientation in times of change.
- We concentrate on those that we know and on what we can. This creates identity.
- We believe – against the common trend of globalisation and generalisation – in the need for specialisation and consistent customer orientation. This creates confidence.
- We are operating in a growing market. This is our business potential of tomorrow.
- We have a fantastic team and highly motivated employees. This is where our richness in resources lies.

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. Special consideration was given to the effects on the Bank of economic changes in the medical sector. 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, PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, performed the audit of the Annual Financial Statements and of the Management Report for the 2006 Financial Year on behalf of the Rheinisch-Westfälischer Genossenschaftsverband e. V. 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 in accordance with 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 are:

Hans-Günter Friese, Pharmacist
Dr. med. Wolfgang Wesiack
Dr. med. dent. Wolfgang Eßer

Re-election is possible.

Mr. Gerhard K. Girner celebrated his 60th birthday on 8 August 2006. On the occasion of this special birthday, the Supervisory Board would like to express its sincere thanks and special appreciation to Mr. Girner for his great commitment in the interests of the Bank.

Düsseldorf, March 2007

The Supervisory Board

Dr. med. dent. Wilhelm Osing
Chairman

Corporate Governance Report

On 26 February 2002, an independent commission set up by the federal government presented the German Corporate Governance Code. Its contents were further developed in the following years.

The Code is addressed to German listed companies and contains recognised national and international standards for good and responsible corporate governance. In addition, it includes the major statutory regulations for the management of companies. The Code aims at making the German regulations for the management and supervision of listed companies transparent, in order to promote the confidence of national and international investors in the corporate governance of German companies. Therefore, the Code puts particular emphasis on comprehensibility and transparency.

The Code does not have the quality of a legal norm, because it describes the applicable law for one thing and contains recommendations and suggestions for another thing. On the other hand, the legislator has included the Code into legislation in so far as, pursuant to § 161 of the Stock Corporation Act (AktG), listed stock corporations are obliged to declare whether the Code is applied at all and to announce deviations from the recommendations.

Although Deutsche Apotheker- und Ärztebank, as a cooperative, is not subject to the Code and has no announcement obligation pursuant to § 161 of the Stock Corporation Act (AktG), it has voluntarily adopted the regulations of the Code and the announcement obligation. Irrespective of its legal form, the Bank supports the Code’s objectives and gives them a high priority. However, it has to preserve the particularities to which it is subject from a legal point of view and in due consideration of the interests of its cooperative members.

Among other things, Deutsche Apotheker- und Ärztebank publishes its Articles of Association as well as the Bank's Corporate Governance Code together with the Declaration of Conformity pursuant to § 161 of the Stock Corporation Act on the Internet. The Bank's Code as well as the Declaration of Conformity are checked annually with regard to the updated recommendations of the commission.

Deutsche Apotheker- und Ärztebank regards also the integrity of its employees as part of a comprehensive Corporate Governance. Trustworthy, reliable and performance-oriented employees are the precondition for the customers' confidence in the Bank, and thus for the Bank's success. For this reason, Deutsche Apotheker- und Ärztebank has formulated a code of conduct that commits employees to complying with binding principles of value and behaviour, which have to be taken into account both in the relations with customers and business partners and in the relations among employees. This guarantees a degree of transparency that makes decisions comprehensible and prevents irrelevant considerations to influence the decision-making. The code of conduct came into force in November 2006.

Annual Declaration of Conformity pursuant to § 161 Stock Corporation Act (AktG)

The Board of Directors and the Supervisory Board of Deutsche Apotheker- und Ärztebank eG (apoBank) declare that the "German Corporate Governance Code" in the version of 12 June 2006 is 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.

   Apart from the deviations individually explained below, this has led to the following fundamental deviations from the standard of the German Corporate Governance Code:

   - Shareholders and General Meeting (Article 2 of the Code)
   - Takeover offers (Article 3.7 of the Code)
   - Information on and disclosure of the overall remuneration of the members of the Board of Directors are made pursuant to § 285 (1) No. 9a of the German Commercial Code (Articles 4.2.3., 4.2.4. and 4.2.5. of the Code)
   - Performance-related compensation of the Supervisory Board (Article 5.4.7 of the Code)
   - Transactions in shares or related financial instruments of the Bank by executive bodies or executive employees (Article 6.6 of the 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 existing 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) *To permit the Supervisory Board's independent advice and supervision of the Board of Directors, the Supervisory Board shall include what it considers an adequate number of members. A Supervisory Board member is considered independent if he/she has no business or personal relations with the company or its Board of Directors which cause a conflict of interests (Article 5.4.2 of the Code).*

The composition of the Supervisory Board corresponds with the Bank's particular market orientation to the health market.

5) *Proposed candidates for the Supervisory Board chair shall be announced to the shareholders (Article 5.4.3 of the Code).*

   In its constituent meeting, the Supervisory Board elects a chairman from among its members according to the stipulations of § 27 of the German Codetermination Act (MitbestG).

6) *It shall not be the rule for the former chairman of the Board of Directors or a member of the Board of Directors to become Supervisory Board chairman or the chairman of a Supervisory Board committee. If this is intended, the special reasons shall be presented to the Annual General Meeting (Article 5.4.4 of the Code).*

   It is not intended for the spokesman of the Board of Directors or a member of the Board of Directors to become chairman of the Supervisory Board or the chairman of a committee.

7) *Compensation for members of the Supervisory Board shall also take account of the exercising of the chair and membership of committees (Article 5.4.5 of the Code).*

   The chairpersons and committee members currently receive no additional remuneration.

8) *Compensation for the members of the Supervisory Board shall be shown individually in the Corporate Governance Report and subdivided according to components (Article 5.4.7 of the 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), which also form the basis for taxation.

Düsseldorf, 20 April 2007

For the Supervisory Board	The Board of Directors
Dr. med. dent. Wilhelm Osing	Günter Preuß Dr. Franz Georg Brune Gerhard K. Girner Günther Herion Werner Albert Schuster
	Claus-Harald Wilsing Chief Representative

We pay our respects to our departed members

Professor Dr. rer. pol. h. c. J. F. Volrad Deneke

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

In the deceased we have lost a personality who benevolently accompanied our Bank for more than 50 years. From 1984 to 1992, he was a member of the Supervisory Board; then he remained associated with our Bank as a member of the Council of Elders.

Professor Dr. med. Eggert Beleites

Professor Dr. med. dent. Michael Heners

Dr. med. Fritz Braumann

Heinz Frohnecke, pharmacist

Dr. med. Heinz-Michael Mörlein

Dr. med. vet. Kurt Rupprecht

Professor Dr. med. Josef Stockhausen

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 2006

Balance Sheet

Profit and Loss Account

Notes

Assets	€	€	€	€	Previous year in € thousand
1. Cash reserves					
a) Cash on hand			25,318,384.18		25,211
b) Cash in central banks			112,170,885.55		4,392
Including: with Deutsche Bundesbank	112,170,885.55				(4,392)
c) Cash in post office giro accounts			0.00	137,489,269.73	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			361,704,294.52		229,222
b) Others			2,021,337,032.02	2,383,041,326.54	1,623,615
4. Loans and advances to customers				20,661,560,754.66	19,574,525
Including: secured by mortgages	4,496,663,072.06				(3,021,092)
Municipal loans	168,768,062.62				(219,472)
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		1,937,654,986.53	1,937,654,986.53		1,183,380
Including: eligible as collateral with Deutsche Bundesbank	148,008,586.50				(49,901)
b) Bonds and debt securities					
ba) of public issuers		79,189,848.08			79,190
Including: eligible as collateral with Deutsche Bundesbank	79,189,848.08				(79,190)
bb) of other issuers		4,094,152,983.31	4,173,342,831.39		3,729,328
Including: eligible as collateral with Deutsche Bundesbank	2,633,499,032.41				(2,275,792)
c) Own debt securities			69,540,079.80	6,180,537,897.72	72,592
Nominal amount	68,245,582.11				(70,979)
6. Shares and other non-fixed-interest securities				1,815,090,081.21	1,698,969
7. Participating interests and capital shares in cooperatives					
a) Participating interests			59,802,643.23		7,488
Including: in banks	54,752,860.01				(116)
in financial services institutions	0.00				(0)
b) Capital shares in cooperatives			299,819.73	60,102,462.96	9
Including: in cooperative banks	0.00				(0)
in financial services institutions	0.00				(0)
8. Shares in affiliated companies				131,787,068.64	131,820
Including: in banks	2,929,390.66				(3,263)
in financial services institutions	53,015,844.54				(53,016)
9. Trust assets				2,769,797.26	2,790
Including: loans for third-party accounts	32,276.63				(53)
10. Compensation claims against the public sector, including debt securities from their exchange				0.00	0
11. Intangible assets				6,100,801.00	6,274
12. Tangible assets				220,838,415.40	210,391
13. Other assets				1,191,141,138.78	994,918
14. Prepayments and accord items				159,270,768.31	70,331
Total assets				32,949,729,782.21	29,644,445

Liabilities	€	€	€	€	Previous year in € thousand
1. Liabilities to banks					
a) Due on demand			1,298,920,976.26		1,430,835
b) With agreed term or period of notice			6,078,424,501.85	7,377,345,478.11	6,544,908
2. Liabilities to customers					
a) Savings deposits					
aa) With agreed period of notice of three months		206,564,311.12			222,973
ab) With agreed period of notice of more than three months		360,732,323.78	567,296,634.90		270,499
b) Other liabilities					
ba) Due on demand		4,739,312,147.73			4,460,114
bb) With agreed term or period of notice		7,039,234,678.22	11,778,546,825.95	12,345,843,460.85	6,527,941
3. Certificated liabilities					
a) Debt securities issued			10,187,959,002.73		7,176,879
b) Other certificated liabilities			0.00	10,187,959,002.73	0
Including: money market papers	0.00				(0)
own acceptances and promissory notes outstanding	0.00				(0)
4. Trust liabilities				2,769,797.26	2,790
Including: loans for third-party accounts	32,276.63				(53)
5. Other liabilities				445,174,669.92	396,294
6. Deferred income and accruals				89,629,579.63	103,220
7. Provisions					
a) Provisions for pensions and similar obligations			111,150,376.00		90,955
b) Tax provisions			23,430,655.97		11,330
c) Other provisions			27,054,886.16	161,635,918.13	28,542
8. Special items with a reserve element				0.00	0
9. Subordinated liabilities				245,681,628.92	294,792
10. Participating certificate capital				296,355,025.74	408,839
Including: due within two years	35,790,431.68				(122,710)
11. Fund for general banking risks				146,000,000.00	82,000
12. Equity capital					
a) Subscribed capital			958,045,583.95		963,339
b) Capital reserves			0.00		0
c) Revenue reserves					
ca) Legal reserves		290,000,000.00			261,222
cb) Other revenue reserves		290,000,000.00	580,000,000.00		261,733
d) Net earnings			113,289,636.97	1,651,335,220.92	105,240
Total liabilities				32,949,729,782.21	29,644,445

1. Contingent liabilities					
a) Contingent liabilities from rediscounted, settled bills		0.00			0
b) Liabilities from guarantees and indemnity agreements		1,386,279,349.30			389,422
c) Collateral furnished for third-party liabilities		0.00	1,386,279,349.30		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		2,325,878,959.35	2,325,878,959.35		1,595,644

Profit and Loss Account

Profit and Loss Account for the period 1 January 2006 to 31 December 2006	€	€	€	€	Previous year in € thousand
1. Interest income from					
a) Lending and money market transactions		1,255,125,878.14			1,124,811
b) Fixed-interest securities and debt register claims		204,225,095.52	1,459,350,973.66		157,343
2. Interest expenses			1,022,870,140.57	436,480,833.09	854,721
3. Current income from					
a) Shares and other non-fixed-interest securities			45,476,658.39		32,969
b) Participating interests and capital shares in cooperatives			2,629,943.30		4,953
c) Shares in affiliated companies			7,313,777.00	55,420,378.69	0
4. Income from profit pooling, profit transfer agreements or partial profit transfer agreements				569,982.85	139
5. Commission income			223,970,420.71		203,778
6. Commission expenses			82,010,583.75	141,959,836.96	84,567
7. Net income from financial transactions				11,904,519.41	1,711
8. Other operating income				12,745,847.46	8,648
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		134,818,096.75			132,144
ab) Social security contributions and expenses for pensions and benefits		39,654,825.61	174,472,922.36		26,979
Including: for pensions	19,026,449.16				(10,253)
b) Other administrative costs			165,314,276.57	339,787,198.93	147,190
11. Depreciation and value adjustments in respect of intangible and tangible assets				18,010,595.78	17,803
12. Other operating expenses				9,703,789.00	11,873
13. Write-offs and value adjustments in respect of receivables and specific securities and allocations to provisions for credit risks			96,474,187.48		61,702
14. Income from write-ups of receivables and specific securities and write-backs of provisions for credit risks			0.00	-96,474,187.48	0
15. Write-offs and value adjustments in respect of participating interests, shares in affiliated undertakings and securities treated as fixed assets			562,266.68		1,862
16. Write-ups in respect of participating interests, shares in affiliated undertakings and securities treated as fixed assets			0.00	-562,266.68	23,908
17. Expenses from the absorption of losses				0.00	0
18. Transfers to special items with a reserve element				0.00	0
19. Profit on ordinary activities				194,543,360.59	219,419
20. Extraordinary income			0.00		0
21. Extraordinary expenditures			0.00		0
22. Extraordinary profit/loss				0.00	(0)
23. Taxes on income			16,687,874.12		83,704
24. Other taxes not indicated in item 12			601,121.89	17,288,996.01	488
24a. Transfer to fund for general banking risks				64,000,000.00	30,000
25. Distributable profit				113,254,364.58	105,227
26. Profit carried forward from the previous year				35,272.39	13
				113,289,636.97	105,240
27. Withdrawals from revenue reserves					
a) From the legal reserves			0.00		0
b) From other reserves			0.00	0.00	0
				113,289,636.97	105,240
28. Allocation to revenue reserves					
a) To the legal reserves			0.00		0
b) To other reserves			0.00	0.00	0
29. Net earnings				113,289,636.97	105,240

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. Depreciation of € 2,897,979 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 € 1.7 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.

Taking account of the accounting comment IDW RH BFA 1.003, products with a capital guarantee that were assigned to fixed assets were split into a zero bond component and a guarantee component in the year under review and reported correspondingly. The zero bond is added over the term, while the guarantee is written down in the case of permanent impairment in value of the on-balance sheet products.

The CDO structures acquired in 2006 are also structured products within the meaning of IDW RH BFA 1.003. Because of their allocation to assets, the CDOs are also split, namely into an interest-bearing security and a collateral item for a credit default swap. In the case of sustained impairment in value of the components, provisions for contingent losses have to be set up or write-downs be made.

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

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

Depreciation for buildings was made on a straight-line basis throughout the useful life or using declining-balance rates; movable assets were depreciated on a straight-line basis throughout the useful life. Low-value 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.

The provisions for pension liabilities have been made at their actuarial present value using the actuarial tables “Richttafeln 2005” (Heubeck) and on the basis of an interest rate of 4.5 % (previous year 6 %). With this adjustment, a realistic valuation of the charges for pension liabilities is achieved. The provisions for part-time retirement, anniversary payments and deferred compensation have also been made on the basis of an interest rate of 4.5 %. In the year under review, the bank recorded the releases and allocations in the balance sheet items “Provisions for pensions and similar obligations” as a net item under “Personnel expenses”.

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). Foreign currency liabilities secured by cross-currency swaps were translated at the spot rate on the balance sheet date. The corresponding valuation result was neutralised by an offsetting item.

C. Statement of Fixed Assets 2006 (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	20,739,240	2,959,416	0	155,378	a) 0 b) 0	17,753,233	6,100,801	3,287,728
Tangible assets:								
a) Land and buildings	251,132,616	17,702,025	0	0	a) 0 b) 0	85,564,877	183,269,764	6,549,307
b) Office furniture and equipment	90,910,589	7,680,134	0	-155,378	a) 4,951,069 b) 0	55,915,625	37,568,651	8,173,561
a.	**362,782,445**	**28,341,575**	**0**	**0**	**4,951,069**	**159,233,735**	**226,939,216**	**18,010,596**

	Acquisition costs €	Changes (netted) €	Book values on balance sheet day €
Long-term securities	224,860,584	439,448,844	664,309,428
Participating interests and capital shares in cooperatives	7,496,575	52,605,888	60,102,463
Shares in affiliated companies	131,820,369	-33,300	131,787,069
b.	**364,177,528**	**492,021,432**	**856,198,960**
Total of a and b	**726,959,973**		**1,083,138,176**

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

I. Balance Sheet

• Loans and advances to banks include € 243,112,971 of receivables from the relevant central institution of cooperative banks (Westdeutsche Genossenschafts-Zentralbank AG).

• 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)	478,108,482 (448,193,427)	904,732,362 (636,792,585)	101,129,188 (451,129,188)	407,500,000 (5,000,000)	129,867,000 (82,500,000)
Loans and advances to customers (A 4)	2,393,532 (1,738,084)	412,013,449 (393,648,031)	702,988,739 (641,122,565)	5,144,212,242 (4,858,217,129)	12,332,579,883 (11,574,571,363)

• The loans and advances to customers (A 4) include € 2,067,372,910 (previous year: € 2,105,227,797) of loans and advances with unspecified maturities.

• Of the debt securities and other fixed-interest securities (A 5) stated in the balance sheet, € 2,614,327,066 (previous year: € 1,739,010,173) will mature during the financial year following the balance sheet date.

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

	Receivables from			
	affiliated undertakings		associated companies	
	Financial year €	Previous year €	Financial year €	Previous year €
Loans and advances to banks (A 3)	0	0	502,944,899	516,742,924
Loans and advances to customers (A 4)	17,020,929	35,222,621	227,287,508	221,945,306
Debt securities and other fixed-interest securities (A 5)	0	0	0	0

• The following items include: (previous year's figures in brackets)

	negotiable €	quoted €	unquoted €	negotiable securities not valued at the lower of cost or market €
Debt securities and other fixed-interest securities (A 5)	6,025,673,685 (5,064,489,872)	4,058,189,857 (3,865,742,154)	1,967,483,828 (1,198,747,718)	75,110,058 (200,177,481)
Shares and other non-fixed-interest securities (A 6)	19,459,612 (771,463)	9,162,908 (771,463)	10,296,704 (0)	0 (0)
Participating interests and capital shares in cooperatives (A 7)	114,814 (2,595,006)	1,636 (2,481,828)	113,178 (113,178)	
Share in affiliated undertakings (A 8)	0 (0)	0 (0)	0 (0)	

• The trust transactions shown in the balance sheet are loans for third-party accounts totalling € 32,276 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	177,126,814
– Office furniture and equipment	37,568,651

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

Company	Share in company capital %	Company's equity capital year	Company's equity capital € '000	Result of the past financial year year	Result of the past financial year € '000
AC Capital Partners Limited, Dublin (Ireland)	51	2006	18,246	2006	17,002
APO Asset Management GmbH, Düsseldorf	70	2006	4,785	2006	2,799
APO Beteiligungs-Holding GmbH, Düsseldorf	100	2006	36,439	2006	0 (570**)
APO Consult GmbH, Düsseldorf*	76	2006	51	2006	0 (15**)
APO Data-Service GmbH, Düsseldorf*	49	2006	2,829	2006	238
APO Leasing GmbH, Düsseldorf*	100	2006	94	2006	0 (1**)
APO Reiseservice GmbH, Düsseldorf*	100	2006	0	2006	0 (0**)
APO Vermietungsgesellschaft mbH, Düsseldorf*	100	2006	40	2006	3
APO Vermietungsgesellschaft mbH & Co. Objekt Berlin KG, Düsseldorf*	5	2006	50	2006	160
apokom GmbH, Düsseldorf*	100	2006	75	2006	0 (4**)
Kock & Voeste Existenzsicherung für die Heilberufe GmbH, Berlin*	26	2006	149	2006	37
medisign GmbH, Düsseldorf*	50	2006	508	2006	-429
PMG Praxismanagement AG, Erlangen*	26	2005	1,208	2005	3
APO Immobilien-Kapitalanlagegesellschaft mbH, Düsseldorf	57	2006	6,487	2006	540
APO Vermietungsgesellschaft mbH & Co. Objekt Berlin KG, Düsseldorf	95	2006	50	2006	160
ARZ Rechenzentrum nordrhein-westfälischer Apotheken AG, Haan	20	2005	16,324	2005	2,099
CP Capital Partners AG, Zurich	24	2006	129	2006	3
DAPO International Finance N.V., Amsterdam	100	2006	2,914	2006	351
Deutsche Apotheker- u. Ärztebank (Ireland) Investment Company, Dublin (Ireland)	100	2006	25,915	2006	664
DGN Deutsches Gesundheitsnetz GmbH, Düsseldorf	100	2006	1,213	2006	-1,451
MD Verlag- und Werbegesellschaft mbH, Berlin*	100	2006	0	2006	-1
Finanz-Service GmbH der APO-Bank, Düsseldorf	50	2006	1,275	2006	247

Company	Share in company capital %	Company's equity capital year	€ '000	Result of the past financial year year	€ '000
IWP Institut für Wirtschaft und Praxis Bicanski GmbH, Münster	26	2006	121	2006	6
Prof. Bicanski und Coll. IWP Beratungsgesellschaft mbH, Münster	26	2006	169	2006	86
PROFI Erste Projektfinanzierungs- und Beteiligungsgesellschaft AG, Zurich	24	2006	574	2006	375
Treuhand Hannover GmbH, Hanover	26	2005	17,065	2005	2,977
ZA Zahnärztliche Abrechnungsgesellschaft Düsseldorf AG, Düsseldorf	25	2006	2,224	2006	219

* indirect participations
** before profit transfer or loss absorption

• 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

• "Other assets" include the following larger amounts:

	€
Capitalised premiums from options and caps	959,955,232
Capital guarantee of structured products	122,772,766
Corporation tax credit pursuant to § 37 (5) Corporation Tax Law (Körperschaftssteuergesetz, KStG)	63,721,782

• Deferred items include discount amounts from assumed liabilities of € 60,186,321 m as well as premiums for swaptions exercised of € 92,743,935.

• Assets with a book value of € 20,000,000 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 fixed-interest securities" (€ 10,308,562), "Shares and other non-fixed-interest securities" (€ 11,936) with a total of € 61,449,686 (previous year: € 74,296,306).

• Assets include foreign currency items with a value of € 167,758,422.

• Liabilities to banks include € 55,365,147 of liabilities to the relevant central cooperative bank (Westdeutsche Genossenschafts-Zentralbank AG).

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

	Deferred 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)	313,881,977 (309,461,524)	720,439,945 (1,228,044,005)	822,077,385 (379,584,069)	1,655,296,825 (1,974,688,982)	2,566,728,370 (2,653,129,209)
Savings deposits with agreed period of notice of more than three months (L 2ab)	0 (0)	150,436,573 (84,208,327)	188,696,748 (153,725,785)	20,553,854 (30,970,205)	1,045,149 (1,594,528)
Other liabilities to customers with agreed term or period of notice (L 2bb)	69,808,579 (66,911,312)	3,787,736,711 (3,094,332,663)	628,847,529 (539,683,395)	546,822,433 (1,048,087,603)	2,006,019,426 (1,778,925,439)
Other certificated liabilities (L 3b)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)

• Of the debt securities issued (L 3a), € 2,992,596,851 (previous year: € 1,678,230,780) will mature in the financial year following the balance sheet date.

• "Other liabilities" include the following larger single amounts:

	€
Premiums from options and caps carried as liabilities	366,135,293
Interest, participating certificates and contributions of silent partners	22,915,374
Offsetting item from foreign currency valuation	19,917,632

• Deferred income and accruals (L 6) include discounts deducted on the payment of reveivables totalling € 72,901,641.

• Details of liability item 9 (subordinated liabilities):

Expenses of € 14,408,568 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.

Subordinated liabilities carry the following rates of interest:

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

Subordinated note loans with fixed interest rates of 4.76 % to 7.20 %.

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

	Liabilities to affiliated undertakings Financial year €	Previous year €	Liabilities to associated companies Financial year €	Previous year €
Liabilities to banks (L 1)	2,125,577	1,226,087	690,601,632	804,913,252
Liabilities to customers (L 2)	418,616,739	819,075,377	45,822,432	54,154,701
Certificated liabilities (L 3)	67,252	67,252	21,771,020	11,342,274
Subordinated liabilities (L 9)	0	0	0	0

• Liabilities include foreign currency items with an equivalent value of € 890,968,858.

• 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		795,400,161
b) of departing members		11,000,653
c) of terminated members' capital shares		1,644,770
Compulsory contributions due on shares in arrears	€ 2,258,108	

• 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 2006	261,221,585	261,732,877
Transfers - from the accounting profit of the previous year	28,778,415	28,267,123
- from the distributable profit of the financial year	0	0
Withdrawals	0	0
	0	0
Status as of 31 December 2006	**290,000,000**	**290,000,000**

• Unrealised reserves in the amount of € 35,721,279 were assigned to liable equity capital as per 31 December 2006 in accordance with § 10 (4a) Banking Act (KWG). Within the framework of the amendment of the German Banking Act (KWG), the rules for the recognition of unrealised reserves of securities as liable equity capital (§ 10 (2b) Sentence 1 No. 7 and (4c) Banking Act (KWG)) have been changed as of 01.01.2007. Owing to the associated increase in the weighting factor from 35 to 45 percent, the value has correspondingly increased to € 45,927,359.

• 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 € 64,874 m (previous year: € 55,259 m) as of 31 December 2006. Included therein are the following types of transactions:

Interest rate swaps	Currency swaps	Swap options	Forward exchange transactions	Interest rate futures
Interest rate/currency swaps	Caps/floor	CDS	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	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005	31.12.2006	31.12.2005
Interest rate-related transactions						
Time to maturity						
- up to 1 year	17,294	12,905	148	159	171	189
- over 1 year up to 5 years	24,902	23,349	334	463	568	786
- over 5 years	17,620	15,117	538	293	867	679
	59,816	**51,371**	**1,020**	**915**	**1,606**	**1,654**
Currency-related transactions						
Time to maturity						
- up to 1 year	2,110	1,919	-4	-2	52	35
- over 1 year up to 5 years	475	359	-13	14	34	35
- over 5 years	138	174	0	5	12	18
	2,723	**2,452**	**-17**	**17**	**98**	**88**
Stock-related transactions						
Time to maturity						
- up to 1 year	564	855	0	0	31	44
- over 1 year up to 5 years	138	0	0	0	6	0
- over 5 years	0	0	0	0	0	0
	702	**855**	**0**	**0**	**37**	**44**
Credit derivatives						
Time to maturity						
- up to 1 year	0	0	0	0	0	0
- over 1 year up to 5 years	59	5	0	0	0	0
- over 5 years	1,074	75	5	0	0	0
	1,133	**80**	**5**	**0**	**0**	**0**
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	500	501	5	6	81	82
	500	**501**	**5**	**6**	**81**	**82**
Total: in aggregate	**64,874**	**55,259**	**1,013**	**938**	**1,822**	**1,868**

The nominal amount of the derivatives assigned to the trading portfolio was € 8,344 m as of 31 December 2006, with a market value of € 17 m and a credit equivalent of € 23 m.

• The following liabilities are secured by transfer of assets:

	€
Liabilities due to banks	3,370,099,769

Irrespective of an assigned liability, we deposited cash collaterals of € 15.1 m within the framework of our collateral management for interest rate derivatives. Moreover, securities with a book value of € 54.9 m were pledged as collateral for margin obligations at futures and options exchanges and to secure payment obligations from securities transactions.

II. Profit and Loss Account

• The income of the bank is primarily generated in Germany.

• Income taxes are payable on the profit from ordinary activities and were calculated considering the capitalisation of the corporate tax credit pursuant to § 37 (5) Corporate Tax Law (KStG) as amended by the Act on the Tax Features for the Introduction of the European Company and Amendment of Other Tax Rules (SEStEG) of 12.12.2006.

E. Other Details

• According to § 285 (9a) German Commercial Code (HGB), the total remuneration of the Board of Directors amounted to € 3,071,202; the performance-related share of this total remuneration was 54 %. According to the remuneration structure agreed upon by the Board of Directors and the Presiding Committee, a bonus is paid on top of the basic salary. This bonus is oriented to the achievement of agreed goals and amounts to 40 % of the aggregate salary if all goals are achieved. If the agreed goals are exceeded, the bonus can amount to a maximum of 57 % of the aggregate salary.

The total remuneration is to be divided up as follows:

	€
Contractual salaries including possible year-end bonus	2,845,131
Anniversary bonuses/Special bonuses	150,000
Fringe benefits (non-cash benefits)	76,071

• Retirement pensions amounting to € 1,158,561 and fringe benefits (non-cash benefits) in the amount of € 16,464 were paid to former members of the Board of Directors and their surviving dependants.

• The total remuneration for members of the Supervisory Board was € 364,200, which was divided up as follows:
Annual remuneration € 270,700; attendance fees € 24,810; loss of income allowance € 61,957; daily allowances € 6,733.

• Pension provisions for former members of the Board of Directors and their surviving dependants as of 31 December 2006 were € 12,824,546.

• The following liabilities had been assumed on the balance sheet date for

	€
Members of the Board of Directors	231,864
Members of the Supervisory Board	9,981,296

• The expenses for the audit of the Annual Financial Statements, tax advice and other services of the auditor, the PricewaterhouseCoopers company, were € 2,196,105 in the year under review (previous year € 800,000).

The expenses are to be divided up as follows:	Financial year	Previous year
	€	€
Audit of the Annual Financial Statements	1,063,687	755,000
Other certification and assessment services	62,162	0
Tax advice and other services	1,070,256	45,000

• Financial liabilities of € 75,228,932 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	780
Guarantee obligation given to the protection scheme of the BVR cooperative banking sector organisation	75,228,152

• As at 31 December 2006, 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
Günter Preuß	Apotheken-Rechen-Zentrum GmbH, Darmstadt	Chairman of the Administrative Board
	Treuhand Hannover GmbH Steuerberatungsgesellschaft, Hanover	Member of the Supervisory Board
Dr. Franz Georg Brune	APO Asset Management GmbH, Düsseldorf	Member of the Supervisory Board
	Deutsche Ärzte Finanz Beratungs- und Vermittlungs-AG, Cologne	Member of the Supervisory Board
	Finanz-Service GmbH der APO-Bank, Düsseldorf	Chairman of the Supervisory Board
Gerhard K. Girner	APO Asset Management GmbH, Düsseldorf	Chairman of the Supervisory Board
	APO Immobilien-Kapitalanlagegesellschaft mbH, Düsseldorf	Chairman of the Supervisory Board
	Apothekerversorgung Mecklenburg-Vorpommern, Schwerin	Member of the Administrative Board
	Deutsche Apotheker- und Ärztebank (Ireland) Investment Company, Dublin (Ireland)	Member of the Board of Directors
	Deutsche Ärzte-Versicherung Allgemeine Versicherungs-AG, Cologne	Member of the Supervisory Board
	INKA Internationale Kapitalanlagegesellschaft mbH, Düsseldorf	Member of the Supervisory Board
	Maintrust Kapitalanlagegesellschaft mbH, Frankfurt	Member of the Supervisory Board
Günther Herion	AC Capital Partners Ltd., Dublin (Ireland)	Member of the Board of Directors
	APO Immobilien-Kapitalanlagegesellschaft mbH, Düsseldorf	Member of the Supervisory Board
	Rheinisch-Westfälischer Genossenschaftsverband e. V., Münster	Member of the Administrative Board
	ZA Zahnärztliche Abrechnungsgesellschaft Düsseldorf AG, Düsseldorf	Member of the Supervisory Board
Werner Albert Schuster	APO Data Service GmbH, Düsseldorf	Chairman of the Supervisory Board
Claus-Harald Wilsing	AC Capital Partners Ltd., Dublin (Ireland)	Chairman of the Board of Directors
	apokom GmbH, Düsseldorf	Chairman of the Supervisory Board
	Arsago Hedge Fund Holding AG, Zurich	Member of the Administrative Board
	Seabright Holdings Ltd., Cyprus	Member of the Supervisory Board
Heinz Abler	APO Asset Management GmbH, Düsseldorf	Member of the Supervisory Board

Name	Company	Function
Hans-Jochen Becker	apokom GmbH, Düsseldorf	Member of the Supervisory Board
	CP Capital Partners AG, Zurich	Chairman of the Administrative Board
	DAPO International Finance N.V., Amsterdam	Member of the Supervisory Board
	Deutsche Apotheker- und Ärztebank (Ireland) Investment Company, Dublin (Ireland)	Member of the Board of Directors
	PROFI Erste Projektfinanzierungs- und Beteiligungsgesellschaft AG, Zurich	Member of the Administrative Board
Berthold Bisping	APO Immobilien-Kapitalanlagegesellschaft mbH, Düsseldorf	Member of the Supervisory Board
	apokom GmbH, Düsseldorf	Member of the Supervisory Board
	ARZ Haan AG, Haan	Member of the Supervisory Board
	PMG Praxismanagement AG, Erlangen	Member of the Supervisory Board
Stefan Kunac	APO Data Service GmbH, Düsseldorf	Member of the Supervisory Board
Ulrich Sommer	APO Asset Management GmbH, Düsseldorf	Member of the Supervisory Board
Jörg Voll	DAPO International Finance N.V., Amsterdam	Member of the Supervisory Board

- The average number of employees in 2006 was:

	Full-time	Part-time
Clerical staff	1,884	135
	1,884	**135**

35 trainees on average were also employed.

- Changes in membership

	Number of members	Number of shares	Liable amounts €
Beginning of 2006	101,036	537,098	805,647,000
Additions in 2006	2,796	11,161	16,741,500
Reductions in 2006	2,850	16,328	24,492,000
End of 2006	100,982	531,931	797,896,500

	€
The capital shares of the remaining members decreased during the financial year by	5,005,121
The uncalled liabilities decreased during the financial year by	7,750,500

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

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

Günter Preuß, Bank Director, Spokesman
Dr. Franz Georg Brune, Bank Director
Gerhard K. Girner, Bank Director
Günther Herion, Bank Director
Werner Albert Schuster, Bank Director

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. Wolfgang Eßer, Dentist
Hans-Günter Friese, Pharmacist
Erich Gottwald*, Bank Employee
Wolfgang Häck*, Bank Employee
Thomas Höll*, Bank Employee
Prof. Dr. med. Jörg-Dietrich Hoppe, Physician
Uschi Jaeckel*, Trade Union Secretary
Herman-Stefan Keller, Pharmacist
Dr. med. Andreas Köhler, Physician
Dr. med. Ulrich Oesingmann, Physician
Dr. med. dent. Helmut Pfeffer (from 9 June 2006), Dentist
Gerhard Reichert, Pharmacist
Christian Scherer*, Bank Employee
Michael Sell*, Bank Employee
Roland Wark*, Bank Employee
Dr. med. Dr. med. dent. Jürgen Weitkamp (until 9 June 2006), Physician/Dentist
Dr. med. Wolfgang Wesiack, Physician

* employee representatives
** representatives of management executives

Düsseldorf, 27 March 2007
Deutsche Apotheker- und Ärztebank eG
The Board of Directors

Preuß   Dr. Brune   Girner   Herion   Schuster

Report of the Auditors:

We audited the Annual Financial Statements - consisting of balance sheet, profit and loss account as well as notes - including the accounts and the Management Report of Deutsche Apotheker- und Ärztebank eG, Düsseldorf, for the financial year 1 January 2006 to 31 December 2006. 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 economic and legal environment of the cooperative as well as 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 an 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.

According to our judgement on the basis of the knowledge gained from the audit, the Annual Financial Statements are in compliance with the statutory requirements and the supplementary rules of the Articles of Association and present a true and fair view of the net worth, financial and earnings position of the cooperative bank in accordance with the generally accepted accounting principles. The Management Report is in accordance with the Annual Financial Statements, provides an appropriate presentation of the state of affairs of the cooperative bank and appropriately shows the chances and risks of future development.

Düsseldorf, 10 April 2007
PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

(Prof. Dr. Dicken), Certified Auditor (ppa. Gathmann), Certified Auditor

About the Bank

Division Heads	**Heinz Abler**	Sales Private Customers
	Berthold Bisping	Sales Organisations and Major Customers
	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**	Accounting/Profit and Loss Account/Taxes/ Investment Management
	Rainald Brune	Treasury/Liquidity Management
	Hugo Daldrup	Central Credit Control/Private Customers/ Branch Business/Regional Credit Control
	Heinz Deterding	Facility Management
	Regina Dörr	Central Credit Control/Corporate Clients/ Medical Care Structures/Financial Instruments
	Heiko Drews	Product Management
	Thilo Gewaltig	Medical Care Structures and Corporate Clients
	Wolfgang Hammel	Legal Department
	Manfred Hermes	Communications and Committees
	Georg Heßbrügge	Health Markets and Policy
	Andreas Kalle	Sales Management
	Dr. Andreas Lettmann	Bank Controlling
	Eckhard Lüdering	Central Credit Control/Private Customers/ Branch Business/Basic Issues
	Uwe Meyer-Vogelgesang	E-Health Market
	Stefan Mühr	Professional Associations
	Jürgen Otto	Auditing
	Martin Pietsch	IT and Organisation
	Axel Schneider	Trading Transactions
	Dr. Barbara Schwoerer	Strategy and Project Consulting
	Dr. Thomas Siekmann	Corporate Planning
	Klaus Söhler	Service and Transaction Bank
	Ulrich Sommer	Securities/Institutional Clients
	Uwe Zeidler	Securities/Private Asset Management

Heads of Regional Divisions	Eastern Region	**Michael Brüne**
	Northern Region	**Johannes Henkel**
	Central Region	**Christian Hübscher**
	Western Region	**Jürgen Grabensee**
	Southern Region	**Winfried Schülken**

Branch Managers	Aachen	**Hartmut Paland**	Leipzig	**Helmut Picker**
	Augsburg	**Joachim Lehmann**	Lübeck	**Dietmar Godt**
	Bayreuth	**Erwin Hacke**	Magdeburg	**Thorsten Werner**
	Berlin	**Martin Steinkühler**	Mainz	**Petra Knödler**
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	Bremen	**Reinhard Pretzsch**	Marburg	**Ulrich Mittag**
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	Duisburg	**Markus Herzig**	Potsdam	**Jürgen Nitsche**
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	Frankfurt	**Gerhard Schork**	Rostock	**Andreas Henning**
	Freiburg	**Jörg Jahnz**	Saarbrücken	**Dietmar Schmidt**
	Göttingen	**Michael Arndt**	Schwerin	**Gerrit Altenburg**
	Hamburg	**Peter Schlögell**	Stuttgart	**Lothar Heim**
	Hanover	**Michael Goltz**	Thuringia	**Peter Jesse**
	Karlsruhe	**N.N.**	Trier	**Ulrich Ober**
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	Dresden	**Dr. Gerald Barth**
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	Munich	**Uwe Paul**

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	apoConsult GmbH (apoConsult)	**Andreas Kalle**
	apoData Service GmbH (apoData)	**Klaus Söhler** **Ludger Korth** **Alfons Schulte-Kellinghaus**
	APO Immobilien-Kapitalanlage-gesellschaft mbH (aik)	**Dr. Stephan Hinsche** **Bernd Heyder**
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	Kooperations- und Organisations-Management GmbH (apoKom)	**Georg Heßbrügge** **Dr. Gerhard Schlicht**
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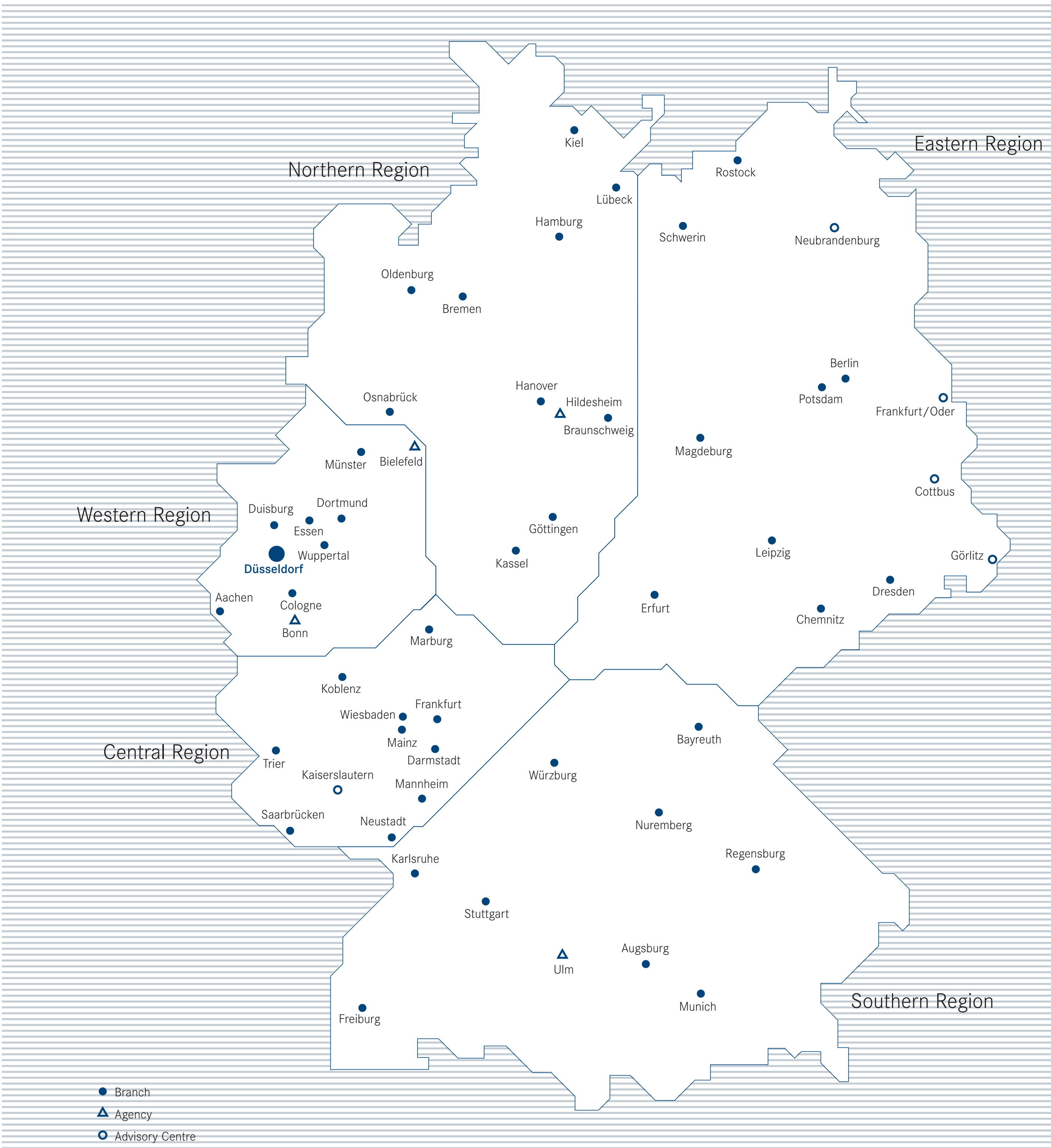
Northern Region
Eastern Region
Western Region
Central Region
Southern Region
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Rostock
Lübeck
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Schwerin
Neubrandenburg
Oldenburg
Bremen
Berlin
Potsdam
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Neustadt
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Regensburg
Karlsruhe
Stuttgart
Augsburg
Ulm
Munich
Freiburg
Branch
Agency
Advisory Centre

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.
2006	Operating profit before risk provisioning: Euro 292 million; best operating result in the Bank's history. Total membership reaches 100,982.

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