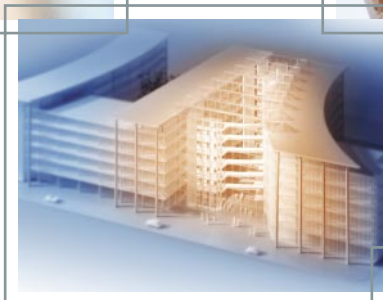
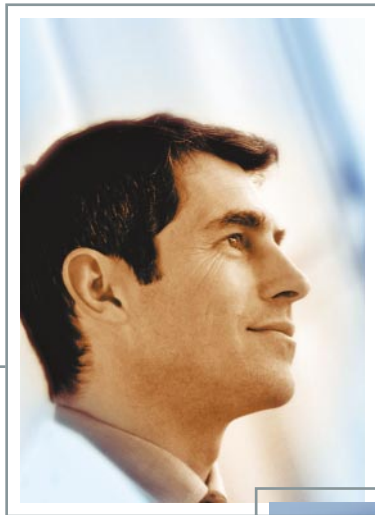


2002

A Deutsche Apotheker-
und Ärztebank

Annual Report 2002



Deutsche Apotheker- und Ärztebank
Annual Report 2002

	2002 € million	2001 € million	Change in %
<i>Balance Sheet Total</i>	22,898	20,750	+ 10.4
<i>Customer Loans</i>	15,311	13,514	+ 13.3
<i>Client Deposits</i>	15,771	14,348	+ 9.9
<i>Liable Equity Capital</i>	1,868	1,551	+ 20.4
<i>Operating Profit before Provision for Risks</i>	177.3	166.0	+ 6.8
<i>Distributable Profit</i>	59	57	+ 3.51

	2002	2001
<i>Equity Ratio</i>	11.1 %	10.5 %

	2002	2001	Change in %
<i>Employees</i>	1,879	1,803	+ 4.2
<i>Customers</i>	248,200	235,700	+ 5.3
<i>Members</i>	93,634	90,579	+ 3.4

	Agenda of the Annual General Meeting	6
	Board of Directors	7
	Supervisory Board	8
	Honorary Chairmen, Honorary Postholders	9
	Advisory Council	10
	Division Heads, Unit Heads at head office, Heads of regional sales areas	14
	Branch Directors, Branch Managers, Heads of Regional Credit Offices	15
<i>Report of the Board of Directors</i>	Management Report 2002	
	Summary of Business Development	18
	Lending	23
	Deposits	27
	Sales Channels	29
	New Concepts in Consultancy Services	33
	Investment Business	35
	Business Consulting	41
	Banking Operations	43
	Equity	48
	Our Staff	50
	Risk Report	54
	Outlook	60
<i>Report of the Supervisory Board</i>		62
<i>In memoriam</i>		64
<i>Financial Statements for 2002</i>	Balance Sheet	68
	Profit and Loss Account	70
	Notes	71
<i>About the Bank</i>	History of the Bank	84
	Head Office, Branches	86
	Regional Divisions	89

Agenda

of the regular

Annual Meeting

on Friday,

27 June 2003, at

15:30 pm in

Swissôtel Rheinpark,

Rheinallee 1,

41460 Neuss

Welcoming Comments

1. Report of the Board of Directors for the financial year 2002
2. Report of the Supervisory Board
3. Report on the legal audit, Opinion of the Supervisory Board, Resolution
4. a) Resolution on the 2002 Financial Statements
b) Resolution on the appropriation of distributable profit
5. a) Ratification of the actions of the Board of Directors for the financial year 2002
b) Ratification of the actions of the Supervisory Board for for the financial year 2002
6. Resolution to amend Article 26c of the Articles of Association and Article 1 of Voting Regulation on the Annual General Meeting – Increase in the ratio of members to representation mandates –
7. Silent partnership as an instrument to create core capital
8. Election of Supervisory Board
9. Election of Members of Election Committee
10. Any Other Business

There will be a brief recess before beginning with Item 8 to give the professional groups time to consult.

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

Werner Wimmer, Düsseldorf
Speaker

Gerhard K. Girner, Düsseldorf

Jürgen Helf, Düsseldorf

Günther Herion, Düsseldorf
(as from 1 April 2003)

Günter Preuß, Düsseldorf

Werner Albert Schuster, Düsseldorf

Dr. med. dent. Wilhelm Osing, Düsseldorf, *Chairman*
Dr. med. Ulrich Oesingmann, Dortmund, *1st Vice Chairman*
Hermann-Stefan Keller, Pharmacist, Mainz, *2nd Vice Chairman*
Dr. med. dent. Wilfried Beckmann, Gütersloh (*as from 14 June 2002*)
Wolfgang Fischer, Düsseldorf*
Hans-Günter Friese, Pharmacist, Fröndenberg
Wolfgang Häck, Aachen*
Norbert Hinke, Düsseldorf*
Prof. Dr. med. Dr. h. c. Jörg-Dietrich Hoppe, Düren (*as from 14 June 2002*)
Britta Jansen, Hamburg*
Dr. med. dent. Hans-Hermann Liepe, Hanover
Dipl.-Stom. Peter Luthardt, Alach (*until 14 June 2002*)
Heidi Methner, Leipzig*
Gerhard Reichert, Pharmacist, Hengersberg
Dr. med. dent. Bernhard Reilmann, Lippstadt
Dr. med. Manfred Richter-Reichhelm, Berlin
Dr. med. Wolf-Rüdiger Rudat, Kunitz
SR Peter Sauermann, Veldenz
Christian Scherer, Neustadt*
PhR Dr. rer. nat. Hartmut Schmall, Aachen
Michael Sell, Düsseldorf*
Prof. Dr. med. Karsten Vilmar, Bremen (*until 14 June 2002*)
Heike Vocke, Hanover*
Dr. med. Wolfgang Wesiack, Hamburg
Dr. med. dent. Fritz-Josef Willmes, Burgrieden
OPhR Dr. rer. nat. Helmut Wittig, Schleiz

* elected by employees

*Honorary Legal
Counsel of the
Supervisory Board* Dipl.-Kfm. Richard Deutsch, Lawyer,
Meerbusch

*Honorary Chairman
of the Board of
Directors* Dipl.-Volkswirt Walter Schlenkenbrock,
Ratingen

*Holder of the Karl
Winter Medal and
Honorary Member
of the Bank* Prof. Dr. h. c. J. F. Volrad Deneke,
Bonn

*Honorary Members
of the Bank* Dr. med. dent. Rudolf Cramer,
Wiesbaden

Elfriede Girl,
Munich

Bruno Nösser,
Düsseldorf

Dr. med. dent. Rudolf Oschika,
Moers

Dr. jur. Albert Peterseim, Pharmacist,
Essen

Klaus Stürzbecher, Pharmacist,
Berlin

Dr./RO Eric Banthien,
Hamburg

Dr. med. Johannes Baumann,
Coswig

Dr. med. Werner Baumgärtner,
Stuttgart

Dr. med. Margita Bert,
Rüsselsheim

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

Dr. med. Klaus Bittmann,
Plön

Dr. jur. Dieter Boeck, Lawyer,
Bonn

Dr. med. Volker Böttger,
Dortmund

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

Prof. Dr. med. Wolfgang Brech,
Reutlingen

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

Dr. med. Konrad F. Cimander,
Wedemark

Dr. med. Eckhart Claus,
Greibenstein

Dr. med. Anton Coressel,
Otterbach

Dr. med. dent. Dieter Dahlmann,
Neuss

Dr. med. Gerhard Dieter,
Freiburg

Dr. med. Peter Eckert,
Hohenahr-Erda

Dr. med. Wolfgang Eckert,
Schwerin

Dr. med. Brigitte Ende,
Frankfurt

Dr. med. Dr. rer. nat. Klaus Enderer,
Cologne

Dr. med. Stefan Engelbart,
Bad Oeynhausen

Dr. med. Karsten Erichsen,
Bremen

Albert Essink, Dentist,
Berlin

Dr. med. Johannes Fechner,
Emmendingen

Dr. med. dent. Jürgen Fedderwitz,
Schlangenbad

Dr. med. Hermann Feig,
Weilburg

Dr. med. Reiner Flöthner,
St. Ingbert

Dr. med. Franz Gadomski,
Saarbrücken

SR Dr. med. Günter Gerhardt,
Mainz

Dr. med. dent. Dietmar Gorski,
Wilnsdorf

Eberhard Gramsch, Physician,
Göttingen

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

Dr. phil. Jörn Graue, Pharmacist,
Hamburg

Dr. med. Karl Gröschel,
Blankenhain

SR Dr. med. dent. Manfred Grub,
Losheim

Dr. med. dent. Wolfgang Gutermann,
Heidelberg

Dr. med. Manfred Halm,
Dresden

Dieter Hanisch, Dentist,
Freyburg

Dr. med. Leonhard Hansen,
Düsseldorf

Dr. med. dent. Konrad Hartmann,
Freiburg

Dr. med. dent. Rudolf Hegerl,
Daun

Dr. med. Andreas Hellmann,
Augsburg

Dr. med. Hans-Joachim Helming,
Belzig

Dr. med. Torsten Hemker,
Hamburg

Dr. med. Jörg Hempel,
Wiesbaden

Dr. med. Wolfgang Herz,
Rastatt

Dr. med. Folkert Hinrichs,
Leer

Dr. med. Rolf Holbe,
Kreiensen/Greene

SR Dr. med. habil. Hans-Jürgen Hommel,
Leipzig

Dr. med. Wolfgang Hoppenthaller,
Siegenburg

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

Dr. med. Burkhardt John,
Schönebeck

Dietrich Jost, Pharmacist,
Lorsch

Dipl.-Kfm. Daniel F. Just,
Munich

Dr. med. Michael Kann,
Ruppach-Goldhausen

Dr. jur. Ulrich Kirchhoff, Lawyer,
Cologne

Dr. med. Michael Köhler,
Marburg

Dipl.-Kfm. Hans Kopicki,
Düsseldorf

Dr. med. dent. Wilfried Kopp,
Güstrow

Dr. rer. pol. Andreas Kretschmer,
Münster

Dr. med. dent. Peter Kriett,
Bad Segeberg

Dr. med. dent. Peter Kuttruff,
Stuttgart

Dr. med. Eberhard Laas,
Grossheubach

Dr. med. Horst Labunski,
Krefeld

Dr. Andreas Lacher,
Munich

Dr. Dirk Lepelmeier,
Düsseldorf

Volker Linss, Veterinarian,
Villmar-Aumenau

Dr. med. dent. Rolf-Jürgen Löffler,
Munich

Dr. med. Burkhard Lütkemeyer,
Bad Essen

Dr. med. dent. Kurt Mahlenbrey,
Tübingen

Dr. med. Günter Mahlke,
Hanover

Anneliese Menge, Pharmacist,
Mülheim

Peter Milius,
Darmstadt

Dr. med. dent. Dirk Mittermeier,
Bremen

Hansjörg Mogwitz, Lawyer,
Hanover

Dr. med. Heinz Michael Mörlein,
Kulmbach

Arnulf Müller, Physician,
Essen

Dr. med. Carl-Heinz Müller,
Trier

Dr. med. dent. Wilfried Müller,
Neumünster

Dr. med. Axel Munte,
Munich

Dr. med. dent. Dieter Natusch,
Dresden

Dr. med. Hubert Niessen,
Geretsried

Dipl.-Kfm. Siegfried Pahl,
Haan

Dr. med. dent. Volker von Petersdorff,
Isernhagen

Dr. med. dent. Helmut Pfeffer,
Wohltorf

Prof. Dr. med. vet. Günter Pschorn,
Neunburg

Dr. med. Hans-Michael Quast,
Wuppertal

Dr. med. Jost Reermann,
Wegberg

Dipl.-Volkswirt Manfred Renner,
Planegg

Dr. med. Klaus Rittgerodt,
Königsutter

Dr. med. Gert Rogenhofer,
Regensburg

Dr. med. Karl-Friedrich Rommel,
Mechterstädt

Dr. med. Klaus-Peter Rudzki,
Ratingen

Dr. med. Jochen-Michael Schäfer,
Kiel

Dr. med. dent. Karl Horst Schirbort,
Burgdorf

Dipl.-Kfm. Klaus Schmäing,
Münster

Dipl.-Med. Ralf-Rainer Schmidt,
Leipzig

SR Dr. med. Ulrike Schwäblein-Sprafke,
Hohenstein-Ernstthal

Dr. med. Werner Sitter,
Bechhofen a. d. Heide

Dr. med. Michael Späth,
Hamburg

Dr. med. Hans F. Spies,
Frankfurt

Dr. med. Till Spiro,
Bremen

SR Dr. med. dent. Helmut Stein,
Clausen

Dieter Teichmann,
Munich

Dr. med. Ulrich Thamer,
Gelsenkirchen

Dr. med. Hans-Jürgen Thomas,
Erwitte

Ralf Wagner, Dentist,
Heimbach

Dr. med. dent. Wolfgang Witzhausen,
Koblenz

Dr. med. Heiko Wohlers,
Oldenburg

Dr. med. Gerd W. Zimmermann,
Hofheim am Taunus

Dr. med. dent. Gert Zimmermann,
Leun-Lahnbahnhof

Dr. med. Maximilian Zollner,
Friedrichshafen

<i>General Managers</i>	Berthold Bisping	Sales, organisations and major corporate clients	
	Hans Fells	Sales management, private customers	
	Johannes Henkel	Sales management, private customers	
	Jörg Voll	Treasury/Business Planning	
<i>Unit Heads at head office</i>	Nothart Baumann-Wagner	Informatics and organisation	
	Hans-Jochen Becker	Accountancy/taxes	
	Holger Brettschneider	Risk management	
	Reiner Caesar	Business administration for the medical professions	
	Siegfried Charchulla	Administration/Property management	
	Hugo Daldrup	Central Credit Office	
	Wolfgang Gerresheim	New supplying structures	
	Wolfgang Hammel	Legal department	
	Manfred Hermes	Public relations	
	Jürgen Otto	Auditing	
	Dr. Hans Russling	Controlling	
	Hans-Georg Schell	Office of the Board of Directors	
	Axel Schneider	Trading settlement	
	Klaus Söhler	Payment transactions	
	Ulrich Sommer	Securities/institutional clients	
	Claus Verfürth	Personnel	
	Uwe Zeidler	Securities/private asset management	
		Reinhold Fahlbusch	Projects/special terms
		Uwe Meyer-Vogelgesang	Projects/E-Health Market
<i>Heads of regional sales areas</i>	Heinz Abler	Northern Region	
	Michael Brüne	Eastern Region	
	Christian Hübscher	Central Region	
	Peter K. Konrad	Western Region	
	Rolf Post	Southern Region	

<i>Branch Directors,</i>	Aachen	Heiko Drews	Leipzig	Dr. Dietmar Strumpf (<i>temporary</i>)
<i>Branch Managers</i>	Augsburg	Joachim Lehmann	Lübeck	Reinhard Pretzsch
	Bayreuth	Klaus Trendel	Magdeburg	Michael Goltz
	Berlin	Stefan Mühr	Mainz	Rolf Traupel
	Braunschweig	Eberhard Groß	Mannheim	Werner Gebauer
	Bremen	Andreas Kalle	Marburg	Bernd Posdich
	Chemnitz	Wilhelm Spitz	Munich	Bruno Höfter
	Cologne	Werner Höhl	Münster	Franz-Josef Gebker
	Darmstadt	Peter Lorenz	Neustadt	Otmar Herrmann
	Dortmund	Jürgen Grabensee	Nuremberg	Hans Anders
	Dresden	Raimund Pecherz		Martin Steinkühler
	Düsseldorf	Siegfried Crefeld	Oldenburg	Dirk Müller
	Duisburg	Markus Herzig	Osnabrück	Volker Brand
	Essen	Frank Orichel	Potsdam	Jürgen Nitsche
	Frankfurt	Gerhard Schork	Regensburg	Frank Hillemanns
	Freiburg	Jörg Jahnz	Rostock	Ronald Hensel
	Göttingen	Helmut Picker	Saarbrücken	Dietmar Schmidt
	Hamburg	Peter Schlöggell	Schwerin	Gerrit Altenburg
	Hanover	Sieghard Bröker	Stuttgart	Holger Lebender
	Karlsruhe	Lothar Heim	Thüringen	Peter Jesse
	Kassel	Franz-Josef Nolte	Trier	Ulrich Ober
	Kiel	Peter Geiß	Wiesbaden	Werner Ensberg
	Koblenz	Heinz-Jürgen Mantai	Würzburg	Michael Wagner
			Wuppertal	Carsten Ferch
<i>Heads of Regional</i>	Berlin	Jost Vierbücher		
<i>Credit Offices</i>	Cologne	Henning Kruse		
	Dortmund	Wolfgang Krämer		
	Dresden	Dr. Gerald Barth		
	Düsseldorf	Karl-Josef Wening		
	Frankfurt	Norbert Prokasky		
	Hanover	Wilfried Erxleben		
	Munich	Uwe Paul		

Report of the Board of Directors

Management Report 2002



Summary of Business Development

APO-Bank is 100 years old

2002 was the year that Deutsche Apotheker- und Ärztebank (APO-Bank) celebrated its 100th anniversary and it was a very satisfactory financial year as regards the expansion of volume and higher earnings. The general upward trend of our Bank continued in contrast to the mainly negative trend elsewhere in the banking sector.

Successful anniversary events

As well as the main ceremony to mark the Bank's 100th anniversary with a celebration for all employees in Düsseldorf, we took advantage of this special anniversary to hold an "open day" in the branches. Around 16,500 clients attended a total of 44 events under the motto "Celebrating together".



The distinguishing feature of business developments in 2002 was the increase in the number of new customers, many of whom were interested in the Bank's special expertise in matters of finance relating to their own particular profession. The rise in the number of customers by 12,500 to 248,200, and the expansion of lending associated with the same, show that our Bank neither pursued restrictive lending policies nor denied loans to the medium-size sector.

SURVEY I	Financial year 2002 in € million	Financial year 2001 in € million	Change in € million	Change in %
a) Balance sheet total	22,897.8	20,749.8	+ 2,148.0	+ 10.4
b) Business volume	22,897.8	20,749.8	+ 2,148.0	+ 10.4
c) Liquidity				
Cash on hand	19.8	15.4	+ 4.4	+ 28.6
Balances with Deutsche Bundesbank	91.0	179.7	- 88.7	- 49.4
Cash reserves	110.8	195.1	- 84.3	- 43.2
Loans and advances to banks due on demand	88.6	244.9	- 156.3	- 63.8
Bonds and debt securities eligible for rediscount at the Bundesbank	1,932.0	2,687.5	- 755.0	- 28.1
Total liquid funds	2,131.4	3,127.5	- 996.1	- 31.8
Liabilities to				
- banks	5,150.4	4,755.0	+ 395.4	+ 8.3
- customers	9,362.0	8,891.4	+ 470.6	+ 5.3
Debt securities outstanding	6,409.1	5,456.4	+ 952.7	+ 17.5
Other liabilities	207.0	172.1	+ 34.9	+ 20.3
Total liabilities	21,128.5	19,274.9	+ 1,853.6	+ 9.6
Liquidity (as % of liabilities)	10.1	16.2	- 6.1	- 37.7
d) Lending				
- Loans and advances to customers	15,311.4	13,513.9	+ 1,797.5	+ 13.3
- Liabilities from guarantees and indemnity agreements	255.0	204.0	+ 51.0	+ 25.0
	15,566.4	13,717.9	+ 1,848.5	+ 13.5
e) Deposits				
- Savings deposits	603.2	633.3	- 30.1	- 4.8
- Deposits due on demand	3,373.0	2,843.4	+ 529.6	+ 18.6
- Deposits with agreed term or period of notice	5,385.8	5,414.7	- 28.9	- 0.5
- Certificated liabilities	6,409.1	5,456.4	+ 952.7	+ 17.5
	15,771.1	14,347.8	+ 1,423.3	+ 9.9
f) Liabilities to banks				
- Due on demand	751.9	930.9	- 179.0	- 19.2
- With agreed term or period of notice	4,398.5	3,824.1	+ 574.4	+ 15.0
	5,150.4	4,755.0	+ 395.4	+ 8.3

SURVEY II	Financial year 2002 in € million	Financial year 2001 in € million	Change in € million	Change in %
a) Net interest income	361.0	347.2	+ 13.8	+ 4.0
b) Net commission received	80.3	77.3	+ 3.0	+ 3.9
c) General administrative expenses				
- Personnel expenses	130.7	123.6	+ 7.1	+ 5.7
- Other administration costs	121.7	118.3	+ 3.4	+ 2.9
d) Depreciation on fixed assets	15.3	14.1	+ 1.2	+ 8.5
e) Profit from ordinary activities	150.1	105.1	+ 45.0	+ 42.8
f) Accounting profit	58.5	56.8	+ 1.7	+ 3.0



*Partners even in
times of difficulty*

The positive response of pharmacists, physicians, dentists and veterinary surgeons and their organisations, associations and business institutions to the range of services provided by the Bank is almost certainly an indication that members of the medical professions – especially in view of the difficult conditions in the health sector – are interested in dealing with a bank whose advisers have in-depth experience of business management side of medical practices and pharmacies. The special expertise of the Bank's employees in that sector, that has been gathered over the course of many years, represents a major asset that will create a permanent close bond between the Bank and its clients and will gain even greater importance in view of the forthcoming changes in the health sector.

*Growing number
of staff*

The number of employees increased in the 2002 financial year from 1,803 to 1,879. Since new appointments will be made in the area of customer advisory services in particular, the legally relevant number of employees will pass the 2,000 mark in 2003. For this reason, a Supervisory Board will be elected in the current year with equal representation of employees in accordance with the requirements of the 1976 Co-Determination Act (Mitbestimmungsgesetz).

*Expansion of
customer advisory
services*

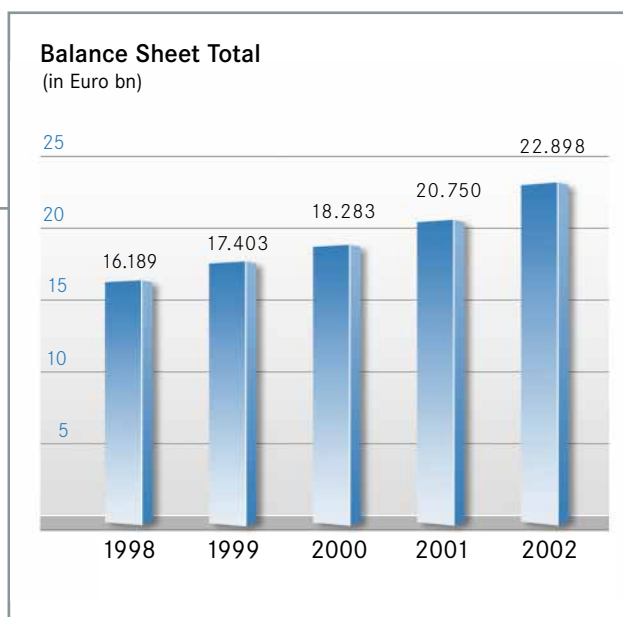
To serve its customers, the Bank relies on five offices and 42 branches all over Germany, eight regional credit offices, several consulting centres, the services provided by its subsidiaries and its head office in Düsseldorf. This year has seen the addition of two external customer service offices in Ulm and Ingolstadt. The establishment of these external offices gives us an opportunity to examine ways of providing services to clients in areas where the Bank has no direct sales support offices of its own. Quite independently of that, it is our policy to offer our customers freedom of choice in how they access the Bank by means of the multi-channel strategy in operation since 1996. Customers can thus decide for themselves whether they prefer to obtain personalised advice at the branch, be visited at home

by our mobile sales team or arrange bank transactions online at their own convenience using user-friendly PC programs or the “apodialog” telephone service.

Substantial rise in the balance sheet total

The high number of new customers especially and the expansion of business among existing customers were the decisive factors for the increase in the balance sheet total by 10.4 % or Euro 2.1 billion to Euro 22.9 bn in 2002. Although we place greater emphasis on quality aspects rather than

quantity aspects of volume expansion and give greater priority to higher earnings rather than growth in volume alone, we have interpreted this continuing growth trend as a positive reaction by members of the medical profession to the special nature of our Bank. We also believe that the fact that we have held on to our leading position among cooperative banks as primary lending institutes for more than 30 years is proof of the Bank’s success in its partnership with the medical professions.



Highly satisfactory profit and loss account

The huge increase in the number of new customers and associated high volume of lending has also had a major effect on the profit and loss account for the financial year. Net interest income was Euro 361 million and, therefore, Euro 14 m more than the figure for 2001. We are pleased to report that commission income of Euro 80 m was Euro 3 m higher than in the previous year in spite of the difficult situation on the stock exchange.

Administrative expenses rose by Euro 12 m to Euro 268 m. These expenses include a donation of Euro 2.5 m for the pharmacists, physicians, dentists and veterinary surgeons who suffered damage in the flooding. The operating profit before provision for risks rose by Euro 11.4 m to Euro 177.4 m. After making an unchanged moderate provision for risk and expenditure on taxes, net income for the year was disclosed as Euro 59 m, a rise of Euro 2 m.

High dividend

The satisfactory operating result allowed adequate provision to be made for all foreseeable risks arising from our business operations, the necessary build-up of equity and distribution of a comparatively high dividend.



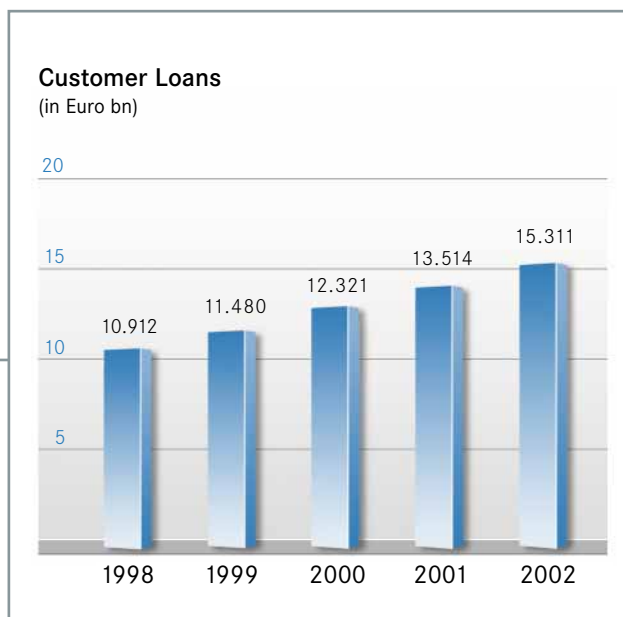


Lending

Rising demand for credit

The main reason for the rise in the balance sheet total was a brisk increase in the number of new advances in the loans sector. These were more or less spread evenly over business start-up financing, real-estate financing, the financing of replacement investments and new investments and for

personal purposes. Compared to 2001, loans and advances to customers rose by 13.3% to Euro 15.31 bn. The total volume of credit – including bank guarantees – increased by 13.5% to Euro 15.57 bn.

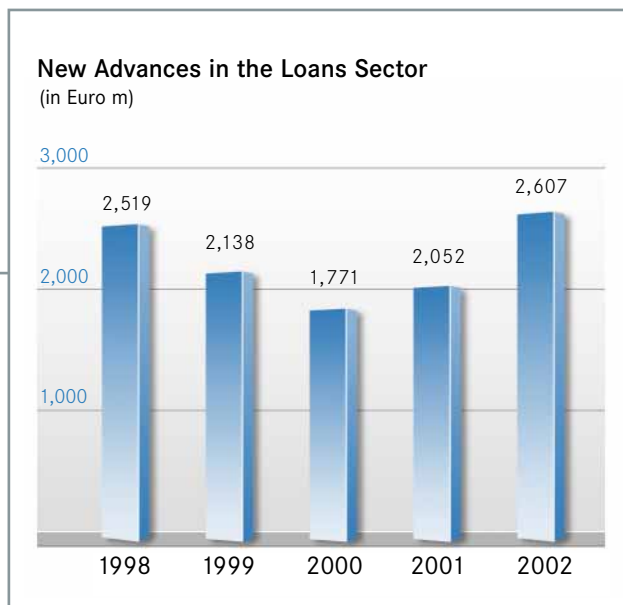


As regards due dates for advances, a comparison of current account overdrafts on the closing date shows a satisfactory expansion of income by Euro 380 m to Euro 2.28 bn. There was also a comparably high rise in the average take-up of current account overdraft facilities with growth by

around Euro 400 million. There was a growth in the funds used to finance properties and new businesses with a shift primarily towards the long-term sector; loans rose by 12.2% to Euro 13.03 bn.

Future-oriented financing services The actual amount of credit given and, therefore, the true extent of demand for credit is expressed by the volume of new advances which, at a level of Euro 2.61 bn, is considerably higher than the already high level of earlier years. This expansion is remarkable insofar as it involves an exceedingly

high level of consultancy services in which the economic aspects for the future are particularly important.



Competent advice and the passing on of many years of experience associated with it acquires all the more importance in the financing of start-ups, long regarded as the trademark of our Bank. The number of start-ups financed by our Bank increased so much in the financial year that our market leadership in this segment expanded and our

market share increased to around 60%. Risk aspects to be mentioned are the still rising number of take-overs, normally involving far fewer risks than the establishment of new practices. The major expansion in start-up financing can almost certainly be regarded as evidence of great appreciation of the expertise of a bank dedicated to the medical professions and its special know-how especially in view of the increasingly difficult situation in the health sector.

*More real-estate
financing*

In 2002, customers also took greater advantage of our range of real-estate financing services than in the previous year. The number of such transactions rose by almost 30%. Special consultancy software was available to customer advisers to assist in dealing with this expansion. Customers were

primarily interested, as before, in interest-capped loans for the purchase of private property especially.

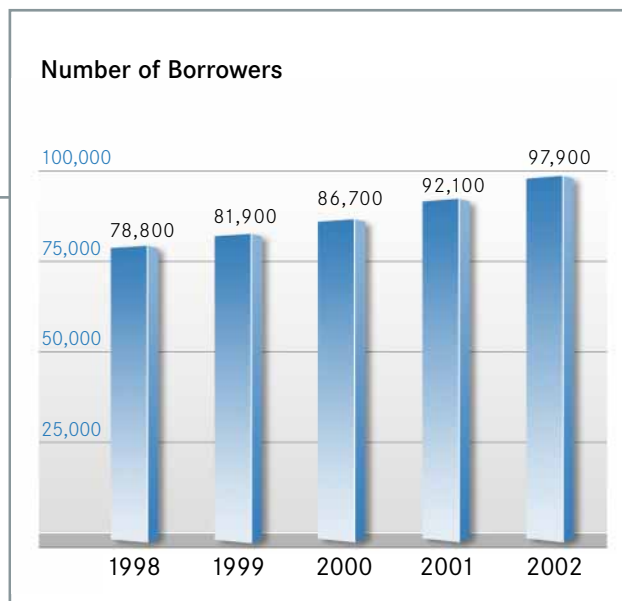
Wherever available, our advisers incorporate public subsidy programmes in their financing concepts. For example, many of our clients took advantage of the housing finance programme offered by the Kreditanstalt für Wiederaufbau (KfW) (reconstruction loan corporation) in the financial year. Clients also made frequent use of KfW funds to finance start-ups.

A variety of programmes offered

by Deutsche Ausgleichsbank (DtA) (German Federal Government's bank for business start-ups and SMEs) were also included, but these frequently differ from one federal state to the next. These programmes include foundation and growth programmes and start-up loans.

Sales support

Another positive contribution was made to the expansion of credit business via the sales channels of our financial services company "apofinanz", our co-operation partner Deutsche Ärzteversicherung AG and through independent brokers; these channels proved particularly successful in the financial year.



*Efficient risk
management*

As a result of an efficient risk management system combined with the relevant experience and in-depth knowledge of the business management side of the medical sector, we have been able to keep the number of genuine problem cases in the lending business within narrow limits in past years. So that the relative risk portion of the total credit volume remains at its positive and favourably low level, we shall continue to develop and expand the present measures or use new methods to complement them.

As well as implementing the specific requirements of the Basel Capital Accord, we are establishing a comprehensive and flexible risk management system tailored to our Bank's individual risk profile; it also guarantees the necessary degree of transparency and supports modern and active portfolio management. Furthermore, this system should minimise the burden on equity and, of course, satisfy the requirements of "Basel II".



Deposits

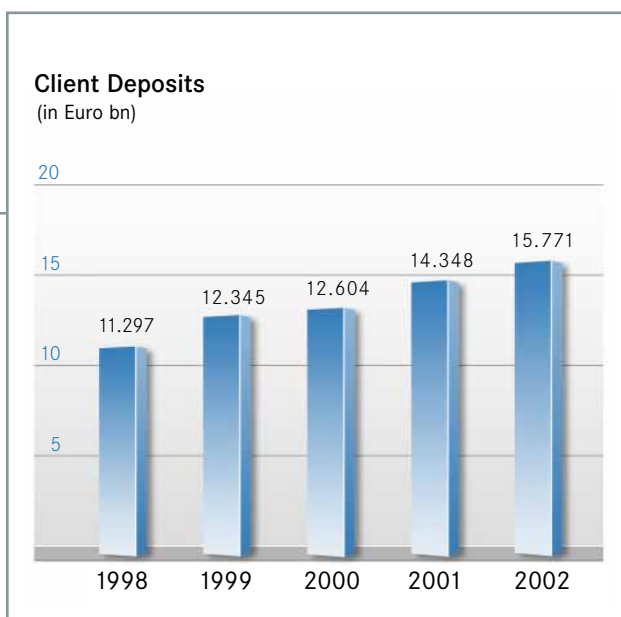
*Higher client
deposits*

The total volume of deposits rose in the financial year by 9.9% to Euro 15.77 bn. A contribution was made to this growth not only by client deposits in the narrower sense, but also by the issue of bearer bonds, the place-

ment of which is explained in the section entitled “Investment business”.

There was particularly high growth in the volume of sight deposits which significantly increased by 18.6% to Euro 3.37 bn. This expansion is partly accounted for by disposals of institutional clients on the closing date. But this also demonstrates the continuing excellent response to the “APO cashflow account” which offers larger sums for short-term investments

combined with an attractive variable interest rate, convenient disposal arrangements and availability at all times. Analysis of the average stocks of sight deposits of personal clients, excluding the APO cash flow account, reveals a tendency to maintain a higher level of liquidity in current accounts throughout the whole year, and that this level is higher generally than in the previous year.



Attractive service package for giro accounts

We facilitate our clients' current account transactions by offering an attractive "complete current account" service package. This package includes freedom from banking charges for accounts kept in credit and no postage charges for monthly bank statements with extensive refunds of fees for the use of ATMs in Germany, free personalised forms and payment slips, a versatile and efficient credit card service as well as the PC banking and the "apodialog" range of services, which are described in more detail elsewhere in this report. Our dual credit card service VISA GOLD and MasterCard GOLD named "APO Golden-Twin" also proved a huge success in the year under review. The Bank waives the usual annual credit card fees entirely for this service. The card package offers flexible liquidity on the one hand by means of an optional credit facility called "APO CashCredit" but also attractive interest rates for credit balances up to Euro 25,000 that is popular for parking short-term investment funds.



Varying developments in term deposits

The decline in term deposits (excluding loans against promissory notes) by Euro 270 m to Euro 3.1 bn is due to disposals by our institutional clients on the closing date. In contrast, there was a slight increase on average in the level of term deposits in the retail sector. On the other hand, savings accounts of various types and maturities remained at almost the same level as the previous year. Term deposits including loans against promissory notes reduced slightly by Euro 29 m to Euro 5.4 bn.



Sales Channels

*Multi-channel
banking long since
established*

For many years now, we have been letting our clients choose how they interact with us. We have continued to develop the individual features of “multi-channel banking”, meanwhile considered to be the ideal sales channel for banking services, and to adapt it to suit new requirements. Branch sales remain very important because personal advice in the branches is considered an indispensable part of our remit as the bank serving the medical professions.

*More personnel for
apofinanz*

Since 1997, branch services have been supplemented by a mobile sales force “Finanz-Service GmbH der APO-Bank” that we provide jointly with Deutsche Ärzteversicherung AG. This service, called “apofinanz” for short, has grown meanwhile in the 2002 financial year to a total of 56 financial consultants. Our mobile sales force is distinguished from other financial service providers on the market by its mobility, flexibility and the high quality of its advisory services. Furthermore, the identifying feature of these financial consultants is that they talk to customers when it suits the customers.

*Positive business
results for
apofinanz*

Contrary to the general market trend, the volume of business and earnings of apofinanz were also very positive in the financial year, because of good customer response. “apofinanz” consultants made an excellent contribution to the results of the Bank by acquiring new customers and looking after existing business contacts in the sectors of loans and investment. For this reason, we are thinking of expanding the APO-Bank mobile sales force and adding external offices in those regions where the Bank is not represented by any sales support points.



*Versatile service
by apodialog*

The “apodialog” telephone service founded in 1996 has long since established itself as the keystone of our range of services. By the end of the financial year, more than 49,000 customers had taken advantage of the

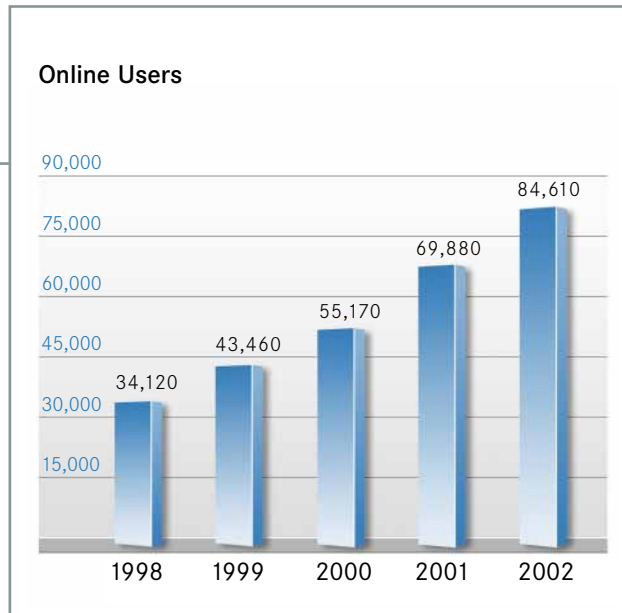


opportunity to reach a contact person on any day of the week to ask questions, to make requests and arrangements for their current account, to obtain advice on the creation and disposal of term deposits or various savings methods and savings programmes. Moreover, “apodialog” is also linked to the “apobrokerage” service range, to enable our customers to place orders for securities on the German stock exchange by telephone and not just with the StarMoney software. The apodialog service also

accepts orders for traveller’s cheques and foreign banknotes and delivers them to the customer at short notice by courier. Finally, apodialog acts as a popular “hotline” for computer banking.

*PC banking is
booming*

There have been considerable growth rates in PC banking. As a result, the number of customers of our Bank who use their computer for payment transactions is very high compared to other banks. At the end of the financial year, 84,600 customers were taking advantage of online giro account facilities. Many of them use the APO edition of the prize-winning banking software “StarMoney 3.0”, which has many additional and attractive features. “apobrokerage” can be used to access German stock ex-



change securities online. The apobrokerage service provides fast and flexible access to the relevant securities portfolio and includes details of portfolio value, status of orders placed and developments in the values of individual securities. The latest version of “StarMoney 4.0 APO-Edition” delivered in the current year allows changes or cancellations of securities orders placed. This

new version allows checking on the balances of giro accounts, savings accounts, term accounts and loan accounts and – independently of apobrokerage – of the securities portfolio.

*Internet provider
for the medical
professions*

Our DGN Service GmbH subsidiary can look back on a successful financial year with a rise in the number of users of intranets specific to the various medical professions: “D/G/N” for physicians, “aponet Professional” for pharmacists and “DZN” for dentists. This company saw further expansion of its position as leading Internet provider for the medical professions with more than 30,000 users. A partnership with BertelsmannSpringer Medizin-Online (BSMO), which began in November 2001, has proved advantageous as regards the efficient division of responsibilities. BSMO concentrates on content and DGN Service GmbH on its core competence as provider. This resulted in more emphasis on the quality of technical platforms and expansion in the sectors of information, transactions and security of communications. This new focus was supported by investments involving sums of millions to further expand the technical infrastructure.

dgnservice

*New financial tool
established*

A new product, Tarif conectMT, offered jointly by DGN Service GmbH and BSMO, was launched onto the market during the financial year. The “premium tarif” rate offers not only free access to the medical contents of multimedica, but also a completely redesigned financial area entitled “Finanzen” that receives expert support from our apoconsult subsidiary. This

enables DGN Service GmbH to offer its own clients the management expertise of the APO-Bank in the medical sector, thereby benefiting from the unique positioning feature of the parent company.



In the light of tougher competition in the banking sector and the rising service expectations of our clients, the quality of bank services and customer satisfaction represent key factors. We took account of this development several years ago by establishing the Customer Communications Department. Staff in this department go to great lengths to ensure that any problems or

misunderstandings that have arisen in dealings with customers are quickly resolved to restore good relations between the customer and the Bank. After clarifying the relevant matter as quickly as possible, problems are subjected to detailed evaluation. The conclusions drawn offer valuable starting points for the detection and elimination of weaknesses. The response of customers illustrates the importance of having a central complaints management available to all customers regardless of where their own branch is.



New Concepts in Consultancy Services

*apokom follows
market trends*

Our subsidiary “apokom Kooperations- und Organisations-Management GmbH” founded in 2000 focused initially, in the period after its formation, on the promotion of mobile network structures. These had varying degrees of organisation; some had only a limited degree of autonomy as regards business management. Some of these network initiatives also came to an end when external sponsorship funds dried up. At the same time, the market saw the emergence of a new co-operation movement with a significantly higher degree of organisation: new freelance co-operations. These have a variety of different forms and characteristics ranging from different types of medical practices united under one roof to structures similar to those of hospitals. “apokom” adapted itself to this market development in the financial year and concentrated on functional planning concepts for these new freelance co-operations. This further emphasises the ability of our subsidiary to keep abreast of future developments on the market.



*Expansion of
organisational
support*

“apokom” normally acts on the basis of individual customer orders. In more complex structures like new freelance co-operations especially, apokom does the groundwork for the subsequent financing discussions by optimising functional planning and the resulting combination of medical specialists.

*Quality
management at
the focal point*

Another major operation of “apokom” in the year under review involved the development of quality management in co-operation structures. The most important tools of management were taught either individually or to small groups in workshops to improve the process quality in particular.



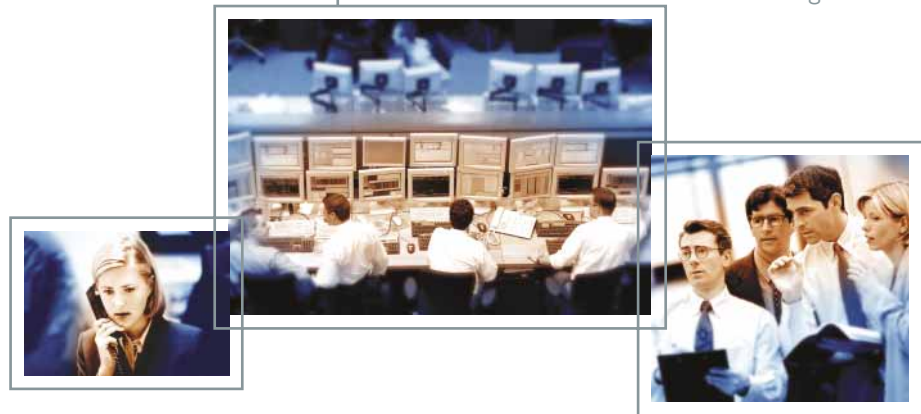
Network academy Co-operations between physicians – especially those organised in “net-
has been works” – are becoming increasingly important in a modern health system.
established Ensuring the long-term survival of existing co-operations and of new co-operations in the future requires professional network management which – as well as having an affinity with medicine and the medical profession – can contribute specialist knowledge with regard to professional organisation and group processes. Even today, such experts are not available in

sufficient quantity or quality despite several years of network developments in Germany.



The “Netzakademie – Management für Versorgungsstrukturen im Gesundheitswesen e.V.” (Network Academy – Management of Care Structures in the Health Sector) founded in 2000 by the German College of Physicians (Bundesärztekammer), the German Association of Public Health Fund Physicians (Kassenärztliche Bundesvereinigung)

and Deutsche Apotheker- und Ärztebank offers a course of study either in attendance mode or distance learning mode aimed at better satisfying the demand for network managers. This course of study is based on 14 attended lectures and additional online content available for downloading by the student. Examination elements based on attended lectures and web-based content give the student a final qualification as “Network Manager (Health Sector)”. Three courses of study have meanwhile been completed with 55 graduates. One course is currently running in North Rhine-Westphalia. Other courses are being prepared to cope with the constant demand.



Investment Business

Share prices declining

As a result of the world-wide decline in economic activity, scandals involving financial statements and analysts in the US, problems in the financial sector and, not least, diminishing confidence of investors, share prices on the world's major stock exchanges fell in 2002 for the third year in a row. Especially dramatic was the fall in DAX with minus 44 %; investors are blaming this partly on the weakness of the German economy.

Demand for fixed-interest securities

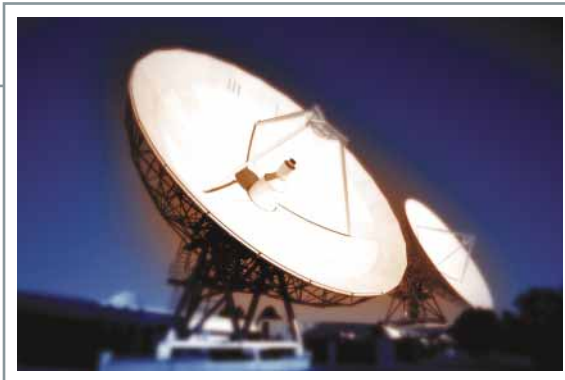
The bond and property markets on the other hand were preferred as "safe havens". Cash flows into property funds were almost four times as high as those in share investment funds. Growing concern about the economy and the looming war with Iraq gave European government bonds a powerful thrust at the end of the year.

Rising commission income

In spite of the difficult situation on the stock exchange, we continued the intensive efforts to reposition the Bank's asset management strategy commenced in 2001 and managed to achieve federal-wide realisation of the underlying strategy on securities. The concept of support in retail asset management and sales in institutional asset management were both backed up by an optimised company reorganisation structure, extended personnel capacities, the introduction of a new steering concept and expansion of the IT infrastructure. The success of these measures can be seen directly in the rise in commission income; not only was it unaffected by the general downward spiral but it also increased – in the area of securities particularly.

*Positive response
to closed funds*

The placement of closed fund products again contributed to a development converse to the market trend. Given the unfavourable development of the economy and ongoing discussions about future tax treatment, the placement of closed funds fell slightly in 2002 compared to the previous year. On the other hand, our Bank was again able to improve on the record results of the previous year by around 10 %. Uncertainty on stock markets resulted in greater demand for alternative investments. Most popular were



media funds and foreign property participations. The strategic orientation on the segments: media funds, domestic and foreign property funds and shipping shares was again confirmed by business developments. It was possible to maintain the high quality of offers processed in Sales by means of co-operation with an external analysis agency.

*Expansion of asset
management*

Asset management was successful in increasing the number of portfolios managed in the 2002 financial year. In view of volatile stock exchanges and the growing complexity of investment products and decision-related matters, wealthy clients are increasingly seeing the need for professional portfolio management. The team members, meanwhile numbering 11, guarantee competent and personalised services. As shown by its client portfolios, asset management has been achieving significantly higher than average results for several years. Its success is due to a structured approach with clear decision-making processes.



*Investment service
for institutional
clients*

Poor stock market developments in the financial year led our institutional clients to concentrate much more on direct bond investments. The focus was primarily on so-called “structured” bond products. These are characterised by the combination of a classical bond product with derivative instruments. This particular combination guarantees the customer an improvement in performance and allows steering of cash flow. We were again able significantly to expand volume and earnings in direct bond investments by further expanding our infrastructure towards the support and evaluation of such products. The special funds under our management developed positively as a result of assuming master funds mandates. This was where our efforts to support customers in strategic asset allocation paid off, for example using risk/earnings presentations, calculation of risk-bearing capability and presentation of correlations for individual asset classes of our customers.

*“apoasset” well
positioned*

In spite of the difficult situation on the stock market that made institutional investors generally more cautious when investing in specialised securities funds, our subsidiary Apo Asset Management – “apoasset” for short – was able to expand its business activities. A contribution to assets was made by the launch of the “APO Trend Select INKA” and primarily by the Generika Select certificate developed and managed by apoasset and issued by ABN AMRO Bank. This gave investors a security for the first time that invests in the world’s leading manufacturers of generic drugs. It was given a correspondingly positive reception on the market.

*Additional bond
funds*

In the autumn, we were very successful in launching a public bond fund designed by apoasset through the Internationale Kapitalanlagegesellschaft mbH (INKA) with the “APO Rendite Plus INKA”, which invests two thirds in European investment grade corporate bonds and one third in US high-interest corporate bonds. The European bonds are managed by apoasset,

which contributes its proven expertise for corporate bonds with several specialised funds, while our co-operation partner, Muzinich & Co. in New York, is responsible for the American side.

New mandate

We are pleased to report that “apoasset”, together with Deutsche Ärzteversicherung AG in Cologne, was successful in 2002 in the face of tough competition in receiving the order for managing the investments of the newly founded “Versorgungseinrichtung für Gesundheitsberufe” (pension fund for the health professions).

*aik continues on
course for success*

Our subsidiary, Immobilien-Kapitalanlagegesellschaft mbH (aik), which concentrates on the property investment business and on professional property-asset management for the pension funds of the freelance professions, also continued to develop positively. As in previous years, the property fund assets managed by aik increased significantly in 2002 with growth of more than 40 %.



The number of specialised property funds under aik management rose to five: alongside the funds already managed on behalf of the pension funds for pharmacists, dentists and architects, aik launched a specialised property fund for a physicians’ pension fund. Furthermore, in-depth and fruitful negotiations were conducted with other pension funds with a view to launching specialised funds and putting properties from the pension fund’s existing inventory

under the management of aik. 49 properties are now being managed by aik property managers.



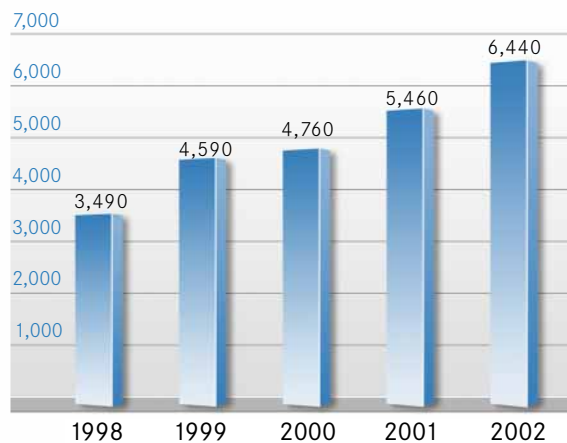
Successful acquisitions also in other countries It was possible to continue the strategy of constant expansion of business activities in Germany and in the rest of Europe that had been pursued in recent years. More than half of the new investments in the last financial year were made outside Germany.

Good letting rates In spite of the difficult situation on the market, it was possible to achieve considerable success in letting rates in property management. A total of 54 new contracts of lease were concluded for 12,880 m² leased area and net income value of Euro 1.6 m. The imputed performance of all properties newly acquired by aik in the financial year was 7.1 % in terms of market value and 8.3 % in terms of equity invested.

Wider range of issues Our Bank's issuing activities on the international capital market developed parallel to the expansion of the lending business. As a result, long-

term issues for Euro 1.8 bn were placed with international investors in the 2002 financial year. The outstanding volume of the "European Medium Term Note-Program" was Euro 3.7 bn at the end of the financial year. In view of the tight situation in the co-operative sector, the rating agency Standard & Poor's reduced the Bank's credit assessment to "A minus / A-2"; Moody's Investors Service on the other hand regarded the situation as still stable with "A2/P-1". The decision to add a "European Commercial

Bearer Bonds Issued
(Total amount in Euro m)

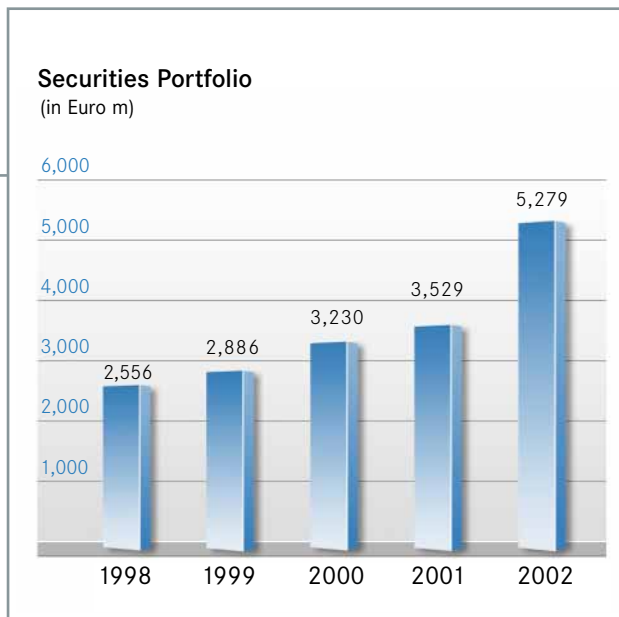


Paper-Program” to the shorter term range of issues guarantees liquidity at all times at attractive rates of interest. It simultaneously offers a higher degree of flexibility in the management of liquidity.

*Restructuring
of securities
portfolios*

The portfolio of securities held by the Bank was extended by Euro 1.7 bn to Euro 5.28 bn for the investment of available and variable liquidity at identical rates of interest. In the course of rationalisation of interest rate management, the variable liquidity reserve was restructured strictly in

conformity with the narrowly defined security concept also in the year under review. All marketable securities were valued according to the strict lower of cost or market principle and long-term securities according to the less strict lower of cost or market principle.





Business Consulting

Expansion of research

In accordance with our business philosophy of providing management support to members of the medical profession, we expanded our business management research in the medical sector in the year under review. We also realised a variety of different measures designed to convey a fundamental knowledge of business management as part of individual advisory services and by the expansion of consultancy services offered in the area of seminars and talks.

Practice brokering service

Our Bank has designed a comprehensive range of services for anyone wishing to sell his or her practice. This includes a checklist that the physician or dentist can use for step-by-step preparation for the sale of the practice. It gives advice on the measures required and information as to who can be of assistance in implementing these measures, whether this may be the Regional Association of Health Service Physicians, tax consultant or the own bank. We have completely revised the brochure entitled “What is a/my practice worth?” because of the high demand. The 17th edition is now available to interested clients. Another important service offered is the “practices for sale” file which normally contains more than 250 practices, anonymised details of which are made available to anyone interested in buying the practice. Special events and work-shops organised at regional level by the individual branches of the Bank complete the service package for those wishing to sell up.

Widely acknowledged investment analysis

The results of investment analyses for physicians or dentists prepared and published jointly with the Central Institute of Medical Care by Health Fund Physicians in Germany (Zentralinstitut für die kassenärztliche Versorgung in der Bundesrepublik Deutschland (ZI)) and the Institute of German Dentists (Institut der Deutschen Zahnärzte (IDZ)) at the beginning of each year met with particular public interest. These analyses are based on the financ-



ing of start-ups undertaken in the course of a year and reveal important information on investment behaviour in a longer-term comparison especially. Much attention is devoted to the development of the value of the practice purchased in comparison to the price paid at the time of financing.

*New consulting
programme*

Many self-employed members of the medical profession are insufficiently aware of how much income they have at their disposal for private living expenses or how much liquid funds are available. The documents prepared by tax consultants show the surplus earned by the practice, but not the expenses still required to redeem the loan that financed the practice or to make provision for old age or for taxes. The new consulting programme INKO CL, developed in the year under review jointly with the Central Institute of Medical Care by Health Fund Physicians in Germany, is a valuable aid in this respect.

*Good attendance
at apoconsult
seminars*

Demand for our business consulting service remained at a high level also in the year under review. Our “apoconsult” subsidiary organised around 180 seminars in 2002. The range of topics is constantly updated to take account of the latest developments in the health sector. In the year under review, the emphasis was on those seminars to help to solve the problems resulting from economic changes in medical and dental practices as a consequence of reform of statutory health insurance funds. For this reason, the main emphasis was on topics like “securing cash flow”, “quality management” and “personalised health services” (IGeL). Seminars on the subject of “practice start-ups” and “sale of the practice” were offered increasingly to match the high demand for loans.

*Information for tax
consultants*

The very positive response to seminars offered for tax consultants on the subject of statutory health insurance fund reforms organised in collaboration with the Regional Association of Health Service Physicians led us to offer this series of seminars again in 2002. By conveying information of this kind, the Bank is giving tax consultants effective support in the service they provide to their clients in the medical sector.



Banking Operations

New strategic projects

Those areas of our Bank responsible for banking operations were involved not only in following up developments on the market, but also to a great extent in the development and implementation of strategic projects. These projects were focused primarily on measures to promote sales, but there were also efforts to increase the efficiency of internal processes. The general aims pursued in the various plans were to improve the income situation while limiting the rise in costs. Other projects involved the further development of overall bank control but also compliance with statutory requirements. In this case, the key words were “Basel II”, “replacement of the securities code number by ISIN”, “introduction of the Central Counterparty CCP” or “EMU interest rate statistics”.

Trading operations widens service

Services to our customers in the department of Trading settlement (Handelsabwicklung) were improved in the financial year by providing more data of relevance for tax purposes. For the first time, negative earnings amounts were included and shown in the annual breakdown of income. Negative sums that may arise in the case of investment funds and so-called financial innovations have also been shown on all individual documents since the beginning of this year. Moreover, our customers are now informed when foreign funds are reinvested. This dispenses with the need for the formerly time-consuming research with individual fund companies.

Customer-friendly forms

We have also begun the successive revision of the printed forms for securities trading, whereby we are assigning great importance to a customer-friendly and clear presentation and to the indication of any additional useful information. In the course of these measures, the annual income statement and the annual tax certificate were completely redesigned.

New form of investment for pension funds

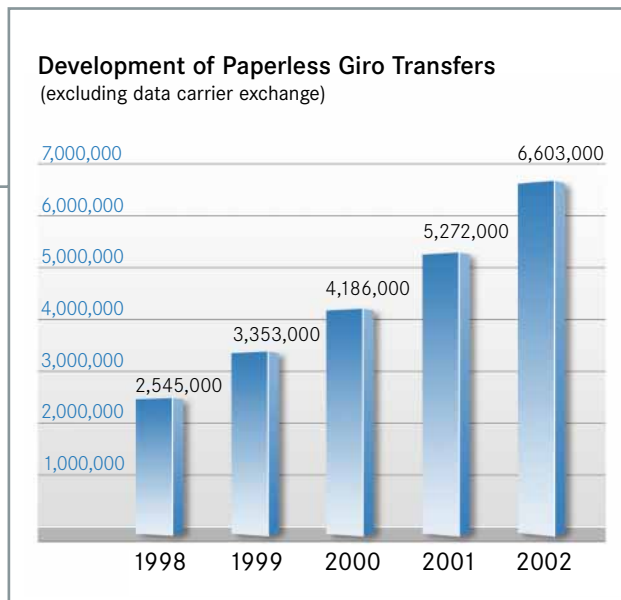
In the area of services for the pension funds of the freelance professions, it was possible to create a new and innovative investment medium with the product Master-KAG/Master-Depotbank. The implementation of this concept supports pension funds in their control of pension assets. The fast and competent realisation of this project has made us more competitive and has also enhanced the image of our Bank on the market for institutional capital investors.

Higher volumes of payment transactions

The volume of transactions to be processed in Central Payment Transactions (Zentraler Zahlungsverkehr) and in the five regional service centres was considerably higher because of yet another significant rise in the number of customers. Installation in the previous year of the latest internal and external system platforms to support service and processing proved to be

the right decision. This applies equally to the reinvestment measures simultaneously introduced in the latest document-reading and processing systems for payment transactions to ensure not only high quality and efficiency but also cost-effective processing of giro transfers on paper.

The marked interest of our customers in PC banking was expressed by the increase in the number of electronic transactions whose share of total transactions rose significantly from 31.5% in 2001 to



35.9% in 2002. 6.6 million of the total 18.4 million transactions to be processed in the financial year were done online. Despite this development, the absolute number of paper transactions also rose and reached a level of 11.8 million.

Desk-top securities trading The e-brokerage platform that was introduced in September 2001 in conjunction with the e-banking software “StarMoney APO-Edition” was expanded, as the result of the development of complex system management software with numerous interfaces, into a securities trading system with high availability. More and more customers are taking advantage of this “apobrokerage” service.

Support for the securities department The Bank’s range of products offered in asset management was extended to include the products “investment savings plan” and “payout plans”. The new modules required were realised efficiently by combining existing IT components. A complex order routing process was developed for institutional asset management, while asset management generally was supported by expanding the existing TMS 2000 method, so that it now delivers professional reports for clients. The existing trading systems of the service-provider “BWS-Bank” were optimised to promote sales activities in the area of asset management for retail customers.



New strategic projects In the light of the changing underlying conditions for banking business, we undertook an in-depth analysis of our organisation and internal working procedures for their efficiency and suitability for the future. The results of this analysis led us to define the various organisational measures that we shall implement successively in the course of various strategic projects. Lending processes are being restructured and tailored to satisfy the requirements of the Federal Financial Supervisory Authority with regard to the “minimum requirements for the credit business of credit institutions” (MaK) on the one hand. On the other, we have also planned to take certain tasks away from the service teams in the branches and transfer them to our subsidiary APO Data-Service GmbH, in order to guarantee additional advisory capacity at local level.

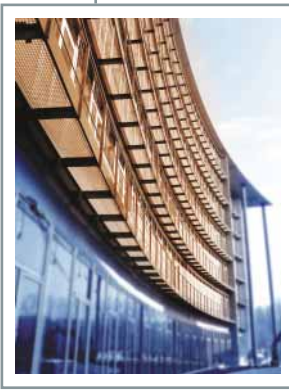


Standardised user interface A “style guide” was developed under the concept “apoworkplace” to eliminate incompatibilities between different media and to standardise the user interfaces for IT processes. This is intended to ensure that standardised navigation and operating elements are used for all standard IT processes no matter what procedure is used. An initial major milestone was achieved at the end of 2002 with the implementation of the “apoworkplace-KORDOBA”.

New software for income control An interim controlling system for controlling of bank results that we had formerly developed ourselves was replaced by the standard SAP controlling system which includes an option for expansion into an all-bank controlling system. The first stage involved implementing the Bank’s sales control system on a SAP platform with simultaneous linking of the necessary supplier systems.

Computer centre conversion The planning of the conversion of the Bank’s computer centre that began in spring 2001 was divided up into the sub-projects: construction, electronics and air-conditioning technology. Extensive renewal and installations were scheduled for all areas. It was necessary to maintain normal business operations during the course of completion of the projects in the financial year. The work was completed on schedule so that our Bank is now well equipped for the demands of coming years.

Modernisation measures in branches Extensive preservation and value-enhancing measures were again undertaken on the Bank’s own stock of properties. Extensive modernisation of customer areas took place at the locations in Munich, Hanover and Würzburg to bring them up to what can be described as the “sophisticated” bank standard. The façade of our bank building in Hanover was also extensively restored. Renovation work throughout the entire building of our Osnabrück branch began in the financial year and has meanwhile been completed.



*Wuppertal branch
in new premises*

Leased properties are constantly checked as to whether they satisfy the requirements. New premises were rented in the financial year for our Wuppertal branch and they have been converted and extended to suit requirements. It was possible to move into the new location in January of this year.

*New building for
head office*

The aim for the new head office building Am Seestern in Düsseldorf was to create an environment for its users that promotes communications and where office organisation is oriented on alternating processes. The requirements for individual work and work done in teams have been taken into account in the spatial planning concept. Various office designs are available for division into rooms of the individual sections of the building. However, almost all areas decided in favour of the combined office, the transparency of which creates a pleasant atmosphere and impression of space.

*Transparent
architecture*

Starting from this basis, the architects designed a building whose generous transparency and openness gives spatial expression to the sophisticated design elements. Because of the clear structure of the rooms, the consistent use of glass and the sense of comfort resulting from the controlled lighting and ventilation, we expect a high level of acceptance among users.

*Swift building
progress*

The topping-out ceremony for this new building was celebrated in December 2002, only nine months after laying the foundation stone. The extension work progressed swiftly during the first two quarters of the current year. Final completion of the building, including the furnishings, is scheduled for December 2003, so that the head office and subsidiaries can move in at the beginning of 2004.



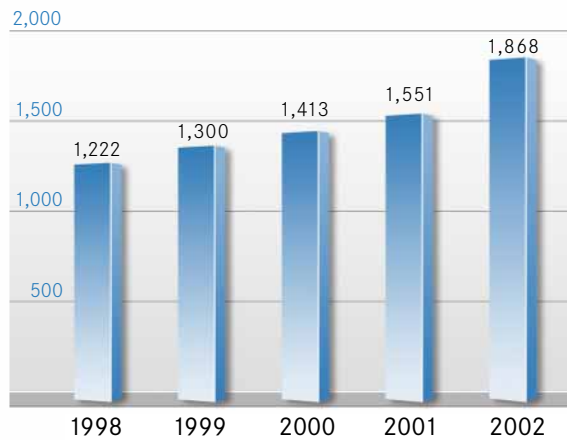
Equity

Higher than average rise in members' equity

The Bank was able to gain more than 5,400 new members in the financial year through an advertising campaign. The number of members rose on balance by 3,055 to 93,634. With their membership and the subscription

of additional shares by the Bank's existing shareholders of around Euro 114.8 m, the Bank had members' equity from remaining members of Euro 496.1 million available on 31 December 2002.

Liable Equity Capital
(in Euro m)



Even although the subscription of members' capital contributions is almost certainly due also to the attractive rates of return for members of our Bank, one can nevertheless assume that participation by members of the medical profession is an expression of our members' continuing

confidence in the secure nature and future positive development of the Bank.

Stronger equity base

Alongside growth in equity from new members, the Bank strengthens its capital base whenever reasonable and necessary from its own earned funds. The Supervisory Board and Board of Directors propose to the Annual General Meeting that a sum of Euro 33.5 m from the balance

sheet profit of Euro 58,522,874.60 be allocated to the open reserves and a comparably high dividend of 6% be distributed. As a result, the Bank will have liable equity capital of Euro 1.868 bn after implementing the proposals for allocation to the reserves and distribution of the dividends.

Appropriation of profits

	€
Balance sheet profit	58,522,874.60
Statutory reserves	16,750,000.00
Other reserves	16,750,000.00
6% Dividend	25,010,765.33
Carried forward for new account	12,109.27





Our Staff

*Large-scale
employee survey
for the first time*

In the year 2001, we carried out an employee survey on a large scale throughout the whole of the Bank, including our subsidiary APO Data-Service GmbH. With the support of the research group FGH Forschungsgruppe Hamburg, which is well-known for its work in this area, the rate of response achieved of around 70% was considerably high for the first run. After the overall results were presented to the Board of Directors and Bank management, all employees were presented with a results brochure in the year under review.

*Internal
presentation*

To co-ordinate further action, we have established a central control team to control the procedures resulting from the survey and implementation of the planned activities. The aggregate results for the Bank were generated by around 95 individual evaluation units. Individual evaluation units are, for example, a branch, an area within head office or perhaps even an individual department. Since our Bank wished to see and control the changes arising from the survey, 20 members of staff were trained as presenters. They have assumed responsibility for presentation of the results locally in the individual evaluation units, for planning the resulting activities together with staff and monitoring the process of change.

*Co-operation and
commitment*

Matters of overriding importance and those aspects that could not be clarified in the branches were assigned directly to the central control team for them to undertake their solution. The great commitment shown by local employees in seeking potential for improvement, designing the activities required for this potential and subsequently implementing the same can only be described as exemplary.

- Chatting with the Board of Directors* Throughout the entire process that followed, staff were kept informed on a monthly basis by brief written information about the current status of changes of overriding importance. Furthermore, all members of the Board of Directors were available in two internal bank chat sessions to answer questions and listen to ideas from staff.
- Final report on conclusions* Around the middle of this year, staff will receive a provisional report on the conclusions drawn from the employee survey which will deal briefly with the background, procedure and measures introduced as a result. Publication of the final report naturally does not mean that the processes of change have ended. We are planning to undertake a further employee survey at the end of 2004 to review the effects of the changes from the 2001 employee survey.
- Success in corporate planning games* Employees of the Bank were particularly successful in this year's business game at USW Schloss Gracht. We support the participation of employees in this game so that they can acquire additional knowledge and experience outside their daily work. All five teams of the APO-Bank reached the quarter final, while the Berlin team reached the finals and even beat its way to an excellent third place. Several teams from our Bank will be taking part in this corporate planning game with their virtual companies again in 2003.
- Training by in-house trainers* In the financial year, the Bank trained several internal trainers in order to convey information about the special features of our Bank's products and services. One advantage of this method is that the trainers are familiar with the particularities of our Bank and can deal quite specifically with the needs of our employees. Alongside their full-time jobs, internal trainers designed the contents, concepts and structures of their own seminars and produced the necessary materials.



Internal trainers are trained in a multiple-stage series of seminars that convey the necessary “tools of the trade” as well as methods and teaching approaches. As the attendees of internal bank seminars are involved in both processing and advisory services, uniform ways of thinking are encouraged and the number of differing points of view reduced. Great commitment on the part of the in-house trainers resulted in huge practical benefits and the application of the knowledge gained in everyday working routines. Feedback from employees who have attended these

seminars is consistently excellent. The positive experiences with in-house trainers have led us to organise training courses for employees on other subjects also given by in-house trainers.

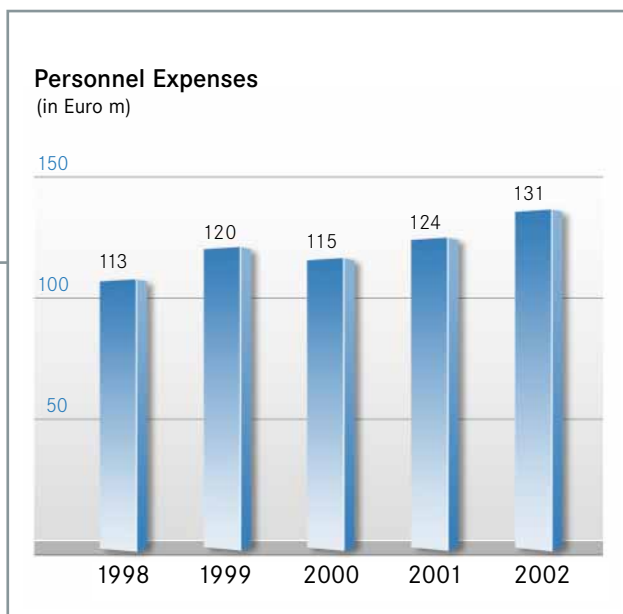
Concepts for old-age provision

In view of the changes in statutory old-age provision, the Bank has designed two models to support employees in making private provision for old age. The changes in remuneration enable employees to make tax-free contributions to an old-age pension at the present time in order to receive payment in old age of the accumulated funds with interest and probably then subject to a lower rate of taxation. In comparison to other companies, our Bank was able to present a concept enabling employees to make ration-

al decisions on provision for old age at a very early stage. The great interest in the possibilities on offer demonstrates the importance of old-age provision to the employees of the Bank.

Higher personnel expenses

Personnel expenses increased to Euro 130.7 m in the year under review. The rise in personnel expenses was primarily due to salary increases, new appointments or the assignment of more staff to asset advisory services, investment advisory services and customer advisory services. Furthermore, a reserve for restructuring measures was allocated as a precautionary measure. The number of staff rose in 2002 by 4.2% to 1,879.



Risk Report

Risk management as a core competence Risks are inherent in banking business. The management of credit risks, market risks and operative risks constantly presents us with challenges to which we respond by continuing to develop our approaches to risk management or by adapting our processes. We addressed these requirements and further developed risk management as a core competence in the financial year to enable us to handle risks in a responsible and target-oriented manner in the future also.

Organisation of risk management Market risks, counterparty risks, liquidity risks and operative risks are all part of banking. Identifying, analysing, controlling and monitoring these risks is the ongoing task of risk management. Modern processes, but also suitable mathematical and statistical processes and methods are used to quantify these risks. Risk management describes the identification, measurement and control of the risks entered into. For the purpose not only of avoiding conflicts of interest, but also because of the complexity of the tasks involved and the transparency required by banking supervisory law, we have assigned these tasks to different organisational units: the definition and implementation of the risk policy of the Bank is incumbent upon members of the Board of Directors. The business area "Treasury/Business Planning" is responsible for the operative implementation of the control of market and liquidity risks on the basis of the framework conditions passed by the Board of Directors. The "Central Credit Office" (Zentrales Kreditsekretariat) is responsible for controlling counterparty default risks.

Profile of risk controlling Responsibility for measuring risks, reporting risks and for assuring the quality of risk data for all types of risks lies with the specialist department "Risk Controlling". The duties of this department not only include implementation of the various methods but also the provision of data and

ongoing risk measurement including a test of the reliability of the models selected. Another main task consists of the development and provision of a regular reporting system to supply analyses of the risks entered into for all tiers of management.

*Involvement of
control instances*

In order to comply with our own high standards, also involved in the risk management process are the Supervisory Board which exercises a control function with regard to risk management and limitation measures and Internal Auditing (Interne Revision) which subjects the organisational units participating in the risk management process to regular in-depth examinations.

*Risk control
variables*

In order to guarantee operational risk management, the methods used to measure and control risks must satisfy qualitative requirements with regard to the following aspects: account should be taken of all relevant risk-causing influences; the methods are deployed in the daily risk management process; the procedures are documented in detail and are subject to permanent validation. Special scenario analyses must be developed and undertaken at regular intervals for exceptional events (for example, 11 September 2001).

Market price risks

Market price risks are the potential loss that can arise as a result of a change in interest rates, share prices, exchange rates, prices and volatility on the markets for our investment items. We have ensured that commercial transactions are performed only within the limits of clearly defined rules on competence. We have limited the type, scope and risk potential of the transactions by an internal bank limit system. This is permanently monitored and controlled. When defining the limits, the Bank's own risk-bearing ability is taken into account. The area "Treasury/Business Planning" is responsible for the control of the fixed-interest and variable-interest transactions for the whole Bank. To this purpose, extensive computer-aided simulation calculations are set up on the basis of and on the

assumption of various interest rate scenarios using corresponding treasury software in order to illustrate and analyse the effects of market risks and arrange suitable hedging measures by deploying “financial instruments” to control and limit market risks. Furthermore, analyses of interest (change) risks are permanently activated for defined portfolios and solvency is controlled at all times. As far as market risks are concerned, we have designed appropriate measures to ensure the monitoring of commercial transactions. We have continued to strengthen the specialist areas concerned in terms of personnel and equipment in order to be able to satisfy the demands made at all times. The limits are determined on the basis of sensitivities or as volume limits. The following table shows that the limits set were maintained throughout the whole year.

Limit Exploitation 2002 (maximum 100% in each case)

	March	June	September	December
Market price risks				
Currency risks				
- Foreign currency/foreign notes and coins/precious metals	34.67 %	29.87 %	24.80 %	22.13 %
Interest rate risks				
- Money dealings	23.05 %	24.16 %	19.03 %	20.50 %
- Liquidity reserve	65.16 %	60.41 %	61.51 %	61.59 %
Counterparty default risks				
Issuer's risk certificated	48.49 %	50.88 %	65.75 %	59.50 %
Uncertificated credit risk	55.51 %	53.12 %	42.42 %	36.62 %
Replacement risk	26.41 %	29.74 %	36.83 %	36.55 %
Settlement risk	7.57 %	10.11 %	6.46 %	20.02 %

Loan default risks The types of credit risk include default risk, country risk and settlement risk. The default risk lies in the complete or partial failure of contractually agreed payments by a borrower or contractual party. Counterparty default risk arises in lending business with customers and in the trading and asset portfolios of the Bank through counterparties and issuers. The counterparty default risk is controlled and limited for each area. Country risks are of secondary importance for the Bank; they are entered into without hedging only for EU countries and the USA. Settlement risks arise at the time of performance of business contracts in the future and are monitored by means of suitable limits.

Default risk of lending business The “Central Credit Office” (Zentrales Kreditsekretariat) is responsible for monitoring lending business with customers at portfolio level. The control of counterparty risks takes place in conjunction with the responsible regional credit offices and the branches. After preliminary examination in the branches, customers’ loan applications are processed in the regional credit offices. On the basis of capital-bearing calculations prepared individually and used to support actual or forecast income figures and to examine indebtedness of the customer, further parameters are used to determine whether the customer’s investment application appears feasible financially. Many years of experience with the medical profession are an absolute necessity for this examination to arrive at a balanced credit assessment. The final decision is made, depending on the scale, by the departments involved. To facilitate decision-making, a computerised test of creditworthiness was developed over the last few years to calculate the default probabilities of customers based on historical data and taking account of qualitative models that reflect the expert knowledge of the Bank.

Default risk of counterparties/issuers The default risk of counterparties and issuers refers to all counterparty risks not already included in the customer lending business. These risks are limited and controlled centrally in the “Risk Controlling” area. The control of default risks takes place on the basis of assessment by external rating agencies and the current financial data of the companies.

Portfolio control of credit risks As part of the bank-wide project “Implementation of Basel II”, the Bank developed further advanced methods specially tailored to the needs of the Bank for the analysis and control of the credit risk at portfolio level. For selected portfolios, the credit risk portfolio model CreditMetrics is currently being introduced as control instrument.

Eliminating risk concentrations The quantitative processes and methods already in use provide insights into our credit portfolio that serve the purpose of recognising risk concentrations and eliminating them as necessary. These control instruments have been further improved by the introduction of advanced methods. In the area of “Risk Controlling”, a start was made towards establishing the “credit risk controlling” group that deals specially with the further development of methods to control credit risks at portfolio level and to meet the advanced requirements of Basel II.

As in past financial years, the Bank has made sufficient provision for risks as of 31 December 2002.

Liquidity risk The liquidity risk represents the risk that Deutsche Apotheker- und Ärztebank fails to meet or fails to meet in full its present and future payment obligations. The “Treasury/Business Planning” department is responsible for controlling the liquidity risk. Crucial instruments for control of the liquidity risk are represented by the European Medium Term Note programme and the continuing Commercial Paper programme. The liquidity reserve of the Bank was significantly increased and optimised by simultaneous diversification of the portfolio.

<i>Investment portfolio risks</i>	Owing to the significance of strategic investments to support the core transactions of the Bank, the area of Investment Portfolio Management was further extended. This area monitors investments and regularly reports to the Board of Directors, which in turn regularly reports to the Supervisory Board.
<i>Operative risks</i>	We understand operative risks as the risk of losses resulting from the failure or inappropriateness of internal procedures, humans and systems or from external events. The introduction of a new control instrument to satisfy the requirements of Basel II commenced as part of the bank-wide project “Implementation of Basel II” continued.
<i>Basel II Project</i>	To implement the rules of the new Basel Capital Accord (Basel II), we began an extensive project at the end of 2001 to realise the internal ratings-based approach (IRB) in several part projects. Our aim is to further improve risk management and risk controlling functions to minimise the equity burden for the Bank. Test calculations, also those done as part of our participation in the Quantitative Impact Studies (QIS) performed by the bank supervisory office, confirm this expectation.
<i>MaK Project</i>	With the Minimum Requirements for the Credit Business of Credit Institutes (“Mindestanforderungen an das Kreditgeschäft der Kreditinstitute” (MaK)), the bank supervisory office goes a step further in qualitative bank supervision by focussing on credit risk management alongside the equity position of the banks and adherence to rules on the disclosure of the financial situations of borrowers, rules on loans extended by banks to close officers and related persons and companies, and on the limiting of major loans. The Minimum Requirements for the Trading Activities of Banks (“Mindestanforderungen an das Betreiben von Handelsgeschäften” (MaH)) and the Minimum Requirements for the Internal Audit Function of Credit Institutions (“Mindestanforderungen an die Ausgestaltung der Internen Revision” (MaIR)) have been binding quality standards for the internal

control system in the area of commercial transactions as well as the process of independent internal controls of the banks for a longer period of time. The MaK requirements close the gaps for lending business. A bank-wide project will ensure that the new MaK requirements will be satisfied in the year 2004.

Outlook

There were no significant economic events after the closing of the financial year.

Further improvement in results in 2003

For the 2003 financial year, we anticipate a further improvement in net interest income compared to the year under review. As before, the reason for this is quality-based growth in the lending business. We also assume that net commission income will reach the 2002 level in spite of the continuing subdued atmosphere on the stock exchange. Subject to these conditions, the operating profit before provision for risks of the current financial year will exceed the results for the previous year, especially as strict cost management has again restrained the rise in administration costs.

Report of the Supervisory Board

In performance of its duties in accordance with the law and Articles of Association, the Supervisory Board ensured that it was regularly kept informed during the financial year by the Board of Directors of all significant events at its regular meetings, meetings of the Personnel Committee, the Economic and Financial Committee and the Credit Committee.

Discussed were fundamental matters of business policy in the investment and credit sector and in the other service areas as well as the development of results, business planning and important individual events. Special consideration was given to the effects on the Bank of changes in the underlying economic conditions in the medical sector. There was in-depth discussion of matters submitted for approval on the basis of provisions in statutes and in the Articles.

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

The firm of auditors, PwC Deutsche Revision AG – Wirtschaftsprüfungsgesellschaft – performed the audit of the annual financial statements and management report for the 2002 financial year on behalf of Rheinisch-Westfälischen 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.

After its examination, the Supervisory Board declared its approval of the Management Report, Annual Financial Statements and the Board of Directors' proposal on the appropriation of the net profit for the year. The proposal conforms to the provisions of the Articles of Association.

In its meeting on 28 November 2002, the Supervisory Board appointed Mr Günther Herion to the Board of Directors of the Bank. Mr Herion took up office as member of the Board of Directors of Deutsche Apotheker- und Ärztebank on 1 April 2003.

The Supervisory Board considers it useful to comply on a voluntary basis with the provisions relating to transparency and publication of the Trans-PubGesetz that applies to share corporations and the Corporate Governance Code. For this reason, it resolved in its meeting on 20 March 2003 to apply the “Corporate Governance Code of the Deutsche Apotheker- und Ärztebank”. As a result, Deutsche Apotheker- und Ärztebank is the first co-operative bank to implement the Corporate Governance Code.

In view of the fact that the number of employees of relevance for legal purposes passed the 2,000 mark in the course of the year 2003, the Supervisory Board will be elected in this year in accordance with the requirements (with equal representation of employees) of the 1976 Co-Determination Act (Mitbestimmungsgesetz). The election of employee representatives to the Supervisory Board will take place on 11 June 2003; representatives of shareholders shall be elected during the meeting of representatives on 27 June 2003.

Düsseldorf, May 2003

The Supervisory Board

Dr. med. dent. Wilhelm Osing
Chairman

In memoriam

Dr. med. dent. Hans-Henning Hildebrand
Honorary Member of the Deutsche Apotheker- und Ärztebank

Dr. med. dent. Diether Ontrup

As result of their valuable efforts on the Supervisory Board, the departed members were personalities whose advice and experience benefited our Bank for many years. As members of the council of elders, they showed a special loyalty to the Bank until their deaths.

Dr. med. Rüdiger Balthasar
Dr. med. Hubertus Ense
Johann Glück
Wolfgang Grunow, Dentist
Dr. med. Dr. med. dent. Mariantonius Hofmann
Heinz-Bruno Lindemann, Pharmacist
Dr. med. Herbert Micka
Fritz Seiffe, Dentist
Dr. med. dent. Bernd Stern
Dr. med. dent. Jörg Zey
Dr. med. Hans Zell

The deceased were closely associated with our Bank as committee members. With their passing, we have lost good friends and esteemed helpers in our efforts to advance our Bank.

We shall honour their memory.

Financial Statements for 2002

Balance Sheet

Profit and Loss Account

Notes

Assets

	€	€	€	€	Previous year in € thousand
1. Cash reserves					
a) Cash on hand			19,812,106.23		15,397
b) Balances with central banks			91,029,235.52		179,735
Including: with Deutsche Bundesbank	91,029,235.52				(179,735)
c) Balances with postal giro offices			0.00	110,841,341.75	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 as well as similar debt instruments of public agencies			0.00		0
Including: eligible for refinancing by Deutsche Bundesbank	0.00				(0)
b) Bills of exchange			0.00	0.00	0
Including: eligible for refinancing by Deutsche Bundesbank	0.00				(0)
3. Loans and advances to banks					
a) Due on demand			88,649,166.40		244,943
b) Other			1,423,530,472.35	1,512,179,638.75	2,651,483
4. Loans and advances to customers				15,311,396,961.63	13,513,873
Including: secured by mortgages	2,299,943,807.37				(2,092,766)
Municipal loans	202,620,236.46				(104,591)
5. Debt securities and other fixed-interest securities					
a) Money market papers					
aa) of public issuers		0.00			0
Including: eligible as collateral at Deutsche Bundesbank	0.00				(0)
ab) of other issuers		871,021,309.50	871,021,309.50		129,420
Including: eligible as collateral at Deutsche Bundesbank	0.00				(0)
b) Bonds and debt securities					
ba) of public issuers		113,493,002.26			135,917
Including: eligible as collateral at Deutsche Bundesbank	113,493,002.26				(135,917)
bb) of other issuers		2,856,244,578.16	2,969,737,580.42		3,145,209
Including: eligible as collateral at Deutsche Bundesbank	1,818,468,696.95				(2,551,578)
c) Own debt securities			107,672,975.67	3,948,431,865.59	89,828
Nominal amount	105,364,065.53				(87,474)
6. Shares and other non-fixed-interest securities				1,330,785,960.07	56,498
7. Participating interests and capital shares in cooperatives					
a) Participating interests			3,594,192.17		14,131
Including: in banks	222,032.10				(4,608)
in financial services institutions	0.00				(0)
b) Capital shares in cooperatives			6,253,647.26	9,847,839.43	6,254
Including: in cooperative banks	6,240,102.26				(6,240)
in financial services institutions	0.00				(0)
8. Shares in affiliated undertakings				45,514,292.70	41,994
Including: in banks	3,599,733.82				(3,600)
in financial services institutions	1,292,236.21				(1,292)
9. Trust assets				3,032,803.64	3,199
Including: loans for third-party accounts	295,283.01				(461)
10. Compensation claims against the public sector, including debt securities from their exchange				0.00	0
11. Intangible assets				0.00	0
12. Tangible assets				181,116,112.29	154,265
13. Other assets				391,800,434.77	329,580
14. Prepayments and accrued income				52,902,047.38	38,073
Total assets				22,897,849,298.00	20,749,799

Liabilities

	€	€	€	€	Previous year in € thousand
1. Liabilities to banks					
a) Due on demand			751,867,732.55		930,885
b) With agreed term or period of notice			4,398,501,610.97	5,150,369,343.52	3,824,111
2. Liabilities to customers					
a) Savings deposits					
aa) With agreed period of notice of three months		243,524,239.42			256,758
ab) With agreed period of notice of more than three months		359,689,512.49	603,213,751.91		376,501
b) Other liabilities					
ba) Due on demand		3,372,960,920.68			2,843,396
bb) With agreed term or period of notice		5,385,837,705.00	8,758,798,625.68	9,362,012,377.59	5,414,713
3. Certificated liabilities					
a) Debt securities issued			6,409,068,087.31		5,456,400
b) Other certificated liabilities			0.00	6,409,068,087.31	0
Including: money market papers	0.00				(0)
own acceptances and promissory notes outstanding	0.00				(0)
4. Trust liabilities				3,032,803.64	3,199
Including: loans for third-party accounts	295,283.01				(461)
5. Other liabilities				207,027,337.05	172,099
6. Deferred income and accruals				92,346,698.40	70,251
7. Provisions					
a) Provisions for pensions and similar obligations			63,036,708.00		58,452
b) Tax provisions			8,975,540.27		4,479
c) Other provisions			21,269,872.93	93,282,121.20	25,388
8. Special items with a reserve element				0.00	0
9. Subordinated liabilities				217,251,871.78	192,001
10. Participating certificate capital				349,968,427.72	299,969
Including: due within two years	0.00				(0)
11. Fund for general banking risks				42,000,000.00	0
12. Equity capital					
a) Subscribed capital			507,512,893.40		389,669
b) Capital reserves			0.00		0
c) Revenue reserves					
ca) Legal reserves		202,471,584.96			187,133
cb) Other revenue reserves		202,982,876.83	405,454,461.79		187,644
d) Accounting profit			58,522,874.60	971,490,229.79	56,751
Total liabilities				22,897,849,298.00	20,749,799
1. Contingent liabilities					
a) Contingent liabilities					
from rediscounted, settled bills		0.00			0
b) Liabilities					
from guarantees and indemnity agreements		254,981,435.24			203,987
c) Collateral furnished for third-party liabilities		0.00	254,981,435.24		0
2. Other obligations					
a) Obligations under optional repurchase agreements		0.00			0
b) Placement and underwriting obligations		0.00			0
c) Irrevocable loan commitments		809,214,200.76	809,214,200.76		630,635

Profit and Loss Account

for the period from 1 January 2002 to 31 December 2002	€	€	€	€	Previous year in € thousand
1. Interest surplus from					
a) lending and money market transactions		954,213,809.74			972,363
b) fixed-interest securities and registered debts		176,039,075.99	1,130,252,885.73		163,083
2. Interest expenses			773,392,828.54	356,860,057.19	797,221
3. Current income from					
a) shares and other non-fixed-interest securities			2,378,690.36		1,824
b) participating interests and capital shares in cooperatives			1,651,571.05		7,197
c) shares in affiliated undertakings			143,161.73	4,173,423.14	0
4. Income from profit pooling, profit transfer agreements or partial profit transfer agreements				0.00	0
5. Commission income			102,402,899.90		96,903
6. Commission expenses			22,145,040.89	80,257,859.01	19,640
7. Net income from financial transactions				5,389,772.09	3,754
8. Other operating income				12,265,368.58	6,962
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		109,887,344.16			101,312
ab) Social security contributions and expenses for pensions and for benefits including: for pensions	4,974,257.93	20,770,144.26	130,657,488.42		22,248 (7,236)
b) Other administrative expenses			121,713,225.42	252,370,713.84	118,285
11. Depreciation and value adjustments in respect of intangible and tangible assets				15,303,996.59	14,143
12. Other operating expenses				13,830,002.28	13,210
13. Write-offs and value adjustments in respect of receivables and specific securities, as well as allocations to provisions for credit risks			63,381,502.39		45,093
14. Income from write-ups of receivables and specific securities, as well as write-backs of provisions for credit risks			0.00	-63,381,502.89	0
15. Write-offs and value adjustments in respect of participating interests, shares in affiliated undertakings and securities treated as fixed assets			4,011,381.25		15,843
16. Write-ups in respect of participating interests, shares in affiliated undertakings and securities treated as fixed assets			40,029,790.23	36,018,408.98	0
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				150,078,673.89	105,091
20. Extraordinary income			0.00		0
21. Extraordinary expenditures			0.00		0
22. Extraordinary profit/loss				0.00	(0)
23. Taxes on income			49,201,059.83		48,099
24. Other taxes not indicated in item 12			367,366.98	49,568,426.81	248
24a. Transfer to fund for general banking risks				42,000,000.00	
25. Distributable profit				58,510,247.08	56,744
26. Profit carried forward from the previous year				12,627.52	7
				58,522,874.60	56,751
27. Withdrawals from revenue reserves					
a) From the legal reserves			0.00		0
b) From other reserves			0.00	0.00	0
				58,522,874.60	56,751
28. Allocations to revenue reserves					
a) To the legal reserves			0.00		0
b) To other revenue reserves			0.00	0.00	0
29. Accounting profit				58,522,874.60	56,751

A. General information

- The annual financial statements were prepared for the first time in EURO in accordance with Article 42(1) Introductory Act of the Commercial Code (EGHGB). The figures for the previous year as per § 265(2) Commercial Code (HGB) and the presentation of the development of the individual items of fixed assets as per § 268(2) HGB in conjunction with § 34(3) Ordinance Regarding the Accounting System for Banks (RechKredV) were shown in EURO in accordance with Article 42(2) Introductory Act of the Commercial Code (EGHGB). Conversion was made using the rate of conversion irrevocably defined by the Council of the European Union. The conversion may give rise to computer-based differences.

B. Explanation of the accounting, valuation and conversion methods

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

The loans and advances from banks and customers were stated at nominal value or acquisition cost, with the difference between the higher nominal value and the amount paid 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.

We valued all securities within current assets strictly at cost or market value (whichever was the lower) and those included under fixed assets using the accepted relaxed version of this principle. There was no requirement for amortisation of fixed-asset securities.

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

Participating interests and capital shares in cooperatives as well as shares in affiliated undertakings were valued at acquisition cost or at the lower settlement value.

Tangible assets were shown at acquisition cost reduced by planned depreciation.

Depreciation for buildings is done on a straight line basis over the useful life or using descending progressive rates. Movable tangible assets are depreciated on a straight line basis over the useful life. Minor-value items pursuant to Article 6, Paragraph 2 Income Tax Act (EStG) were fully depreciated.

As a rule, liabilities are posted at the respective amounts repayable. Differences between the lower amount of issue and the repayable amount of liabilities were listed under deferred items and written back on an accrual basis. Discounted savings certificates and debt certificates were listed at cash value.

We made provisions for all current and accrued pension rights in accordance with actuarial principles applying the fiscal interest rate. For the allocation to provisions, the interest portion of € 3,295,837 was shown under interest expense for the first time in accordance with § 275(2) No. 13 HGB.

Adequate provisions were also formed for other uncertain liabilities.

- Items based on amounts in a foreign currency or which were originally based on amounts in a foreign currency were converted to Euros as follows:

Fixed assets were valued at historical acquisition costs.

We converted foreign currency receivables and liabilities as well as cash transactions that were incomplete as at balance sheet date at the average spot price. We used the forward price on the balance sheet date to convert unsettled forward transactions. Gains from currency conversion were shown as revenue.

C. Movement in Fixed Assets 2002 (€, rounded)

	Acquisition/ production costs	Additions	Write-ups	Transfers (+ / -)	a) Disposals b) Subsidies	Depreciation (cumulative)	Book values as at balance sheet date	Depreciation in financial year
	€	€	of the financial year		€	€	€	€
Intangible assets	0	0	0	0	a) 0 b) 0	0	0	0
Tangible assets:								
a) Land and buildings	186,798,216	32,196,864	0	0	a) 287,413 b) 0	68,974,258	149,733,409	4,615,447
b) Office furniture and equipment	103,674,527	10,368,784	0	0	a) 10,160,699 b) 0	72,499,909	31,382,703	10,688,549
a.	290,472,743	42,565,648	0	0	10,448,112	141,474,167	181,116,112	15,303,996

	Acquisition costs	Change (netted)	Book values as at balance sheet date
	€	€	€
Long-term investments	0	17,520,555	17,520,555
Participating interests and capital shares in cooperatives	20,384,178	-10,536,339	9,847,839
Shares in affiliated undertakings	41,993,629	3,520,664	45,514,293
b.	62,377,807	10,504,880	72,882,687
Total of a and b	352,850,550		253,998,799

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

I. Balance Sheet

- Loans and advances to banks include € 139,257,738 of receivables from the relevant central institution of the cooperative banks.

- The receivables on the balance sheet have the following maturities:

(Previous year's figures in brackets)

	Phase limitation of interest	up to three months	more than three months to one year	more than one year to five years	more than five years
	€	€	€	€	€
Other loans and advances to banks (A 3b) (excluding building society deposits)	204,407,811 (161,054,958)	1,040,048,473 (2,030,850,368)	105,445,000 (271,355,026)	51,129,188 (102,143,336)	22,500,000 (86,079,188)
Loans and advances to customers	3,004,168 (3,743,866)	330,968,624 (309,723,478)	601,056,374 (557,256,896)	3,463,987,145 (3,134,123,952)	8,756,317,024 (7,732,913,883)

- Loans and advances to customers (A 4) include receivables of € 2,156,063,627 (previous year: € 1,776,110,912) with indefinite maturity.
- Of the debt securities and other fixed-interest items (A 5) shown on the balance sheet, € 1,090,106,380 (previous year: € 646,800,712) will mature in the financial year following the year under review.
- The receivables below include amounts which are also receivables from 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	165,176,473	163,401,206
Loans and advances to customers (A 4)	2,560,423	404,706	60,586,284	67,574,704
Debt securities and other fixed-interest securities (A 5)	0	0	0	188,936,687

- The following items include:

(Previous year's figures in brackets)

	negotiable	quoted	unquoted	negotiable securities not valued at lower of cost or market
	€	€	€	€
Debt securities and other fixed-interest securities (A 5)	3,948,431,866 (3,500,374,916)	3,334,600,267 (2,895,485,718)	613,831,599 (604,889,198)	0 (0)
Shares and other non-fixed-interest securities (A 6)	9,005,384 (5,462,527)	9,005,384 (5,413,633)	(0) (48,894)	4,911,225 (0)
Participating interests and capital shares in cooperatives (A 7)	2,595,006 (6,443,005)	2,481,828 (6,329,828)	113,178 (113,178)	
Shares in affiliated undertakings (A 8)	0 (0)	0 (0)	0 (0)	

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

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

Consolidated financial statements were not drawn up in view of Article 296, Paragraph 2 German Commercial Code (HGB) since consolidation is of subordinate importance in providing a fair picture of the Group's net worth, financial position and profit situation.

- The trust transactions shown on the balance sheet are loans for third-party account totalling € 295,283 and contributions to capital held in trust totalling to € 2,737,521.

• Asset item 12 (tangible assets) includes:	€
Land and buildings used in the course of own business	142,621,661
Office furniture and equipment	31,382,703

• The major components of 'Other assets' are:	€
Capitalised premiums from options	346,075,405

- Deferred items include discount amounts from assumed liabilities amounting to € 51,217,318.
- Assets with a book value of € 25,000,000 were transferred in the course of repurchase agreements. The amount received for the transfer was shown as a liability.
- Subordinated assets are included in 'Loans and advances to banks' (€ 66,129,188), 'Shares and other non-fixed-interest securities' (€ 3,776,940) and total € 69,906,128 (previous year: € 76,416,829).
- The assets include foreign currency items worth the equivalent of € 46,558,429.
- Liabilities to banks include € 682,121,291 of liabilities to the relevant central institution of the credit cooperative.

- The liabilities shown on the balance sheet mature as follows:

(Previous year's figures in brackets)	Phase limitation of interest	up to three months	more than three months to one year	more than one year to five years	more than five years
	€	€	€	€	€
Liabilities to banks, with agreed term or period of notice (L 1b)	246,319,080 (157,757,665)	443,035,309 (590,621,968)	282,705,795 (373,582,063)	1,569,464,596 (873,436,254)	1,856,976,831 (1,828,712,911)
Savings deposits with agreed period of notice of more than three months (L 2ab)	0 (0)	152,063,367 (165,467,177)	150,745,370 (145,909,527)	51,983,534 (60,422,226)	4,897,241 (4,702,100)
Other liabilities to customers with agreed term or period of notice (L 2bb)	64,391,781 (58,186,618)	2,859,156,667 (3,032,040,533)	383,416,541 (205,203,271)	1,032,326,263 (1,139,800,193)	1,046,546,453 (979,482,057)
Other certificated liabilities (L 3b)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)

Of the debt securities issued (L 3a), € 1,668,720,366 (previous year: € 1,108,881,768) mature in the financial year following the year under review.

- The major components in 'Other liabilities' are:

	€
Premiums from derivatives carried as liabilities	158,689,544
Interest on participating interests	21,230,171
Liabilities to the revenue office and social insurance institutions	9,717,387

- 'Deferred income and accruals' (L 6) include discounts deducted on the payment of receivables totalling € 87,366,284.

- Information on Liability Item 9 (subordinated liabilities):

In the financial year, expenses amounting to € 11,216,935 accrued.

An obligation of advance repayment is excluded.

The subordination is regulated as follows:

In the event of bankruptcy or liquidation of the Bank, the liabilities shall not be repaid until the claims of all non-subordinated creditors have been satisfied. These liabilities have a term of 8, 10 and 25 years.

The subordinated liabilities have the following interest rates:

Subordinated bearer bonds - variable rate of 6-month LIBOR plus 0.4 to 0.6 % and with 6 months Euribor plus 1 % and fixed interest rate of 5.3 %.

Subordinated note loans - fixed rate of 4,76 % bis 7,55 %.

Subordinate bearer bonds with an aggregate nominal amount of € 25,000,000.00 were issued in the year under review.

Stock contains a subordinate note loan with a nominal amount of € 25,000,000.00 payable in October 2011 with an interest rate of 6.10 %, which exceeds ten per cent of the aggregate sum of subordinated liabilities.

- The liabilities below include amounts which are also liabilities to affiliated undertakings or associated companies:

	Liabilities to			
	affiliated undertakings		associated companies	
	financial year	previous year	financial year	previous year
	€	€	€	€
Liabilities to banks (L 1)	883,643	704,262	191,180,639	164,291
Liabilities to customers (L 2)	525,246,874	627,421,974	30,321,426	32,518,338
Certificated liabilities (L 3))	2,077,349	2,366,749	212,983,318	33,876,617
Subordinated liabilities (L 9)	0	0	0	0

- The liabilities include foreign currency items valued at the equivalent of € 963,492,052.

- The capital shares listed in Liability Item 12 a) 'Subscribed capital' can be broken down as follows:

Capital shares	€
a) of remaining members	496,087,798
b) of departing members	10,092,519
c) from called shares	1,332,576
Compulsory payments due on shares that are in arrears	€ 47,525,590

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

	Legal reserve	Other revenue reserves
	€	€
As at 1 January 2002	187,132,828	187,644,120
Transfers from the accounting profit of the previous year	15,338,757	15,338,757
Transfers from the distributable profit for the financial year	0	0
Withdrawals	0	0
As at 31 December 2002	202,471,585	202,982,877

- Unrealised reserves in the amount of € 10,236,779 were assigned to liable equity capital as per 31 December 2002 in accordance with § 10(4a) Banking Act (KWG).

- The volume of unsettled forward transactions affected by a settlement risk or currency, interest rate and/or other market price risk arising from open items, and in the event of borrower default, also from closed items, amounted to € 51,635 m (previous year: € 53,372 m) as at 31 December 2002. This includes the following types of transactions:

interest rate swaps
interest rate/currency swaps
currency swaps
caps
swap options
forward rate agreements
forward exchange transactions
index options

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

A risk structure breakdown of existing contracts in the derivatives business is shown below. In accordance with standard international practices, the nominal values are stated, however, these values cannot be equated with the amount which stands to be lost.

in € m	Nominal Value		Market Value		Credit Equivalent	
	31.12.2002	31.12.2001	31.12.2002	31.12.2001	31.12.2002	31.12.2001
Interest rate risks						
Time to maturity						
- up to 1 year	25,831	22,994	161	109	162	58
- over 1 year up to 5 years	15,959	21,968	381	236	425	301
- over 5 years	8,020	6,756	213	189	328	287
	49,810	51,718	755	534	915	646
Currency risks						
Time to maturity						
- up to 1 year	898	684	18	15	23	22
- over 1 year up to 5 years	812	770	27	108	68	146
- over 5 years	0	36	0	4	0	7
	1,710	1,490	45	127	91	175
Share and other price risks						
Time to maturity						
- up to 1 year	101	122	2	2	7	8
- over 1 year up to 5 years	14	42	0	0	1	3
- over 5 years	0	0	0	0	0	0
	115	164	2	2	8	11
Sum totals	51,635	53,372	802	663	1,014	832

As at 31 December 2002 the nominal amount of the derivatives assigned to the trading portfolio is € 20,454 m with a market value of € 93 m and a credit equivalent of € 94 m.

• The following liabilities are secured by transfer of assets:	€
Liabilities to banks	1,969,516,664

II. Profit and Loss Account

- The Bank generated its earnings mainly in Germany.
- Taxes on income relate to provisions from ordinary activities.

E. Other data

- In the financial year, the Board of Directors received remuneration amounting to € 1,836,140, the Supervisory Board to € 255,747, and the former members of the Board of Directors and their surviving dependents to € 669,959.

- On 31 December 2002, pension provisions for former members of the Board of Directors and their surviving dependents totalled € 8,316,085.

- As at the balance sheet date, the following liabilities had been assumed for:

	€
Members of the Board of Directors	1,767,698
Members of the Supervisory Board	14,252,777

- During the year under review, the members of the Board of Directors held seats on the Supervisory Boards of the following joint-stock companies pursuant to Article 267 (3) German Commercial Code (HGB).

Treuhand Hannover GmbH, tax consultants
 DAPO International Finance N. V., Amsterdam
 Deutsche Ärzteversicherung AG, Cologne

- The cooperative holds shares representing more than 5 % of the voting rights in the following joint-stock companies:

Treuhand Hannover GmbH, tax consultants
 DAPO International Finance N. V., Amsterdam

- There are € 70,087,004 of financial liabilities which are not shown or identified in the accounts but which are of significance when assessing the financial status.

Total liability obligations arising from the acquisition of equity interests:	€
Co-operatives	12,480,884
Guarantee obligation made to the BVR hedging establishment	57,606,120

- The average number of employees in 2002 was:

	Full-time	Part-time
Salaried staff	1,697	122
Wage earners	24	0
Total	1,721	122

In addition, we had an average of 39 trainees in our employ.

- Change in membership

	Number of members	Number of shares	Extent of liability	€
Beginning 2002	90,579	307,234	460,851,000	
Additions in 2002	5,424	69,255	103,882,500	
Reductions in 2002	2,369	11,571	17,356,500	
Year-end 20012	93,634	364,918	547,377,000	

	€
The capital shares of the remaining members increased during the financial year by	114,769,860
The uncalled liabilities increased during the financial year by	86,526,000
Share value € 1,500 – extent of liability € 1,500	

Name and address of the auditing association:

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

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

Werner Wimmer, *Bank Director, Speaker*
Gerhard K. Girner, *Bank Director*
Jürgen Helf, *Bank Director*
Günther Herion, *Bank Director (as from 1 April 2003)*
Günter Preuß, *Bank Director*
Werner Albert Schuster, *Bank Director*

Members of the Supervisory Board (first and last name)

Dr. med. dent. Wilhelm Osing, <i>Chairman, Dentist</i>	Gerhard Reichert, <i>Pharmacist</i>
Dr. med. Ulrich Oesingmann, <i>1st Vice Chairman, Physician</i>	Dr. med. dent. Bernhard Reilmann, <i>Dentist</i>
Hermann Stefan Keller, <i>2nd Vice Chairman, Pharmacist</i>	Dr. med. Manfred Richter-Reichhelm, <i>Physician</i>
Dr. med. dent. Wilfried Beckmann (as from 14 June 2002), <i>Dentist</i>	Dr. med. Wolf-Rüdiger Rudat, <i>Physician</i>
Wolfgang Fischer*, <i>Bank Employee</i>	SR Peter Saueremann, <i>Physician</i>
Hans-Günter Friese, <i>Pharmacist</i>	Christian Scherer*, <i>Bank Employee</i>
Wolfgang Häck*, <i>Bank Employee</i>	PhR Dr. rer. nat. Hartmut Schmall, <i>Pharmacist</i>
Norbert Hinke*, <i>Bank Employee</i>	Michael Sell*, <i>Bank Employee</i>
Prof. Dr. med. Jörg-Dietrich Hoppe (as from 14 June 2002), <i>Physician</i>	Prof. Dr. med. Karsten Vilmar (until 14 June 2002), <i>Physician</i>
Britta Jansen*, <i>Bank Employee</i>	Heike Vocke*, <i>Bank Employee</i>
Dr. med. dent. Hans-Hermann Liepe, <i>Dentist</i>	Dr. med. Wolfgang Wesiack, <i>Physician</i>
Dipl.-Stom. Peter Luthardt (until 14 June 2002), <i>Dentist</i>	Dr. med. dent. Fritz-Josef Willmes, <i>Dentist</i>
Heidi Methner*, <i>Bank Employee</i>	OPhR Dr. rer. nat. Helmut Wittig, <i>Pharmacist</i>

*elected by employees

Düsseldorf, 20 February 2003
Deutsche Apotheker- und Ärztebank eG
The Board of Directors

Wimmer

Girner

Helf

Preuß

Schuster

Report of the Auditors

We have examined the annual financial statements, including the accounting records and the management report of the Deutsche Apotheker- und Ärztebank eG for the financial year from 1 January to 31 December 2002. The responsibility for the accounting records and for drawing up the annual financial statements and the management report in accordance with the provisions of the German commercial law and supplementary provisions in the Articles of Association lies with the Board of Directors of the cooperative. Our task is to assess the annual financial statements, plus the accounting records and the management report, on the basis of our own examination of these documents.

We conducted our audit of the annual financial statements in accordance with Article 317 German Commercial Code and in accordance with the generally accepted standards for the auditing of financial statements as defined by the German Institute of Certified Public Accountants (IdW). These standards stipulate that the audit must be planned and conducted so as to detect with sufficient certainty any inaccuracies or irregularities which significantly affect the presentation in the financial statements and the management report, in line with generally accepted accounting principles, of the company's net worth, its financial position and profit situation. The auditing procedure gives due regard to the knowledge of the business activity and the economic and legal settings of the cooperative and the expectations regarding possible errors. The audit examines the efficiency of the accounting-related internal auditing system and includes an examination, mainly on a test basis, of the evidence for the accounting records, the financial statements and the management report.

It also includes an assessment of the accounting principles used and the main estimates of the Board of Directors, as well as an appraisal of the overall presentation of the financial statements and the management report. We are of the opinion that our examination has provided us with sufficient evidence for an evaluation.

Our audit did not give rise to any objections.

In our opinion, the financial statements, prepared in accordance with generally accepted accounting principles, give a true and fair view of the net worth, financial position and profit situation of the cooperative. The management report gives an accurate view of the cooperative's state of affairs and a true and fair picture of the risks associated with future developments.

Düsseldorf, 30 May 2003
PwC Deutsche Revision
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Erner, Certified Auditor

Koschwitz, Certified Auditor

About the Bank

[History of the Bank](#)

[Head Office, Branches](#)

[Regional Divisions](#)

- 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. Balance sheet total exceeds Euro 22.8 bn. Number of customers is 248,200. Number of members is 93,634. Number of branches is 47. Number of employees is 1,879.

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