

AMB Generali

From Stabilisation to Continuous Improvement

**Dresdner Kleinwort Wasserstein
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CFO**



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Disclaimer

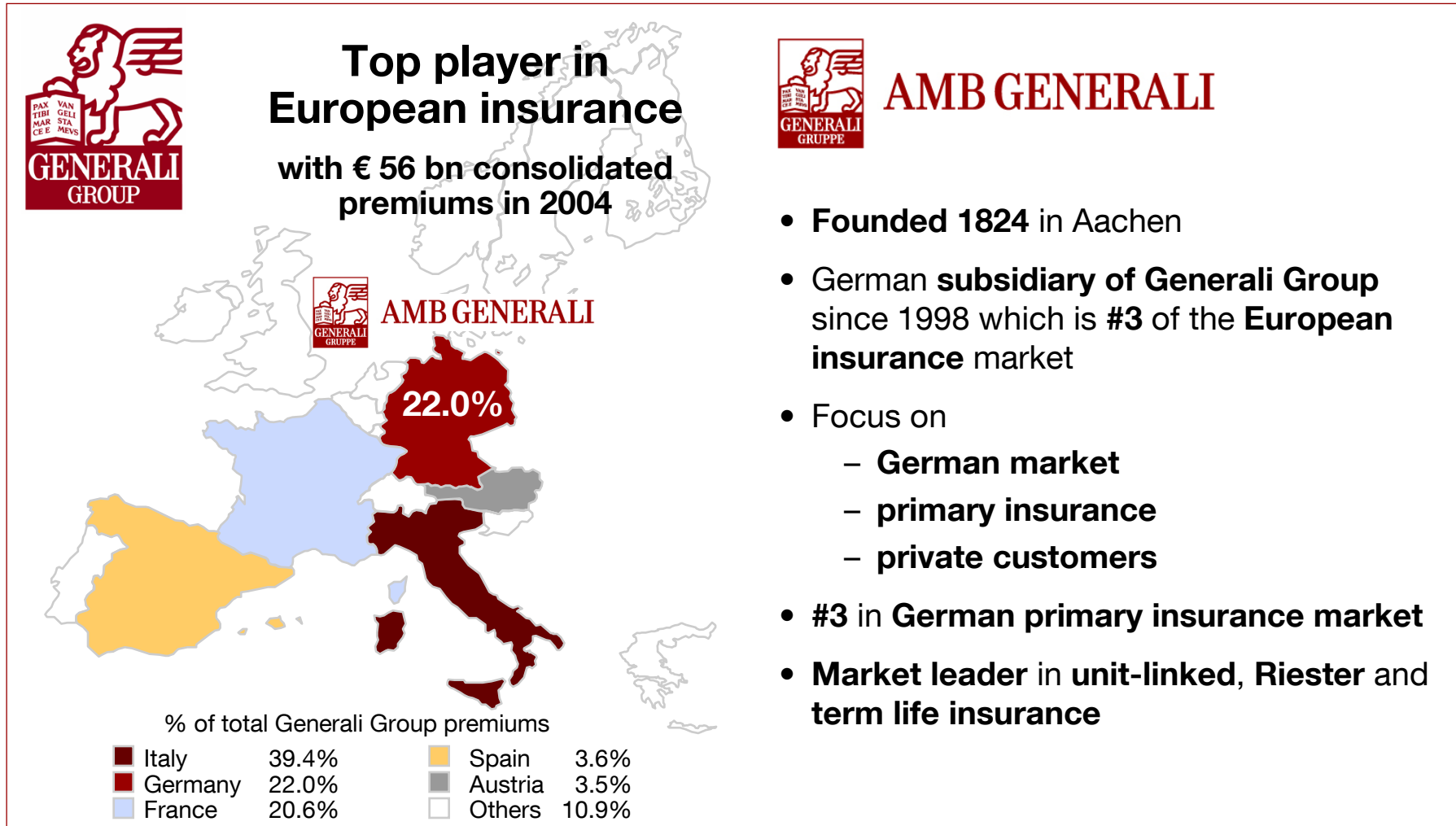
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AMB Generali as the German section of Generali Group



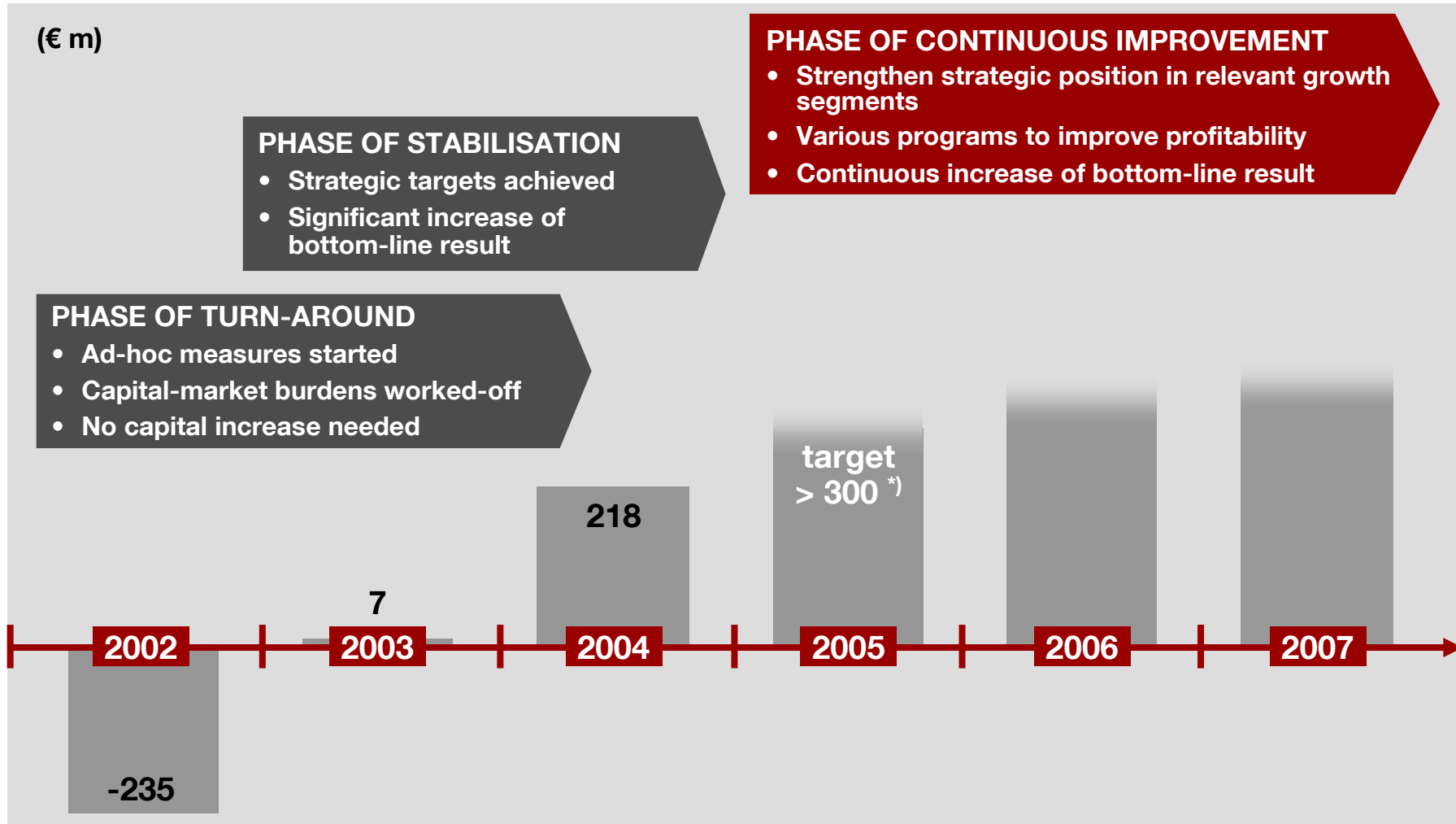
AMB GENERALI

- **Founded 1824** in Aachen
- German **subsidiary of Generali Group** since 1998 which is **#3** of the **European insurance** market
- Focus on
 - **German market**
 - **primary insurance**
 - **private customers**
- **#3** in **German primary insurance market**
- **Market leader** in **unit-linked, Riester** and **term life insurance**



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On track to continuous improvement



*) before goodwill amortisation; under IFRS 3 goodwill will no longer be amortised on a scheduled basis



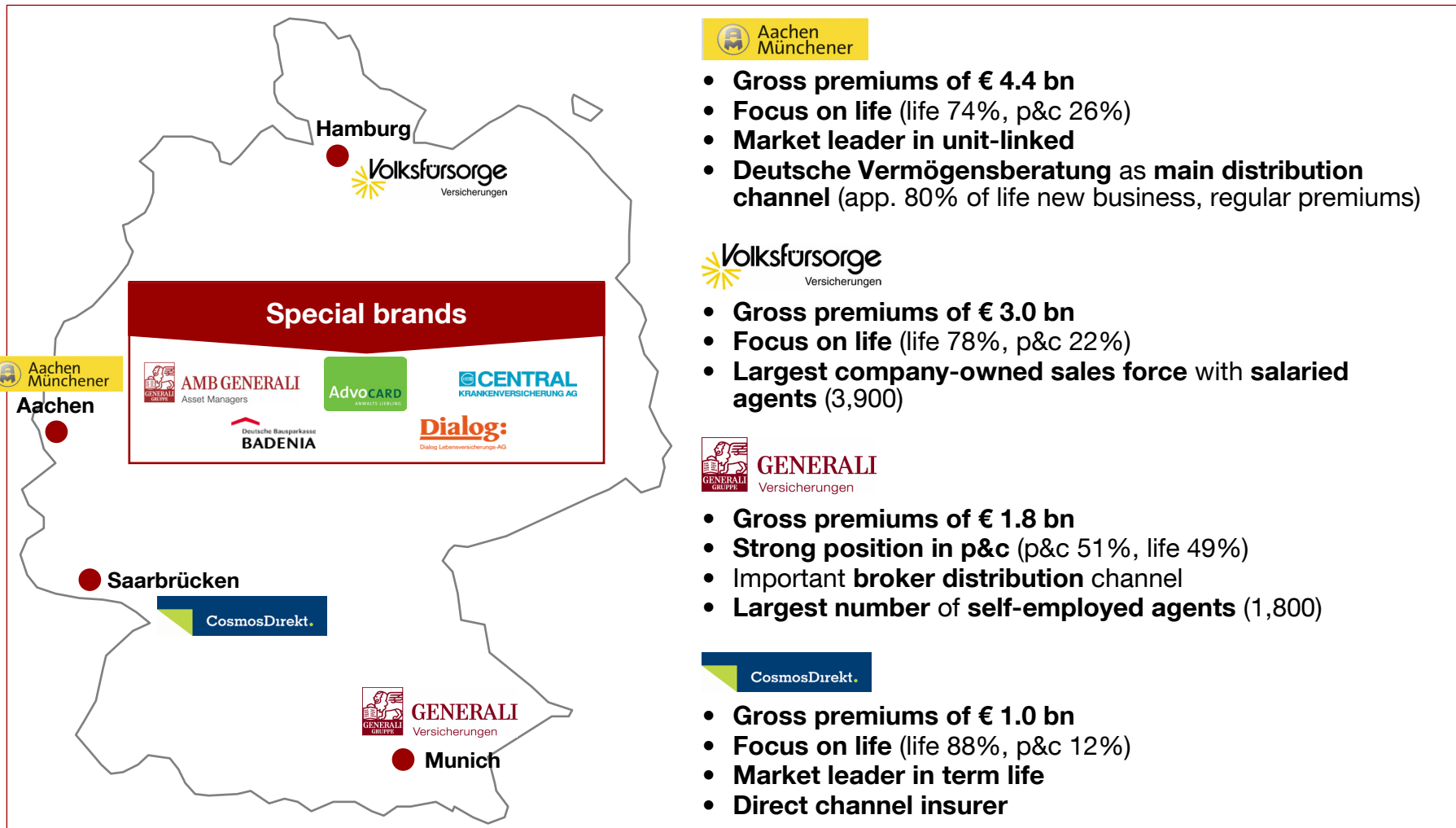
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Profitable growth as main strategic focus

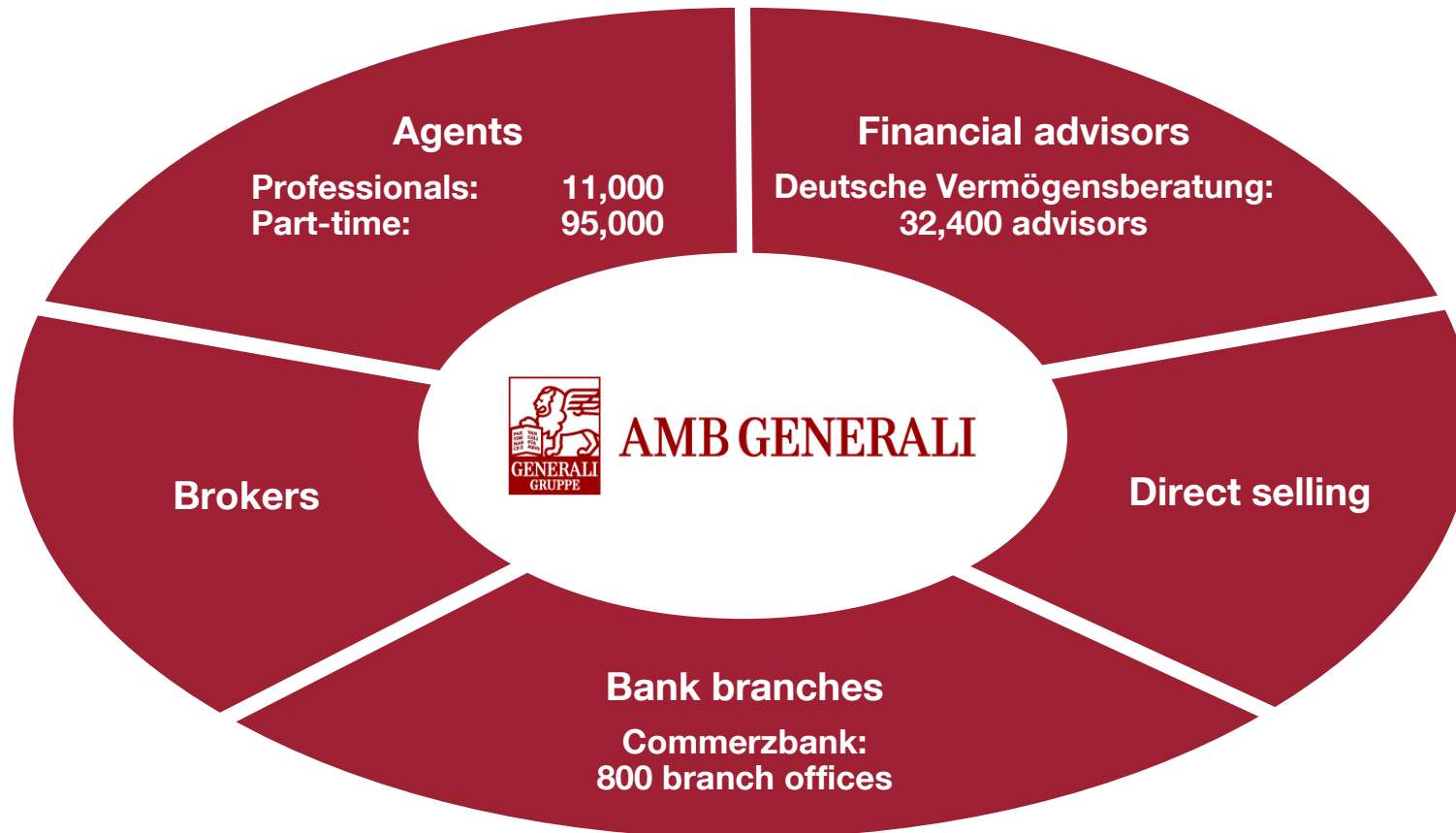


Diversity of brands as characteristic element

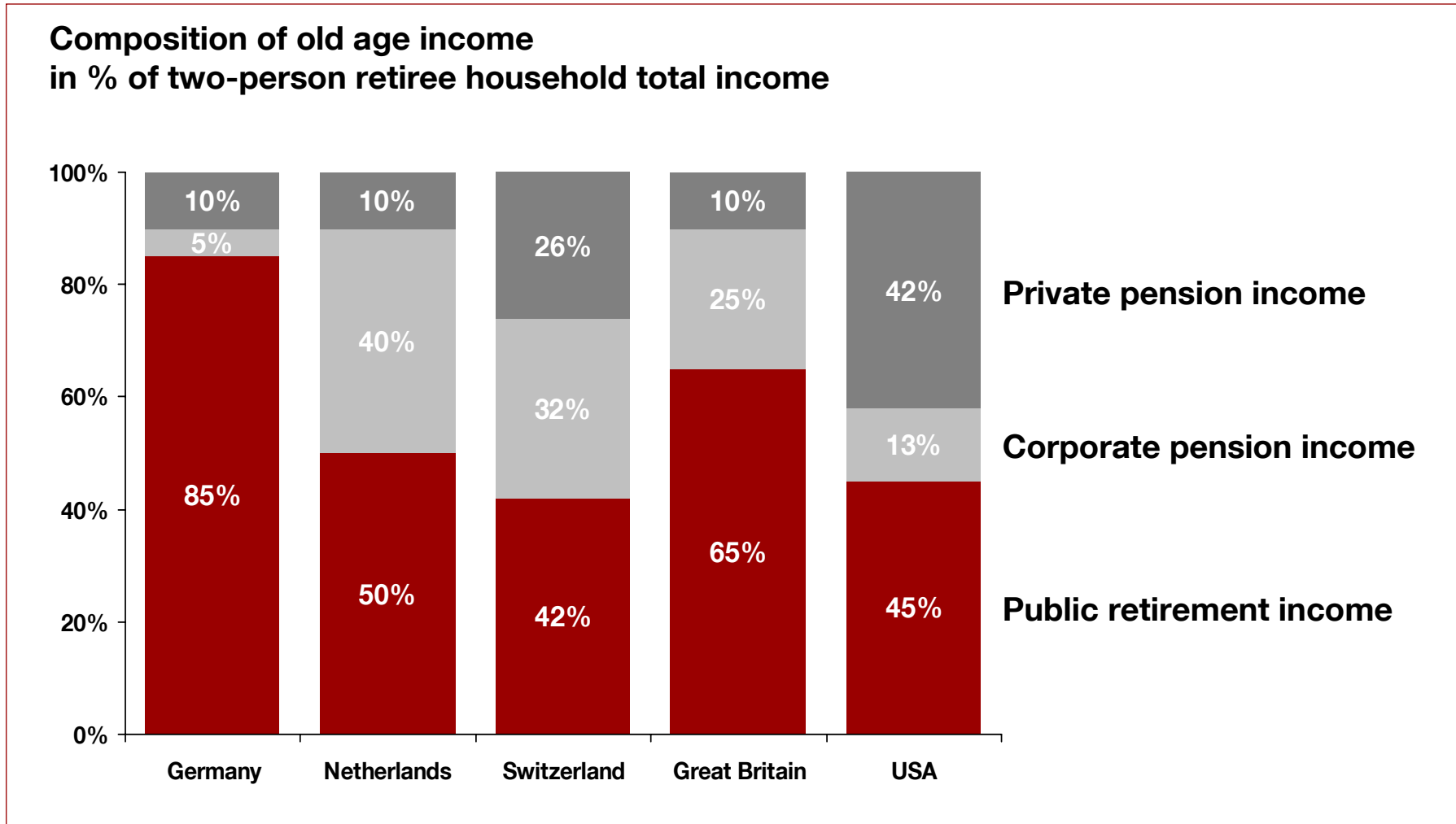


Gross premiums and percentage figures German GAAP direct business

Variety of distribution channels as core asset



Growth market life: Public retirement income dominates old age income in Germany



Source: DIA 2005



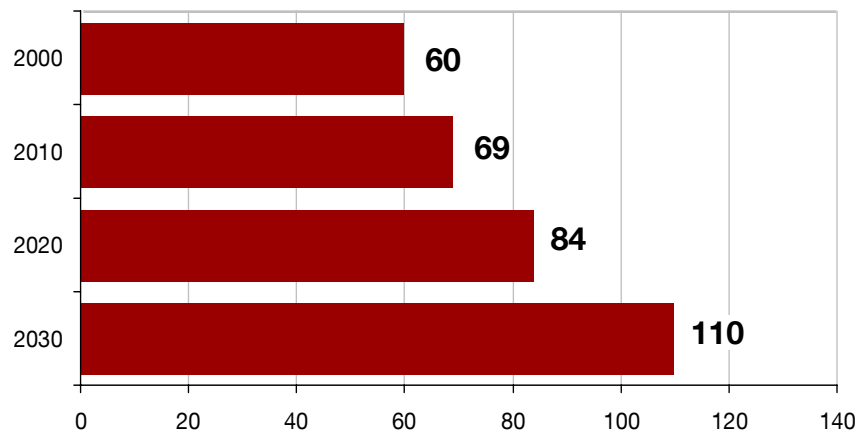
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Growth market life: Increasing efforts to maintain living standard

Year	1910	2004
Average life expectancy	47	79
Retirement age	70	65
Difference	-23	14

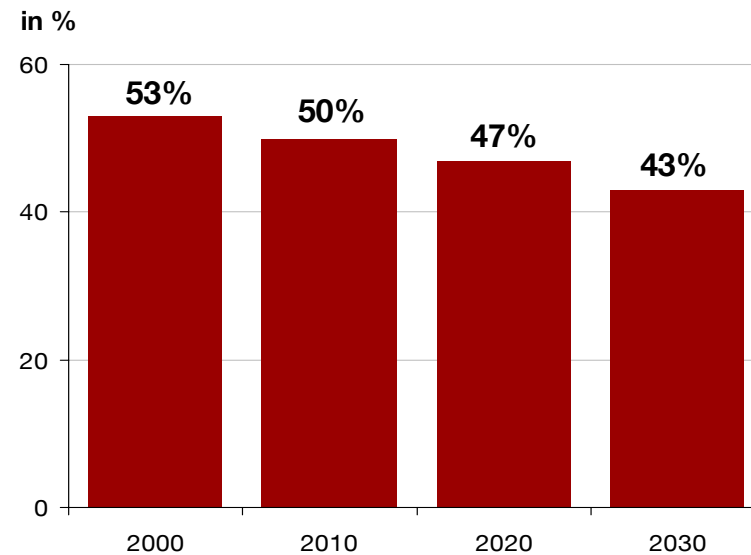
Retirement dependency

(For x retirees there are 100 payers of contributions to state-run pension scheme)



Public retirement income replacement ratio

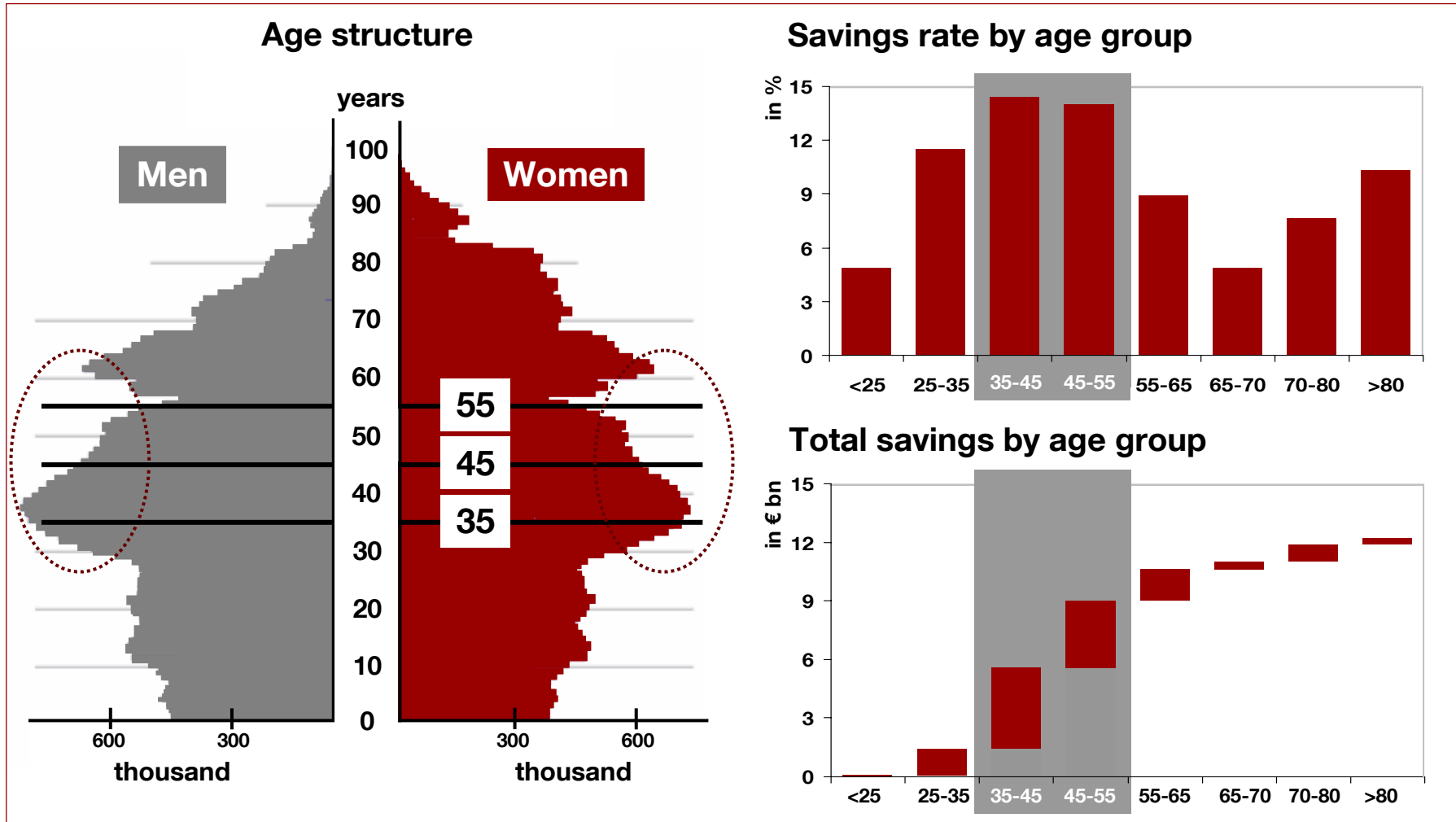
(Public retirement income replaces x% of last income before retirement)



Sources: Statistisches Bundesamt 2005; DIA 2003 and 2005; Deutsche Rentenversicherung Bund 2005




Growth market life: Demographic dynamics continue to support saving process



Sources: Statistisches Bundesamt 2005



Growth market life: Changes from Retirement Income Act

Market	AMB Generali
<p>Legal changes...</p> <ul style="list-style-type: none">• "Alterseinkünftegesetz" (Retirement Income Act) with new retirement arrangement in 3 tiers<ul style="list-style-type: none">Tier 1: basic provisionTier 2: private (Riester) + corporate pensionTier 3: conventional life insurance (endowment + annuity)• Significant changes in taxation since 2005<ul style="list-style-type: none">- Gradual change to taxation of benefits with extended tax exemption in tier 1+2- Abolishment of full tax exemption for endowments and improvement of tax situation for annuities <p>...lead to:</p> <ul style="list-style-type: none">→ year-end boom of life insurance in 2004→ higher awareness for private provision leads to impulses for growth→ change of product mix from 2005 onwards	<ul style="list-style-type: none">• Benefits from tax-induced year-end boom• Strategic position in all relevant life growth segments<ul style="list-style-type: none">- Placement of broad product portfolio from 1.1.2005, coverage of all 3 tiers with innovative products- Focus on tax-improved annuities in all 3 tiers (unit-linked and classic); life new business with 69% annuities already in 2004- Market leader in unit-linked with focus on annuities (app. 85% annuities of unit-linked new business in 2004)- Focus on unique selling proposition of insurance products  <p>AMB Generali well positioned for new situation in life business</p>



AMB Generali expands its position in pension markets

Private "Riester" pension

- Only 3.8 million contracts market-wide until 2004, but **high potential of 30 million employees**
- **Product to become easier and more flexible** from 2005 onwards which should **increase broad acceptance**
- **Imminent unisex-tariffs** from 2006 lead to **additional growth in 2005**
- **Doubled savings amount** in 2004 with **positive effect** on life new business; **next Riester-step in 2006**

AMB Generali with top position:

784,000 contracts until 2004
2004 market share \approx 20%, nb 34%

Medium-term target for market share:
>15%

Corporate pension

- **Corporate pension as growth market**
 - **High market growth** of new business (+33%) in 2004
 - **Small and medium-sized companies market (SME) with late start but good development**
- **AMB Generali with focussed strategy**
 - **SME market with competitive edge in specialised segments**
 - **Pensionskasse very successful** with over 82,000 new contracts
 - **Launching new flexible products**

AMB Generali with improved growth:

Nb 2004 up +56% to € 288 m
2004 nb market share \approx 8%

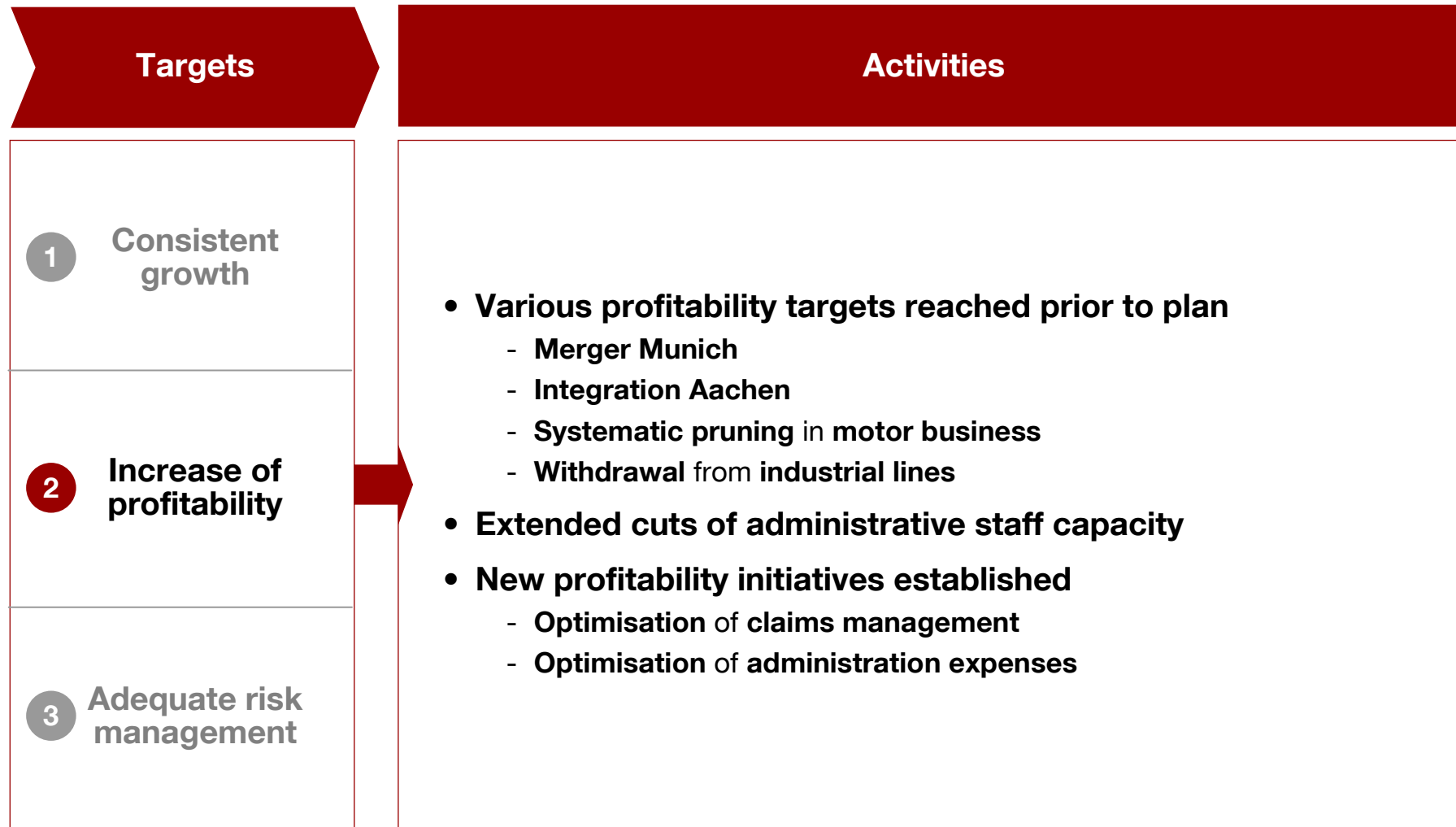
Medium-term target for nb market share:
 \approx 15%



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Sustainable profitability due to efficiency measures



Various profitability targets reached prior to plan

Initiatives	Savings	
	Achievements 2004	Targets
Reduction of administrative staff capacity <ul style="list-style-type: none"> Target reached one year in advance of plan New: reduction of a total of 2,000 FTE by 2007 	Reduction of 1,287 FTE ¹⁾	1,250 FTE by 2005
Merger in Munich (Generali Versicherungen) <ul style="list-style-type: none"> Reorganisation completed prior to plan 3rd-biggest location established with powerful traditional sales network for p&c 	Cost reduction of € 88 m ²⁾	app. € 90 m p.a. from 2006
Integration in Aachen (AachenMünchener) <ul style="list-style-type: none"> Reorganisation completed ahead of schedule Efficient customer-service structure established 	Cost reduction of € 29 m ²⁾	app. € 30 m p.a. from 2005
Pruning in motor <ul style="list-style-type: none"> Target reached one year ahead of plan New tariff launched in 07/2004 	Increase of underwriting result by € 178 m	app. € 175 m p.a. from 2005
Withdrawal from industrial business <ul style="list-style-type: none"> Completed one year prior to plan Focus on profitable private and commercial business 	Increase of underwriting result by € 25 m	app. € 25 m p.a. from 2005
Full year 2004: combined ratio again improved to 99.4% General expenses decreased from € 1,965 m to € 1,886 m ³⁾		

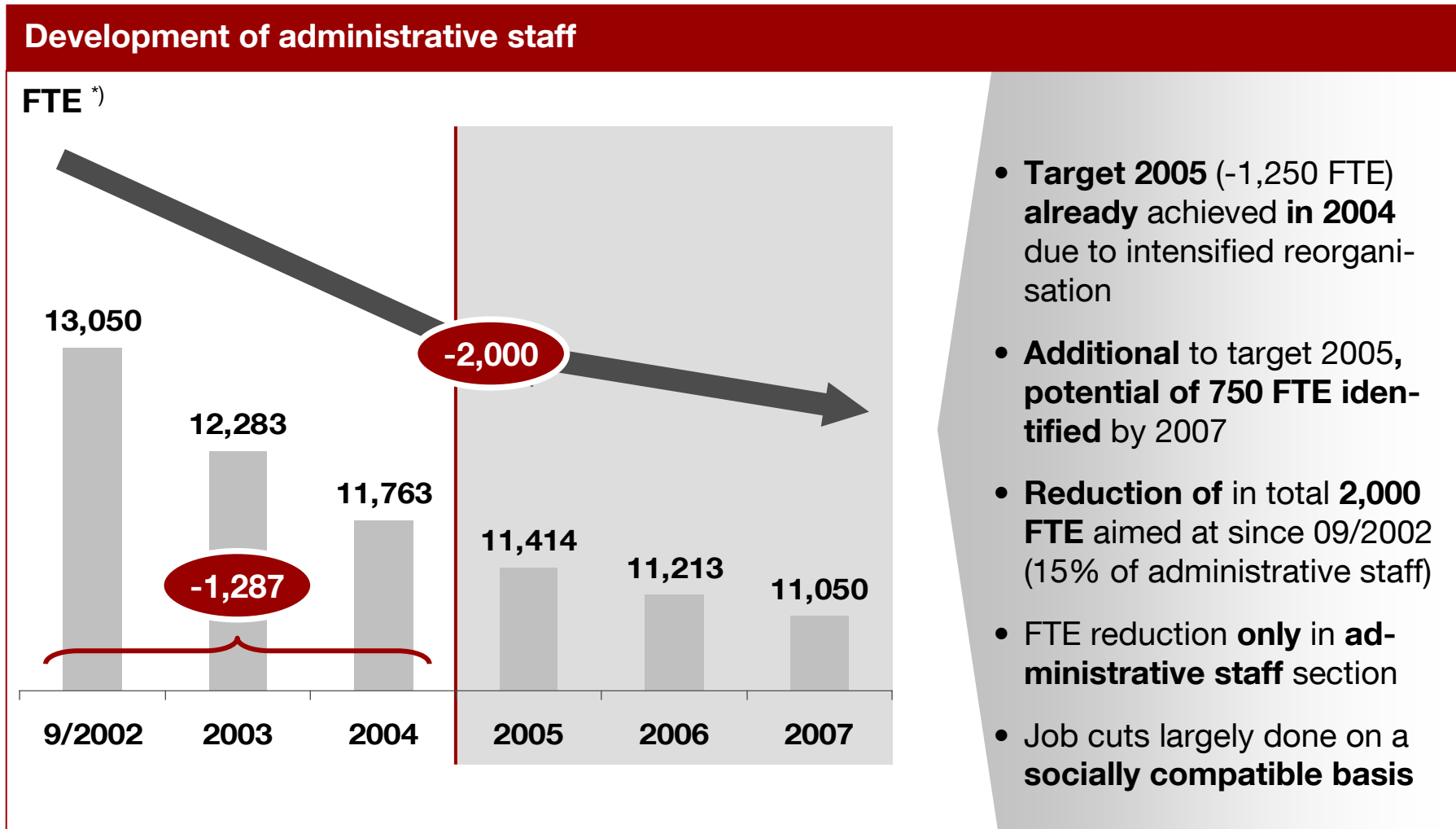
1) since September 2002; in 2004 reduction of 520 FTE

2) indicated cost-reduction fully effective in 2005

3) German GAAP figure, excluding commissions



Extended cuts of administrative staff capacity



*) full-time equivalents



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New profitability initiatives established

Optimisation of claims management

Identified potential of app. € 90 m p.a. from 2007

Utilisation of all levers to optimise claims expenditure:

- **Decrease of claims payments**
 - Extending networks with service providers
 - Intensification of management of bodily-injury claims
- **Reduction of settlement expenses**
 - Optimise claims settlement period
 - Claims handling across lines of business
- **Intensification of efficient claims controlling**

➔ Part of potential realised is used to maintain competitive level

Optimisation of administrative procedures

Identified potential of app. € 35 m p.a. from 2007

Increases in efficiency and quality in administrative functions of the Group:

- **Realignment of organisational structures**
 - Concentration of responsibilities
 - Optimisation of insourcing-/outsourcing-alternatives
- **Reorganisation of processes/operations**
 - Optimisation of logistics
 - Improvement of facility management
 - Development of Group-wide strategic purchase department

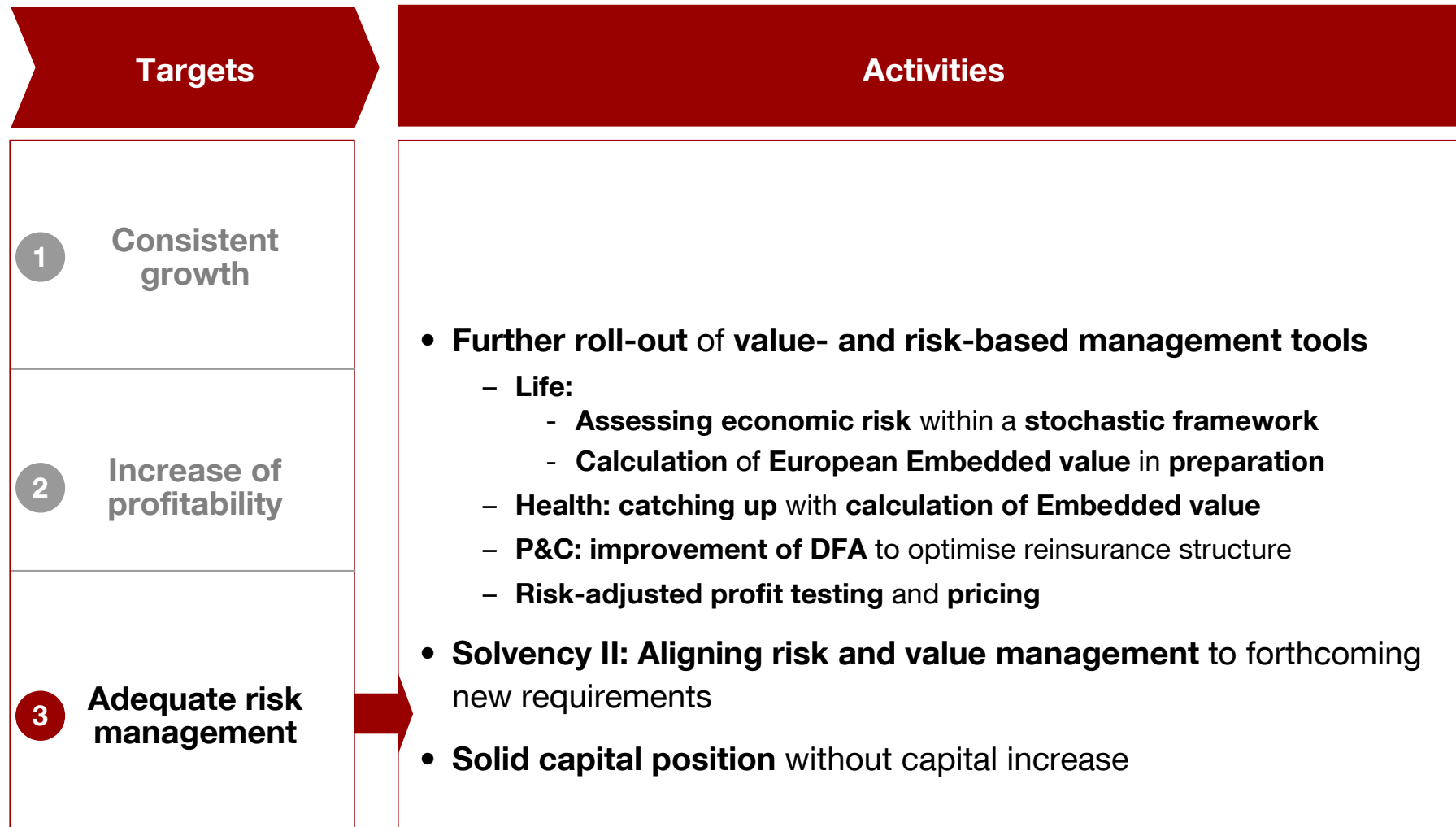
➔ Cost optimisation in all administrative areas



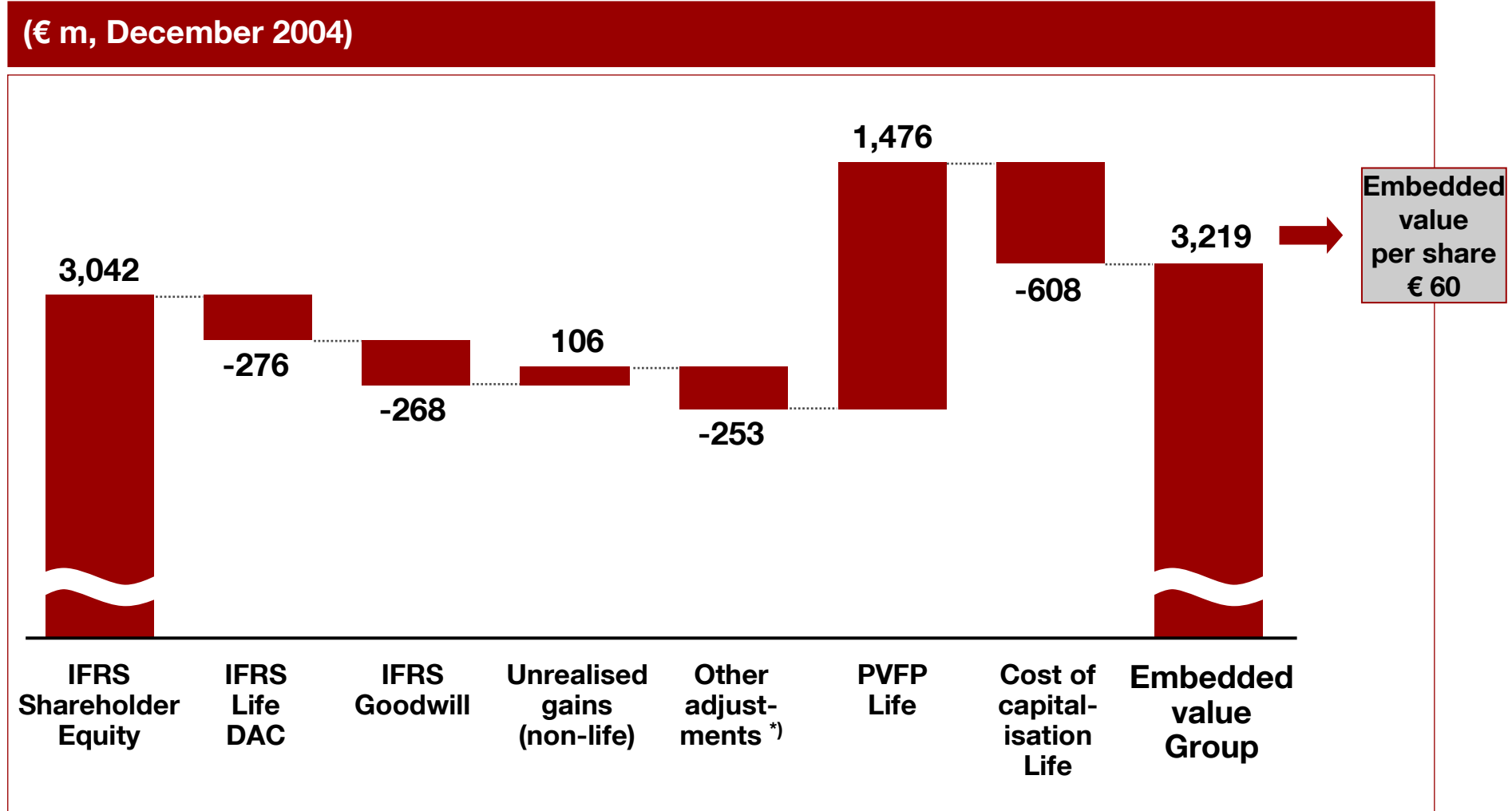
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Strategic risk-management focus ensures risk-adjusted profitability



Embedded value Group indicates total risk bearing capacity



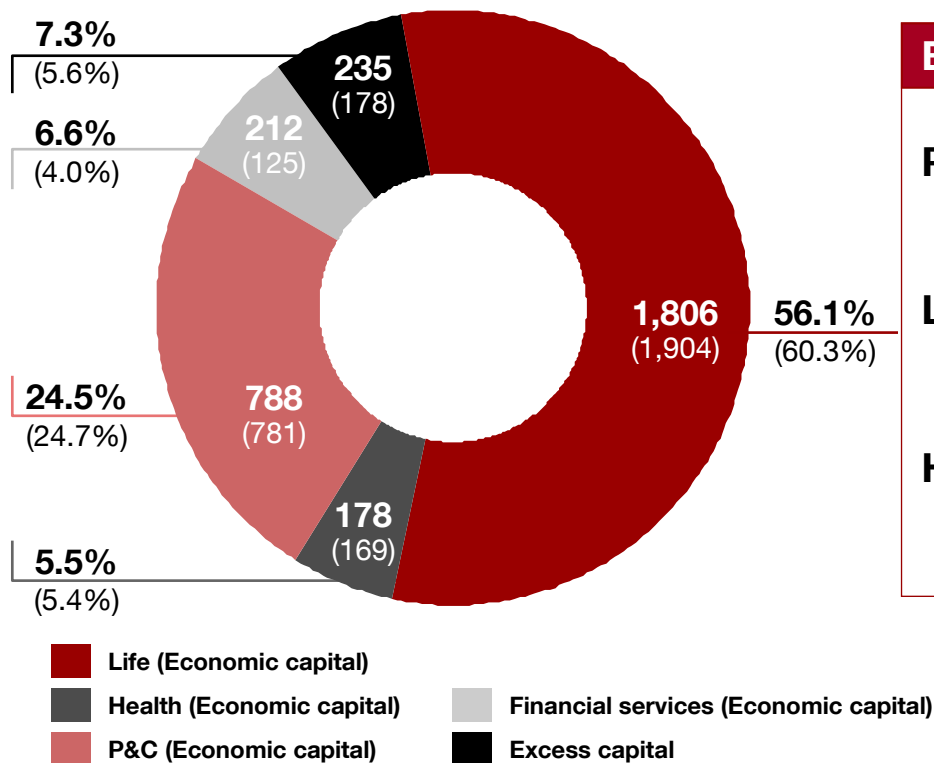
^{*)} unrealised gains (life) € 159 m and dividends to be paid € 94 m



Excess capital improved to more than 7% of EV Group

Allocation: € 2,984 m Economic capital + € 235 m Excess capital = € 3,219 m EV Group

Business year versus previous year in brackets



Economic capital ratios

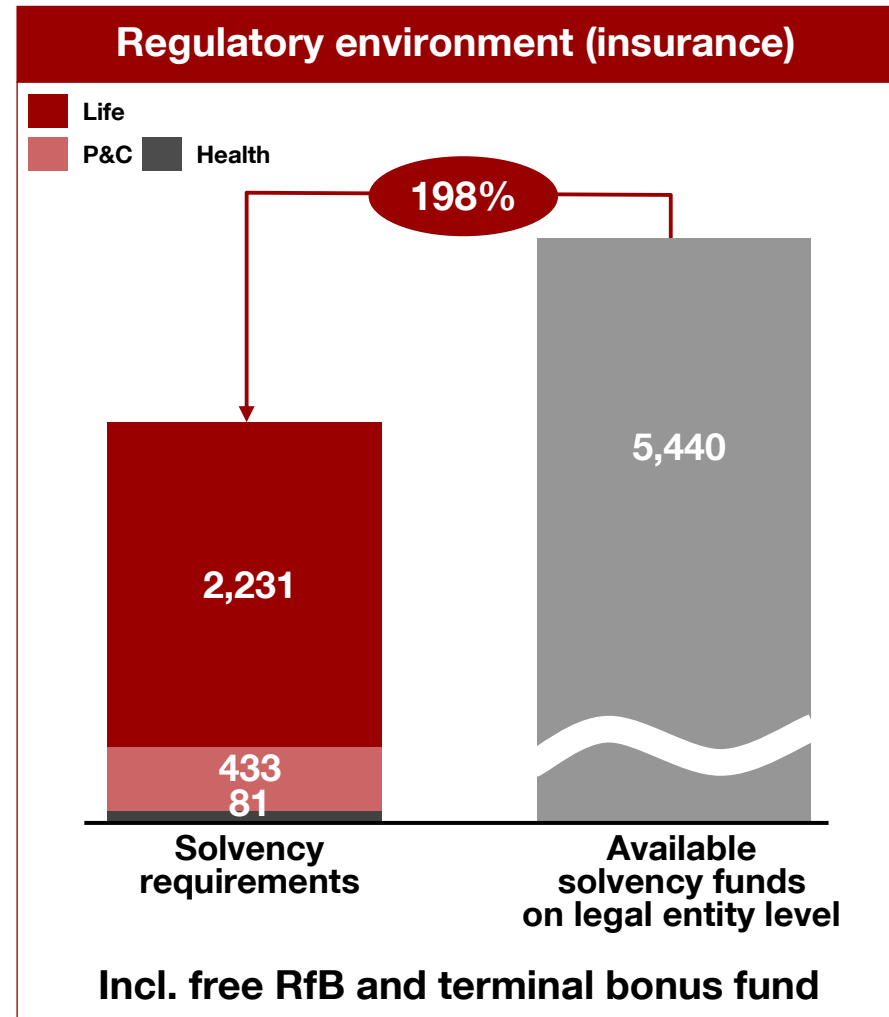
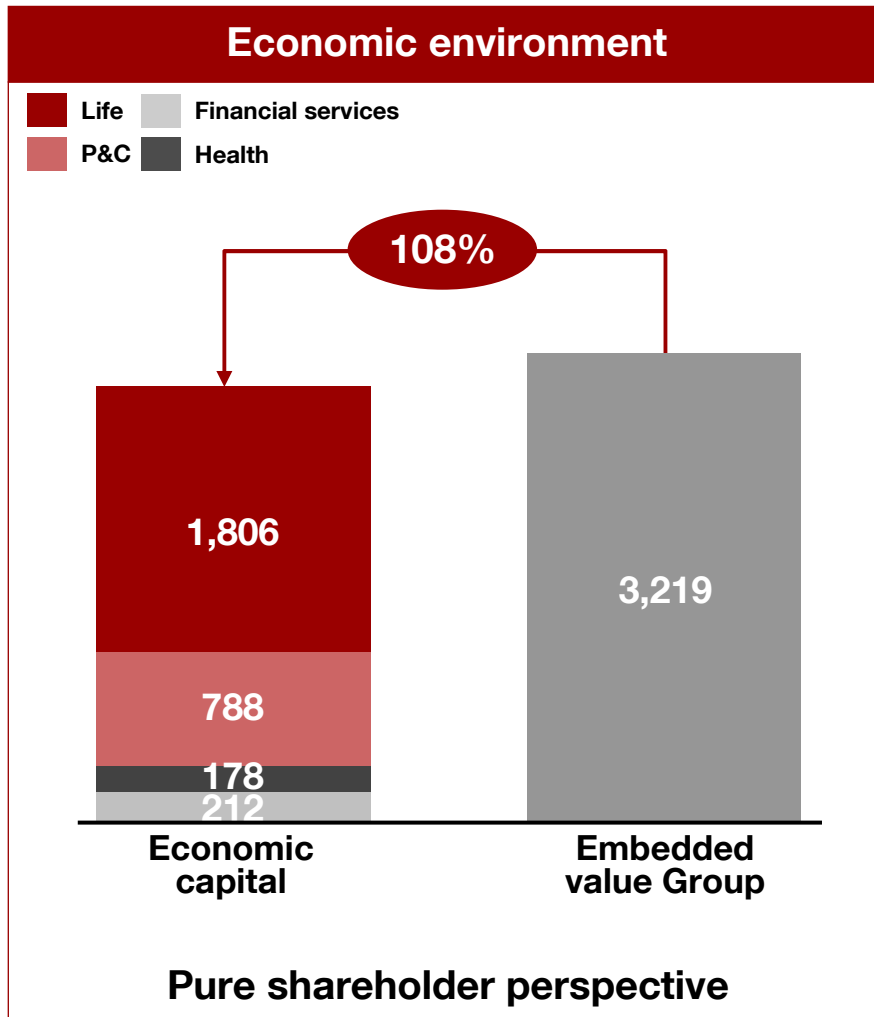
P&C	28.1% (27.0%) of net earned premiums
Life	2.6% (2.5%) of technical reserves + € 280 m (€ 504 m) VIF uplift life ^{*)}
Health	3.2% (3.7%) of net technical reserves

^{*)} uplift of EV life over IFRS equity life



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Adequate capitalisation within economic and regulatory environment



Key performance indicators: operational improvement on track

Return on Embedded value (after tax)				Analysis
	2004	2003	2002	
Life ¹⁾	12.5%	9.6%	9.4%	<ul style="list-style-type: none"> • Operational improvement driven by excellent life NBV and high profitability of health business • Decrease in interest-rates and spreads result in lower normalised investment income which reduces RoEC in p&c • Negative investment variances caused by change in economic VIF assumptions (lower interest rates in the long-term projection) • Overall significant improvement of RoEV by 8.9%-points to 4.9% compared to previous year
Health ²⁾	17.9%	10.9%	9.3%	
P&C ³⁾	8.9%	9.1%	-8.7%	
RoEC normalised	11.8%	9.1%	3.9%	
Excess capital	2.5%	2.8%	2.8%	
RoEV normalised	11.2%	9.1%	3.8%	
Cost of debt	-0.2%	-0.2%	-0.2%	
Investment & tax variances	-6.1%	-12.8%	-13.1%	
RoEV	4.9%	-4.0%	-9.5%	

1) based on new business value, expected return (VIF roll-forward) and operating variances

2) based on IFRS profit (excluding extraordinary effects)

3) based on combined ratio, other income/expenses and normalised investment income



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Financial and competitive position certified by "AA" Standard & Poor's-Rating

Interactive rating of AMB Generali's insurance companies in 2005



- **S&P certifies a very strong financial strength** of the **AMB Generali insurance companies**
- The **Group** is **characterised** by a **strong competitive position** oriented at target groups
- Additional **strategic strong points** are the **Group's unrivalled distribution / brand diversity** and **comprehensive customer coverage** while **simultaneously** it benefits from **economies of scale**
- The Group demonstrates **effective asset-liability management**
- AMB Generali's **earnings capacity** is **strong** and **improving**

The AMB Generali Group is a powerful core activity supported by Assicurazioni Generali and has an excellent growth potential

Information on the most current rating is available at www.standardandpoors.com or from Standard & Poor's at +44 (0)20 7176 3800.
Ratings are not a guarantee of an insurer's financial strength nor a recommendation as to the insurer.

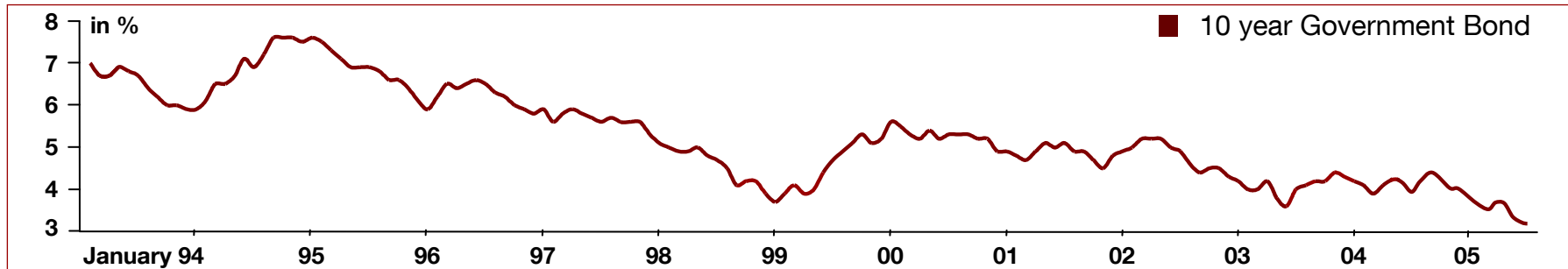


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Excursus (1/3): low interest-rate environment

Difficult situation for insurers, but manageable

Persistently low interest rates



Measures to counteract decreasing interest rates

In product field

- **Balanced product mix with strong position of products not driven by investment risk**
 - Focus on unit-linked products
 - Focus on term life insurance
- **Prudent shaping of life insurance products**
 - **Conservative determination of crediting rates:** 4.2%, i.e. below market-average
 - **Prudent calculation of risk and cost components:** risk and cost results as significant drivers of profit

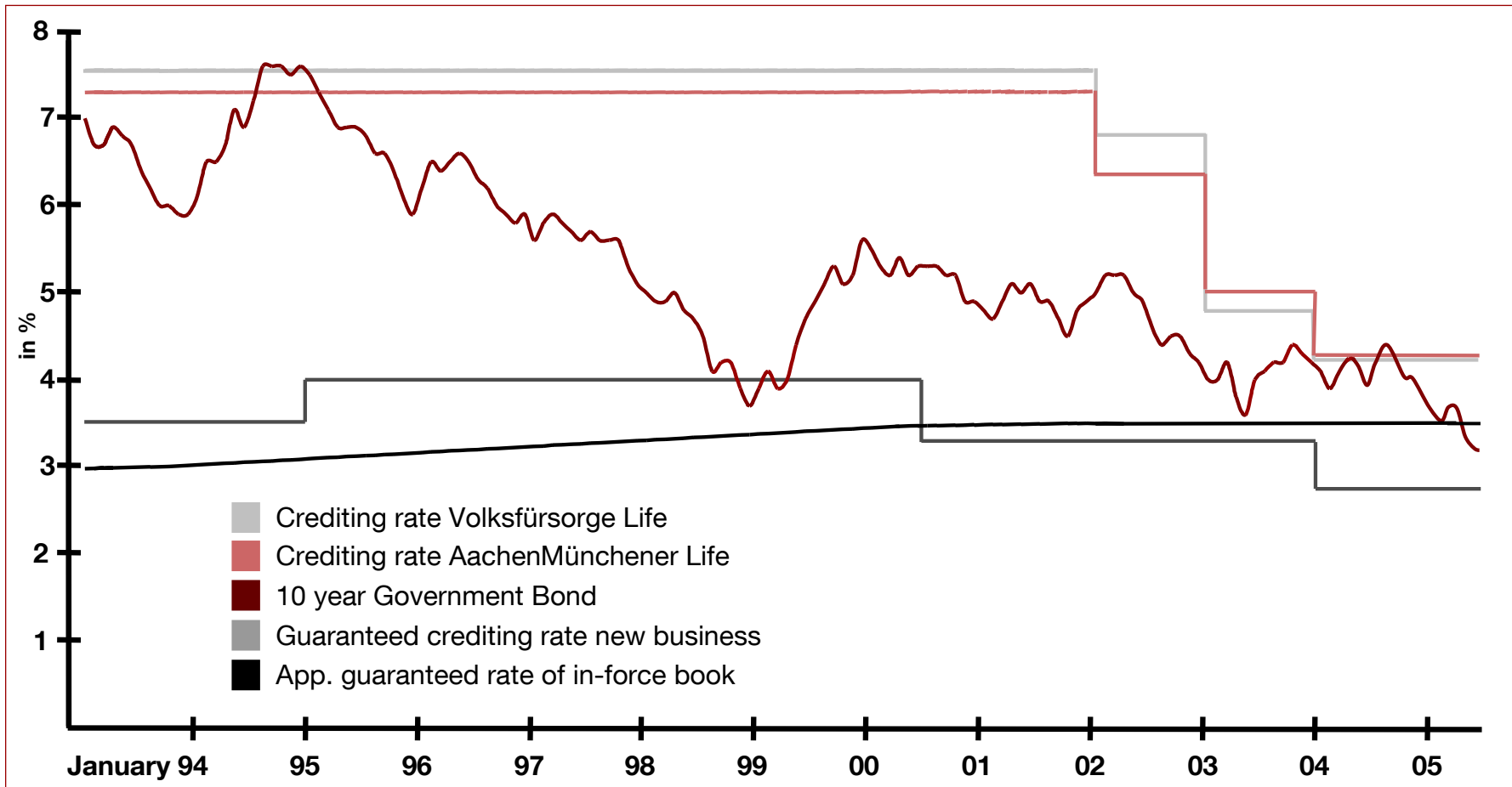
In asset management

- **Systematic lengthening of duration** in the life insurance portfolios in recent years
- **Reduction of reinvestment risks by forward purchases of fixed income instruments** within the legally admissible limit
- **Hedging of guaranteed interest by fixed income product with derivative elements**
- **But: no investment in credit risks**



Excursus (2/3): low interest-rate environment Crediting rate reductions to secure positive financial margin

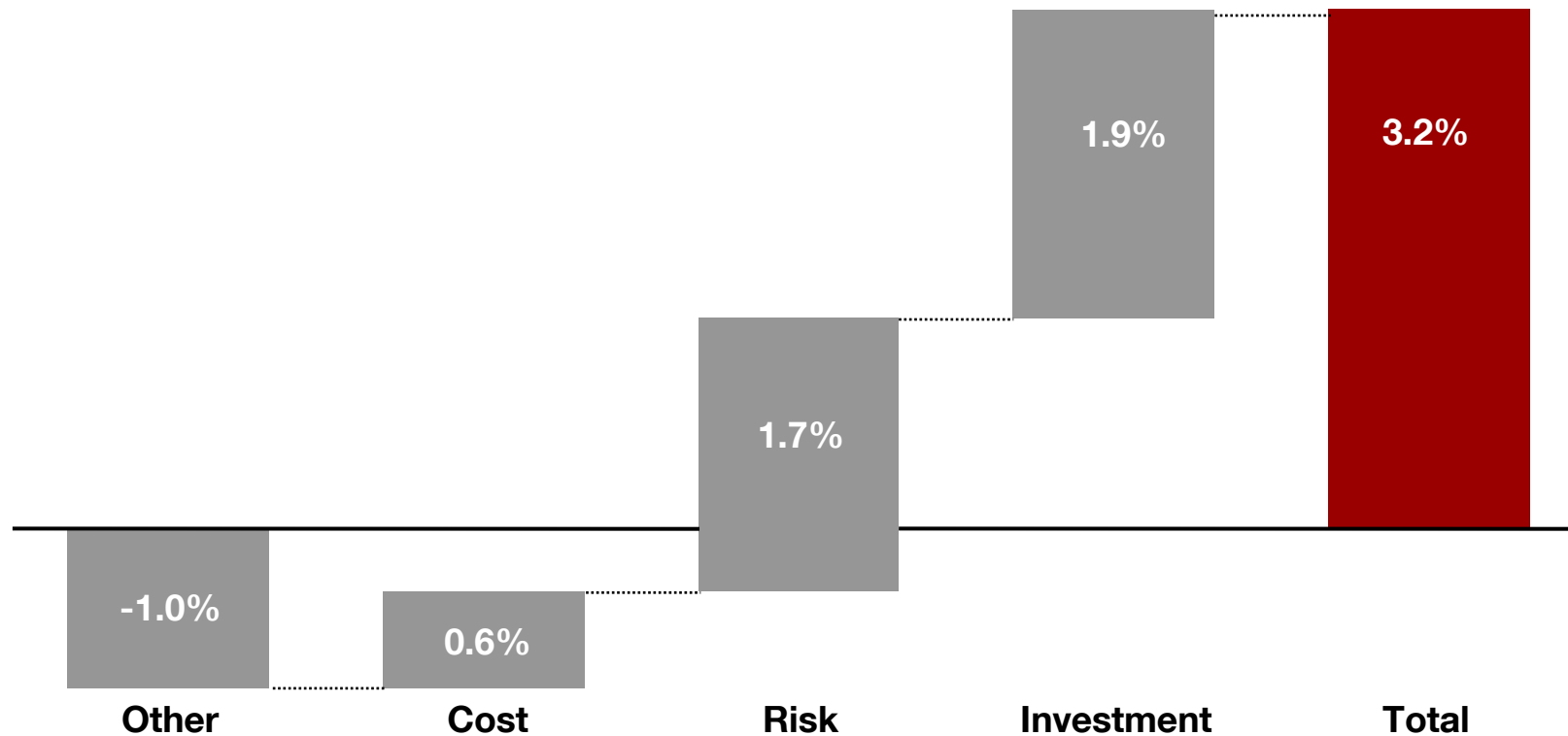
Development of key crediting and earning rates over time



Excursus (3/3): low interest-rate environment Risk and cost results as additional contributions to profit

Sources of profitability of AMB Generali life insurance companies 2004

in % of 2004 technical reserve



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All 2004 strategic targets reached - future targets ambitiously adjusted

		2004		2005	
		Achievements	Targets	Targets Old	Targets New
Life/Health	• Premium growth – Life regular – Health	+7.4% +10.8%	above market level	above market level	above market level
	• Life NBV	€ 132 m	€ 120 m	€ 120 m	€ 120 m
P&C	• Premium growth	-3.3%	slight decrease	market level	market level
	• Combined ratio	99.4%	< 100%	< 100%	< 99%
Overall	• General expenses ¹⁾	€ 1,886 m	€ 1,900 m	€ 1,900 m	€ 1,900 m
	• Net profit	€ 218 m	> € 200 m	> € 250 m	> € 300 m before goodwill amortisation ²⁾

1) German GAAP figure, excluding commissions

2) under IFRS 3, goodwill will no longer be amortised on a scheduled basis



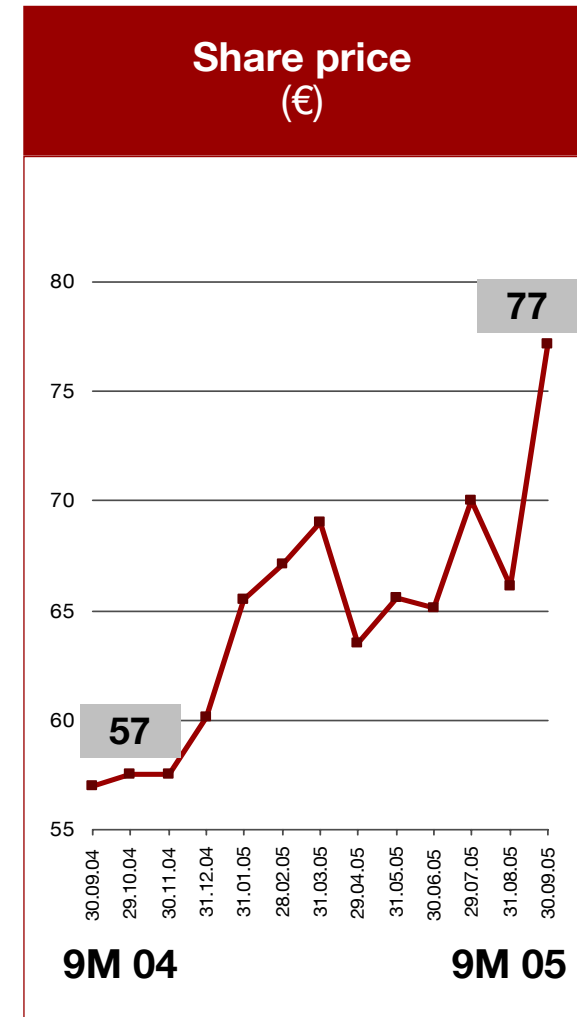
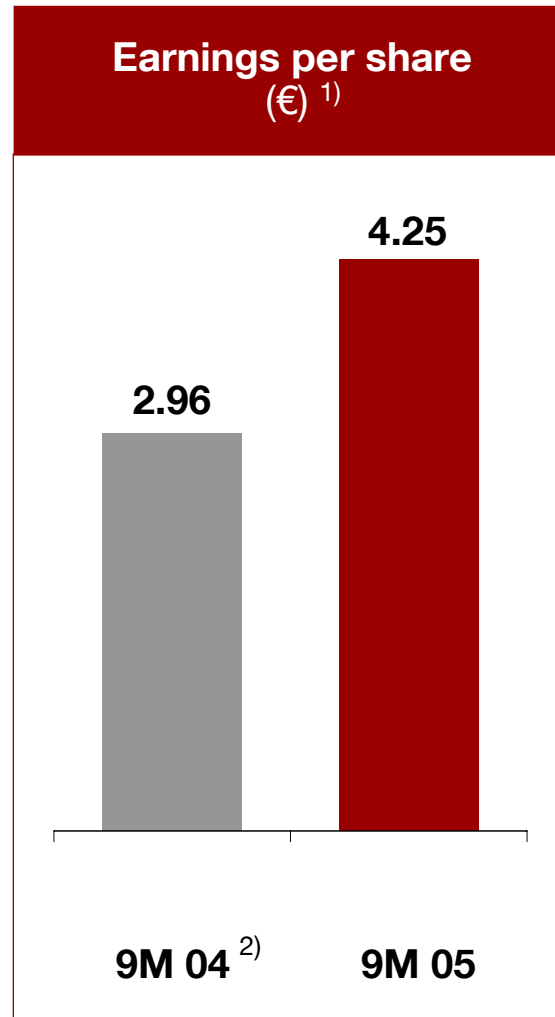
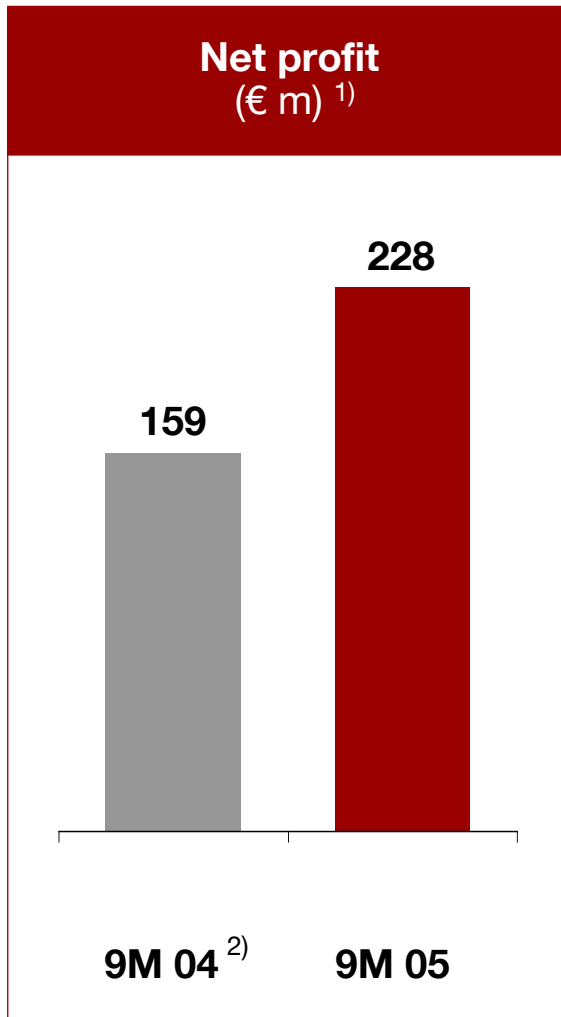
First nine months 2005 with ongoing profitable growth

- **Life and health business with continuously strong growth rates**
 - **Life regular premiums go up +7.8%**
 - **Health gross premiums increase by +5.2%**
- **P&C premiums go down -1.2% due to selective profit-oriented underwriting**
- **Improvements in operating profitability**
 - **Reduction by 400 administrative-staff FTEs in first nine months**
 - **Combined ratio improves significantly to 95.9%**
- **Further increase of investment income by +11.8% to € 2.7 bn**
- **Financial and competitive position of AMB Generali's insurance companies certified by "AA" Standard & Poor's-Rating**

Net profit of € 228 m
in line with 2005 target of > € 300 m (before goodwill amortisation)

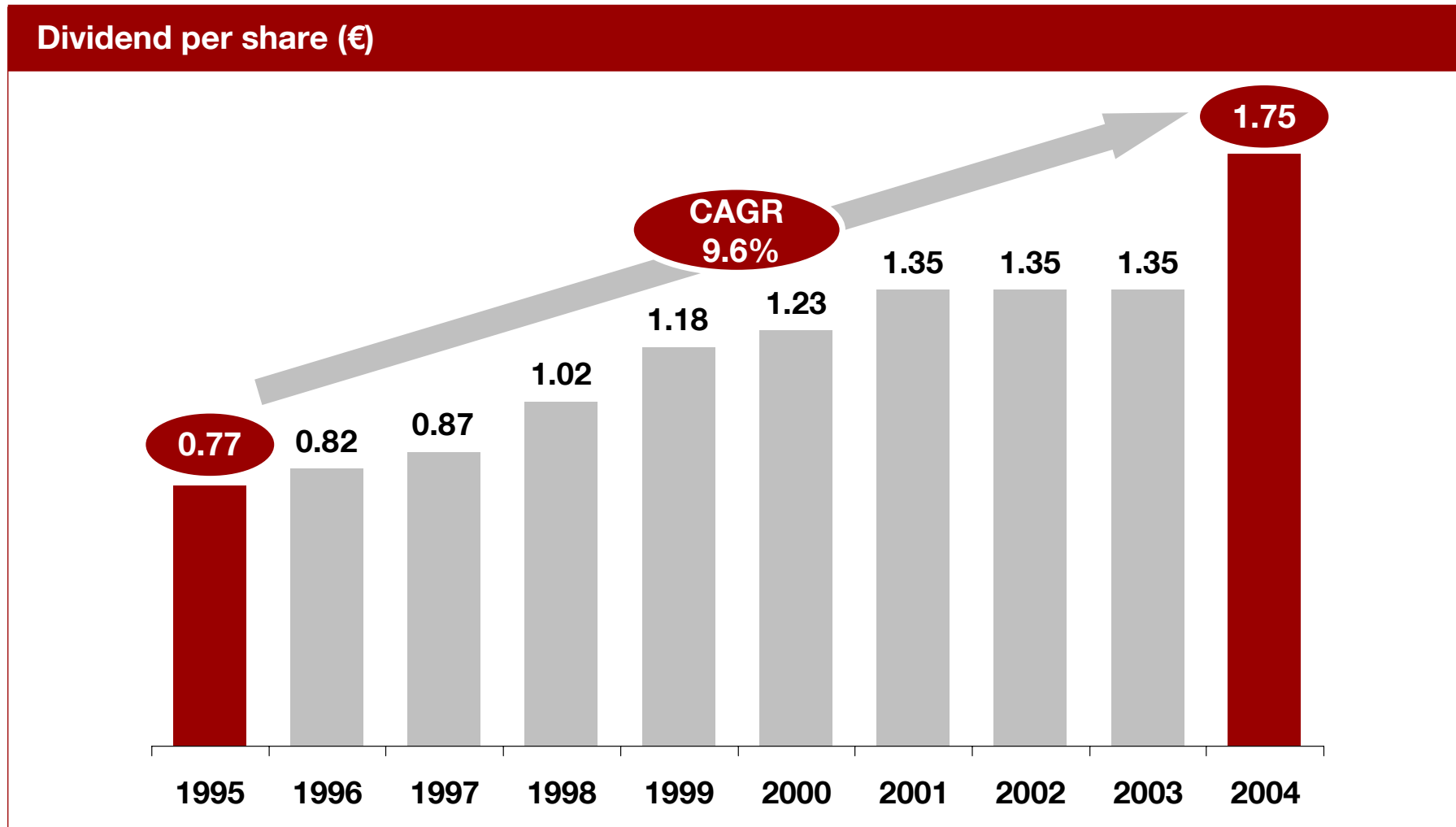


Positive development of shareholder value



1) before goodwill amortisation
2) retrospective adjustments

Policy of continuously rising dividend for our shareholders



AMB Generali on good track to reach 2005 targets

		Achievements 9M 04	Achievements 9M 05	Targets 2005
Life/Health	•Premium growth ¹⁾ – Life regular – Health	+7.0% +10.8%	+7.8% +5.2%	above market level
	•Life NBV	€ 89.3 m	€ 78.8 m	€ 120 m
P&C	•Premium growth ¹⁾	-4.0%	-1.2%	market level
	•Combined ratio	99.5%	95.9%	< 99%
Overall	•General expenses ²⁾	€ 1,390 m	€ 1,384 m	€ 1,900 m
	•Net profit before goodwill amortisation ⁴⁾	€ 159 m ³⁾	€ 228 m	> € 300 m

1) gross premiums German GAAP, direct business

2) German GAAP figure, excluding commissions

3) retrospective adjustments

4) under IFRS 3 goodwill will no longer be amortised on a scheduled basis



Back up



Business development overview first nine months 2005

(€)	9M 05	9M 04 ¹⁾	Δ 9M 05/04
Total premiums (German GAAP) ²⁾	9.4 bn	9.0 bn	5.0%
Consolidated gross premiums (IFRS) ³⁾	8.5 bn	8.2 bn	3.6%
• Life	4.8 bn	4.6 bn	5.9%
• Health	1.2 bn	1.1 bn	5.2%
• P&C	2.5 bn	2.5 bn	-1.5%
Life new business regular premiums	711 m	829 m	-14.3%
Claims & benefits	-7.9 bn	-7.6 bn	3.6%
Operating expenses	-1.7 bn	-1.6 bn	4.1%
Investment income (net)	2.7 bn	2.4 bn	11.8%
Profit before goodwill amortisation	497 m	321 m	176 m
Goodwill amortisation	0 m	-23 m	23 m
Operating profit	497 m	298 m	199 m
Finance costs	-6 m	-6 m	0 m
Tax	-263 m	-156 m	-107 m
Net profit before goodwill amortisation	228 m	159 m	69 m
Net profit	228 m	136 m	92 m
• Attributable to minority interests	2 m	2 m	0 m
Shareholders' equity	3.7 bn	3.2 bn ⁴⁾	15.3% ⁵⁾

1) retrospective adjustments

2) consolidated gross premiums incl. savings portions of unit-linked and Riester contracts

3) excl. savings portions of unit-linked and Riester contracts; without effect on profit

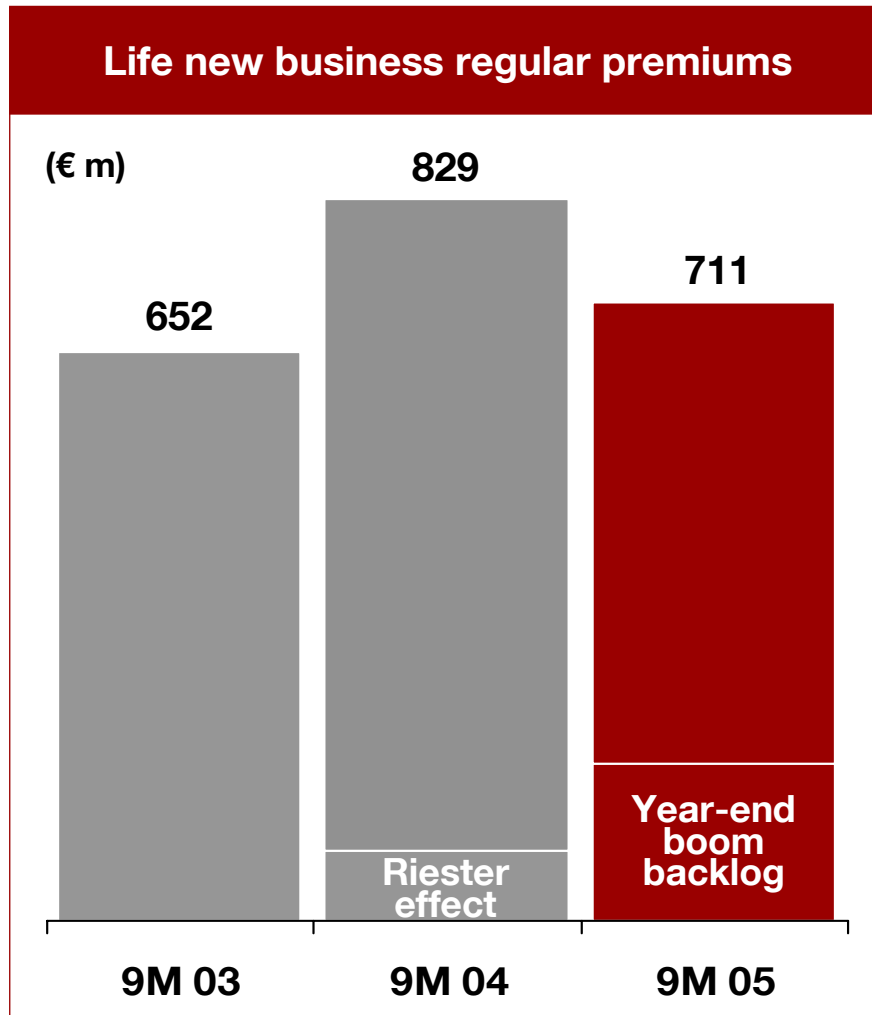
4) balance-sheet position shown as at 31.12.2004

5) in relation to 31.12.2004



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Life new business influenced by various effects



Development

9M 2005:

- **Life new business** at **-14.3%** compared to first nine months of **2004** which were positively influenced by **Riester effect in Q1** (2nd Riester step)
- **Life new business** still supported by backlog from 2004; **effect levels off** in the course of the year
- **Restrained demand** after **extraordinary year-end business** in 2004

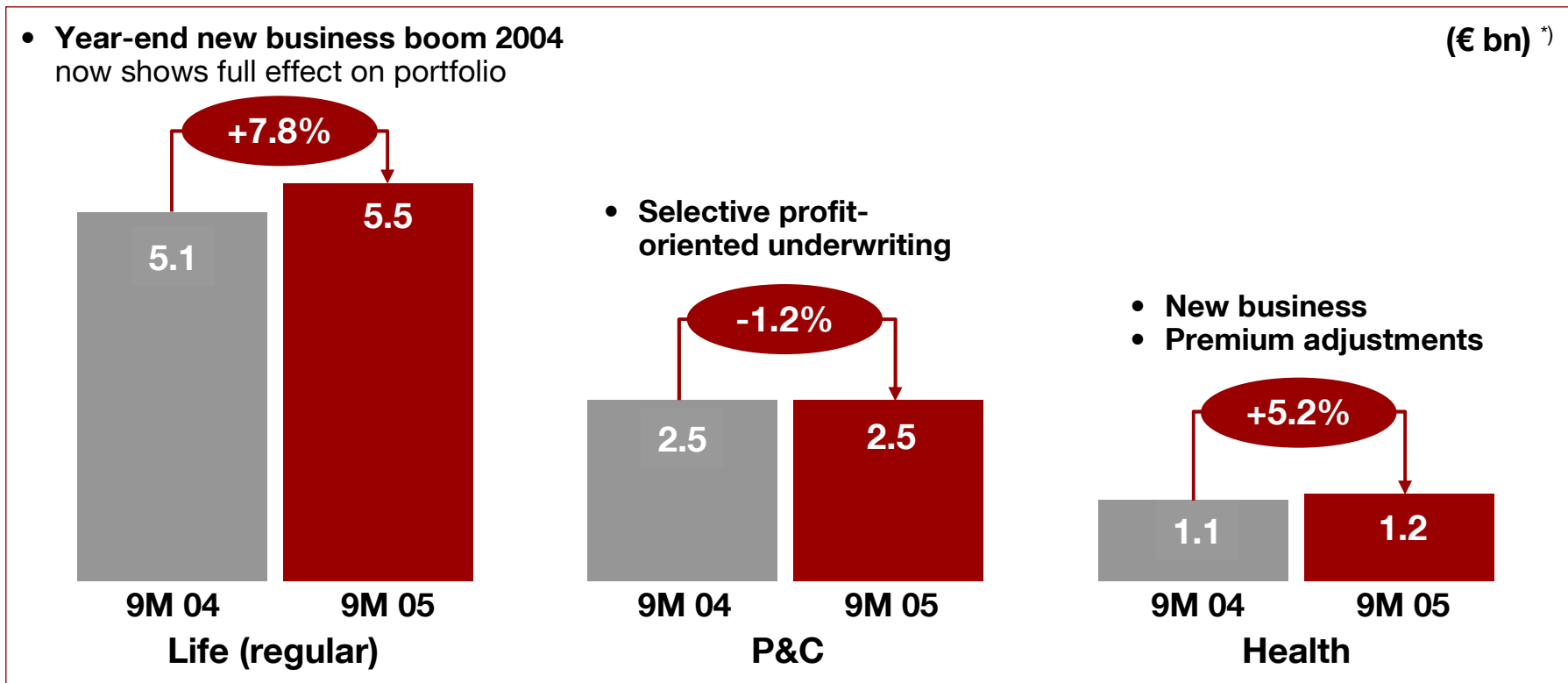
Outlook FY 2005:

- **Life new business:** expected to be **significantly below 2004 figures** after tax-induced boom in 2004
- **Life premiums:** despite **weakness** of life new business, **strong life premium growth** expected; last year's boom now shows full effect on portfolio since it mostly materialised in the last two months of 2004



Above-average premium growth rates in life and health business

(€ bn)	9M 05	9M 04	Δ 9M 05/04
Total premiums (German GAAP)	9.4	9.0	5.0%



^{*)} gross premiums German GAAP, direct business



Strong improvement of combined ratio due to better claims experience

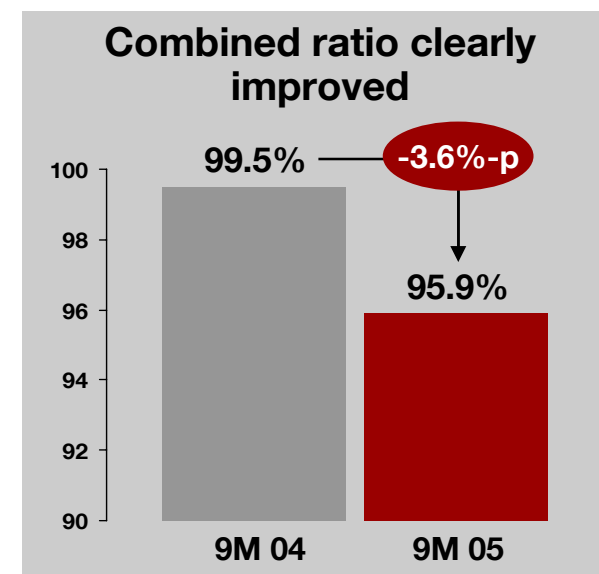
(%)	9M 05	9M 04	Δ 9M 05/04
Claims ratio	63.4	67.2	-3.8%-p
Expense ratio	32.5	32.3	0.2%-p
Combined ratio	95.9	99.5	-3.6%-p

Claims ratio

- **Significant decrease of claims ratio by 3.8%-points** due to
 - **better claims experience** across the market
 - **profit-oriented underwriting**
 - **improved claims management**

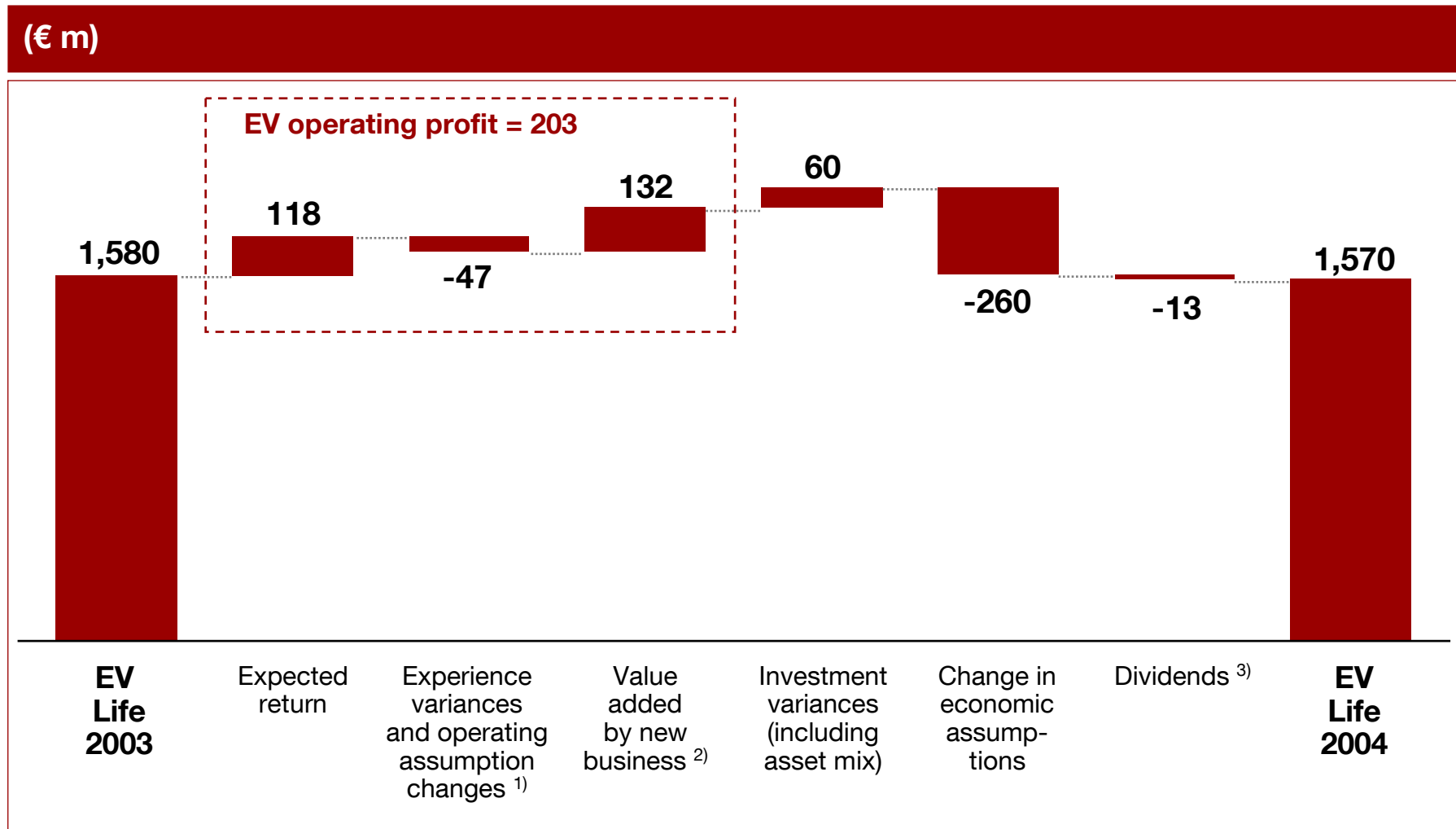
Expense ratio

- **Total expense ratio increases slightly by 0.2%-points**
 - due to **lower** income from **reinsurance commissions** as a result of higher retentions
 - despite **decrease** of **administrative expenses**



Combined ratio in line with 2005 target

Embedded value Life – high EV operating profit driven by NBV



1) of which cost and biometric variances of € -11 m
 2) on 2004 assumptions

3) of which dividends of € -83 m and capital contributions of € 70 m



Life new business value backed by substantial increase in APE volume

(€ m, December 2004)

	Traditional life (incl. "Riester")	Unit- linked ¹⁾	Total new business value
New business value	79	53	132
APE ²⁾	760	463	1,223
PV premiums	5,359	3,109	8,468
Value / APE	10.4%	11.4%	10.8%
Value / PV premiums	1.5%	1.7%	1.6%

1) incl. net fund management fees

2) regular premiums plus 10% of single premiums on new policies issued in 2004; without dynamics and minorities

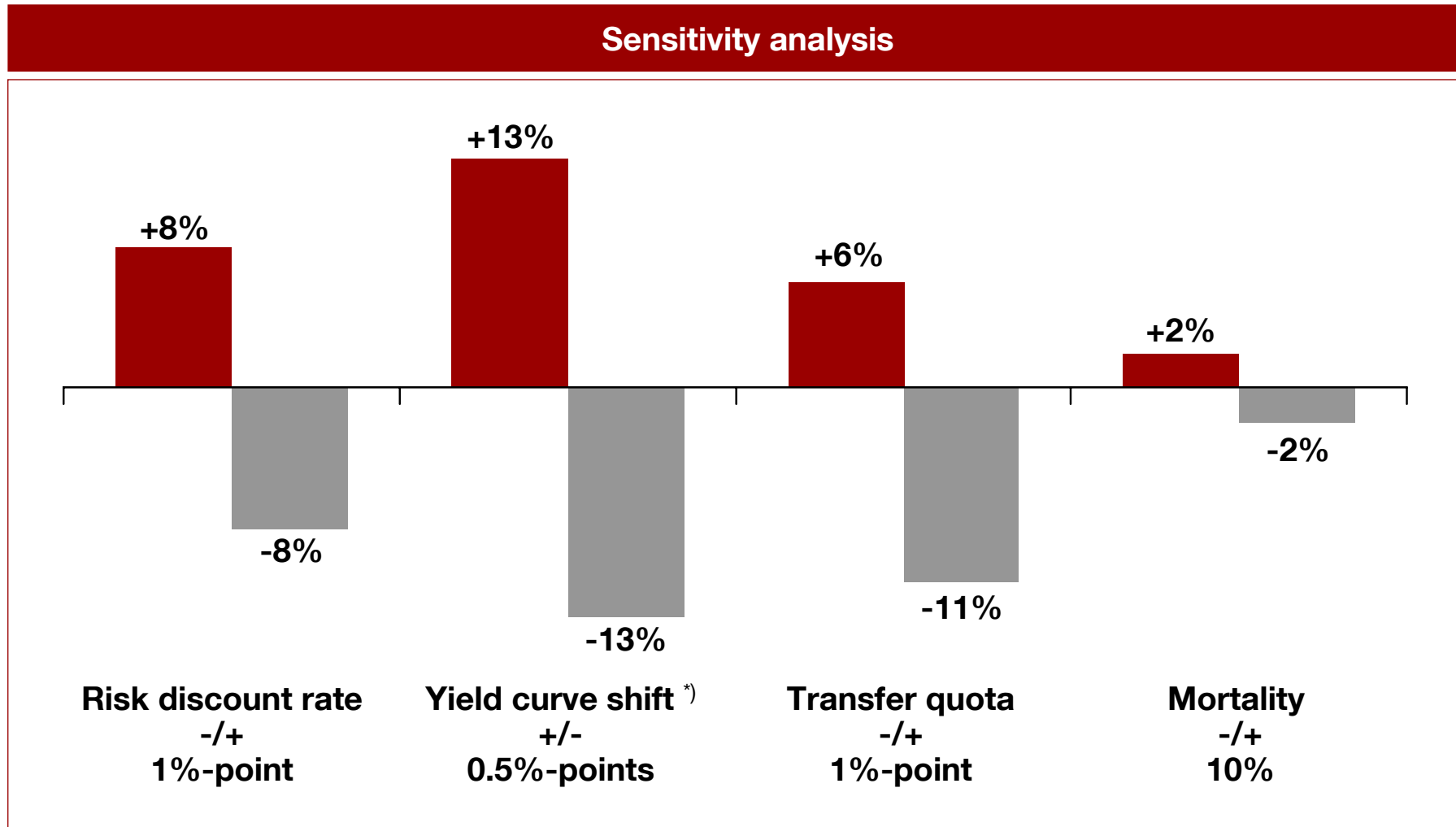


EV Life assumptions: lower interest rate environment fully reflected

	EV Life 2004	EV Life 2003
Risk discount rate (RDR)	6.42%	7.05%
Risk-free rate (10-year government bonds)	3.67%	4.30%
Fixed-income return	3.77%	4.51%
Equity return	6.42%	7.05%
Average long-term asset mix (FI / Eq / Other)	83 / 13 / 4	84 / 11 / 5
Book return	includes emergence of UCG / UCL	
Tax rate	40%	40%
Average long-term shareholders' participation	8.4%	9.0%
Bonuses, demographic and expense assumptions	company-specific experience	



Embedded value Life: sensitivity analysis of PVFP Life



^{*)} change of future reinvestment rates of fixed income assets and equity investments



Embedded value Life

External advice

Tillinghast has reviewed the methodology and assumptions used, and has reviewed the resulting Embedded value and Embedded value earnings for 2004 for reasonableness, but did not perform detailed checks on all of the calculations.

On the basis of the data made available, Tillinghast considers that the methodology is reasonable and consistent with recent industry practice used to calculate traditional Embedded values on a deterministic basis; that the operating assumptions are reasonable in context of the Company's recent experience and expected future operating environment; that the economic assumptions are typical of those adopted for traditional Embedded value reporting; and that the resulting values in aggregate are reasonable in this context.

The methodology adopted is based on deterministic projections of future after-tax profits with an allowance for risk through the use of a single discount rate and an explicit assumption for the level and cost of holding capital. The allowance for risk may not correspond to a capital market valuation of such risk.



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