

AMB Generali Presentation July 2004

**Investors' Meeting with Merrill Lynch
Cologne, 22 July 2004**

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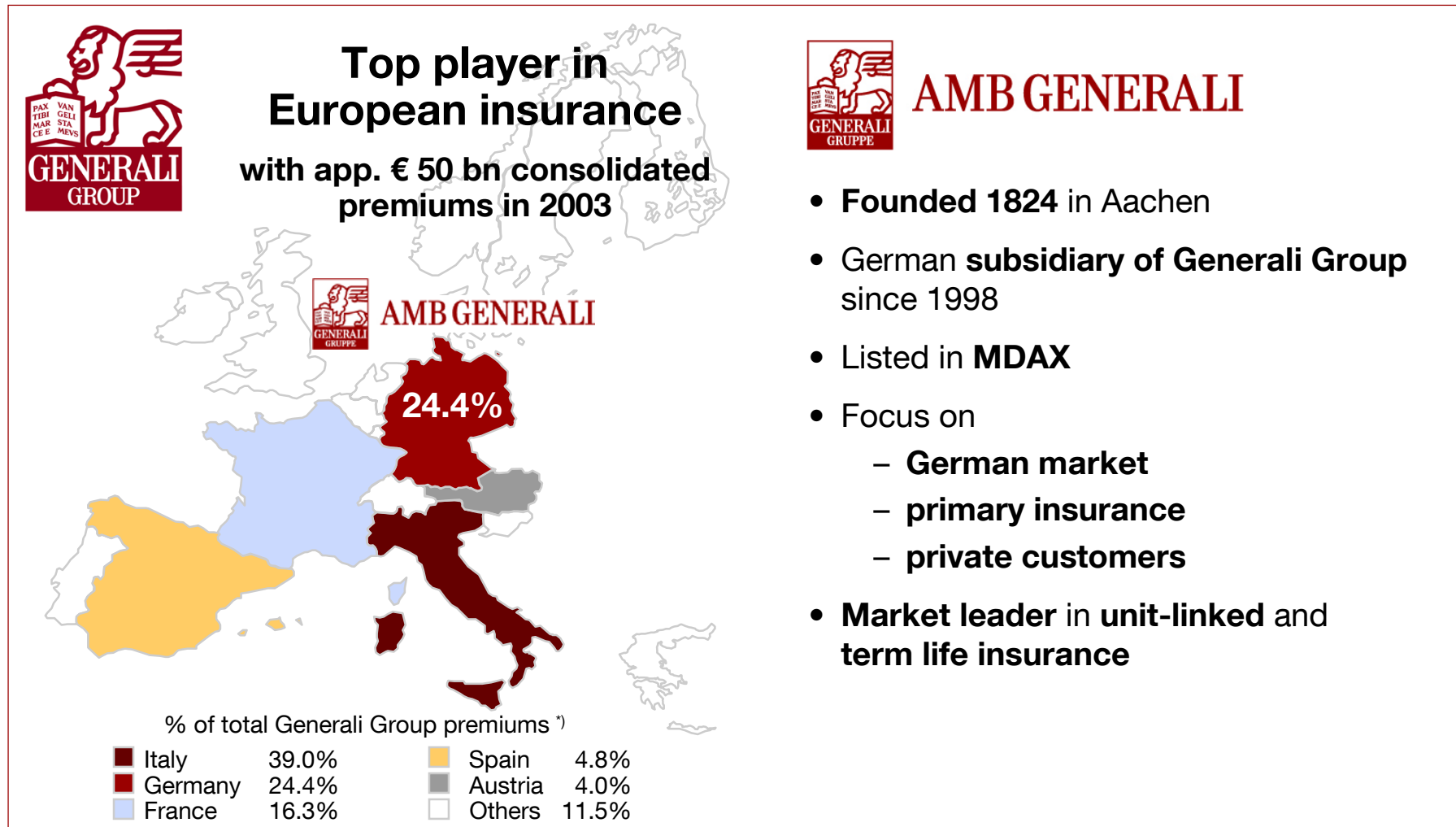


AMB GENERALI

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AMB Generali as the German part of Generali Group



*) based on 2003 consolidated premiums



AMB GENERALI

- **Founded 1824** in Aachen
- German **subsidiary of Generali Group** since 1998
- Listed in **MDAX**
- Focus on
 - **German market**
 - **primary insurance**
 - **private customers**
- **Market leader** in **unit-linked** and **term life insurance**

AMB Generali as #2 in life and p&c

German insurance market 2002 *)

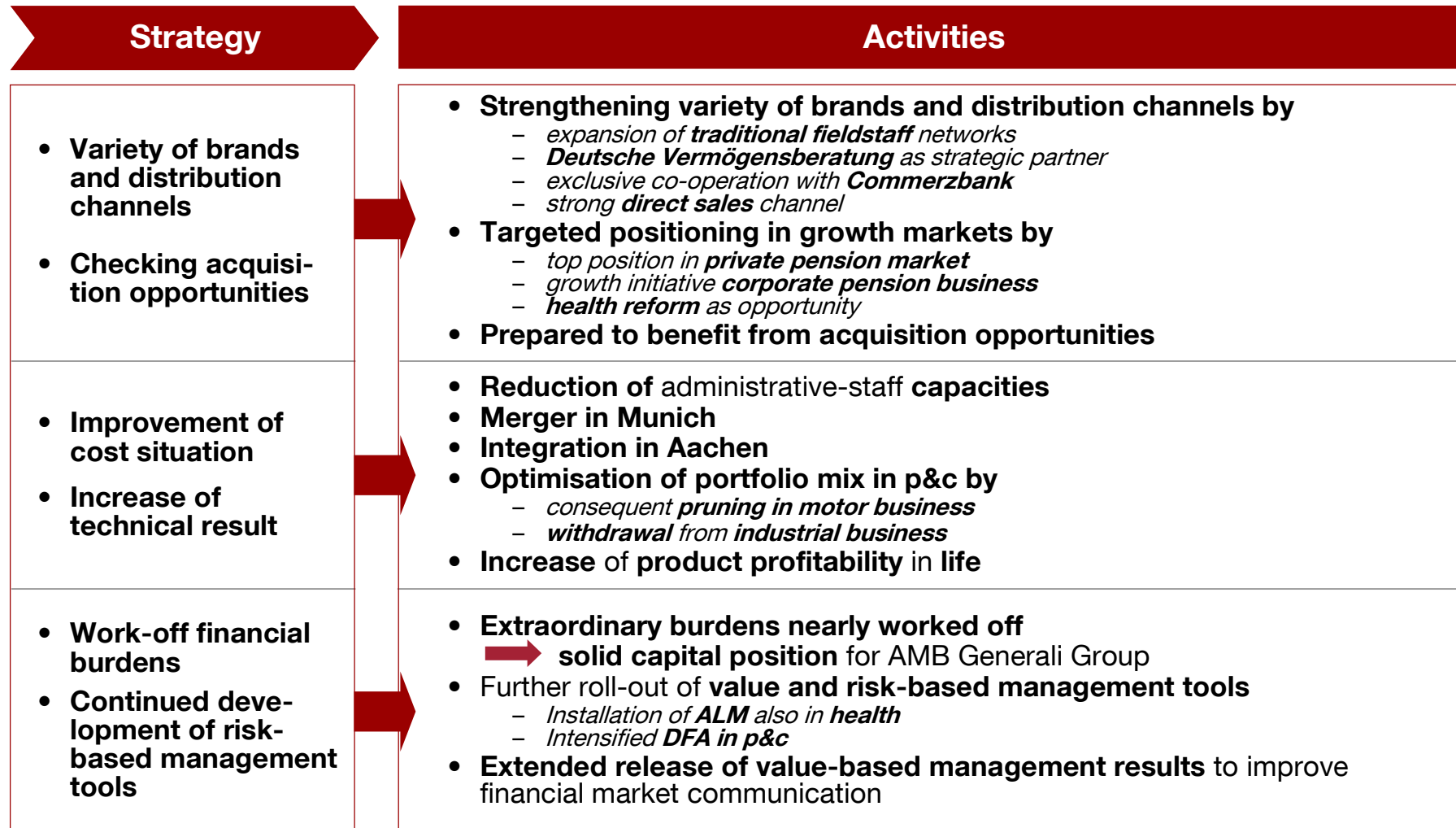
Life			P&C			Health		
Gross premiums, direct			Gross premiums, direct			Gross premiums, direct		
Rank		€ bn	Rank		€ bn	Rank		€ bn
1	ALLIANZ	9.6	1	ALLIANZ	9.6	1	ERGO	3.5
2	AMB GENERALI	6.9	2	AMB GENERALI	3.3	2	DEBEKA	3.0
3	ERGO	5.7	3	ERGO	2.9	3	ALLIANZ	2.9
4	ZURICH GROUP	3.6	4	HUK-COBURG	2.7	4	SIGNAL IDUNA	1.7
5	R+V	2.9	5	GERLING	2.7	5	VK BAYERN	1.4
6	AXA	2.5	6	R+V	2.7	6	AMB GENERALI	1.2
7	GERLING	1.9	7	AXA	2.6	7	CONTINENTALE	1.1
8	DEBEKA	1.9	8	ZURICH GROUP	2.2	8	BARMENIA	1.0
9	NUERNBERGER	1.7	9	HDI	1.7	9	DBV-WINTERTHUR	0.8
10	DBV-WINTERTHUR	1.6	10	WUERTTEMBERG.	1.5	10	GOTHAER	0.7

*) not consolidated German GAAP



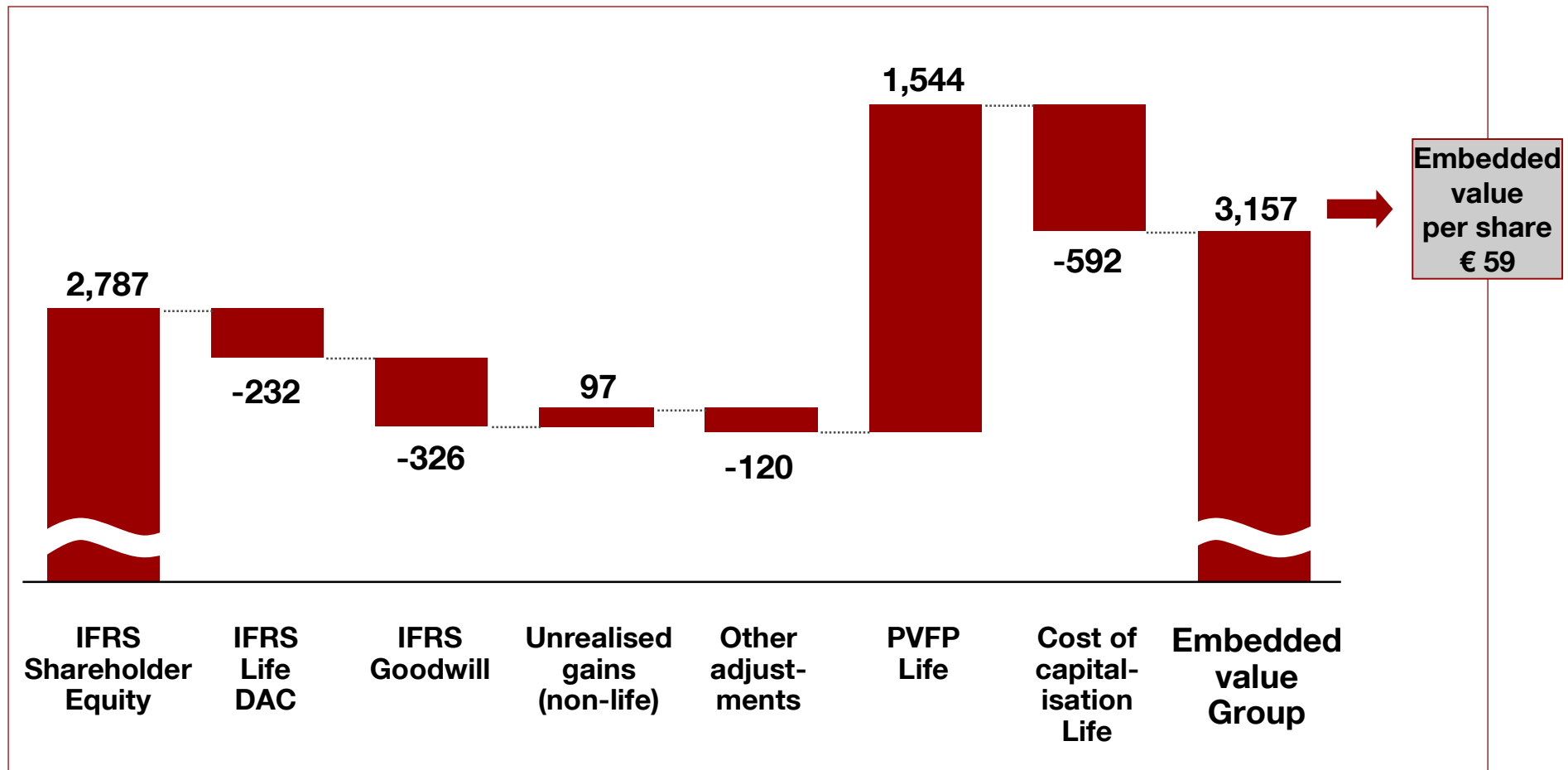
AMB GENERALI

AMB Generali with persistent strategy



AMB Generali's embedded value Group on level of current share price

(€ m, December 2003)



AMB Generali with positive outlook in challenging environment

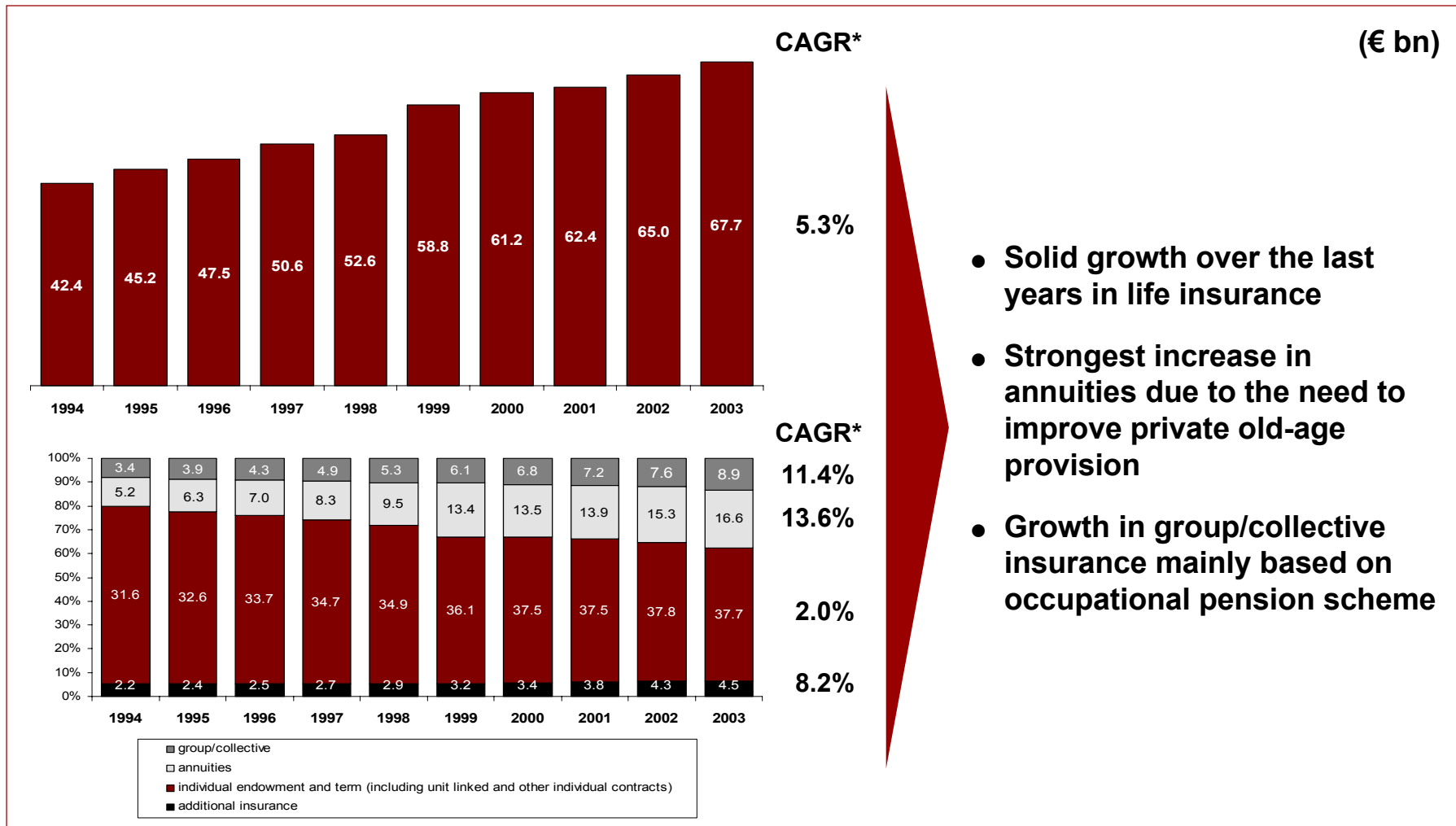
		Achievements		Targets	
		Q1 04	2003	2004	2005
Life / Health	Premium growth				
	• Life regular	+6.9%	+3.0%	above market level	above market level
	• Health	+10.7%	+9.8%		
	Life new business value	€ 28.8 m	€ 93 m	€ 120 m	€ 120 m
P&C	Premium growth	-5.1% ¹⁾	-7.5%	slight decrease of premiums	market level
	Combined ratio	98.4%	99.5%	< 100%	< 100%
	General expenses ²⁾	€ 460 m	€ 1.965 m	€ 1,900 m	€ 1,900 m
Overall	Net income	€ 53 m	€ 7 m	> € 200 m	> € 250 m

1) direct business
2) without commissions

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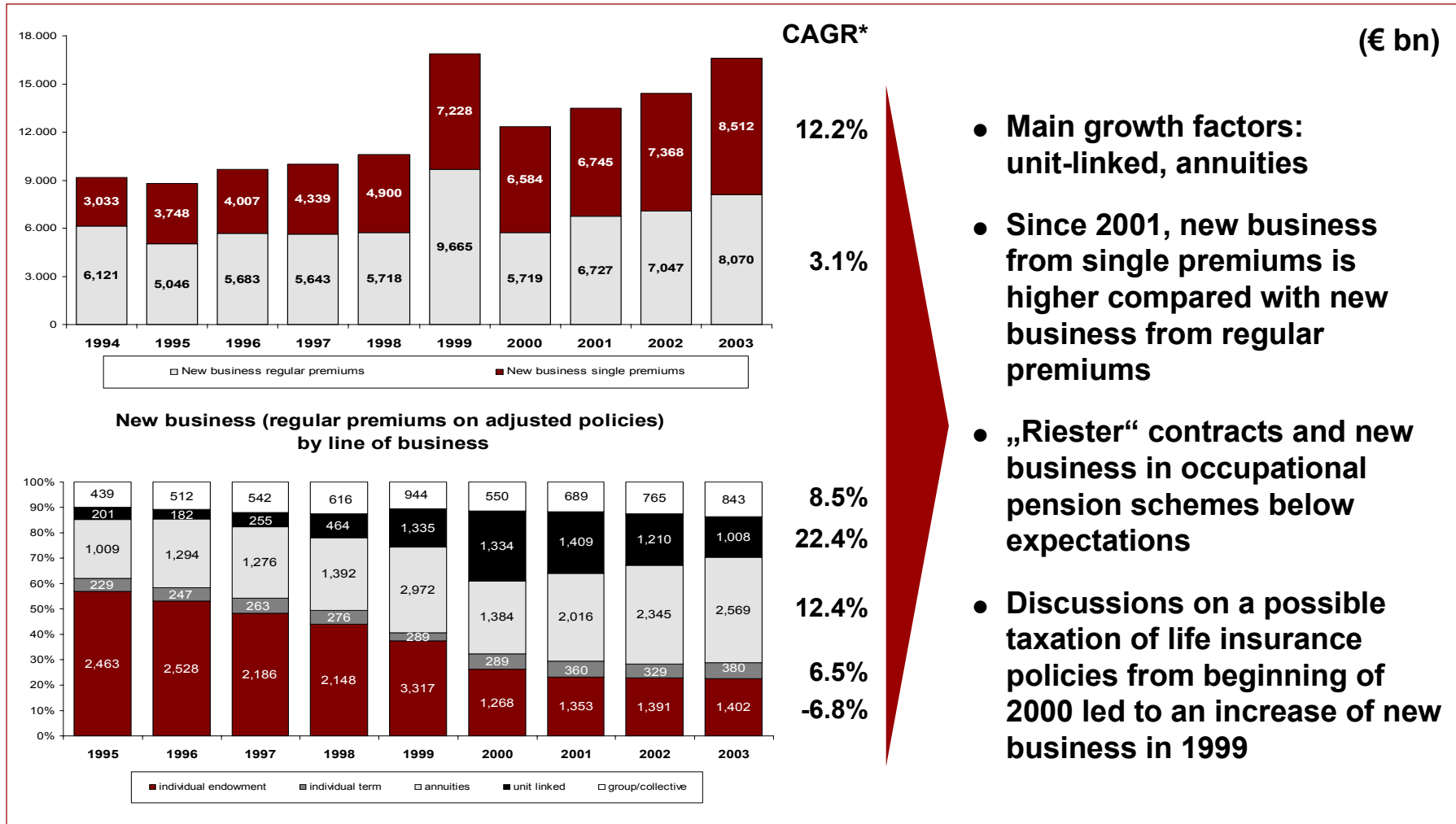
Solid growth in German life market (written premiums)



- Solid growth over the last years in life insurance
- Strongest increase in annuities due to the need to improve private old-age provision
- Growth in group/collective insurance mainly based on occupational pension scheme

*) compound annual growth rate

Accelerated growth in life new business



- Main growth factors: unit-linked, annuities
- Since 2001, new business from single premiums is higher compared with new business from regular premiums
- „Riester“ contracts and new business in occupational pension schemes below expectations
- Discussions on a possible taxation of life insurance policies from beginning of 2000 led to an increase of new business in 1999

*) compound annual growth rate

Current insurance market growth perspective

Life: Gross premiums written	<p>Moderate growth Q1/04: +0.4% 2003 (whole year): +4.1%</p> <ul style="list-style-type: none"> • Annual premium Q1/04: +3.6% • Single premium Q1/04: -18.5% 	Forecast whole year: 3.5%
Health: Gross premiums written	<p>2003: +7.2%</p>	Forecast whole year: 6.0%
P&C: Gross premiums written	<p>Moderate growth Q1/04: +2.4% 2003 (whole year): +3.2%</p> <ul style="list-style-type: none"> • Motor Q1/04: +1.0% 	Forecast whole year: 2.4%

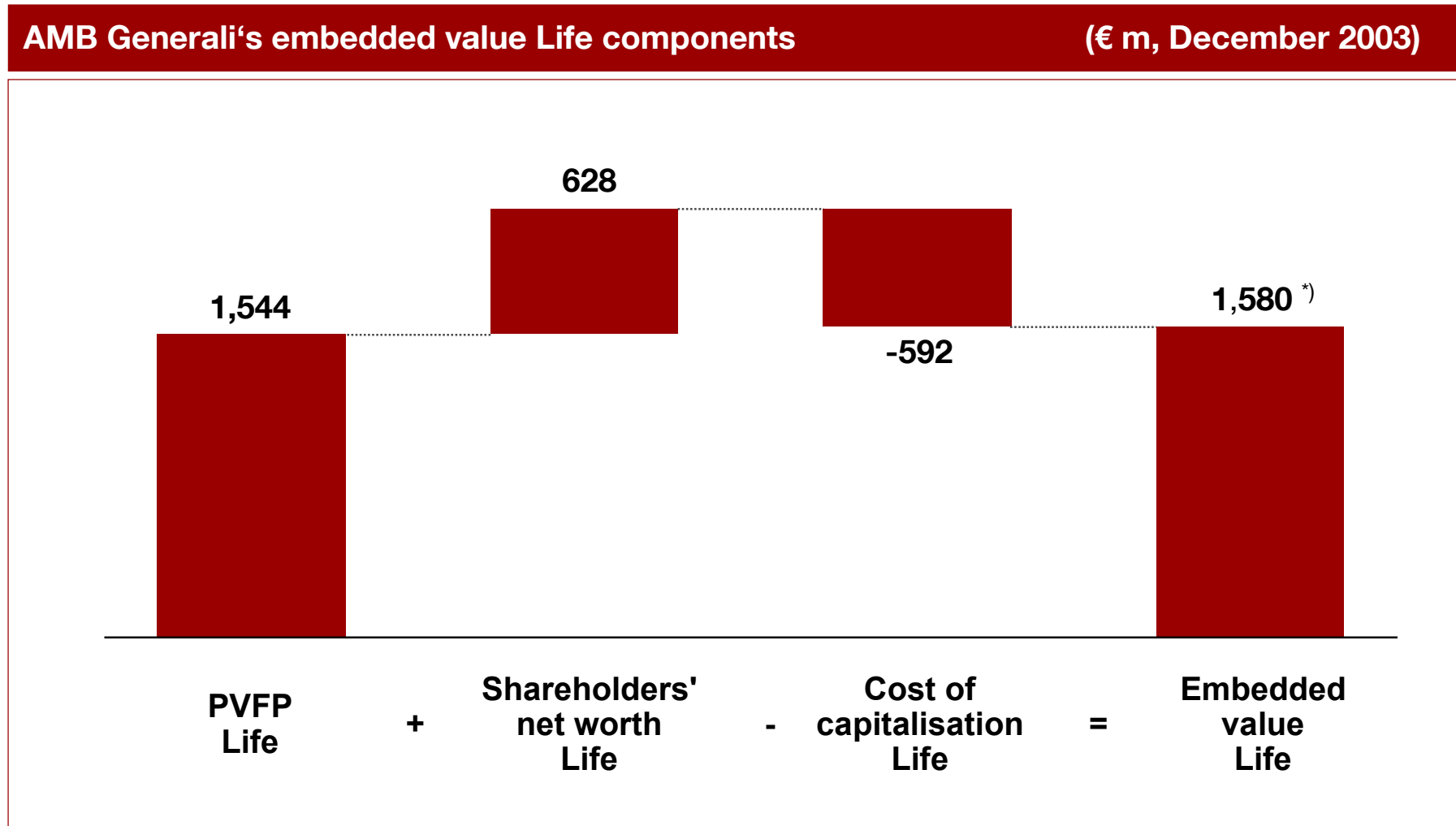


AMB Generali's distribution power leads to stable growth in life

Company size 2002			Distribution power (Average of 2000-2002)			Profitability (Average of 2000-2002)		
Gross premiums, direct			New business (APE)			Return on sales		
Rank		€ bn	Rank		€ bn	Rank		%
1	ALLIANZ	9,6	1	AMB GENERALI	0,83	1	ALLIANZ	2.52
2	AMB GENERALI	6,9	2	ALLIANZ	0,77	2	AMB GENERALI	1.78
3	ERGO	5,7	3	ERGO	0,50	3	ERGO	1.73
4	ZURICH GROUP	3,6	4	ZURICH GROUP	0,46	4	GERLING	1.46
5	R+V	2,9	5	R+V	0,29	5	AXA	1.44
6	AXA	2,5	6	GERLING	0,22	6	DBV-WINTERTHUR	1.23
7	GERLING	1,9	7	AXA	0,21	7	R+V	1.20
8	DEBEKA	1,9	8	NUERNBERGER	0,18	8	ZURICH GROUP	1.02
9	NUERNBERGER	1,7	9	DEBEKA	0,11	9	NUERNBERGER	0.96
10	DBV-WINTERTHUR	1,6	10	DBV-WINTERTHUR	0,11	10	DEBEKA	0.74
Actual 2003			Actual 2003			Actual 2003		
		€ bn			€ bn			%
	AMB GENERALI	7,1		AMB GENERALI	0,78		AMB GENERALI	1.68



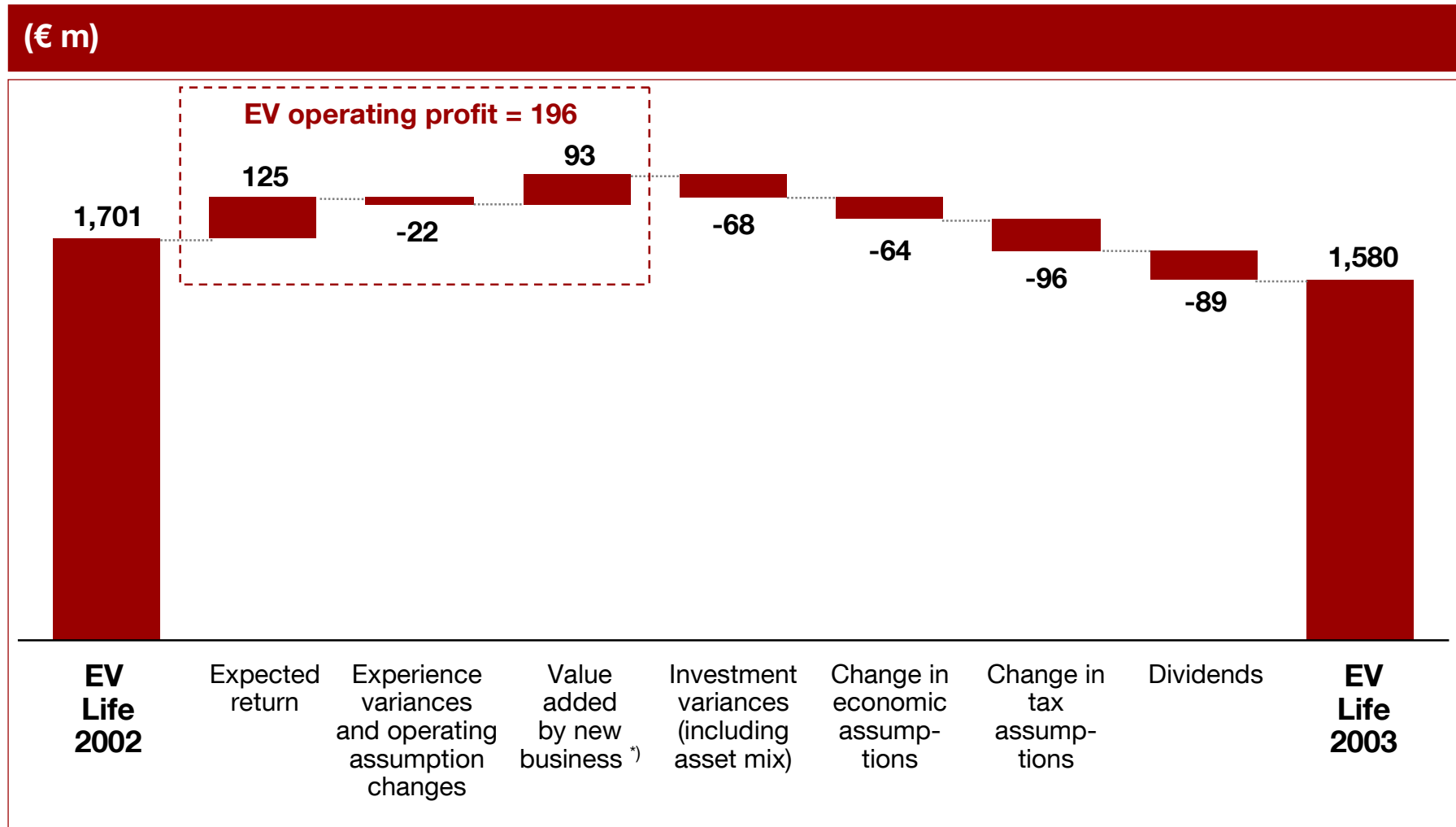
Embedded value Life to estimate value of current life operations



*) tax assumption changed from previous year 0% to now 40% because of new tax law



Decrease in Embedded value Life mainly driven by tax situation



^{*)} on 2003 assumptions



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– Stability / sustainability	32

Shift in life product landscape in Germany from 2005 onwards

Currently: 3 Pillars of Old Age Provision

- Social security system
- Corporate pension schemes
- Private old age provision

Regulation/ taxation for all three classes will be altered from 01.01.2005 onwards. There will be a **new three-tier-system.**

New: Three-tier-system

- Tier 1: Base provision - gradual change towards elements of deferred taxation
- Tier 2: Riester-like products: extended tax exemption / deferred taxation
- Tier 3: Traditional life insurance products: introduction of surplus taxation

For business in force (private and corporate pension plans) no change of regulation / taxation. Changes valid solely for new business.



Tier 1: Base provision as starting ground for social security („Basis-Rente“)

Product	<ul style="list-style-type: none">- Social security (public programme)- Pension plans (professional organisations)- Traditional annuity plans (life insurance companies)
Restrictive product features	<ul style="list-style-type: none">- Annuity payments may not begin before age 60- Benefits may not be inherited, e.g. to family members- Benefits may not be transferred, e.g. to family members- Amounts accumulated may not be disposed of as loans- Policy may not be sold- Annuity payments may not be transformed into one discounted lump sum payment at maturity
But additional product offering	<ul style="list-style-type: none">- Additional products to cover personal disability and to cover survivors / dependents' provision; premium not exceeding 50% of base product
Taxation	<ul style="list-style-type: none">- <u>Saving period</u>: € 20,000 per person and year tax deductible (starting from € 12,000 in 2005; gradually increasing to € 20,000 in 2025; for base product incl. additional product cover)- <u>Pay out period</u>: full taxation (gradually increasing from 50% of payment as taxable basis in 2005 to 100% in 2040)



Tier 2: Modified Riester-like products

Product

- Annuities Riester-type

Product features

- Sales cost loading not zillmerised, but amortised over minimum 5 year period
- At maturity (age 60) lump sum payment up to 30% of endowment capital possible
- Unisex calculation from 2006 onwards
- Simplified organisational procedure (both for applicant and insurance companies) to apply for state subsidy payments

Taxation

- Saving period:
Gradual increase in tax deductability bracket / public grant
(2003: € 525; 2004/5: € 1,050; 2006/7: € 1,575; 2008: € 2,100)
- Pay out period:
Normal taxation of annuities and partial / full endowment payments



Tier 2: Occupational pension schemes

Product

- Occupational pension schemes (Pensionsfonds, Pensionskasse, Direktversicherung); counterparty: employer

Product features

- Annuities from age 60 onwards
- Lump sum payment up to 30% of endowment capital possible
- In case of job change: transfer of amount accumulated to new employer
- Extended definition of survivors / dependants applicable

Taxation

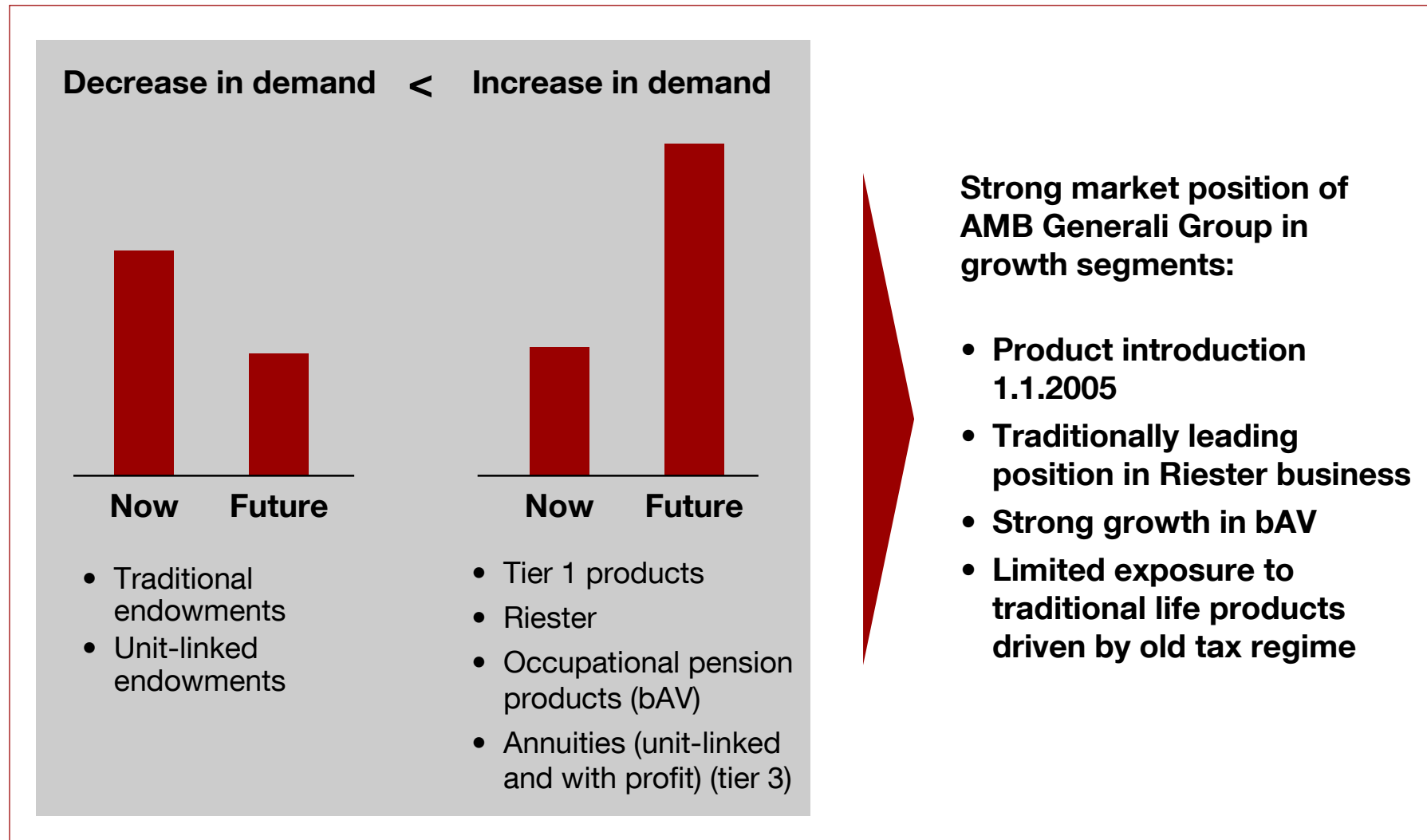
- Saving period:
Tax deductability bracket: max. 4% of income threshold for social security provision (currently: € 2,472); plus eventually € 1,800 for employee with no (already subsidised) Direktversicherung
- Pay out period:
Normal taxation of endowments and partial / full capital payments



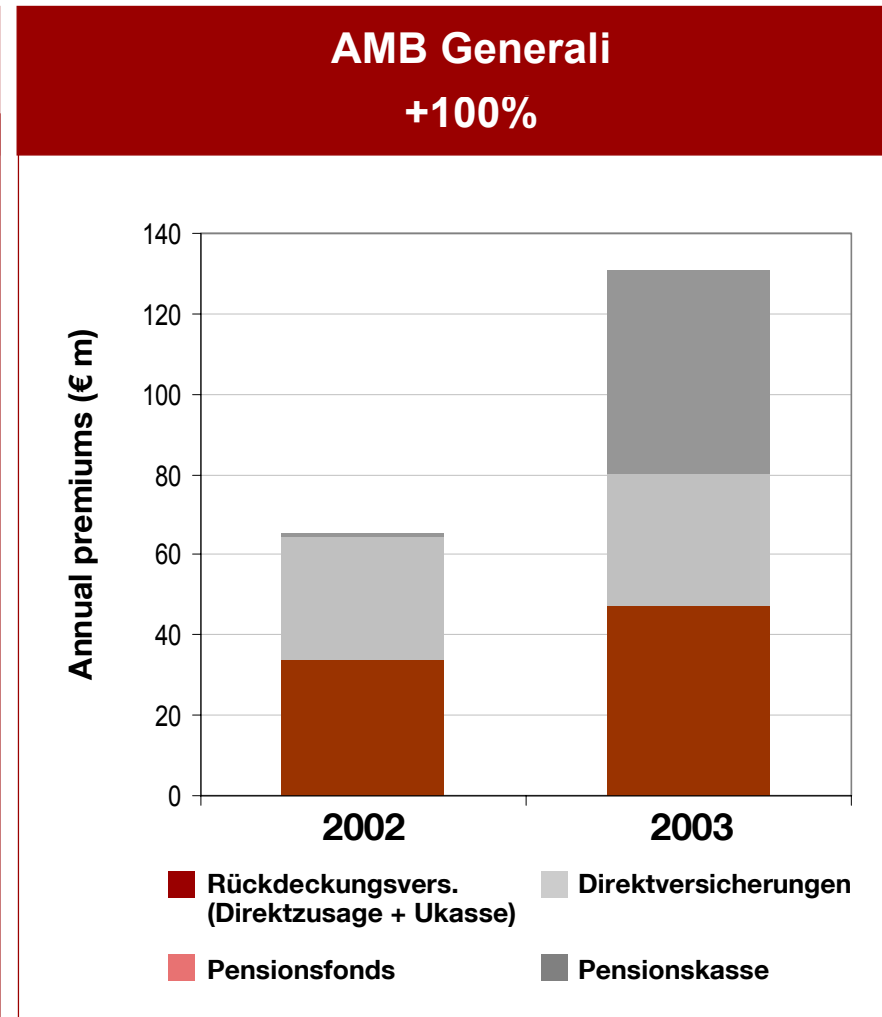
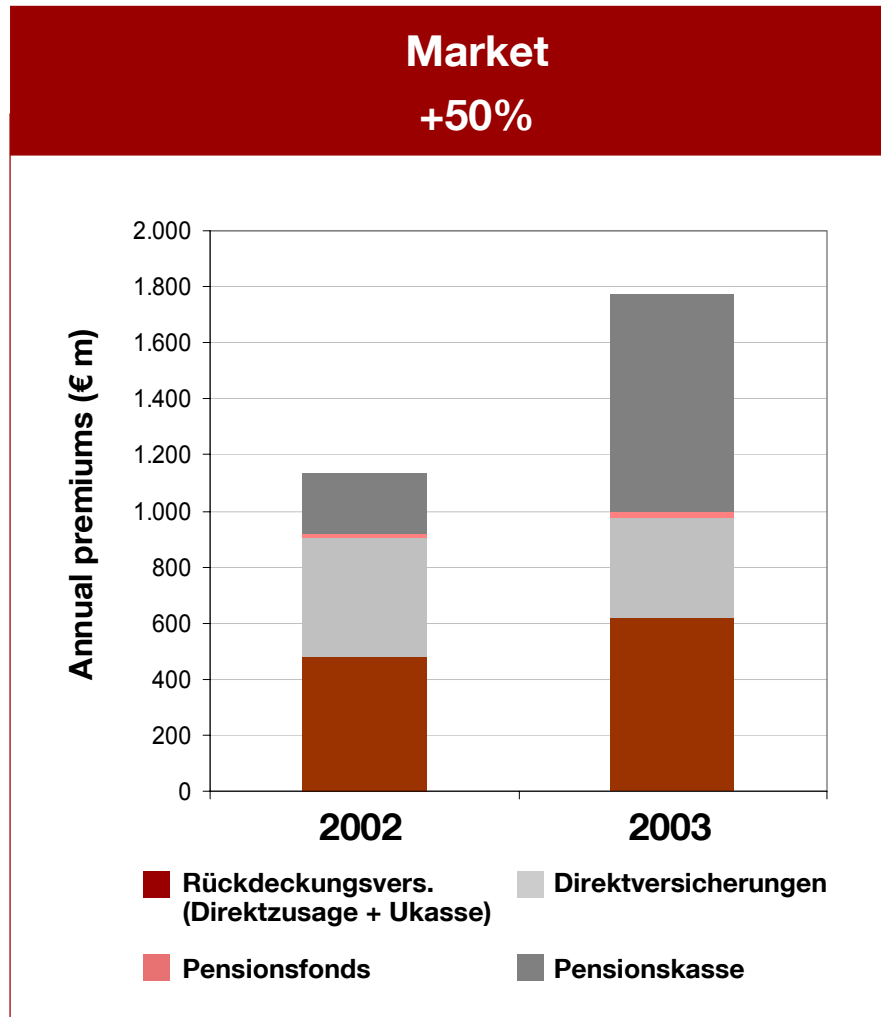
Tier 3: Traditional life insurance products

Product	<ul style="list-style-type: none">- Endowment policies- Annuity policies with endowment option- Unit-linked policies with / without endowment option
Product features	<p>All features of traditional products, e.g.</p> <ul style="list-style-type: none">- annuity payments may begin before age 60- benefits may be inherited, e.g. to family members- benefits may be transferred, e.g. to family members- amounts accumulated may be disposed of as loans- policy may be sold- annuity payments may be transformed into one discounted lump sum payment at maturity
Taxation	<ul style="list-style-type: none">- <u>Saving period</u>: payments not tax deductible; interest accrual of capital accrued not taxable- <u>Pay out period</u>: Endowments: taxation of interest accrual (surplus of pay out amount and respective payments; tax relief of 50%, if payment not before age 60 and contract duration minimum 12 years) Annuities: taxation of supposed interest accrual (e.g. 18% of annuity as tax base for annuity payment starting at age 65); equally valid for pre 2005 business

Life 2005: AMB Generali well positioned for change in product demand and product design



AMB Generali exceeded market growth in new business occupational pensions



Occupational pension market will stay attractive in 2005; changes in product demand probable

Occupational business products in general highly attractive:

- + Endowments can be inherited
- + Endowments possible
- + Competitive tax brackets / state subsidies
- + Protection from mandatory use of capital accrued in case of long term unemployment
- + Competitive pricing due to wholesale character of group business
- + Transferability to new employer increases acceptance
- + Good fit for joint contribution plans of employer and employee

Direktversicherung

- + Easy to explain; easy to manage
- + Good incentive structure

U-Kasse/ Rückdeckung

- + No tax driven limitation of contributions
- + Still tax brackets in payment period
- + Endowment possible

Pensionsfonds

- +/- Liberal regulation concerning asset allocation currently not sought after

Pensionskasse







- Still important but losing weight to Direktversicherung



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New mortality tables in Germany: Life expectancy increasing faster than anticipated

Remaining Life expectancy at age 65 (in years)			
	Current calculation (DAV 1994R)	New calculation (DAV 2004R)	Increase
Male  Year 2004 Year 2040	21 24	24 30	3  6  app. 2 times faster than anticipated
Female  Year 2004 Year 2040	25 28	27 34	2  6  app. 3 times faster than anticipated

Consequences of accelerated longevity for product calculation and balance sheet

Customer / product perspective

- **New business 2005 with 15% / 8% reduction of guaranteed annuity payment for men / women (30 year old applicant; begin of annuity payment at age 65)**
- **Surrender value / endowment option only marginally reduced in comparison to current products; however, total choosing annuity option will lead to a reduction of cumulative annuity payments (allowing for increased exposure to longevity risk)**

Company / balance sheet perspective

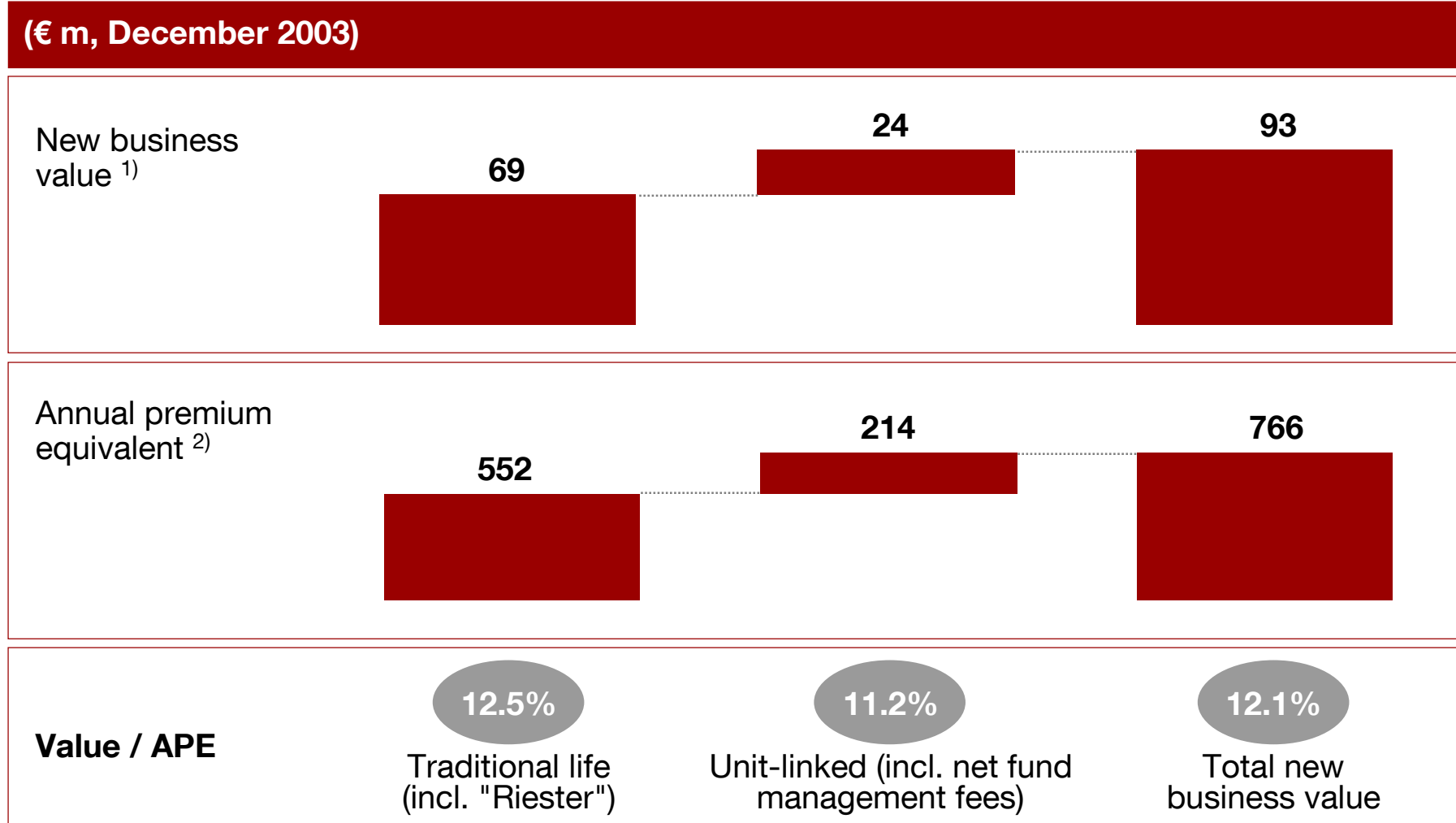
- **Currently safety margins have been large enough to account for increase in longevity**
- **German GAAP: maintaining safety margins and projection of future developments require additions to the respective reserves (app. € 4 bn for German market; € 0.3 bn for AMB Generali); different treatment of new business and in force: in force needs less reserving because of shorter contract duration and deeper knowledge of portfolio structure**
- **IFRS: loss recognition test based on current best estimates (incl. adequate safety margins) indicates no need for additional provisions**



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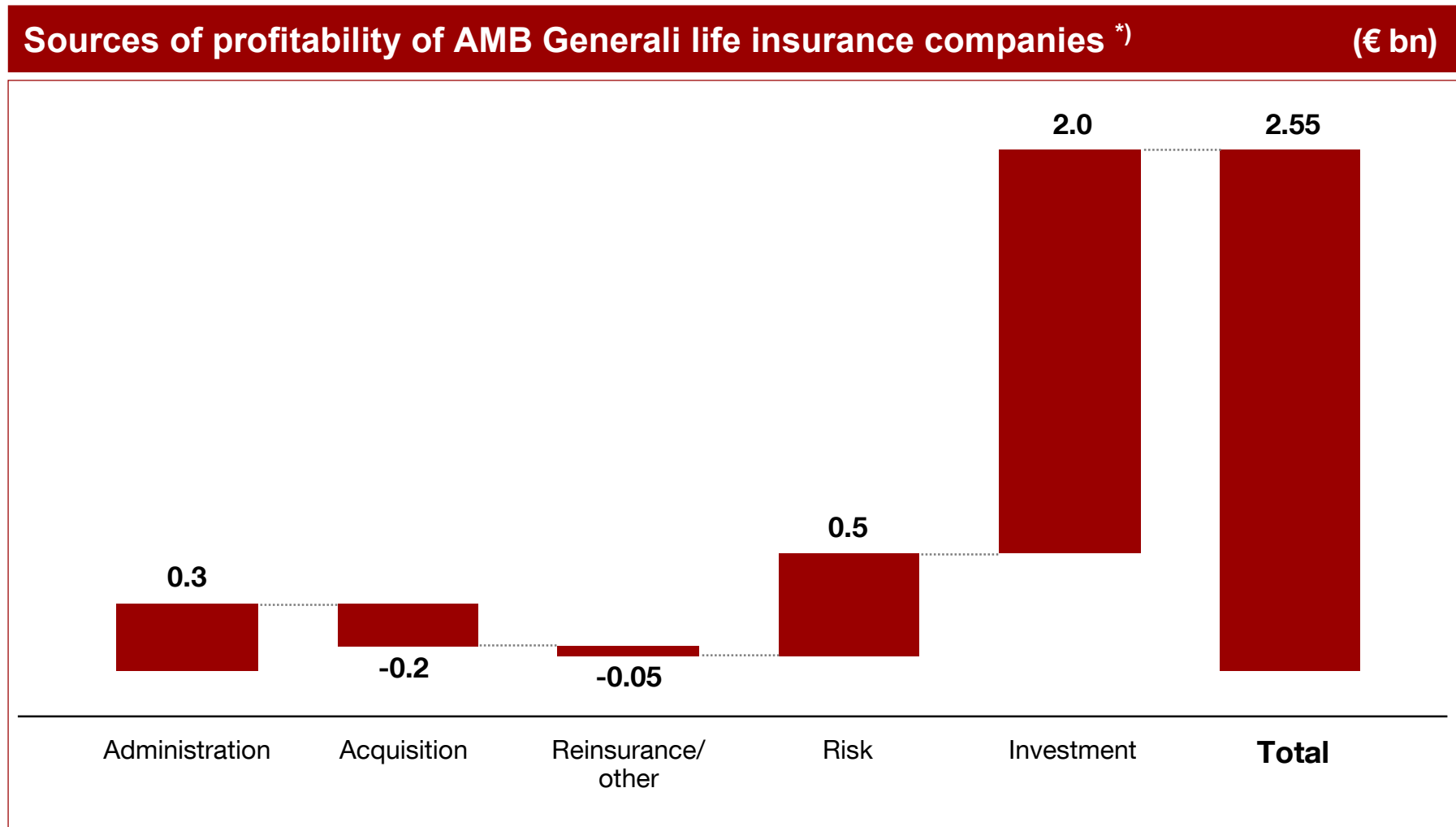
Good Life new business margins for AMB Generali products



1) tax assumption changed from previous year 0% to now 40% because of new tax law

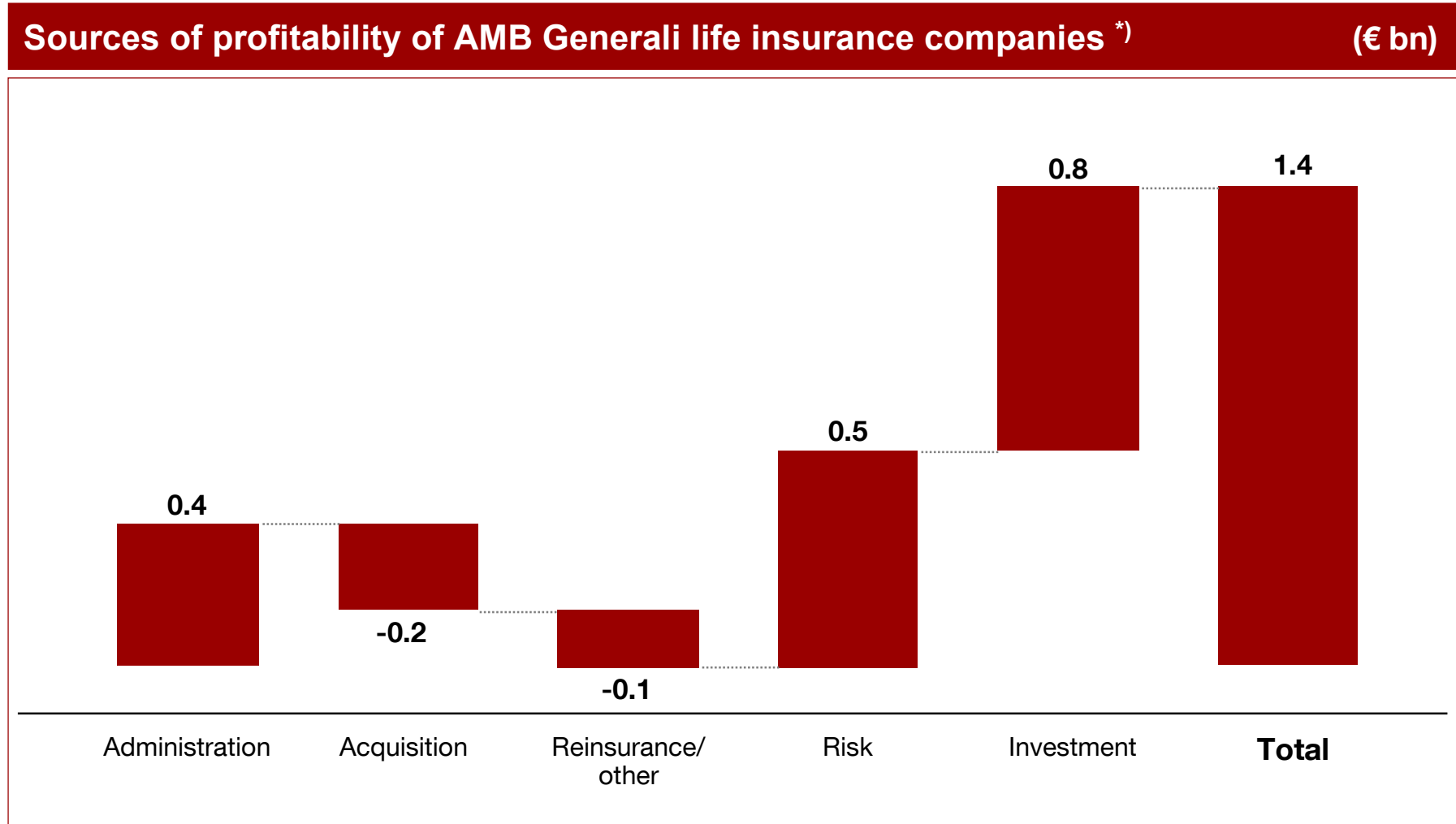
2) regular premiums plus 10% of single premiums on new policies issued in 2003; without dynamics and minorities

Investment result typically accounting for 80% of total profit (e.g. year 2000)



*) based on 2000 figures

Even in difficult years for financial returns various sources for solid gross result available



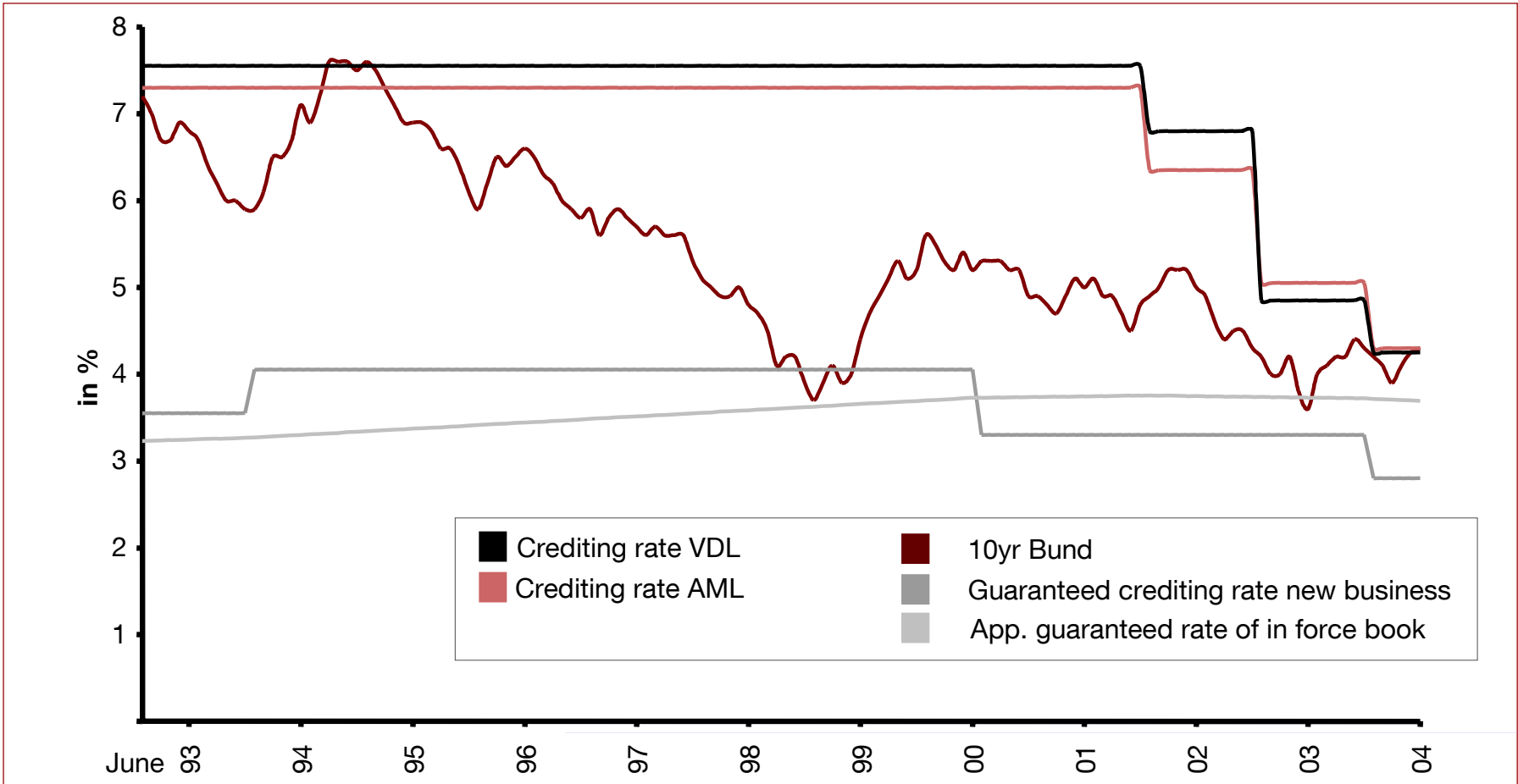
*) based on 2002 figures



AMB GENERALI

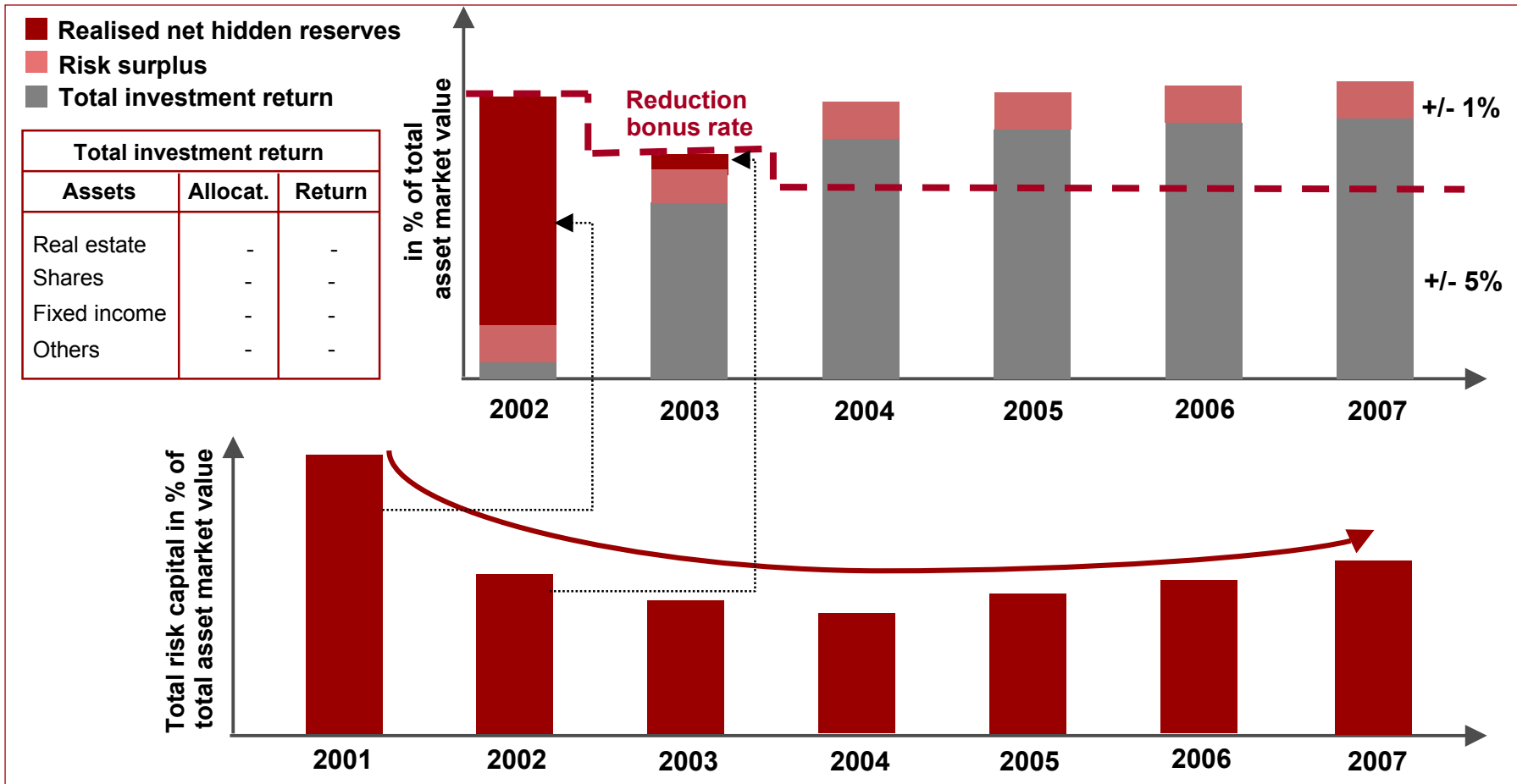
AMB Generali Group with bonus rate reductions to secure positive financial margin

Development of key crediting and earning rates over time



Hidden reserves, allowing for a lagged bonus allocation, smooth the bonus rate volatility

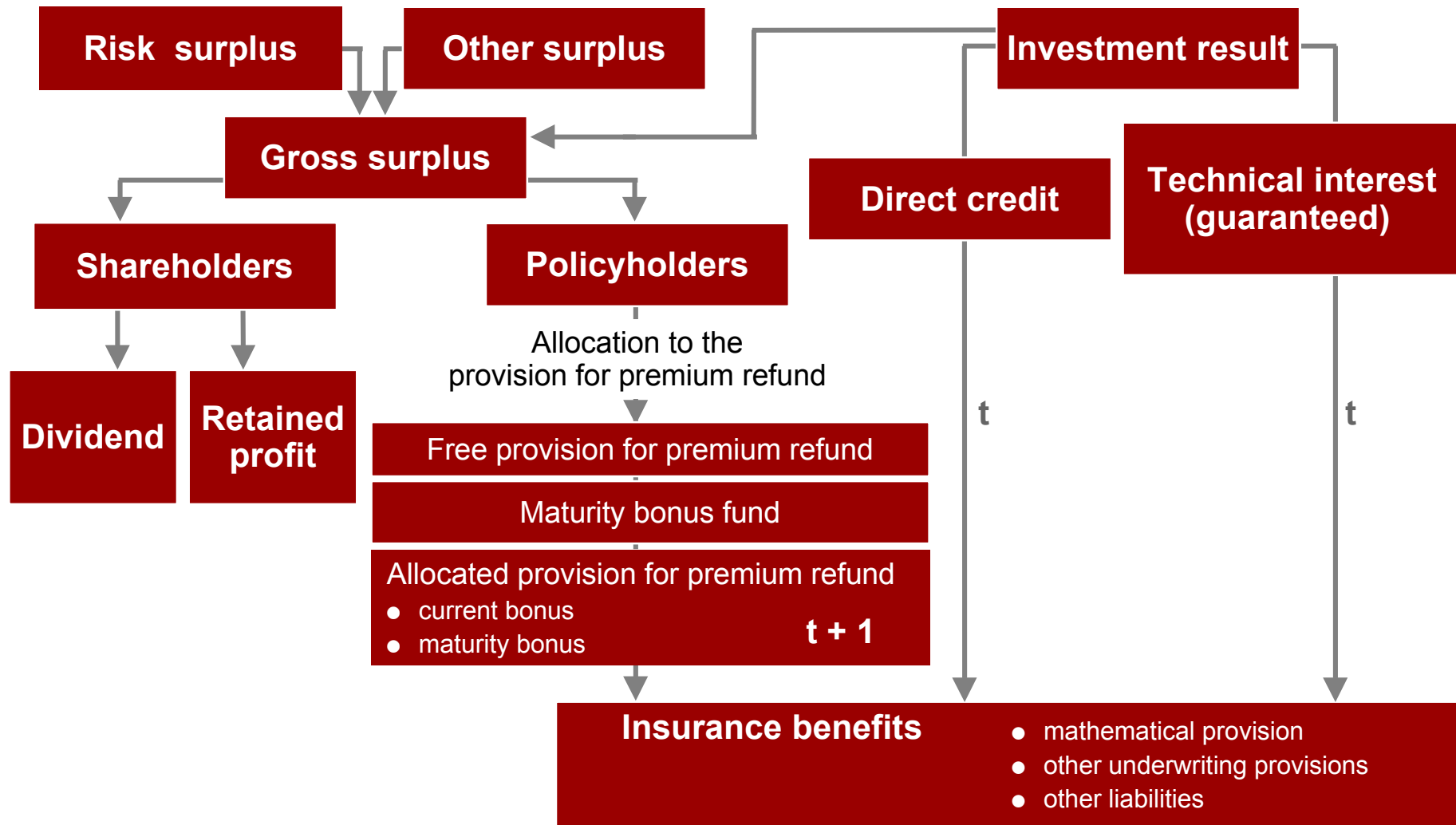
Conceptual



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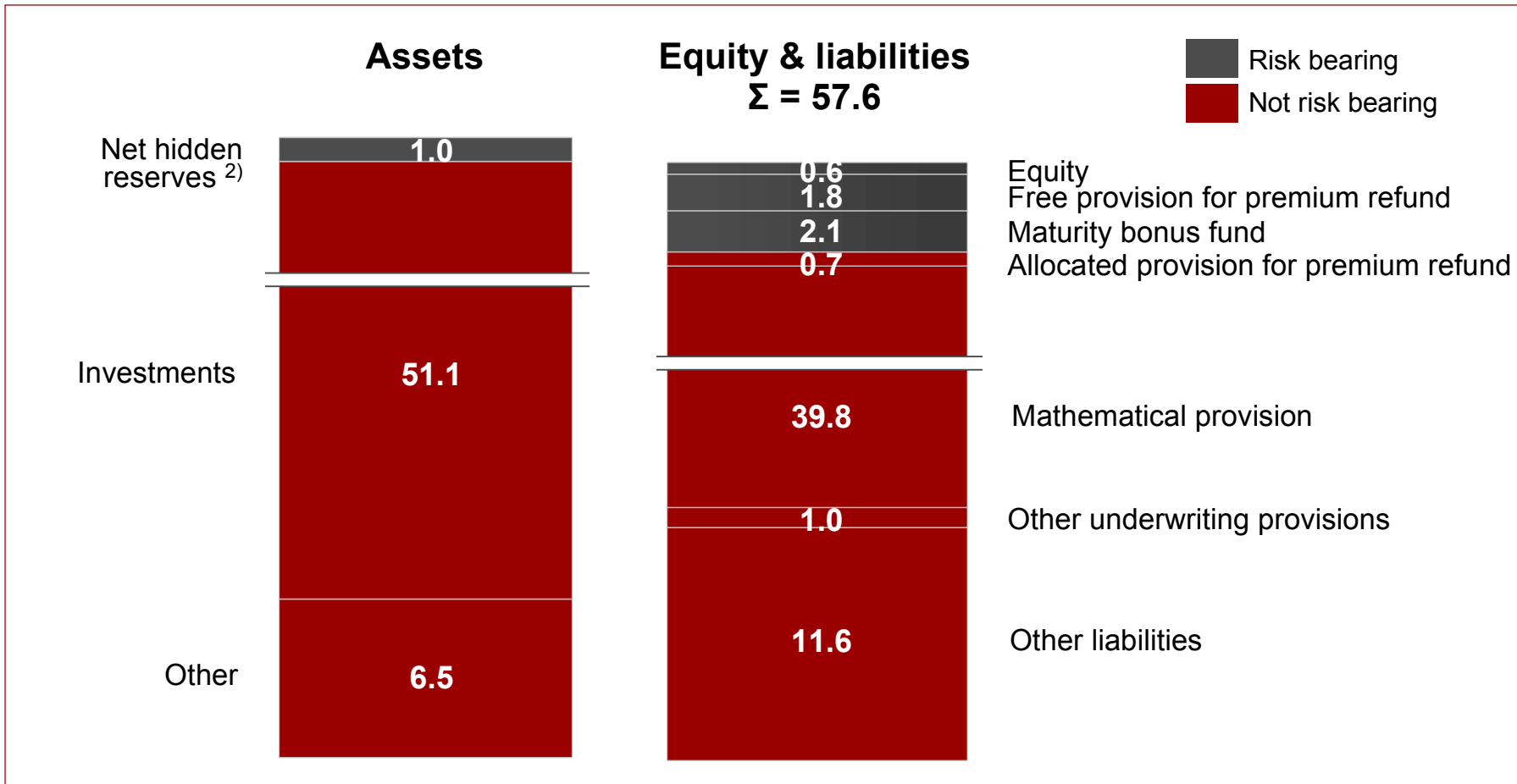
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Profit bonus process in German life insurance companies



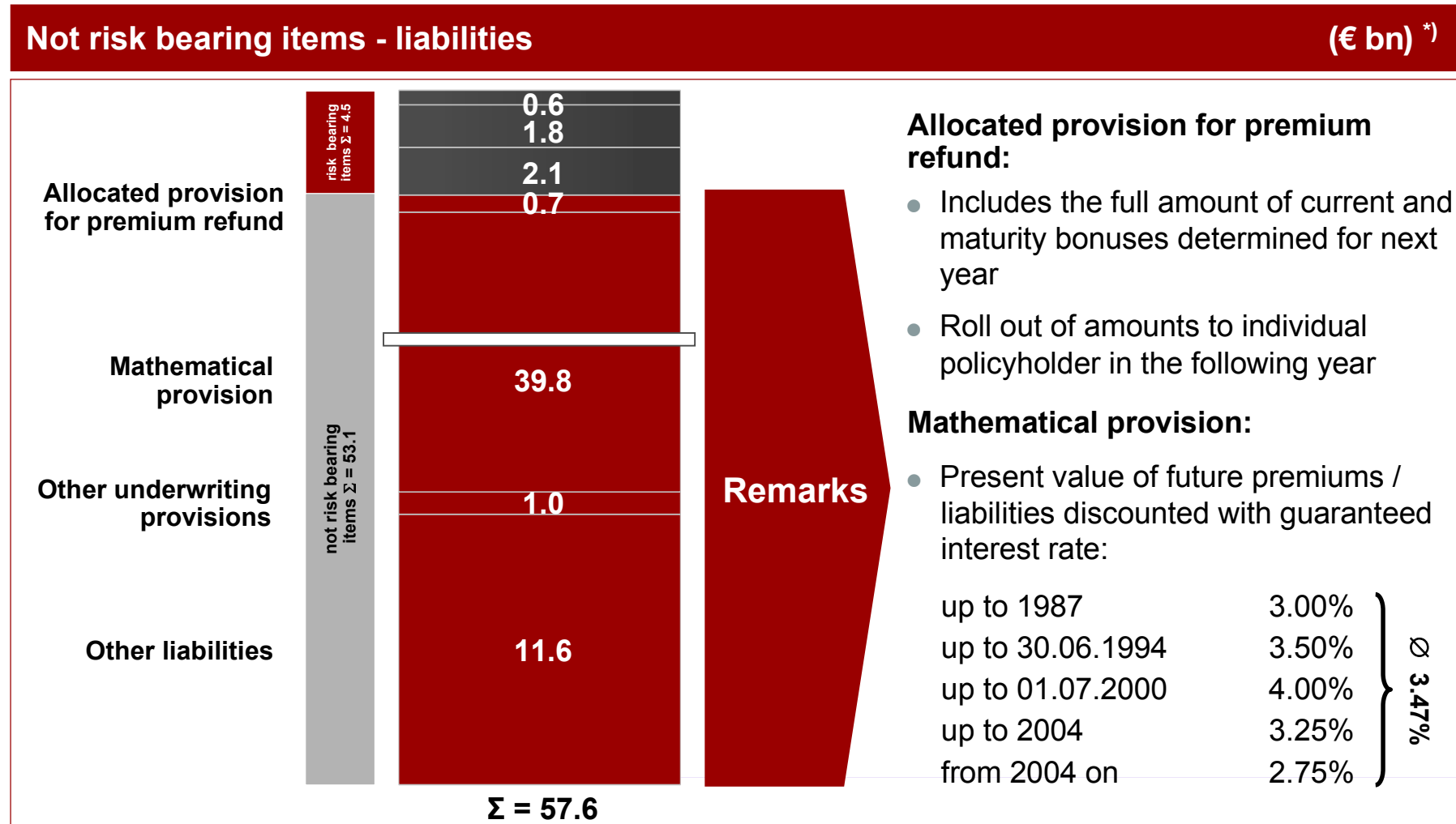
Typical balance sheet structure with different risk bearing items

Compound balance sheet structure of AMB Generali life insurance companies 2003 ¹⁾ (€ bn)



1) German GAAP, not consolidated
 2) following embedded value 2003

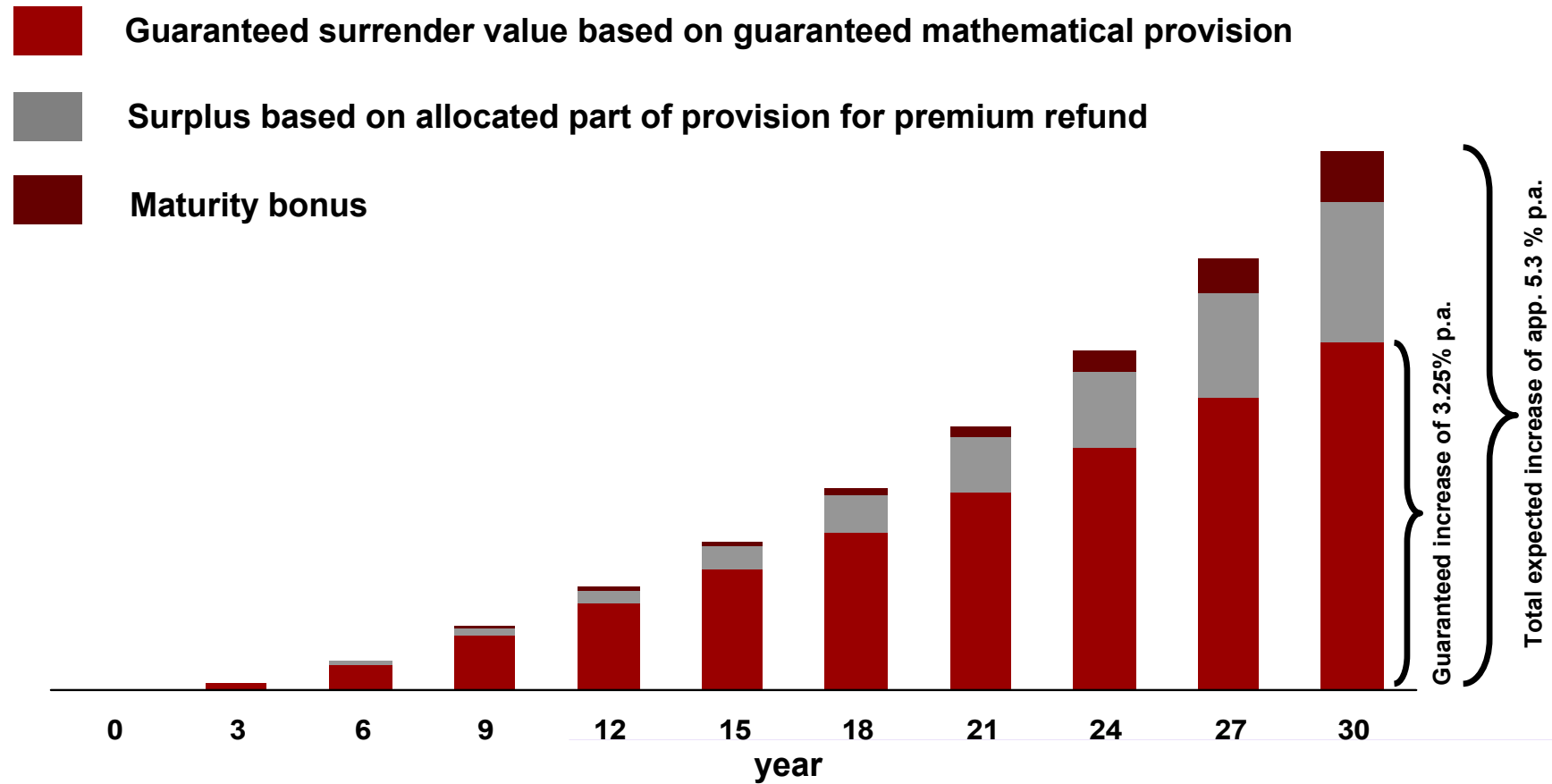
Mathematical provisions with conservative valuation approach of guaranteed interest rate



*) German GAAP, not consolidated

Bonus forecast always with conservative guarantee levels

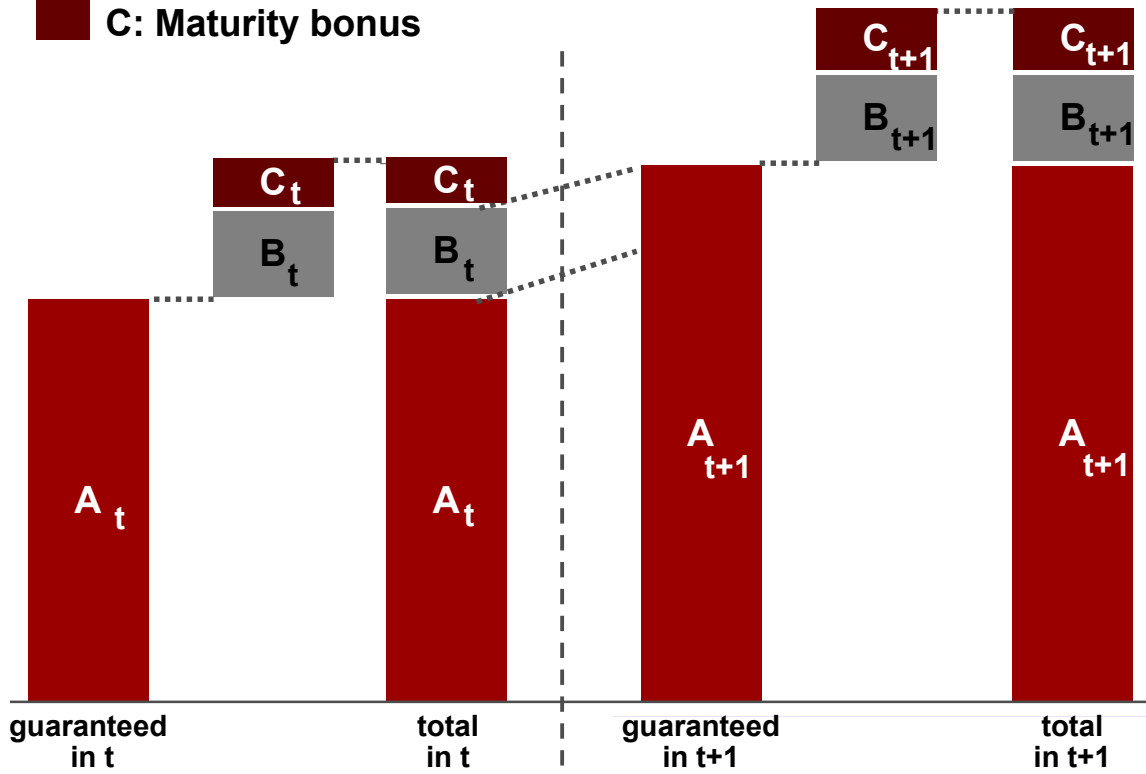
Typical development of liabilities - single contract



Historic performance locked in, guarantee for the future at lower level

Conceptual


- A: Guaranteed surrender value based on mathematical provision**
- B: Surplus based on allocated part of provision for premium refund**
- C: Maturity bonus**



Implications


- A: Guaranteed parts of liabilities earn an interest rate of e.g. 3.25%**
- B: Past bonus credited to policyholder; no obligation for future increase**
- C: Maturity bonus only paid out if not used up before as risk bearing capital**

External analysts convinced of AMB Generali



PAN-EUROPE


28 May 2004



German Life Insurance

Margin for Improvement

Insurance - Multi-line



Insurance

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Actionable Ideas

Our analysis carries useful insights on individual companies' competitive positions and allows a benchmarking of earnings and embedded value forecasts. While we are not making any estimate changes, we see about 5% upside to our Munich Re numbers and about 10% upside to our AMB fair value. In the case of Allianz and Munich Re, the earnings recovery we forecast is useful but not nearly a sufficient driver of the companies' overall earnings objectives. On AMB we were more confident in our forecasts and continue to believe in the stock's strong valuation attractions. MLP the stock most affected by the uncertain growth outlook.

Differing Competitive Positions

Of the five companies we have analysed, Munich Re's Victoria subsidiary is the one most distinguished from the pack. It has had the most acute balance sheet problems and it is not clear that its capital position is yet secure. Because of its weaker balance sheet it has had to cut its crediting rate further than others (3.6% in 2004 versus market average 4.4%), and this seems to be having a material impact on its ability to write new business this year.

Not surprisingly the market leader Allianz scores well on most, but not all, balance sheet measures. Its crediting rate is still above the market average. We question, though, whether this premium market positioning is still affordable. On our projections the crediting rate needs to

Allianz

One of our investment theses on Allianz to be realistic about the degree of earnings expect. We do forecast a strong rebound are still well below consensus. Having a potential from the German life segment we see in our view. Of the roughly €0.6-0.9 billion earnings improvement the company targets in its world-wide life & health operations, Germany can perhaps contribute €0.2 billion. This would certainly be welcome, but it still leaves a lot of improvement for the other territories to deliver. We think Allianz's shares are fairly valued, our fair value is €82 per share) and maintain our Neutral Recommendation.

AMB

AMB comes out of this analysis looking good operationally and we feel more comfortable with our earnings forecasts (which are a seemingly liberal interpretation of the company's targets). We continue to see strong valuation attractions in the shares, which trade at 1.1x embedded value versus the life sector average of 1.35x. We maintain our Buy recommendation and €77 price target.

MLP

The growth section of this report is relevant to MLP. The company is recovering from poor newsflow over the last four years and looks set to post a strong set of full-year 2004 revenue and profit figures. However, the 2005 outlook is

AMB

AMB comes out of this analysis looking good operationally and we feel more comfortable with our earnings forecasts (which are a seemingly liberal interpretation of the company's targets). We continue to see strong valuation attractions in the shares, which trade at 1.1x embedded value versus the life sector average of 1.35x. We maintain our Buy recommendation and €77 price target.

Back up

Value-based management definitions

Capital management	
Embedded value Group	<ul style="list-style-type: none"> Estimates the value of the whole AMB Generali Group (including PVFP Life and excluding goodwill / future growth) Shareholder funds based on market values of assets and liabilities Available capital to cover capital requirements from shareholder perspective
Economic capital	<ul style="list-style-type: none"> Amount of capital required to run the lines of business considering the total risk profile Calculated with reference to volatility and correlation; predefined risk threshold; including benefits from diversification ALM approach for life/health and DFA approach for p&c
Excess capital	<ul style="list-style-type: none"> Free capital not required for covering risks = Embedded value Group - Economic capital Allows for strategic investments and flexibility
Embedded value Life	<ul style="list-style-type: none"> "Traditional" Embedded value disclosure Estimates the value of current life business operations excluding future new business = Present value of future profits Life + Shareholder's net worth Life - Cost of capitalisation Life
Performance management	
RoEV	<ul style="list-style-type: none"> Key measure of total Group-wide return Consideration of Excess capital and non-operations effects (investment / tax variances) Value is created if RoEV > Cost of capitalisation
RoEC	<ul style="list-style-type: none"> Measures the risk-adjusted performance of business segments by assuming normalised asset returns and taxes Return is under management control

Embedded value Life to support value-based management in life

- Embedded value Life (EV Life) estimates the value of current life business operations
- Components of EV Life:

$$\begin{array}{ccccccc} \text{Embedded} & & \text{Present value of} & & \text{Shareholders'} & & \text{Cost of} \\ \text{value} & = & \text{future profits} & + & \text{net worth} & - & \text{capitalisation} \\ \text{(EV Life)} & & \text{(PVFP Life)} & & \text{Life} & & \text{(CoC Life)} \end{array}$$

- In line with Generali Group wide approach
- External opinion from Tillinghast



Embedded value Life: Components in detail

Present value of future profits Life	<ul style="list-style-type: none">• Statutory after-tax earnings generated by life business in force including value of internal reinsurance and fee income arising in AM Generali Invest associated with unit-linked life business• Contains shareholders' interest in all unrealised capital gains and losses (UCG/UCL)• Values free RfB by "attribution approach"• Deterministic calculation based on realistic assumptions and current economic market conditions• Includes future premium increases on existing business (except for future "Riester-steps")
Shareholders' net worth Life	<ul style="list-style-type: none">• Statutory shareholders' equity
Cost of capitalisation Life	<ul style="list-style-type: none">• Assumes lock-in of 100% of shareholders' net worth• Present value of difference between risk discount rate and shareholders' part of expected investment return• Not allocated to PVFP or new business value

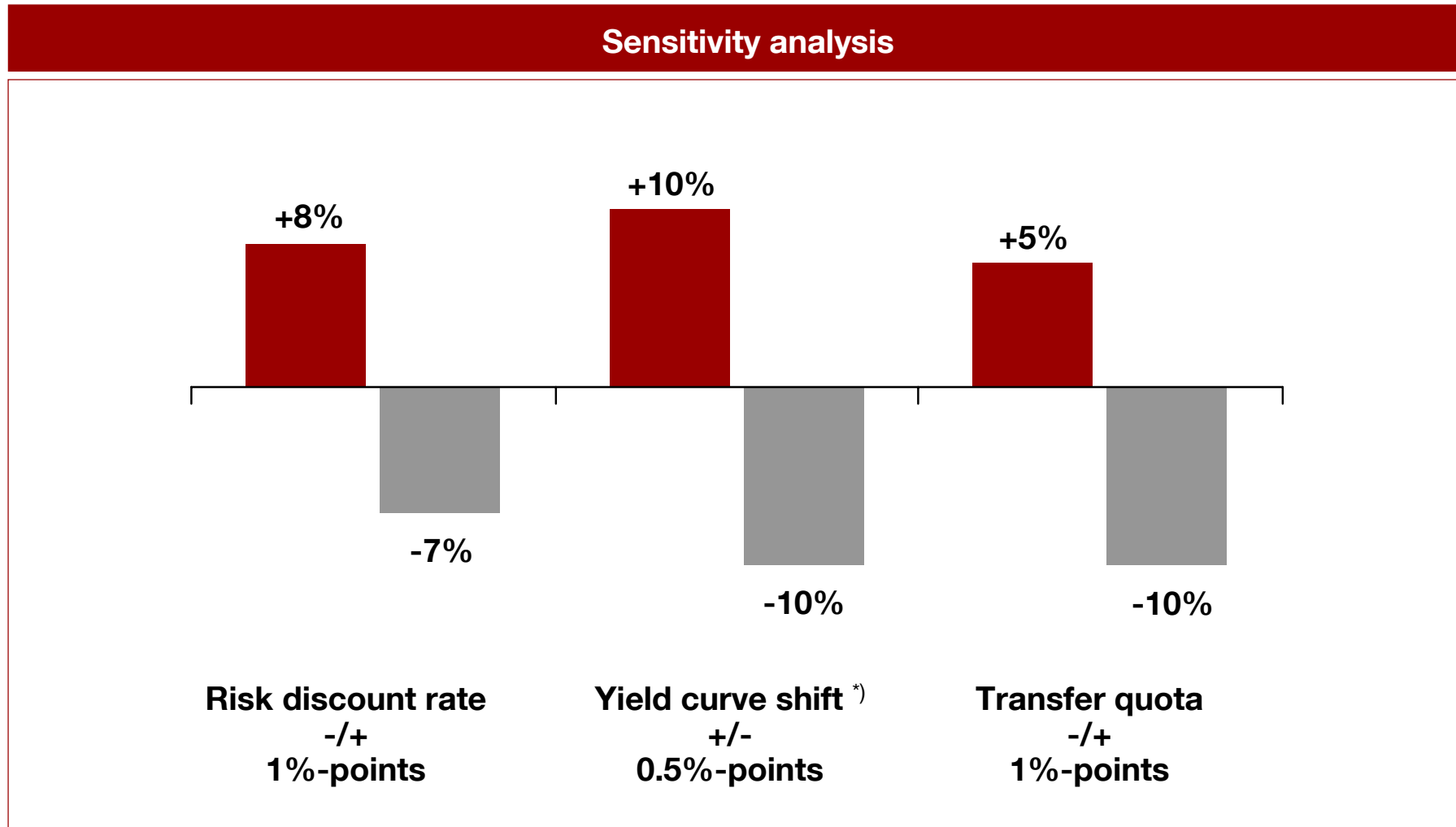


Embedded value Life and Value of new business Life assumptions

	EV Life 2003	EV Life 2002
Risk discount rate (RDR)	7.05%	7.05%
Risk-free rate (10-year government bonds)	4.30%	4.30%
Fixed income return	4.51%	4.68%
Equity return	7.05%	7.05%
Average long-term asset mix (FI / Eq / Other)	84 / 11 / 5	80 / 15 / 5
Book return	include emergence of UCG/UCL	
Tax rate	40%	0%
Average long-term shareholders' participation	9.0%	9.2%
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



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Disclaimer

Certain of the statements contained herein are statements of future expectations and other forward-looking statements.

These expectations are based on management's current views and assumptions and involve known and unknown risks and uncertainties.

The user of such information should recognise that actual results, performance or events may differ materially from such expectations because they relate to future events and circumstances which are beyond our control including, among others, general economic and sector conditions.

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