AMB GENERALI

Group Report
2007

AMB Generali Group

+3.9 %

Change of equity capital over previous year

+2.7 %

Increase in total premiums

€ 2.90

Proposed dividend

+20.6 %

Increase in Group net profit

Growth of total premiums to

€ 13.8 bn

95.3 %

Combined ratio

€ 499 m

Group net profit including extraordinary tax items

>>

Overview

Key figures of the AMB Generali Group

		2007 €	2006 €	Change in %	Page
Income Statement					
Total premiums[1]	**m**	**13,768.5**	**13,407.6**	**2.7**	**26, 43, 119**
Gross premiums written	**m**	**11,771.4**	**11,743.2**	**0.2**	**43, 119**
of which (fully consolidated figures): life	m	6,991.3	7,085.0	-1.3	42, 119
health	m	1,741.5	1,665.6	4.6	42, 119
property/casualty	m	3,038.6	2,992.6	1.5	42, 119
Investment income (net)	m	3,684.2	3,764.1	-2.1	43, 120 ff.
Claims and benefits (net)	m	-11,835.1	-11,561.0	2.4	43, 124 f.
Operating expenses (net)	m	-2,101.4	-2,386.1	-11.9	43, 125
Earnings before tax and finance costs	m	627.0	614.5	2.0	44, 78
Finance costs	m	-18.0	-13.4	34.2	44, 78
Tax	m	-109.6	-150.1	-27.0	44, 78, 126 f.
Net profit[2]	**m**	**499.4**	**450.9**	**10.7**	**44, 78**
Net profit before extraordinary tax items[3]	**m**	**417.4**	**346.2**	**20.6**	**44, 78**
Balance Sheet					
Assets under management	**bn**	**86.8**[4]	**95.4**	**-9.0**	**44, 80, 133 ff.**
Equity	**bn**	**4.1**	**4.0**	**3.9**	**81, 82, 144 f.**
Number of employees[5]		15,994	17,606	-9.2	52 f.,159
of which fieldstaff		4,275	5,176	-17.4	52 f.,159
administrative staff		11,719	12,430	-5.7	52 f.,159
AMB Generali share					
Earnings per share		**9.28**	**8.36**	**11.0**	**23, 78, 127**
Dividend per share		**2.90**[6]	**2.30**	**26.1**	**9, 22 f., 51**
Dividend distribution	m	155.7[6]	123.5	26.1	23, 51
Price of AMB Generali share as at Dec. 31		**106.75**	**109.50**	**-2.5**	**9, 22**

1 including the savings portions of the life insurance products concerned and the premiums of investment contracts

2 of which € 498.1 m attributable to the Group and € 1.3 m to minority interests (corresponds to the line items on the Income Statement "of which attributable to the equity holders of the parent" and "minority interests")

3 in 2007 income of € 82.0 m attributable to tax-rate change; in 2006 income of € 104.7 m due to corporation tax credit

4 As a result of the contribution of the stakes held in AMB Generali Asset Managers Kapitalanlagegesellschaft into Generali Investments S.p.A. which is not covered by the consolidation scope of the AMB Generali Group, the assets managed by the company for third parties are no longer included.

5 average number of employees in the enterprises included in the consolidation scope

6 subject to shareholder resolution at the General Meeting

AMB GENERALI

Multi-line insurers and strong sales partners for our single-line providers

Aachen Münchener

Dreams need security

Staff: 2,772
Customers: 4.5 million
Premiums: € 4.9 bn

Volksfürsorge

No worries, Volksfürsorge

Staff: 4,670
Customers: 5 million
Premiums: € 3.1 bn

GENERALI Versicherungen

Protection under the wings of the lion

Staff: 1,974
Customers: 2.5 million
Premiums: € 2.1 bn

CosmosDirekt.

Germany's biggest direct-selling insurer

Staff: 1,049
Customers: 1.5 million
Premiums: € 1.3 bn

Single-line providers Life and health

central

Healthcare moves us

Staff: 1,217
Customers: 1.6 million
Premiums: € 1.7 bn

ENVIVAS Krankenversicherung AG

Tailor-made supplementary health cover

Customers: 400,000
Premiums: € 21.4 m

AMB GENERALI Pensionsfonds

Lifelong pension for worry-free retirement

Corporate customers: 118
Premiums: € 11.8 m

AMB GENERALI Pensionskasse

Competency + service in corporate pensions

Customers: 175,000
Premiums: € 201.7 m

Dialog: Lebensversicherungs-AG

THE specialist for biometric risks

Staff: 97
Customers: 250,000
Premiums: € 174 m

Single-line providers Legal expenses

AdvoCARD

Lawyers love Advocard with its "already done" service

Staff: 164
Customers: 1.4 million
Premiums: € 186.2 m

Single-line providers Financial services

Deutsche Bausparkasse BADENIA

Specialist for housing finance

Staff: 802
Customers: 1.2 million
Contract portfolio: € 26.5 bn

GENERALI Investments

Fund company and asset manager

Staff: 105
Customer deposits: 130,000
Assets u. mgtmt: € 75.7 bn

AMB GENERALI SicherungsManagement

Cover for accumulated working hours

Corporate customers: 1,500
Covered volume: € 375 m

Service companies

AMB GENERALI Immobilien

International property investments and portfolio management

AMB GENERALI Informatik Services

Full-service IT provider

AMB GENERALI Schadenmanagement

Biggest stand-alone claims manager in the German insurance market

AMB GENERALI Services

Shared-service organization offering broad range of services

all figures are rounded

Increase of Group net profit and market-share gains in all lines of insurance business

- Profit rises by 21 percent from € 346 m to 417 m – including extraordinary tax items the Group net profit 2007 amounts to € 499 m
- Measures initiated to increase efficiency and effectiveness are yielding positive results – total costs drop by € 74 m to 1,744 m
- Positive claims experience and cost development contribute to further reduction of combined ratio to 95.3 percent – despite approx. € 60 m of net claims expenditure for storm "Kyrill"
- Total premiums rise by an above-average rate of 2.7 percent to € 13.8 bn
- Top positions in the Riester and basic pension business, unit-linked life insurance, term life insurance and direct selling
- Board of Management and Supervisory Board propose to the General Meeting a dividend increase of 26 percent to € 2.90 per unit share

Strategic focus on profitable German business with private customers and small/medium-sized commercial clients

- One of the biggest primary insurance groups in the German market with an excellent position in the promising business fields of private provision for old age and healthcare
- Clear orientation on all three pillars of our distribution-channel model:
  - Exclusive distribution activities of AachenMünchener through strategic partnership with Deutsche Vermögensberatung, direct selling through CosmosDirekt and multi-channel distribution through the merged Generali and Volksfürsorge company currently being created
  - Strength and competency of specialized providers (such as Advocard, Badenia, Central and Dialog)
- Excellent ratings from agencies of international renown

Ambitious targets for the coming years

- Further increase of efficiency, effectiveness and quality in insurance business
- Expansion of market share in insurance business while raising profitability
- Group net profit targets of € 450 m in 2008, € 500 m in 2009 and € 550 m in 2010
- Long-term target: number 1 in profitability and distribution strength in German business with private customers and small/medium-sized commercial clients

Contents

Supervisory Board

Prof. h.c. Dr. h.c. (RUS)
Dr. iur. Wolfgang Kaske
Chairman
Attorney

Monika Hendricks*
Deputy Chairwoman
Insurance employee

Dott. Sergio Balbinot
Managing Director of
Assicurazioni Generali S.p.A.

Antoine Bernheim
Chairman of
Assicurazioni Generali S.p.A.

Martin Blessing
Member of the Board of Management
of Commerzbank Aktiengesellschaft

Prof. Avv. Gerardo Broggini
Attorney, Broggini law office

Shirley Drewing-Jeitner*
Insurer
(until December 31, 2007)

Dr. Alfredo Gysi
Chief Executive Officer of BSI SA

Karl-Rupert Hasenkopf*
Insurance employee

Susanne Hille*
Trade Union Secretary of the
trade union ver.di – Vereinte
Dienstleistungsgewerkschaft

Brigitte Jakob*
Trade Union Secretary of the
trade union ver.di – Vereinte
Dienstleistungsgewerkschaft

Dr. Michael Kalka
Retired Chief Executive

Dr. Helmut Kohl
Former German Chancellor

Thomas Körber*
Management employee of
AMB Generali Services GmbH

Michael Kuß*
Insurance employee

Martin Lemcke*
Head of the Codetermination Division
at the Federal Executive Committee
of the trade union ver.di – Vereinte
Dienstleistungsgewerkschaft

Prof. Dr. jur.
Dr. h.c. mult. Reinfried Pohl
Chief Executive Officer of
Deutsche Vermögensberatung
Aktiengesellschaft DVAG

Hans-Joachim Schroeder*
Insurer
(since January 1, 2008)

Roland Schwarz*
Banker

Rudolf Winkelmann*
Insurance expert BWV

Dr. Wilhelm Winterstein
Retired banker

* Employees' representative
For the mandates held by the members of the Supervisory Board and the Board of Management see pages 169 ff.

Board of Management

Christoph Schmallenbach
Member of the Board of Management
(since July 15, 2007)

Information Technology
Operational Organization
Process Optimization
Internal Audit

Dietmar Meister
Chief Executive Officer
(since July 1, 2007)

Group Development
Human Resources
Controlling/Risk Management
Finance/Accounting
Law
Corporate Communication
Distribution
Building Society

Dott. Lorenzo Kravina
Member of the Board of Management
(May 16, 2007 until March 31, 2008)

Life Insurance
Health Insurance
Property and Casualty Insurance
Legal Expenses Insurance
Reinsurance

Dear Madam, Dear Sir,

Your company, the AMB Generali Group, has not only reached its ambitious targets in the closed business year, but it has by far exceeded most of them. Already in the middle of the year we had raised our original earnings target from € 380 m to 400 m for 2007. We even exceeded that target slightly and increased our Group net profit to € 417 m, up 21 percent from € 346 m in the previous year. Thanks to the prosperous diversity of our distribution channels, the total premiums of insurance business increased by 2.7 percent to € 13,768 m. For the fourth consecutive year we have thus achieved a stronger growth than the market.

This success is supported by all insurance segments. In life insurance we continue to benefit from our top position in the Riester and basic pension business. The new business of our life insurers again witnessed a better development than the market. The growth of total premiums was also noticeably stronger than in the market and we were able to expand our market share again.

Our health insurers are acting in a market which continues to be dominated by the parameters of the healthcare reform. Although access to private health insurance has become more difficult for customers, we nevertheless succeeded in achieving growth above the market level also in this sub-segment.

In property and casualty insurance we continued our strategy of concentrating on profitable customer segments. We again surpassed our target of growing in line with the market and gained market share in this segment, too. At the same time we were able to keep our combined ratio below our target of 97 percent, despite the repercussions of the storm “Kyrill” and the ensuing claims expenditure for the Group. In this field we benefit from our underwriting policy oriented on profitability and from the initiated measures to improve our claims and cost position.

You as our shareholders will benefit from the positive development of your company. The Board of Management and the Supervisory Board propose to the General Meeting to increase the dividend from € 2.30 to 2.90 per unit share, which equals a 26 percent rise.

In the future we are set to further expand the success we have achieved by means of targeted measures. One of the focus areas of our strategic enhancement is the merger of our two multi-channel insurers, Generali Versicherungen in Munich and Volksfürsorge Versicherungen in Hamburg. The target of this merger is to reduce complexity within our Group, shape structures more efficiently and cut costs. We thus aim to sustainably increase profitability and distribution strength and are set to reinforce and expand our position as one of the leading providers in the German primary insurance market with regard to the quality of our services and products as well as in terms of profitability.

>> Without the great commitment of our employees we would not have been able to reach the results presented. <<

DIETMAR MEISTER, CHIEF EXECUTIVE OFFICER

We are firmly convinced that we will implement this merger project just as successfully and systematically as we did with the transfer of AachenMünchener's distribution network into Allfinanz Deutsche Vermögensberatung AG last year. With more than 1,230 agents, a distribution capacity of approximately 92 percent of AachenMünchener's predecessor organization changed over to Allfinanz on January 1, 2008. I wish to express my sincere thanks to everyone involved in this successful integration, above all to Dr. Pohl and his family, to the management of Deutsche Vermögensberatung and to the staff of AachenMünchener.

We also witnessed a positive development of our measures integrated within our "*MOVE*" programme, which were already initiated in 2006 and implemented last year with a view to sustainably strengthening efficiency, effectiveness and quality in the fields of claims management, shared services and standard customer services. The Group-wide consolidation of important services was completed with the launch of AMB Generali Schadenmanagement GmbH as the new claims specialist in the Group and AMB Generali Services GmbH where major support processes have been centralized for our companies. In the field of standard customer services we aim to harmonize the classical operations of customer service while purposefully maintaining direct customer contact in the Group companies.

The year 2007 was both very challenging and very successful for us. We had set ambitious targets for ourselves and reached them. And also for the year that lies ahead we have our eyes firmly on our targets in order to assert ourselves in an increasingly competitive market. We will thus continue our successful course in 2008; in some areas we will even have to accelerate pace. In other words: the year 2008 will again be a year of change in our Group. Some of these changes are driven by external factors – such as the new Insurance Contract Act – while others are initiated by ourselves. With the focus of our multi-line insurers on the three distribution pillars of multi-channel sales, direct selling and our strategic distribution partnership with Deutsche Vermögensberatung we have laid the vital foundations for the long-term success of the AMB Generali Group.

The successful development in the closed business year is to a very decisive extent attributable to the employees of the AMB Generali Group. Without their great commitment and their repeatedly demonstrated willingness to take an active part in implementing change we would not have been able to reach the results presented. In the year under report we again had to demand and expect a lot from our staff. I wish to take the opportunity of this letter to our shareholders to thank our employees for their willingness to implement change and for their cooperation, which has always been constructive.

Change is a sign of our times. AMB Generali has acquired a position of strength from which we are able to actively shape the future of our Group. With your trust and your interest in our work, dear shareholders, you support our successful development. Also on behalf of my associates in the Board of Management I wish to express my sincere thanks to you. You may be assured that in the year 2008 we will again do everything in our power in order to safeguard your investment and to further increase corporate value.

Yours faithfully,

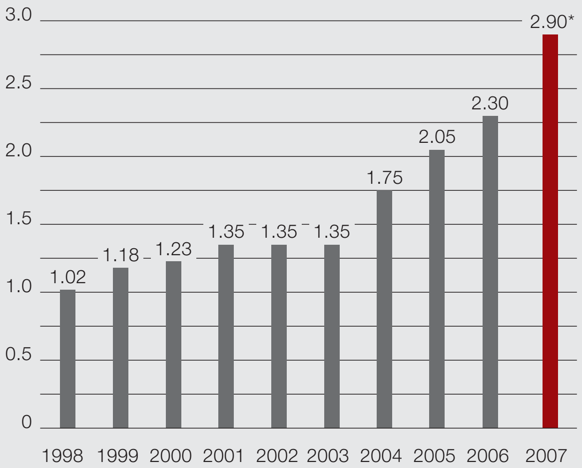
Dietmar Meister
Chief Executive Officer

Performance of the AMB Generali share 2003–2007

Figures in €

Dividend per share 1998–2007

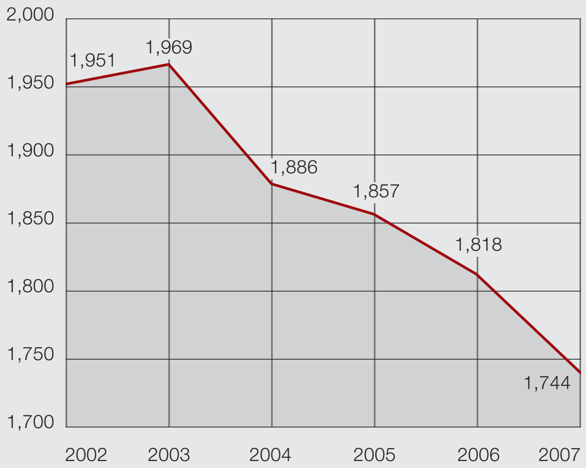
Figures in €



* subject to shareholder resolution at the General Meeting

Total costs* 2002–2007

Figures in € m



* without commissions and one-off restructuring costs

12.3% Average annual growth rate of dividend

€ -74 m Further decrease of total costs in 2007

Dear Shareholders,

Dr. Wolfgang Kaske

In the year under report, the Supervisory Board of AMB Generali Holding AG continuously monitored the conduct of business of the Board of Management and accompanied management with its advice. For fulfilling the tasks assigned to us by law, the Articles of Association and the internal rules of the Supervisory Board, we regularly obtained detailed reports from the Board of Management about the business development, the situation and business policy of AMB Generali and its major subsidiaries. In addition, the Board of Management provided us with comprehensive information on corporate planning, risk situation and risk management as well as on the status of the major activities in the AMB Generali Group with a view to improving earnings by projects across the Group and by measures at the level of the individual companies. The reports were given in writing and verbally and were subsequently discussed with the Board of Management. Furthermore, as the Chairman of the Supervisory Board, I was continuously in close contact with the Chief Executive and obtained regular information on the decisions of the management.

In order to fulfil its tasks efficiently, the Supervisory Board – in addition to the statutory committee to be set up in compliance with section 27 para. 3 of the Co-Determination Act – has established a General Committee and a Committee for Matters of the Board of Management. These committees prepare the issues to be handled by the full Supervisory Board. To the extent this is legally permissible, the Committees have also been authorized to take decisions.

General information

In the business year 2007 there was a change in the membership of the Supervisory Board. Mrs. Shirley Drewing-Jeitner resigned from her office at year-end 2007. As a substitute member, Mr. Hans-Joachim Schroeder succeeded her in the Supervisory Board.

In the year under report the Supervisory Board held six meetings. The General Committee, which in particular handles the transactions subject to the approval of the Supervisory Board in accordance with the internal rules of the Supervisory Board, met twice. The Committee for Matters of the Managing Board, which deals in particular with the employment contracts of the members of the Board of Management, held three meetings. The committee under section 27 para. 3 of the Co-Determination Act did not have to be convened.

Major issues of deliberation and resolutions

In the business year 2007, the following issues were of particular importance for the work of the Supervisory Board:

New appointments to the Board of Management

Upon the resignation of Dr. Thießen, in agreement with the Supervisory Board, as at June 30, 2007, the Supervisory Board decided to appoint Mr. Dietmar Meister, until then the Chief Financial Officer, as Chief Executive. In addition, Dott. Lorenzo Kravina, until then a General Representative of the company, was appointed as a member of the Board of Management, already with effect from May 16, 2007. Furthermore Mr. Christoph Schmallenbach was appointed to the Board of Management with effect from July 15, 2007. Since 1991 Mr. Schmallenbach has held various functions within the AMB Generali Group, most recently as a member of the Board of Management of AachenMünchener Versicherungen.

Merger of Generali Versicherungen and Volksfürsorge

In September the Board of Management presented to the Supervisory Board its plans for the merger of Generali Versicherungen with Volksfürsorge. Also at its following meeting, the Supervisory Board was informed on the further development of the “New Generali” project, which is to be largely implemented in the course of the current business year. The opportunities and risks involved in the project were discussed in detail at each of these meetings. The Supervisory Board will continue to concern itself intensively with this issue.

Reporting on other project activities

The Supervisory Board was also regularly informed about the measures to increase the AMB Generali Group’s competitiveness, which were already initiated in the previous business year and are comprised under the project name "*MOVE*".

AMB Generali Services GmbH, where the Group has consolidated the functions of the areas of accounting, tax and logistics, and AMB Generali Schadenmanagement GmbH as the Group’s new claims specialist, took up their operations in the business year 2007. This has been the subject of regular reports and discussions, just like the individual measures of the Group companies as well as the international projects to increase efficiency and competitiveness, in which the AMB Generali Group participates.

The transfer of the tied-agent network of AachenMünchener into Deutsche Vermögensberatung AG, which had already been resolved in the previous year, has meanwhile been implemented and has been continuously accompanied by the Supervisory Board.

Discussion of changes in the legal environment

Furthermore, the business year 2007 was marked by the preparations ahead of changes in the legal environment, in particular the reform of the Insurance Contract Act (VVG), the amendment of the rules on insurance mediation and the healthcare reform. These changes, some of which will have a substantial impact on the business operations of our Group companies, have been regularly discussed in the Supervisory Board meetings on the basis of the reports presented by the Board of Management.

Transactions concerning participating interests of AMB Generali

In line with the catalogue resolved by the Supervisory Board in respect of the transactions to be submitted for approval, the Supervisory Board was involved in the decisions concerning, among others, major transactions of the AMB Generali Group. In particular, in its meeting of September 27, 2007, the General Committee approved the planned streamlining of the shareholding structure in Munich.

Corporate Governance and declaration of compliance

Furthermore the Supervisory Board dealt intensively with Corporate Governance issues in the period under report. In particular, the efficiency of the Supervisory Board was scrutinized and discussed in the Board. It was stated that the Supervisory Board efficiently complied with the tasks assigned to it by law and by the Articles of Association.

The internal rules of the Supervisory Board and the internal rules of the Board of Management, which also include specifications to ensure a timely and comprehensive information of the Supervisory Board, proved to be reliable instruments, as a matter of principle. In the year under report the Board of Management, however, dealt intensively with issues of compliance and a revision of the Code of Conduct of the AMB Generali Group. It provided a detailed report to the Supervisory Board in the meeting of November 22, 2007. Within the scope of these measures, the general reporting duties of the Board of Management to the Supervisory Board were extended to include compliance issues. The internal rules were amended accordingly.

In its meeting of November 22, 2007 the Supervisory Board discussed and approved the structure of the remuneration of the members of AMB Generali's Board of Management. In that same meeting, the Supervisory Board also took a resolution on the company's declaration of compliance.

A conflict of interest arose for one member of the Supervisory Board within the scope of the activities of the past business year. When the decision concerned was taken, the member concerned did not take part in the discussion and the vote.

Audit of the Annual Financial Statements of the company and of the Consolidated Financial Statements

PricewaterhouseCoopers AG, Wirtschaftsprüfungsgesellschaft, Düsseldorf, audited the Annual Financial Statements, the Management Report, the Consolidated Financial Statements established in compliance with the International Financial Reporting Standards (IFRS) and the Group Management Report for the business year 2007, including an assessment of AMB Generali's system for an early identification of risks. An unqualified auditor's opinion was issued. In addition, the auditor verified whether AMB Generali had published the declaration of compliance in respect of the German Corporate Governance Code as required by section 161 of the Companies Act (AktG). Furthermore the auditor examined the report by the Board of Management about the relationships with affiliated enterprises and issued an unqualified certificate as follows:

"After having duly performed our audit we confirm that
1. the actual information provided in the report is correct;
2. for the legal transactions indicated in the report the company's consideration was not inappropriately high;
3. in respect of the measures indicated in the report there are no circumstances that would lead to an assessment materially different from the assessment expressed by the Board of Management."

For the purpose of examination we received the Annual Financial Statements with the Management Report and the Consolidated Financial Statements with the Group Management Report for the business year 2007, the auditor's reports on the financial statements of the company and the Group as well as the report on controlled companies. In the accounts meeting of the Supervisory Board the reports were explained by the auditors and discussed by us in detail. The thorough examination of the reports and of the financial statements of the company and the Group did not result in any objections on our part. We share the assessment given by the Board of Management in its report on relationships with affiliated enterprises. The Supervisory Board approves the Annual Financial Statements of the company and the Consolidated Financial Statements for the business year 2007. The Annual Financial Statements are thus adopted under section 172 of the Companies Act. We join the Board of Management in its proposal for the appropriation of the balance-sheet profit.

Like in previous years we wish to express our special recognition and sincere thanks to the employees of AMB Generali and our Group companies and to the members of the Boards of Management within our Group. Without their competency and commitment the good development of the AMB Generali Group would not be possible. Also for the future, we wish success and good luck to the Board of Management of AMB Generali and also to all executives and employees of the AMB Generali Group.

Aachen, March 13, 2008

On behalf of the Supervisory Board

Dr. Wolfgang Kaske
Chairman

Corporate Governance

- AMB Generali is committed to a good and responsible Corporate Governance.
- The essential elements of the standards of the German Corporate Governance Code are implemented by AMB Generali.
- The company complies with the rules of the Ethical Code of the international Generali Group referring to correctness, honesty, impartiality and professionalism.

In compliance with section 3.10 of the German Corporate Governance Code, the Board of Management and the Supervisory Board report every year about the reliable and efficient governance of the company, including its organization, business philosophy and guiding principles as well as the internal and external mechanisms of controlling and monitoring.

AMB Generali fulfils all transparency requirements defined by Deutsche Börse AG for the so-called prime standard. Accordingly AMB Generali is listed in the prime standard segment of Deutsche Börse.

To safeguard this high standard, Corporate Governance is also under the permanent scrutiny of the Supervisory Board. Pursuant to the Articles of Association and the internal rules of the company's bodies, important transactions have to be approved by the Supervisory Board. The Supervisory Board's monitoring activities are described in detail in the report by the Supervisory Board to the General Meeting (see p. 10 ff.) in compliance with section 171 of the German Companies Act (Aktiengesetz).

Corporate Governance is ensured by additional organizational measures such as keeping a list of persons having insider information, the Group's compliance system and the Group-wide Ethical Code as well as the pertinent Codes of Conduct of the Group companies.

Material information on our Corporate Governance is provided for our shareholders on the Internet at www.amb-generali.de under the "Investor Relations" section. This information includes the financial calendar, annual and interim reports, ad-hoc announcements, information about directors' dealings as well as the latest and previous versions of the declaration of compliance of AMB Generali and of the German Corporate Governance Code.

In line with their statutory obligation defined in section 161 of the Companies Act, the Board of Management and the Supervisory Board publish an annual declaration stating to what extent AMB Generali complies with the recommendations of the German Corporate Governance Code. That declaration of compliance was last renewed on November 22, 2007.

Explanations in respect of deviations from the recommendations of the German Corporate Governance Code

AMB Generali complies with most of the recommendations and suggestions of the Corporate Governance Code. To the extent the declaration of compliance indicates deviations from the Code's recommendations, AMB Generali follows the applicable legal standards. The deviations refer to the following recommendations:

The notification documents convening a General Meeting are not sent by electronic means (deviation from section 2.3.2 of the Code). AMB Generali regularly publishes the documents convening a General Meeting on its website and makes them available to shareholders and other interested persons for download. With a view to the consequences if a Generali Meeting is not duly convened, the Board of Management and the Supervisory Board consider, however, that the risks involved in generally sending these documents by electronic means are too big.

The D&O insurance taken out by the company for the Board of Management and the Supervisory Board does not have a deductible (deviation from section 3.8 of the Code). Considering the responsibility and motivation of the members of the Board of Management and the Supervisory Board in performing their tasks, AMB Generali continues to be of the opinion that a deductible is not necessary.

AMB Generali Holding AG does not have a stock-option plan of its own (deviation from sections 4.2.3 and 7.1.3 of the Code). The remuneration of the Board of Management is composed of an element not related to performance and a performance-related element. Furthermore a stock-option plan of the international Generali Group exists for selected executives of the Group. The plan is described on p. 160. AMB Generali does not consider a stock-option plan of its own to be necessary in addition to these remuneration elements.

The total remuneration of the members of the Board of Management is not indicated on an individualized basis in the Notes to the Consolidated Financial Statements (deviation from sections 4.2.4 and 4.2.5 of the Code). Besides, the Ordinary General Meeting of May 18, 2006 resolved in compliance with section 314 para. 2 sent. 2 of the German Commercial Code not to publish the information to be provided in compliance with section 314 para. 1 no. 6 letter a) sent. 5–9 of the German Commercial Code on the remuneration of the Board of Management. For privacy reasons, the company does not provide detailed figures and instead refers to the collective figures disclosed in this Report (see details below in this section and the information provided on p. 162 f.), on the Internet and at the General Meeting. The structure of the remuneration with its performance-related elements and elements not related to performance is also explained in these information sources.

Neither is there an individualized disclosure of the remuneration of the members of the Supervisory Board or of the payments made to them on the basis of other business relationships with the company or with Group companies (deviation from section 5.4.7 of the Code). The structure of the remuneration of the Supervisory Board is disclosed in the Articles of Association and in this Report (see the details below in this chapter and the information on p. 162 f.). The collective amount paid as remuneration is also indicated in this Report (see p. 162 f.).

The Supervisory Board of AMB Generali does not have an audit committee concerned with issues of accounting or risk management of the company (deviation from section 5.3.2 of the Code). There is no necessity to establish such committee since the audit reports of the auditor on the financial statements of the company and of the Group are regularly explained in the accounts meeting of the Supervisory Board and are discussed in detail by the Supervisory Board. Furthermore the auditor also answers the questions raised in the meeting of the full Supervisory Board. AMB Generali is of the opinion that these tasks represent the central area of the monitoring activities of the Supervisory Board and would therefore like to leave these tasks with the full Board.

Neither does AMB Generali have a nomination committee, exclusively composed of shareholder representatives, which proposes suitable candidates to the Supervisory Board for recommendation to the General Meeting (deviation from section 5.3.3 of the Code). Since the shareholder representatives in AMB Generali's Supervisory Board closely communicate with each other in any case, establishing such a committee appears to be unnecessary.

There is no age limit for members of the Supervisory Board (deviation from section 5.4.1 of the Code). The members of the Supervisory Board of AMB Generali are elected because of their qualification and experience. The company wishes to appoint highly qualified and experienced members to the Supervisory Board, regardless of age limits.

There is no limitation, beyond the limitation provided for by law, of the number of mandates held in the Supervisory Boards of listed non-Group companies (deviation from section 5.4.5 of the Code). It often is useful if members of the Supervisory Board can bring in their experience from non-Group companies. For the time being, AMB Generali regards the statutory provision under section 100 para. 2 of the Companies Act as being sufficient.

The Report by the Supervisory Board does not provide information about the attendance at meetings of the Supervisory Board (deviation from section 5.4.8 of the Code). Until today the efficiency of the Supervisory Board's activities has not been affected by the non-attendance of members. Therefore the disclosure of such information is not regarded as necessary.

Basic structure of the remuneration of members of the Board of Management and of the Supervisory Board

Remuneration of the Board of Management

The remuneration of the members of the Board of Management of AMB Generali Holding AG is composed of three elements, i.e. a fixed annual salary, a guaranteed bonus and a profit-related bonus. The fixed annual salary also includes remuneration in kind and perquisites, such as the use of a company car or the payment of telecommunication costs by the company.

The performance bonus is based on targets which are newly defined every year. 80 percent of these targets are operating targets of the AMB Generali Group (so-called company-related targets) and 20 percent of these targets are other individually determined performance yardsticks. The performance bonus is payable on the basis of the target-compliance ratio determined by the Committee for Matters of the Managing Board after the closing of the business year.

Assuming that the present members of the Managing Board of AMB Generali reach all their performance targets, the various remuneration elements would represent the following shares of the remuneration for the business year 2007:

- Fixed annual salary: approx. 47 percent
- Guaranteed bonus: approx. 13 percent
- Performance bonus approx. 40 percent.

Beyond this and as already explained above, AMB Generali does not have a share-based remuneration plan of its own. For the Board of Management and selected managers of AMB Generali there is a stock-option plan of the international Generali Group. The requirement for granting the options is not only the achievement of targets of the Generali Group but, in addition, that a target exclusively referring to the success of the AMB Generali Group has to be achieved.

Upon retirement, the members of the Board of Management of AMB Generali are entitled to receive life-long retirement pay. The amount of the annual retirement pay corresponds to a specific percentage of the basic annual salary. For every completed year of service until retirement the amount increases up to a maximum limit. As a general rule, any additional income from self-employed and employed activities has to be set off against the retirement income. Upon death, any surviving spouse or dependants are entitled to receive a certain percentage of the retirement pay of the member of the Board of Management.

More details on the stock-option programme and the individual remuneration elements are provided in the Notes on p. 160 and 162 f. respectively.

Remuneration of the Supervisory Board

Similar to the remuneration of the Board of Management, the remuneration for members of the Supervisory Board is composed of fixed and variable elements. On the one hand, the members of the Supervisory Board receive a fixed annual remuneration of € 5,000 in addition to compensation for their cash outlay. The Chairman of the Supervisory Board receives twice that sum, the Deputy Chairman one and a half times this amount. In addition, the members of the committees of the Supervisory Board obtain an additional fixed annual remuneration of € 5,000. The Chairman of each Committee receives twice this sum, the Deputy Chairman one and a half times this amount.

As a performance-related element, the Articles of Association provide for the following: each member of the Supervisory Board receives every year an amount of € 1,000 for each percentage of dividend distributed to the shareholders exceeding 4 percent of the share capital, the maximum limit however being a dividend of 34 percent. The Chairman of the Supervisory Board receives twice this sum, the Deputy Chairman one and a half times this amount.

The information on the structure of the remuneration of the Supervisory Board is published in the Articles of Association. The amount of the remuneration paid to the Supervisory Board is indicated in the Notes on p. 162 f.

Directors' Dealings

In the business year 2007 there were no security transactions which would have to be declared in compliance with section 15a, para. 1, sent. 5 of the Securities Trading Act or section 6.6 of the German Corporate Governance Code.

Compliance system

The companies of the AMB Generali Group conduct their business activities in a responsible manner and in compliance with legal provisions. A sustainable compliance in the AMB Generali Group creates trust on the part of the capital market and customers. Therefore the Board of Management of AMB Generali maintains binding compliance programmes for all companies of the AMB Generali Group. These guidelines support employees in their task of fulfilling increasingly demanding legal requirements.

For that purpose the AMB Generali Group has adopted the Ethical Code of the international Generali Group. With the Ethical Code, the AMB Generali Group gives itself a general guideline for its relationships with customers, shareholders, employees, contractual partners as well as public institutions and the press. In this context, the Ethical Code is committed to essential principles such as correctness, honesty, impartiality and professionalism.

The framework provided by the Ethical Code is defined in more detail by the Code of Conduct of the AMB Generali Group. The Code of Conduct comprises specific rules of conduct for the employees, in particular with regard to issues such as confidentiality, acceptance and granting of gifts, business transactions with employees, the four-eye principle and conflicts of interest. This strengthens the trust of customers, partners, employees and the public in a fair and ethical conduct of the company and of all employees.

To implement these rules of conduct, regular training is provided across the Group. In addition, so-called compliance officers have been appointed in all major Group companies. They are the contacts in all compliance issues and report regularly to the responsible management bodies.

In addition to these general rules of conduct, a Group-wide programme has been established to provide for the observance of anti-trust rules by indicating precise guidelines for all employees of the AMB Generali Group. On the basis of a Group-wide network of compliance officers and by regular training courses for employees in sensitive areas it is ensured that the guidelines are implemented equally across the Group and that infringements of anti-trust law are avoided. Furthermore the Board of Management of AMB Generali, in cooperation with the compliance officer, makes certain that the rules of the Securities Trading Act are observed in the AMB Generali Group by distributing state-of-the-art guidelines for security compliance across the Group.

Flashlights: A successful year for the AMB Generali Group

450

The new head office of AMB Generali simply could not have a better location: a mere 450 metres away from the famous cathedral – it literally is a room with a view of Cologne's legendary landmark. In October the roofing ceremony was held for the new 23,000 m² building. Even if – in the truest sense – it will always be in the shadow of the mighty cathedral, the mélange of this building steeped in history and the new corporate headquarters will add a new architectural highlight to the city. AMB Generali's transfer to Cologne planned for early 2009 will also be setting a new course: it will be the largest primary insurer at one of the most traditional locations of the German insurance industry.

September 27

On September 27, 2007 AMB Generali announces its plans for a merger of its two multi-channel insurance companies, Generali and Volksfürsorge. Along with the corporate measures already taken to increase competitiveness, the planned merger leads to an increase of profit targets. For the business year 2008, the Group net profit is expected to amount to € 450 m. Thereafter AMB Generali anticipates an increase of the Group net profit to € 500 m in the business year 2009 and to € 550 m in the business year 2010. As early as August 2007, the profit target for 2007 was raised to € 400 m.

€ 270 bn

Money knows no borders, and major asset managers think and work on an international level. The establishment of Generali Investments S.p.A. in 2007 takes this development into account by integrating the asset management activities of the German, Italian and French units. With assets under management amounting to some € 270 bn, Generali Investments is one of the leading asset managers in Europe.

13 Terabytes through Europe

Quality speaks its own language. AMB Generali Informatik Services, the central IT service provider in the AMB Generali Group, will be one of two central locations for the data processing centres of the international Generali Group in Europe. The trial run for the upcoming relocation of several national computer centres to Germany went off without a hitch. It took only one weekend to transfer the Belgian IT centre from Brussels to Aachen. This German-Belgian transfer involved a data volume of 13 terabytes, an amount equivalent to 22 million volumes of Harry Potter books.

The year 2007 – a review

January The Group consolidates the areas of accounting, tax as well as purchasing, logistics and facility management, which used to be located in the Group companies, in AMB Generali Services.

The storm "Kyrill" causes claims in the billions. In more than 120,000 cases our Group companies settle claims fast and without red tape.

February Standard & Poor's (S&P) affirm the outstanding AA rating ("excellent") for the insurance companies of the AMB Generali Group.

The classical Riester product of Generali – SELEKTA® ZulagenRente – is assigned a FFF rating by Franke & Bornberg.

March Advocard Rechtsschutzversicherung and Deutscher Anwaltsverein, the German lawyers association, agree a cooperation within the scope of a recommendation partnership.

The AMB Generali Group announces its financial figures for the year 2006. In that business year the Group exceeded all growth and earnings targets.

April Generali Lebensversicherung celebrates the 50th anniversary of its Frankfurt branch office where more than 100 corporate client specialists are successfully operating in corporate pension business.

Central Krankenversicherung launches its new SalesService Centre in Cologne. The company thus concentrates all services for distribution partners with regard to proposal forms at one location.

>>

Stormy start to the year

Whole stretches of forests devastated, motorways closed, rail traffic at a standstill: hurricane "Kyrill" left a path of destruction in its wake as it swept across the country at speeds of up to 200 km/h on January 18, 2007.
The AMB Generali Group settled more than 120,000 storm claims amounting to a total of € 105 m promptly and with minimum bureaucracy.

Excellent service and benefits

This Report illustrates right to the decimal point that our companies are achieving above-average success. But this success cannot only be measured in euro and cent. Independent testers have repeatedly distinguished our companies. CosmosDirekt, for instance, received the special award for its particular customer focus from the St. Gallen University. A consulting firm assigned a "very good" to Central because 93 percent of interviewed customers were satisfied with the health insurer. Generali obtained twice the "Certificate in Gold" of a big reinsurance company for its exemplary activities in the field of in-job professional training. The certificate was assigned to Generali for its high qualification of employees in the fields of risk management and claims settlement under stand-alone occupational disability covers. Volksfürsorge obtained a "very good" from the product-testing foundation Stiftung Warentest for its supplementary occupational disability cover. The Constant Loan 24 of Badenia was the test winner in a comparison of the combination loans of 11 building societies made by Stiftung Warentest in 2007. And even the critical inspection agency TÜV has nothing to object: for the third consecutive time AachenMünchener received the coveted seal for excellent customer service.

>>

New construction measures in Aachen

AachenMünchener has started construction work on its new head office in Aachen. This development complex will bring together the employees of AachenMünchener Lebensversicherung and AachenMünchener Versicherung in one location, rounding off the integration of the two companies which started back in 1999. To date the various staff members have been spread out over several localities in Aachen. This new building will encourage even more cooperation within the company and is, of course, once again a clear token of the company's commitment to the city of Aachen.

50 years

Big celebrations in Frankfurt: Generali Lebensversicherung has been represented in Germany for half a century. The head office for Germany was set up on April 1, 1957 – 112 years after the opening of the first Assicurazioni Generali office in Germany. The Frankfurt office now specializes in company pension schemes. Just recently Generali Lebensversicherung crossed the ten billion mark in terms of sums insured in group policies. A major contribution to this is made by the many well-known companies who entrust the Frankfurt experts with their employees' pension funds.

New law for old contracts

In 2008 the Insurance Contract Act is reformed (VVG reform). The reform covers the most important rules governing the relationship between insurers and policyholders. According to legislation, the reform initially applies to new contracts starting from 2008. Only in 2009 will the amendments also become applicable to customers who took out their contract before 2008. But why should loyal customers be treated less well than new ones? Our property and casualty insurers have a different approach: starting from January 1 the advantages in claims handling apply to all customers. In addition, the VVG reform also puts the profit bonus for policyholders in life insurance on a legal basis and establishes new rules for determining the surrender value. Another new feature is the participation of policyholders in valuation reserves.

The year 2007 – a review

May Under the slogan of "Power meets Security" Generali Versicherungen and Agip Germany conclude a cooperation agreement.

The agency GBB-Rating Gesellschaft für Bonitätsbeurteilung again assigns an "A/Stable Outlook" to Deutsche Bausparkasse Badenia. This rating confirms the new successful orientation of Badenia.

June AMB Generali Asset Managers, the Group's fund and asset manager, changes its name to Generali Investments Deutschland.

The University of St. Gallen, the business paper Handelsblatt, ServiceRating and Steria Mummert Consulting distinguish AachenMünchener as one of the 50 most customer-oriented service providers in Germany. The company ranges third among the insurance companies analysed. Dialog is also at a top position.

July AMB Generali establishes a new Group management. Dietmar Meister, previously the Group's Chief Financial Officer, becomes the Chief Executive. In addition, Dott. Lorenzo Kravina, previously General Representative of AMB Generali, and Christoph Schmallenbach, until then member of the Managing Board of AachenMünchener, are appointed to the Board of Management of AMB Generali.

The rating agency Fitch assigns AA ratings ("very strong") to all Group companies considered core to the Group.

August AMB Generali Schadenmanagement successfully launches its operations as the new claims specialist of the AMB Generali Group.

CosmosDirekt starts its marketing campaign with a stronger focus on the advantages of the individual products and services for customers.

Successful reorientation

The reorientation of AachenMünchener's distribution activities is a great success. The new company Allfinanz Deutsche Vermögensberatung AG starts its operations on January 1, 2008 with more than 1,230 agents. As a whole, a distribution capacity of about 92 percent of the predecessor organization AMBuS is now with Allfinanz Deutsche Vermögensberatung. This lays the foundation for the success of Allfinanz – all this is the outstanding achievement of the personal commitment of Prof. Dr. Reinfried Pohl and his family, the management of Deutsche Vermögensberatung and the staff of AachenMünchener.

Two new companies launched

The new companies AMB Generali Services (AMBGS) and AMB Generali Schadenmanagement (AMGSM) were launched and started their operations. AMBGS is the service provider of the AMB Generali Group for accounting, tax, purchasing, logistics and facility management. With a number of initially 700 employees, the company aims to "lift up service". AMGSM is the new claims specialist in the Group. It consolidates the handling of major and special claims and ensures the management and controlling of claims management. At year-end, AMGSM has about 500 employees.

>>

September Press conference in Hamburg. AMB Generali presents the Group's strategic enhancement. The multi-channel insurers Generali in Munich and Volksfürsorge in Hamburg, are to be merged.

At the same time, the Group defines new earnings targets. On the basis of the measures initiated, the Board of Management of AMB Generali aims to reach a Group net profit of € 450 m in the business year 2008. For the years 2009 and 2010, the earnings targets are € 500 m and € 550 m respectively.

October By issuing GaranT 2, the second of a total of five planned guarantee funds, Generali Investments Deutschland continues its innovative guarantee-fund concepts.

Central Krankenversicherung positions itself as a brand and launches advertising campaigns.

November For the second time, CosmosDirekt is assigned the title "Superbrand Germany" for its excellent brand management.

AMB Generali sheds a night-time light on the Cologne Cathedral: in the future, the World Heritage will be illuminated all night long. The Group pays the night-time illumination for one year.

December Dr. Wilhelm Kittel, Chief Executive of Generali Versicherungen, and Jörn Stapelfeld, Chief Executive of Volksfürsorge, are reciprocally appointed as deputy Chief Executives of Generali and Volksfürsorge. This is to be seen against the background of the planned merger of the two AMB Generali companies.

The rating agency Moody's raises its rating outlook for the insurers of the AMB Generali Group to "stable".

The AMB Generali Share

- The AMB Generali share developed in parallel with the Prime Insurance Index of relevance for the insurance industry.
- The dividend policy of AMB Generali is marked by a continuous participation of shareholders in the rising success of their company.

In a difficult overall environment for insurance stock, the AMB Generali share experienced a slight decrease in 2007.

In the course of the year 2007, stock markets continued their positive development of previous years. Especially in the first half of the year, stock exchanges experienced strong gains while the second half was characterized by uncertainty in the wake of the U.S. property crisis. On the whole, the U.S. Dow Jones index witnessed a 9 percent performance in the year under report while the European DJ STOXX index gained 2 percent. The index development in Germany was also positive, with the 22 percent gain of the DAX by far exceeding the 5 percent performance of the MDAX.

The Prime Insurance Index of relevance for the German insurance industry was not able to follow this positive development and quoted at a nearly unchanged level at year-end. Similarly, the AMB Generali share lost 1 percent in terms of this performance, which takes the dividend into account. At the end of 2007, the share quoted at € 106.75 which is 3 percent below the year-end level 2006.

Market places and indices

The AMB Generali share is admitted to the prime standard segment and is traded on all German stock markets. The bulk of share transactions, i.e. more than 77.9 percent, were handled by the XETRA electronic trading platform. In addition, the AMB Generali share is represented in the MDAX and the Prime Insurance indices.

Dividend for the business year 2007

The dividend policy of AMB Generali is characterized by a continuous participation of shareholders in the growing business success of the company. In the past 10 years – with the exception of 2002 and 2003, which were very difficult years for insurance companies, when dividends remained at the previous year's level – shareholders have benefited from the successful business development by continuously rising dividends. Also this year, the Board of Management and the Supervisory Board will propose to the General Meeting to be held on May 6, 2008 to distribute a dividend of € 2.90 for each unit share for the business year 2007, which is € 0.60 above the previous year's dividend level.

Share capital of AMB Generali

The subscribed capital of AMB Generali remains unchanged at the previous year's level of € 137,420,784.64.

Share capital of AMB Generali

	Number of bearer shares	Reuters symbol	Security id. no.:
€ 137,420,784.64	**53,679,994**	**AMBG**	**840 002**

as at December 31, 2007

Shareholder structure of AMB Generali

As at February 18, 2008 Assicurazioni Generali S.p.A., Trieste, indirectly held a stake of 85.49 percent in AMB Generali (as at December 31, 2007: 85.05 percent). The free float comprises the remaining 14.51 percent of the shares which are held by other institutional investors, companies and private persons with an interest of less than 3 percent each.

Investor Relations

With our Investor Relations activities we pursue the target of an open and trustful communication with institutional and private investors as well as analysts by making the economic strength of our Group transparent to the capital market. On our website www.amb-generali.de, “Investor Relations” section, interested investors have access to details about the AMB Generali share. Among other facts, you will find comprehensive information on our annual and interim reports, Investor Relations presentations, key figures and our General Meeting.

The Investor Relations area will be pleased to answer any further questions you may have. Contacts and our financial calendar 2008 are indicated on the back cover pages.

AMB Generali share at a glance

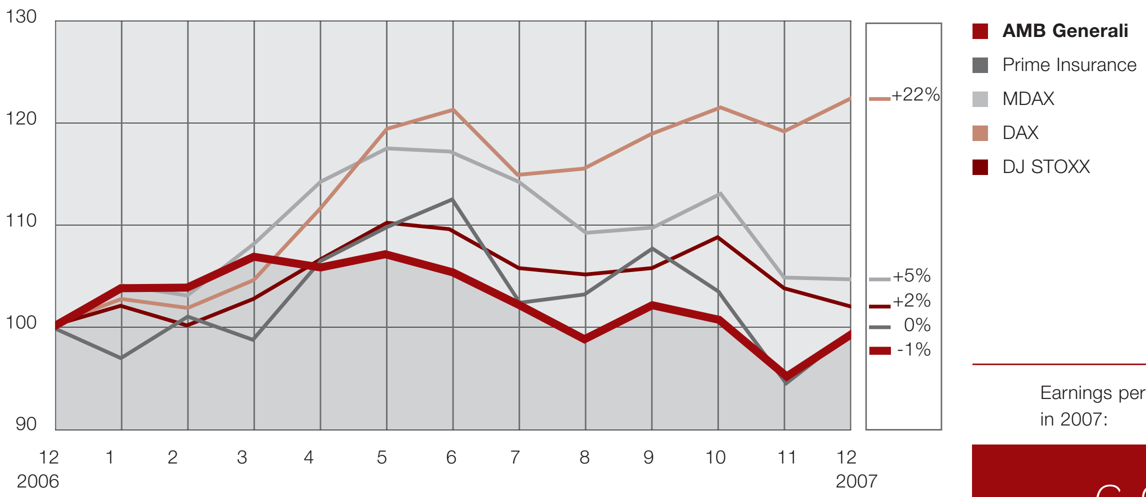
		2006	2007
Bearer share			
Number of shares (as at Dec. 31)		53,679,994	53,679,994
Number of shares (average)		53,679,881	53,679,994
Highest price	€	113.32	119.73
Lowest price	€	84.04	96.00
Year-end price	€	109.50	106.75
Market capitalization	€'000	5,877,959	5,730,339
Dividend distribution	€'000	123,464	155,672*
Key figures per share			
Earnings per share	**€**	**8.36**	**9.28**
Dividend per share	**€**	**2.30**	**2.90***

* subject to shareholder resolution at the General Meeting
as at Dec. 31, 2007

Dividend increase over previous year

+26%

Performance of the AMB Generali share in 2007



Indexed performance development; December 31, 2006 = 100

Earnings per share in 2007:

€ 9.28

Ratings of the AMB Generali Group

- Following Standard & Poor's (S&P), which for years has assigned an AA rating ("excellent") to the core companies of the AMB Generali Group, FitchRatings and Moody's Investors Service have also granted top ratings to the AMB Generali Group in 2007.
- With these three outstanding results under interactive financial strength ratings the companies of the AMB Generali Group underline their top position in the German market.

Since 1999, companies of the AMB Generali Group have been rated on an interactive basis. In 2005, the whole AMB Generali Group was rated for the first time by S&P. All companies regarded by S&P as core entities were assigned an AA rating, which currently is the best rating granted by S&P to German primary insurers. The financial strength of the following companies achieved an AA rating ("excellent") from S&P:

- AachenMünchener Lebensversicherung AG
- AachenMünchener Versicherung AG
- Advocard Rechtsschutzversicherung AG
- AMB Generali Pensionskasse AG
- Central Krankenversicherung AG
- Cosmos Lebensversicherungs-AG
- Cosmos Versicherung AG
- Envivas Krankenversicherung AG
- Generali Lebensversicherung AG
- Generali Versicherung AG
- Volksfürsorge Deutsche Lebensversicherung AG
- Volksfürsorge Deutsche Sachversicherung AG

All these S&P ratings have a stable outlook. In addition to the insurance companies of the AMB Generali Group, Deutsche Bausparkasse Badenia AG was assigned an A rating by S&P, also with a stable outlook. Given the currently difficult market environment for building societies, it is all the more positive that the strategic reorientation and successful restructuring of Badenia in conjunction with consistent cost cuts are appreciated by the rating agency.

Top ratings from all agencies of international renown confirm the Group's soundness and efficiency

The AMB Generali Group decided last year to complement the analyses of S&P by means of further ratings from the two agencies FitchRatings and Moody's Investors Service, which are of international renown, and to submit itself to additional expert analysis. The AMB Generali Group now has interactive ratings from all important agencies worldwide, each having a different individual focus in their analyses.

As a result of the Fitch rating process, AMB Generali Holding AG and the companies of the Group's four core brands AachenMünchener, Volksfürsorge, Generali and Cosmos, as well as, in addition, Central Krankenversicherung as operating companies of the AMB Generali Group were assigned a "very strong" AA rating. One major reason for the above-average rating level granted by Fitch is the multi-distribution focus of the companies in conjunction with improved cost efficiency and the Group's increasing profitability. According to the Fitch rating experts the AMB Generali Group is very well positioned, thanks to its strategic orientation, to capitalize on further competition in the main German insurance segments.

Fitch assigned a stable outlook to all companies. Moody's Investors Service has assigned a "first class" Aa3 rating to all insurance companies of the AMB Generali Group and to AMB Generali Holding AG. Besides the diversity of distribution channels, which the specialists of the international rating agency regard as core to the strategic orientation and the value of the AMB Generali Group, the very good fundamentals are major rating factors. In addition, in its comprehensive rating report Moody's appreciates the conservative reserving policy of the Group and the high quality of investments. This illustrates that the AMB Generali Group's insurance companies provide excellent financial security.

All companies were assigned a stable outlook by Moody's.

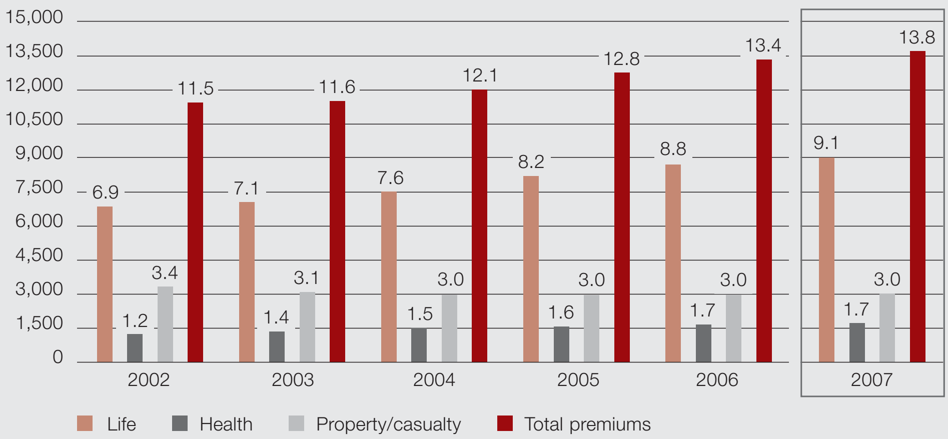
Within the scope of the interactive ratings of long-term financial strength, the rating agencies are provided with a large variety of information about the enterprise and its strategy. This enables the agencies to get comprehensive insight into the company to be rated and its financial position. Against this background it is all the more noteworthy that the AMB Generali Group has now obtained excellent ratings from all internationally recognized agencies.

For our customers the quality seals of the rating agencies mean that they can rely on our companies as sound and efficient partners with innovative products.

The AMB Generali Group will continuously undergo specialist rating processes in order to check its financial strength and its strategy and to prove the sustainable development of its profitability.

Total premiums 2002–2007

Figures in € bn

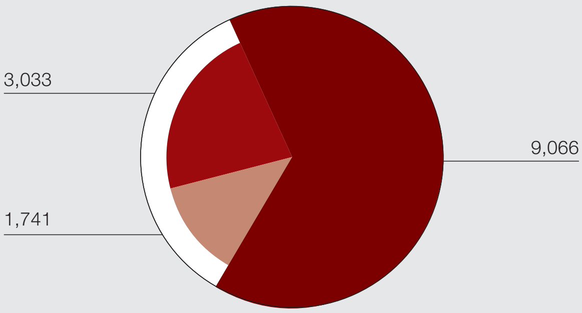


Growth of premium income since 2002

€ +2.3 bn

Total premiums of direct business 2007

Figures in € m



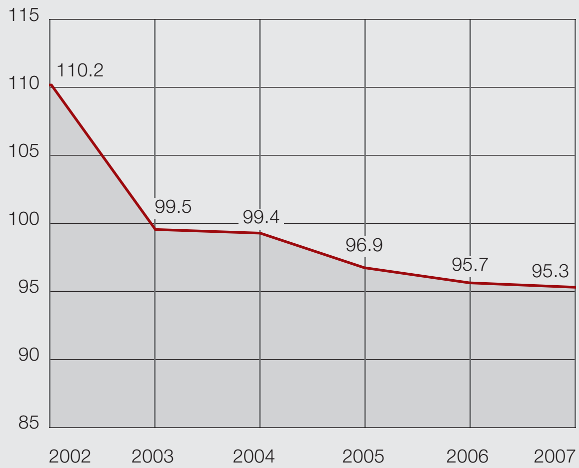
Change over previous year	
Life	+3.6%
Health	+4.6%
Property/casualty	+1.6%

+2.7%

Growth of total premiums in 2007

Combined ratio 2002–2007

Figures in %



-0.4 perc. points

Improvement of combined ratio in 2007

Chap. 2
Group Management Report

Pages 028 – 076

Economic environment in 2007

- In 2007, global growth continued its positive development of previous years.
- The second half of the year was marked by the repercussions of the property crisis on financial markets which forced central banks to intervene.
- Yields in the eurozone rose above U.S. level. The volatility of stock markets increased substantially.

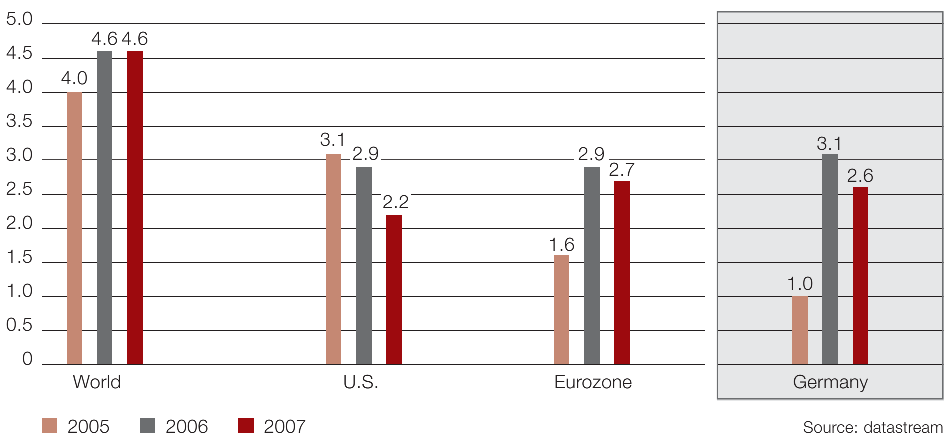
In 2007, global growth continued its positive development of previous years. The eurozone again benefited from strong domestic demand. Exports remained strong despite the substantial appreciation of the euro. The second half of the year was characterized by the impact of the property crisis on financial markets and central banks were forced to intervene. In bond markets, the yields of 10-year US government bonds decreased substantially, while in the eurozone yields witnessed slight growth compared to 2006. Eurozone yields thus rose above U.S. level. The volatility of stock markets increased substantially.

Strong global growth continued in the year 2007. The global economy expanded by 4.6 percent. The economic cycle, however, levelled off considerably in the U.S. while emerging countries, in particular, saw an increase. The eurozone reached a growth rate of 2.7 percent and experienced stronger growth than the U.S. for the first time since 2001. The impact of the marked euro appreciation in the second half of the year was thus well absorbed.

Economic growth in Germany was about as strong as in the eurozone. Despite the increase of value-added tax by three percentage points early

Economic growth in selected regions since 2005

Figures in %



Source: datastream

Economic growth in Germany in 2007:

+2.6%

Yield development in selected asset classes[1]

	2005 %	2006 %	2007 %
Bonds[2]			
World	-6.5	5.9	10.8
U.S.	2.9	3.1	9.2
Eurozone			
Government bonds	5.3	-0.3	1.8
Corporate bonds (not including financial instruments)	3.4	0.5	0.8
Shares[3]			
S&P500	4.9	15.8	5.5
DJ STOXX	26.7	20.8	2.4
DAX	27.1	22.0	22.3

1 local currency
2 total yield comprised of regular interest and price change
3 performance indices

Noticeable rise of DAX performance

+22.3%

in the year, consumer spending rose by an average 1 percent compared to the previous year. In this context the improvement of the labour market had a positive influence. The unemployment rate referring to all employable persons was an average 9.0 percent in the year 2007. Compared to the previous year, the unemployment rate decreased by 1.8 percentage points. While at year-end 2006 somewhat more than 4 million people were jobless, the number had dropped to 3.4 million twelve months later. The order books of German industrial companies are also well filled despite the impact of the stronger euro. As a result of the higher value-added tax and the considerable rise of energy costs, the inflation rate of consumer goods increased moderately to an average 2.0 percent for the year.

Financial markets

Especially in the second half of the year, stock markets were affected by the property crisis in the U.S. and the ensuing write-downs of financial institutions. By the end of the year banks worldwide had written-down approx. 130 bn U.S. dollars on securities backed by mortgage loans. In August, markets in Europe and the U.S. reached their annual low, from which they had recovered by year-end in a very volatile movement following the intervention of central banks. The sentiment of stock-market investors was supported by cuts of the U.S. Federal Reserve and by the liquidity made available by all big central banks. Notwithstanding this turmoil, German shares gained more than 22 percent compared to the previous year.

Early in the year bond markets were affected by the good economic development. Then, in the second half of the year and particularly in the U.S., they were clearly marked by the American property crisis. While in June the yield of 10-year U.S. government bonds still reached a peak of 5.25 percent, it dropped to a low of 3.85 percent at the end of November. At year-end, the 10-year government bonds of the eurozone had a level of 4.33 percent which was about 30 base points higher than in the U.S. The substantial decrease of interest rates in the U.S. was accompanied by the rate-cut of the Federal Reserve by 100 base points to 4.25 percent at year-end. The monetary market turmoil was also reflected in substantial spreads for loans from financial institutions without collateral.

Insurance industry and financial services sector

- In the business year 2007, the German insurance industry only grew by 0.5 percent. It thus hardly benefited from the positive development of the economy as a whole.
- Only health insurance witnessed an expansion – albeit at a slower rate –, while life insurance stagnated and property and casualty insurance shrank.
- The industry as a whole is under the influence of a changing legal environment and heavy competitive pressure.

For the second consecutive year already, the German insurance industry lagged behind the general economic development. Only health insurance witnessed an expansion, albeit at a slower rate. In life insurance premium income stagnated. Property and casualty insurance experienced a decrease while expenditure rose substantially in the same period. As a whole, the industry is under the influence of a changing legal environment and heavy competitive pressure.

In the closed business year, the German insurance industry was again hardly able to benefit from the positive economic development. Although the business cycle and the labour market improved substantially, the 453 companies which are members of the German Insurance Association (GDV) achieved a growth of premium income of a little as 0.5 percent, according to first calculations. Growth thus remained markedly below the previous year's level of 2.4 percent. The total premium income of German direct business across all lines and classes amounted to approx. € 162.6 bn (previous year: 161.8 bn).

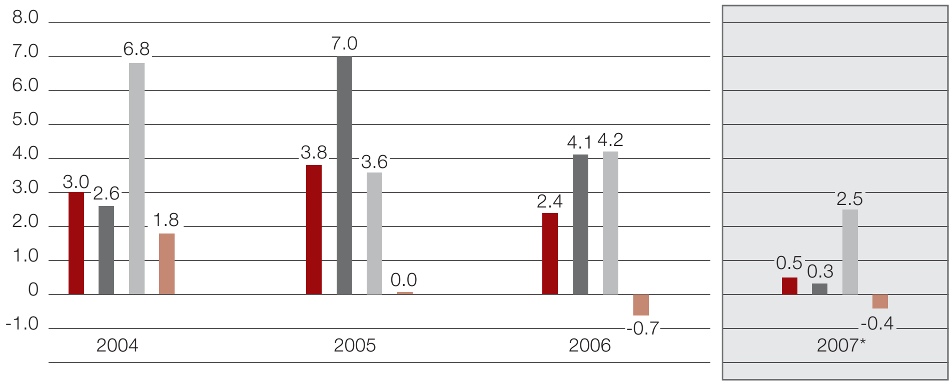
Only private health insurance was in a position to achieve a noticeable premium growth of 2.5 percent in 2007. In life insurance, the premium development (+0.3 percent) remained nearly at the previous year's level; premium income in property and casualty insurance witnessed a decrease (-0.4 percent). Besides keen competition and the impact of political reforms, the industry's development was curbed primarily as a result of persistent consumer reticence and insecurity. Despite sinking unemployment and a boost in consumer spending, large sections of the population are still reluctant to take a long-term decision with regard to their own provision for old age.

According to first GDV estimates, life insurers, pension-scheme and pension-fund companies as a whole witnessed a slight 0.3 percent growth of premiums to € 78.6 bn (previous year: 78.3 bn). New business was also weaker than in 2006. Insurance business in the broader sense (i.e. including pension schemes and pension funds) in terms of regular premiums decreased by about 3.2 percent to € 6.7 bn (previous year: 6.9 bn). If, however, the increase attributable to the third Riester increase step is deducted from the 2006 figures, new business witnessed a rise in terms of regular premiums. Single premiums decreased by 0.7 percent to € 12.4 bn.

The trend towards long-term contracts of provision continued in life insurance. The share of contracts providing for pension payment represented 54 percent of new business in 2007. The development of new business was supported by the so-called Riester and Rürup pensions. All in all, life insurers took out approx. 2.1 million (previous year: 2.0 million) Riester contracts in the year 2007. Across the market, about 9 million Riester policies have thus been sold since the launch of this product in 2002. The demand for basic-pension policies is also rising noticeably. On the whole, sales grew by nearly 80 percent in 2007 to about 311,000 new policies. At year end, the market had a portfolio of more than 600,000 basic-pension contracts.

Premium growth of the German insurance industry by lines of business 2004–2007

Figures in %



Source: GDV

* preliminary figures

incl. pension schemes and funds

Only private health insurance witnessed a noticeable expansion and achieved a premium growth of 2.5 percent

+2.5%

2007 premium income of the German insurance industry by lines of business

	Premium income € bn	Change over prev. year %
Life insurance	**78.6**	**0.3**
Private health insurance	**29.2**	**2.5**
Property and casualty insurance*	**54.8**	**-0.4**
Motor insurance	20.8	-1.8
General liability insurance	6.9	1.0
Personal accident insurance	6.4	2.0
Legal expenses insurance	3.1	2.5
Other classes	17.5	-0.5
Total insurance	**162.6**	**0.5**

* German direct business; not including nuclear, aviation and professional indemnity insurance

German market, preliminary figures

Source: GDV

The German life insurers only reached a slight increase of premium income

€ 78.6 bn

In the field of corporate pension business, pension schemes and pension funds did not provide growth impetus to life insurance business in 2007. The premium income of pension schemes and pension funds experienced a slight decrease to approx. € 3.5 bn (previous year: 3.6 bn).

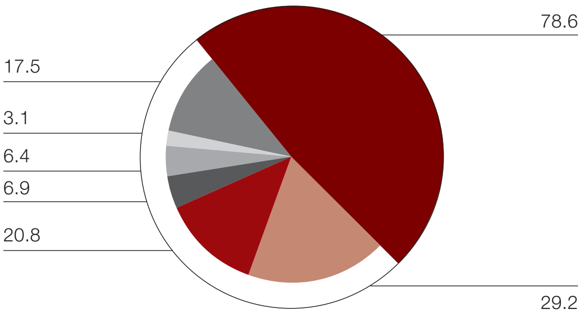
The premium income in private health insurance rose by 2.5 percent (previous year: 4.2 percent) to € 29.2 bn in the business year 2007. Out of that amount about € 27.3 bn (previous year: 26.6 bn) were attributable to full and supplementary health cover. The higher premium level is mainly attributable to a rise of health-care costs leading to the corresponding premium adjustments. The new business in full health covers reduced markedly as a result of the political environment. The number of persons with a full health cover will presumably have increased only marginally. This illustrates the impact of the latest healthcare reforms and the fact that – following these reforms – access to private health insurance has become more difficult.

In the supplementary business, however, health insurers continue to reach substantial growth. In the year 2007 more than 640,000 persons took out supplementary private health cover in addition to their membership in a public health fund. The portfolio of supplementary policies thus increased to a number of about 19 million. The development continues to be influenced by the political discussions about the future of the healthcare system and the benefit cuts under the public healthcare scheme.

In a difficult market environment, property and casualty insurance again saw a decline in 2007. On the whole, premium income in the industry decreased by 0.4 percent. This development is primarily influenced by a 1.8 percent drop of premium income in motor insurance in 2007. Although the premium decline was somewhat more moderate than in the previous year (2006: -3.6 percent), a turnaround of the price development has not yet become recognizable, all the more so since new providers with a turnover orientation are entering the market. Furthermore, premium income dropped in industrial insurance (-2.3 percent) and in householders insurance (-1.5 percent). The other classes of property and casualty insurance experienced premium growth. Personal accident insurance rose by 2.0 percent compared to the previous year and legal expenses insurance by 2.5 percent. Slightly weaker growth rates of 1.0 percent each were witnessed by general liability insurance and by homeowners insurance.

2007 premium income of the German insurance industry by lines of business

Figures in € bn



Source: GDV

Property and casualty insurance

- Motor
- General liability
- Personal accident
- Legal expenses
- Other

- **Life**
- **Health**

€ 2.4 bn

Storm “Kyrill” caused a high amount of claims

In property and casualty insurance the business year was also marked by the winter storm “Kyrill”, which affected the underwriting results of insurers. This storm involved claims payments of about € 2.4 bn to customers.

In the year under report, private-sector building societies witnessed a decrease in new business. The new business submitted dropped by 8.5 percent to 2,157,560 contracts. The target contract sums taken out reduced by 4.5 percent to € 61.9 bn. New business actually concluded fell by 10.7 percent to 2,040,360 contracts. In terms of target contract sums actually concluded there was a 7.0 percent decrease to € 56.8 bn. The market share of private-sector building societies remains at about two thirds, the market share of the public sector is approximately one third.

The new savings investments with private-sector building societies amounted to € 15.5 bn and thus dropped by 4.0 percent from the previous year’s level. The various increases of the interest level by the European Central Bank underlined the advantages of building-society loans with a guaranteed interest rate. This had an impact on loan payments which rose by 11.2 percent to € 26.0 bn.

Development focus of the AMB Generali Group

- Strong sales networks, a broadly diversified product range geared to customers, the concentration on profitable business fields with private customers and small to medium-sized businesses as well as an efficient organization are the cornerstones for the business success of the AMB Generali Group.
- With the diversity of its distribution channels, the AMB Generali Group has a unique selling proposition in the German insurance and financial services market.
- The Group's strategic positioning ensures that it is clearly focused on its customers and geared to market requirements.

Strategy of the AMB Generali Group

The strategic framework for the Group's development is summarized by the key phrase of "Unity in Diversity". This means combining the advantages of a big unit with those of a broadly spread diversity of distribution channels and a brand portfolio geared to these channels. Under that strategy there is a clearly defined allocation of roles between AMB Generali and its subsidiaries. Each of the Group companies operating in the market has a different individual focus on the lines of business, a differentiated range of products and a consistent orientation towards its sales channels. The Group companies have the operating responsibility for customer acquisition, customer retention and customer service, i.e. they are in particular accountable for their distribution activities and corporate brand. The AMB Generali management holding company is in charge of determining the Group's strategic development, creating synergies and coordinating business activities. With its focus on increasing the value of the company it is responsible to shareholders. The holding company ensures the realization of economies of scale and skill, establishes a standard controlling methodology, a harmonized HR development for executives and a joint culture within the Group.

The centre of our strategy is the orientation of our sales-channel diversity on a distribution model encompassing three pillars. These three pillars are the exclusive distribution activities of AachenMünchener through its strategic partnership with Deutsche Vermögensberatung, the direct-selling activities of CosmosDirekt as market leader in this segment and the multi-channel distribution of the new company to be created through the merger between Generali and Volksfürsorge ("New Generali"). In addition, we will continue to focus on the strength and competency of our specialized companies Advocard, Badenia, Central and Dialog. The diversity of the company profiles will enable us to respond to a large variety of customer and market requirements. On the one hand this means that the Group approaches customers on the broadest possible basis. On the other hand, the creation of uniform standards in the segments and the strong leadership in the Group through the AMB Generali management holding company lead to a cost-efficient cooperation.

Measures aimed at reaching ambitious targets

Together we are pursuing challenging targets. As a Group of companies we are set to become number 1 in profitability and distribution strength in the German market for private customers and small to medium-sized commercial clients. With a view to reaching this ambitious target and to continue enhancing the Group's competitiveness we again initiated and implemented comprehensive project activities in the business year 2007. The individual measures are pooled under various activity programmes helping us to keep benefiting from our competitive advantages and to persistently expand our market position. The focus lies on our activities targeted towards the further enhancement of our distribution strength, the Group-wide consolidation of important services, the cooperation in transnational projects of the international Generali Group and the optimization of the business models of our Group companies.

The multi-channel insurers Generali and Volksfürsorge are being merged

In addition to the AMB Generali Group's activities already initiated in previous years, further structural adjustments were announced in September 2007. In this context it is planned to implement a new business model under which the Group will eliminate redundant structures, cut costs and achieve a substantial increase of earnings. For that purpose, the multi-channel insurers Generali Versicherungen in Munich and Volksfürsorge Versicherungen in Hamburg are to be merged. On the basis of the complementary business fields of the two companies, our strong market position is to be expanded in life business and efficiency to be increased in a targeted manner in property and casualty business. This will lead to the creation of a leading player in the German insurance market, which will enhance the profitability and raise the growth of the entire AMB Generali Group. The project work with a view to merging Generali and Volksfürsorge already started at year-end 2007.

In the year under report we made another important step in order to sustainably enhance our distribution strength by implementing the expanded cooperation between AachenMünchener and Deutsche Vermögensberatung, our longstanding cooperation partner. Within the scope of this cooperation, Deutsche Vermögensberatung now has the sole distribution competency for AachenMünchener. The corresponding transfer of the sales network of AachenMünchener to Allfinanz Deutsche Vermögensberatung AG was successfully completed in the closed business year. The company started its operations on January 1, 2008 with more than 1,230 agents. AachenMünchener concentrates exclusively on developing attractive and state-of-the arts products and on providing excellent sales support and first-class customer service. This measure lays the foundation for a continuation of the extraordinary success of the of the two companies' cooperation also in the future.

The launch of new advertising campaigns of our Group companies in the media and the intensification of brand management were an important milestone in order to raise our sales performance. In addition, we implemented an enhanced integration of distribution activities in product management and expanded IT activities with a view to improving support in the context of advice to customers in the course of sales dialogues. These activities are essential cornerstones to reinforce the areas with customer and market proximity.

In order to achieve our ambitious targets, additional measures to improve competitiveness were already launched in 2006. These measures are targeted towards an improvement of customer satisfaction and, simultaneously, at cutting material and personnel costs. In this context, we are set to continuously optimize existing structures, shape new ones and concentrate tasks by implementing a Group-wide consolidation of important services.

Successful launch of the new Allfinanz Deutsche Vermögensberatung

1,230 agents

For Group-wide claims management a new company, AMB Generali Schadenmanagement (AMGSM), was founded. AMGSM is the claims specialist of the AMB Generali Group and in charge of handling major and special claims and of steering claims management within the AMB Generali Group. In addition, another new service company, AMB Generali Services (AMBGS), started its operations. All essential strategic support processes are consolidated in AMBGS. This encompasses a broad range of services in the fields of accounting, tax, purchasing, logistic and facility management. In the area of standard customer services we pursue a Group-wide harmonization and enhancement of operative processes while simultaneously leaving those activities involving direct customer contact within the Group companies. In this context, the development of a standard system for controlling and key figures is also being implemented.

Activities on a national level are complemented by our integration in the transnational programmes of the international Generali Group. Within the scope of the scale-based and skill-based programmes of the Generali Group, our companies benefit from economies of scale involved in transnational Group activities, ensure a multilateral transfer of knowledge and take part in benchmark analyses. In addition, the Group-wide cooperation is focussed on the internationalization of important service functions, such as the consolidation of IT activities and the concentration of asset management. In this context, the fund and investment company of AMB Generali was integrated into the new asset manager Generali Investments S.p.A. The unit in Cologne will be the competence centre of the international Generali Group in the fields of financial market analysis/research/strategy and private equity.

The project activities of the closed business year have laid the foundation for the AMB Generali Group to remain one of the leading providers in the German primary insurance market also in the future, both in terms of product and service quality and with regard to its profitability and distribution strength.

Our programmes to improve cost structures and profitability involve the reduction of material costs across all lines of business and targeted cuts in back-office jobs. All in all, approx. 715 jobs were shed in the full year 2007.

In the coming years we will reduce costs further through structural changes within the AMB Generali Group and by means of the current activities at the level of the Group companies. In this context we aim to implement all necessary measures to the largest possible extent in a socially compatible manner and by making use of natural fluctuation. On the whole, with the measures taken we have reduced total costs (personnel and material costs without commissions) by 11.4 percent to € 1,744 m since 2003.

With the initiated structure measures total costs were reduced by 11.4 percent to € 1,744 m

Development focus in the business fields

Life insurance

In 2007, one of the focus areas of our life insurance activities was the further extension of our range of old-age provision products with a state incentive. In this field, thanks to clarifications and simplifications of legal rules, an increasing number of people is making use of this much needed supplementary instrument of old-age provision. By means of the new standing application form for incentives, the handling of incentives for Riester policies is now much easier for customers and insurers. As far as the basic pension is concerned, the Annual Tax Act 2007 introduced a rule, with retroactive effect from January 1, 2006, under which tax authorities have to apply those tax regulations – the new or the previous ones –, which are more favourable for policyholders. This allows customers to benefit from tax breaks more effectively.

With regard to classical endowment and pension cover, the life insurers of the AMB Generali Group offer flexible products and innovative solutions for individual provision. In the year 2007, our product range in unit-linked insurance was complemented by a product based on Generali Investments' GaranT line of guarantee funds. Last October, the second fund of this product line was launched.

In autumn 2007, the first tranche of an index policy developed within a cooperation of Volksfürsorge and Commerzbank was sold with much success. This generated single premiums of € 118.5 m.

New market potential is opening up for us in the business field of long-term care insurance. It is becoming evident that, as a result of the demographic development, the state-run scheme will come under financial distress in future years while the demand for long-term care will rise in our society, which is increasingly becoming older. The life insurers of the AMB Generali Group have adjusted the calculation bases of existing tariffs and options of long-term care insurance and complemented their product range to include a stand-alone long-term pension cover.

We are witnessing a rising demand for basic pension contracts which we offer as both traditional and unit-linked covers. This product line has been complemented by features which are especially interesting for the target group of people close to retirement age. Shorter waiting periods, single-premium covers and basic pensions with immediate pension payment have substantially raised the attractiveness of our basic-pension product for this target group. It is possible to include covers for surviving dependants and for occupational disability, which may be attractive options for tax purposes. As a whole, in 2007 our life insurers sold a total of approx. 82,500 basic pension policies, representing a new business premium of € 132.0 m. Since the launch of this product we have thus sold nearly 113,000 so-called "Rürup policies" with a new business premium of € 179.0 m. Therefore, the same as for Riester policies, we are among the most successful providers of the basic pension cover.

The demand for Riester and basic pension cover continues to witness a dynamic development

The Riester policy is a successful product within the scope of our business activities. The Riester portfolio of our life insurers has meanwhile reached close to 1.4 million contracts. In 2007 alone, more than 290,000 policies with a new business premium of approx. € 166 m were sold. A substantial share of this success is attributable to our long-standing distribution partner Deutsche Vermögensberatung which produced more than 166,000 Riester policies for AachenMünchener in this period. Our life insurers developed unit-linked Riester tariffs in 2007 which grant higher yield opportunities through dynamic investment to our customers. In October 2007 AachenMünchener started selling a corresponding product together with Deutsche Vermögensberatung. The product's fund DWS Funds VermögensStrategie was developed exclusively for AachenMünchener by DWS, the fund company of Deutsche Bank.

1.4 m contracts

Market leadership in Riester business affirmed

Volksfürsorge developed a similar product in cooperation with Commerzbank, our bank partner. The distribution of this new product was launched on January 1, 2008.

In corporate pension business, the AMB Generali Group is a competent partner for all vehicles of this business. Our insurers continue to focus on innovative concepts involving advantages both for employees and employers.

With the endowment and pension policies of the third tier we offer attractive products to our customers where the possibility of flexible modular options increasingly turns out to be a success factor. Under endowment life policies, only half of the earnings are taxable if the policyholder has reached the age of 60 when the policy is paid out and if the contract has existed for at least twelve years. Our broad product range provides opportunities for each type of investor and nearly every risk category: genuine index-linked policies with a large choice of funds, the use of various guarantee funds including the choice of guarantee options within the fund policy itself or traditional policies with a guaranteed interest rate.

We offer term life insurance and occupational disability cover with a differentiated pricing. Customers obtain tailor-made cover and health-conscious behaviour is rewarded by means of lower premiums. In occupational disability insurance we are the first providers in the German market to make a risk-adjusted distinction between smokers and non-smokers.

The increase of the retirement age to 67 years is taken into account by the possibility of covering occupational disability up to the age of 67. Furthermore, young customers may take out cover for this vitally important risk already at the beginning of their careers at low initial premiums.

In combination with our life products of the third tier, this flexibility makes it possible for young customers to take out cover for this type of risk at an early stage of professional activities and when starting a family, without having to neglect building up their individual provision for old age.

Health insurance

The healthcare reform passed by the upper and lower houses of the German parliament at the beginning of the year 2007 has drastically changed the environment for private health insurance in Germany. The main new features are the compulsory introduction of a basic tariff with effect from January 1, 2009 under which applicants will have to be accepted by insurers and which will be open to all voluntary members of public health funds and – for a limited period of time – to those already having a full cover with a private health insurer, and the portability of ageing provisions. The detailed set-up of these two new elements, however, has not yet been defined. Proceeding from the assumption that the planned reform will not solve the structural problems of public health funds, we see good opportunities in the long term for private health insurance to close the gap in healthcare provision for the population. Accordingly we are preparing for this new environment.

In the wake of these legal amendments, competition in health insurance will aggravate further. We are consistently orientating our activities on a further improvement of our service quality. Within the scope of its repositioning already initiated in 2006, Central Krankenversicherung, our Cologne-based health insurer, launched a number of measures focussing in particular on customer service and on the individual product areas as well as on raising brand recognition by advertising. In addition, benefit and healthcare management have been intensified.

The reorientation of Central was completed in the year under report. Various projects in the areas of sales organization and sales-support activities were closely linked with the restructuring of the process of application handling with a view to continuously improving efficiency and service quality.

Our health insurers consistently orient their activities on a further improvement of service quality

In 2007, despite customer reticence in the wake of the uncertainties with regard to the developments in healthcare policy, the private health insurers of AMB Generali were able to further increase premium income and the portfolio of insured persons and to again achieve growth above the expected market average.

Since 2004 public health funds and private health insurers have been allowed to cooperate. Since then AMB Generali has been operating in the cooperation market with its specialized insurer Envivas. The cooperation partner is Techniker Krankenkasse (TK), one of the leading public health funds in Germany which has for years distinguished itself by a strong growth in membership, good service and high customer satisfaction. Envivas offers supplementary cover to the members of TK in line with their requirements and ideally completing their insurance under the public scheme. This includes market innovations such as the cover of assistance services in the case of long-term care, for instance by providing household help or services for the alterations of a home.

Property and casualty insurance

Our activities in property and casualty insurance continue to focus on an underwriting policy oriented on profitability. By means of numerous measures we aim to directly address relevant customer segments, gear our products to customers requirements and exploit potentials in the best possible way. Already today, we are preparing our future development by directing our corporate and distribution resources to those areas helping us to reach our ambitious targets. Our business policy is being confirmed by the successful development of the AMB Generali Group's property and casualty insurers. Last year we experienced a far better development than the market average. This is all the more positive as this growth was not achieved to the detriment of profitability.

In motor insurance, intensive competition for customers persisted. Despite the difficult environment we maintained our basic strategy of a risk-adjusted underwriting policy. With our activities we continue to pursue the target of enhancing our services with an orientation towards customers while underlining, through our sales networks, the benefits involved in our products providing comprehensive cover. Within our new business tariff 2007, for instance, we now include a "foreign travel plus" cover under which customers having an accident abroad receive the same indemnity as if the accident had occurred in Germany. In addition, our customers pay lower premiums if they opt for having damage taken care of in our partner garages. Besides our clear orientation towards customers and services, our profitability targets and the safeguarding and expansion of our insurance portfolio are in the focus of our price and benefit structure.

The positive development in property and casualty insurance was primarily supported by product innovations and products geared to specific target groups which we placed in the market successfully. The “Vermögenssicherungspolice” for private customers, for instance, which combines cover for personal accident, general liability, householders, glass and homeowners, meets with a high demand. We witnessed similar success with our “Gewerbesicherungspolice” for small businesses, which is a product of AachenMünchener. Early in 2007 Generali and Volksfürsorge launched a new customer-friendly product line for private customers which includes, among others, innovative services in the case of an accident. The modernized SELEKTA product line for private customers of Generali, which was launched at the turn of the year 2007/2008 also had a successful start.

Our property and casualty insurers continue to focus on a profitable underwriting policy

Act on VVG Reform came into force on January 1, 2008

The law on the Reform of the Insurance Contract Act (Versicherungsvertragsgesetz – VVG) which comprises the most important rules governing the relationships between insurance companies and policyholders, came into force on January 1, 2008. The reform of the VVG involves elements that will have a major impact on the operation of the different lines of insurance. Major features of the reform are, for instance, the abolition of the so-called policy model, more comprehensive duties of advice and information for the insurer, changes regarding the information to be provided by the policyholder before the policy is taken out and the abandonment of the all-or-nothing principle. In life insurance, the policyholder’s right to participate in the profits was laid down in the law and the calculation of surrender values was newly determined. Equally there are new rules regarding the participation in hidden reserves for policyholders of life and accident policies with a profit share. Starting from January 1, 2008 our customers receive a participation in the hidden reserves of that part of the investments attributable to their contract upon termination of their policy or with the start of pension payments.

All implementation measures required for the 2008 VVG reform successfully completed

Also on January 1, 2008 the Decree on Information Duties (VVG-InfoV) came into force which mainly details the information for consumers to be handed out to policyholders in time before the latter submit their proposal forms. Some elements of the Decree on Information Duties, such as the disclosure of acquisition and distribution costs in euro amounts in life and private health insurance, will not come into force before July 1, 2008.

As a matter of principle the Group companies have the operative responsibility for integrating the rules of the amended VVG into business structures and product calculation. To support the implementation projects, corresponding working parties have been established within AMB Generali. In addition, with regard to Group-wide issues, AMB Generali ensures a coordination and steering function. In the business year 2007, the insurance companies of the AMB Generali Group were able to successfully complete all implementation activities in order to comprehensively fulfil all rules applicable as from January 1, 2008, which initially are mainly related to new business. For the business year 2008, the necessary resources for the implementation of the new rules in the insurance portfolio and the required adjustments regarding the elements of the Decree on Information Duties, which will come into force at a later date, have been budgeted.

Deutsche Bausparkasse Badenia

Since the transfer of the Group’s mortgage business to Badenia, the building society has been operating as the provider of housing finance within the AMB Generali Group. Badenia has consolidated the mortgage portfolios of AachenMünchener, Volksfürsorge and Generali and acts as a service provider for these companies. Badenia is a product provider for the new business of these companies. For that purpose the company has extended its portfolio to include property loans, redeemable at final maturity or by fixed monthly instalments, with a lending value of up to 95 percent of the market value. Furthermore it is now possible to integrate loans of the state-owned KfW bank into the overall financing concept. Badenia is thus in a position to provide comprehensive one-stop housing finance to its customers.

In the coming years, the ELSE project will have a crucial impact on Badenia's competitiveness. The project name is composed of the first letters of the German adjectives of which Badenia's brand promise is composed: Einfach (simple), Leistungsstark (strongly performant), Schnell (fast) as well as Ertragsorientiert (profitability-oriented). ELSE stands for the optimization of work processes in the fields of building society savings contracts, loans and deposits. The target is to substantially reduce the time required for handling transactions in order to be able to respond to a more competitive environment and rising customer demands. This will strengthen Badenia's position in the market. The project work focuses on the close integration and improvement of loan processes in sales and administrative handling. In order to meet customer requirements in respect of a fast granting of loans, loan processes will be considerably accelerated, for instance, by automatic preliminary loan checks and fully automatic value calculations for the property to be used as collateral.

Badenia Bausparkasse is the provider of housing finance within the AMB Generali Group

Reinsurance

Within the Group, AMB Generali has the function of an internal reinsurer. It assumes the Group companies' treaty reinsurance business and manages the external reinsurance requirements. We wish to keep an increasing share of the improved profitability of our insurance business, which we achieved thanks to our comprehensive measures, within the retention of the AMB Generali Group. We have therefore adjusted our reinsurance programme and continuously increased our Group's retention. On a consolidated basis, the retention of the AMB Generali Group totals more than 97 percent, while the market average in the property and casualty segment is between approximately 75 and 80 percent. The treaties concluded with reinsurers of a sound financial strength protect our Group against the financial consequences of major claims, claim accumulations and natural catastrophes.

Our Group's retention has been consistently raised

Property management

As the asset manager for the property asset class, AMB Generali Immobilien has pushed the consistent implementation of the portfolio strategy of the AMB Generali Group. The property portfolios of direct and indirect property investments were optimized under a profitability perspective including investments in international markets with a view to spreading risks. For the purpose of realizing joint property investments within the Generali Group we participate in the foundation of a new international investment platform.

Optimization of business processes and IT

In the year under report the AMB Generali Group further pursued the harmonization and optimization of business processes. Benchmarking within the Group provided important starting points for that purpose. By means of the AGIL methodology (AMB Generali Improvement Levers), which is based on the approaches of Six Sigma, LEAN and change management, it was possible to improve business processes across the Group and implement them at lower costs. In this context, investments were made under the Group project of Standard Customer Service in order to further increase the degree of automation and to ensure that process monitoring is as comprehensive as possible.

In order to raise the efficiency in system development, the Group project OPAL (Optimization of Application Development) was successfully implemented in the year under report. Under that project a standardized procedure for the development of IT applications was developed and implemented across the Group. In this context, the structures and interfaces of the corresponding areas within the AMB Generali Group were equally restructured. The new standards and structures provide the basis for a reduction of the total IT expenditure in the future and for a sustainable improvement of project results.

The Group headoffice will be transferred to Cologne in 2009

Restructuring of locations

Within the scope of our plans to restructure the locations within the AMB Generali Group, the Group's central office will be transferred to Cologne in 2009. The Group companies AMB Generali Immobilien and Generali Investments Deutschland will also be concentrated at this location. In September 2007, AMB Generali celebrated the roofing ceremony for its new building.

Business development of the AMB Generali Group in 2007

- The consolidated net profit of the AMB Generali Group, before extraordinary tax items, rose from € 346 m to 417 m – all segments contributed to this development.
- For the fourth consecutive year, the Group was able to expand its market share – premium growth was again noticeably above the market average.
- In life insurance we benefit from the high demand for Riester and basic pension cover.

Overall business

Our report on the business development of the Group is divided into two parts. The chapter “overall business” describes the business performance of the AMB Generali Group as an economic unit on the basis of consolidated figures. This is followed by segment reporting on the development in the segments of life and health insurance, property and casualty insurance and financial services. In segment reporting, relationships are only eliminated within one and the same segment. Therefore an addition of the amounts indicated in segment reporting does not lead to the figures stated in the consolidated balance sheet and the consolidated income statement.

In 2007, the AMB Generali Group was again in a position to prove its competency as an innovative insurance group and witnessed premium growth above the market average in all segments, thanks to its excellent distribution strength.

This is reflected in a substantial rise of the consolidated net profit to € 499 m. The consolidated net profit adjusted for extraordinary tax items improved to € 417 m compared to € 346 m in the previous year.

Despite turmoil in international financial markets, the AMB Generali Group has thus markedly exceeded its profit target raised in the middle of the year from € 380 m to 400 m before extraordinary tax items.

The improvement of the consolidated net profit without tax impacts is primarily supported by the life and health segment. The property and casualty segment made a lower profit contribution than in the previous year following a decrease of net investment income.

The improvement of the Group net profit is primarily supported by the life and health segment

In the course of both the reporting year and the previous year various extraordinary items had to be taken into consideration. Within the scope of an optimization of the shareholding structure within the Group, various transactions were made in respect of participating interests. The previous year’s merger of an intermediate holding company into AMB Generali affected the net profit in the life and health sub-segments as a result of necessary adjustments of the provision for deferred premium refunds and for deferred tax. In the year under report, negative results had to be dealt with as a result of the consolidation of capital decreases for real estate companies belonging to the life sub-segment. These negative results are primarily attributable to differences between the actual rates of provisions for premium refunds and the rates to be applied in consolidation. On the other hand, the contribution of our German asset management unit into

Generali Investments S.p.A., the international asset management holding company, involved a positive contribution to profits.

The increase in total premiums by 2.7 percent to € 13,768 m was noticeably above the market growth of 0.5 percent expected for the full year. Without the savings portions of unit-linked life insurance products and premiums from investment contracts, gross premiums written rose from € 11,743 m to 11,771 m. In life insurance we are at a top position in the market of the highly dynamic business fields of basic and Riester pensions. Due to this positive development, among others, the total premiums of direct business increased by € 239 m to 8,988 m. After deduction of the savings portions, which are not included in gross premiums written, the premium volume of our life insurers amounted to € 6,991 m (previous year: 7,085 m). Our health insurers expanded their premium income to € 1,741 m from 1,666 m in the previous year.

Total premiums rose to € 13,768 m – gross premiums written grew to € 11,771 m

In a market characterized by persistently keen competition, the premium income of our property and casualty insurers improved by 1.5 percent to € 3,039 m.

With regard to investments we continued to focus on first-class European securities. The duration of the investments of our life and health insurers was reduced as far as fixed-income securities are concerned. In the case of our property and casualty insurers, durations continue to be much shorter because of the briefer terms of insurance contracts. The overall positive performance of stock markets and selective acquisitions of high-quality securities led to a slight increase of the proportion of equity investments. In the year under report we expanded our property portfolio within the scope of our multi-year investment plan. The unrealized gains and losses from the fair-value measurement of forward purchases already made in 2005 for the hedging of interest risks, which are recognized in net investment income, deteriorated following the rise of interest in the bond market.

+2.7%

Growth of total premiums noticeably above market average

This is one of the reasons why the net investment income decreased to € 3,684 m (previous year: 3,764 m) while ordinary investment income rose markedly by € 153 m to 3,367 m and net realized capital gains increased again. Despite a positive market environment in general, write-downs on dividend-bearing securities rose because some equities, especially in the finance sector, witnessed a negative performance in the wake of the crisis in the U.S. mortgage market. AMB Generali itself has no investments directly concerned by the crisis and is therefore only indirectly affected by the turmoil of capital markets. A lower level of unrealized gains from the investments of unit-linked policies had a markedly negative effect on net investment income.

The financing sources of the AMB Generali Group primarily include the Group equity whose components are quantified and explained on p. 82. Since, however, premiums are paid in advance and savings capital is accumulated in life insurance, underwriting liabilities also represent an important capital component. In addition, the capital structure of an insurance company includes the free provision for premium refunds of the life insurance companies, which encompasses the profit bonuses not yet allocated and has the function of a cushion equalizing the annual policyholder bonus. Apart from the loan to finance the acquisition of the Central stakes, the Group has debt capital in the classical sense only in Badenia in the form of loans taken up.

The decrease of the revaluation reserve by € 212 m to 473 m is attributable to both the price drop for fixed-income bonds following the rise of interest rates and the higher level of realized gains. This impact is only in part compensated by rising prices in stock markets and the already mentioned write-downs on individual dividend-bearing securities.

The rise in claims and benefits by € 274 m to 11,835 m is primarily attributable to the life sub-segment, where benefits grew by € 163 m to 8,161 m and to the health sub-segment experiencing an increase of € 75 m to 1,746 m. The storm “Kyrill” representing a

Overall business

	2007 €m	2006 €m
Total premiums[1]	13,768	13,408
Gross premiums written	11,771	11,743
Investment income (net)	3,684	3,764
Ordinary investment income (net)	3,367	3,214
Claims and benefits (net)	-11,835	-11,561
Operating expenses (net)	-2,101	-2,386
Expense ratio in %[2]	15.5	18.1
Earnings before tax and finance costs	627	614
Finance costs	-18	-13
Tax	-110	-150
Net profit[3]	499	451
of which attributable to the Group[4]	498	449
of which attributable to minority interests	1	2
Net profit without extraordinary tax items	417	346

	2007 €m	2006 €m
Investments[5]	87,229	83,288
Assets under management[5, 6]	86,806	95,368
Equity	4,144	3,989
Unrealized capital gains not recognized in income[3,7]	473	685
Underwriting provisions[5]	84,029	80,072

Change of Group net profit, without extraordinary items, over previous year:

+21%

1 before deduction of savings portions included in premiums
2 without adjustment of the calculation method, the expense ratio would have been 18.4 percent (previous year: 20.9 percent)
3 including minority interests
4 corresponds to the line item on the Income Statement "of which attributable to the equity holders of the parent"
5 including the amounts attributable to unit-linked insurance
6 in 2006 including third-party mandates and managed portfolio of the Austrian, Dutch and Swiss companies of the international Generali Group
7 after deduction of deferred tax and deferred expenditure for premium refunds

net claims expenditure of € 60 m made a substantial contribution to the increase in the claims of the property and casualty segment by € 37 m to 1,928 m.

The decrease in total expenditure was primarily due to a drop of € 287 m in the operating expenses of the life sub-segment to € 1,004 m. This reduction in the life sub-segment was mainly due to an adjustment of parameters to determine deferred acquisition costs. As a result of lower write-downs on deferred acquisition costs, the expenditure in the health sub-segment reduced from € 211 m to 204 m. In the property and casualty segment, expenditure amounted to € 894 m (previous year: 884 m). The markedly reduced overall level of operating expenses and the simultaneous growth of premium volume led to a drop of the expense ratio by 2.6 percentage points to 15.5 percent. In the second quarter of 2007, the calculation of the expense ratio was adjusted to the methodology customary in the market to enhance comparability. Without that adjustment the expense ratio would have been 18.4 percent (previous year: 20.9 percent).

The other income and expenditure of the business year improved by € 46 m to € -545 m. This change is primarily due to the life sub-segment and reflects the markedly lower depreciation on intangible

Assets under management

	Carrying amount 2007 € m	Fair value 2007 € m	Carrying amount 2006 € m	Fair value 2006 € m
Land and buildings	2,124	2,343	1,845	1,979
Shares in associated enterprises	318	318	225	225
Loans and receivables	37,701	36,524	30,257	30,138
Financial assets available for sale	36,521	36,521	42,427	42,427
Financial assets at fair value through profit or loss	937	937	377	377
Investments	**77,601**	**76,642**	**75,131**	**75,146**
Investments of unit-linked insurance		9,628		8,157
Current-account balances with credit institutions, cheques, cash in hand		536		1,191
Investments for third parties (off consolidated balance sheet)*		0		10,874
Assets under management		**86,806**		**95,368**

* in 2006 including third-party mandates and managed portfolio of the Austrian, Dutch and Swiss companies of the international Generali Group

Assets under management:

€ 86.8 bn

assets compared to the previous year. On the other hand there were charges attributable to consolidation and to the initiated measures in order to sustainably strengthen competitiveness in the property and casualty segment. While the financial services segment saw a positive impact from the contribution of AMB Generali Asset Managers Kapitalanlagegesellschaft into Generali Investments, there was a higher volume of risk provision, on the other hand.

In the business year 2007, the AMB Generali Group was again in a position to increase its earnings before tax and finance costs from € 614 m to 627 m. The tax charge decreased further from € 150 m to 110 m. The previous year's tax expenditure was influenced by the extraordinary item from the capitalization of the corporation tax credit of € 105 m which will be refunded in the coming years. The tax expenditure for the business year includes the one-off income at Group level of € 82 m due to the tax-rate change applicable as from the beginning of 2008 as well as tax refunds for tax assessments referring to previous years. After tax and finance costs the consolidated net profit amounted to € 499 m. Without the tax impact indicated above, the Group net profit increased markedly by € 71 m to 417 m.

Life and health insurance segment

Life

Our life insurers are at a top position in the market in the two areas of Riester and basic pension covers. Our strong position in these two business fields continued to have a positive impact on our new business development. With regard to basic pension products we witnessed a substantial increase in net new business in terms of regular premiums.

Although our new business in terms of regular premiums dropped by 3.8 percent as a whole, we achieved a substantial 9.7 percent increase in new business in terms of regular premiums after adjustment for the extraordinary impact in Riester business. The market only experienced slight growth. Our new business in terms of single premiums also witnessed a very good development and achieved a growth of 15.5 percent, while in the market the income in terms of single premiums decreased by 0.7 percent.

Even without adjustment for the impact under Riester business, our total new business improved by 5.0 percent to € 1,963 m, while growth after the corresponding adjustment was 12.5 percent. The sums insured of the insurance contracts in force rose by € 17,427 m to 389,010 m.

Life insurance

	2007 € m	2006 € m
New business in terms of regular annual premiums	982	1,020
New business in terms of single premiums	981	850
Portfolio in terms of sums insured	389,010	371,583
Total premiums[1]	9,067	8,751
Gross premiums written[2]	7,070	7,086
Regular premiums	6,408	6,371
Single premiums	662	714
Investment income (net)	2,847	2,919
Ordinary investment income (net)	2,601	2,524
Claims and benefits (net)	-8,240	-8,007
Operating expenses (net)	-1,027	-1,301
Expense ratio in %[3]	11.5	15.1
Earnings before tax and finance costs	201	205
Tax	-67	-89
Net profit[4]	134	116
	2007 € m	**2006 € m**
Investments[5]	69,453	66,214
Unrealized gains not recognized in income[4,6]	299	378
Underwriting provisions[5]	72,379	69,066

1 before deduction of savings portions and the premiums of investment contracts
2 in 2006, including € 1 m of premiums from assumed reinsurance business
3 without adjustment of the calculation method the expense ratio would have been 15.1 percent (previous year: 19.1 percent)
4 including minority interests
5 including amounts attributable to unit-linked insurance
6 after deduction of deferred tax and deferred expenditure for premium refunds

Growth of total premiums in direct business:

+3.6%

The total premiums of direct business increased by 3.6 percent from the previous year's level to € 9,066 m. This puts our life insurers considerably ahead of the market for which a growth of 0.3 percent is expected under provisional GDV estimates. One of the reasons for the positive above-average development was the launch of new products of private provision for old age. Gross premiums written decreased slightly by 0.2 percent to € 7,070 m after the deduction of savings portions, which grew at an over-proportionate level, and of premiums from investment contracts.

The net profit of life sub-segment rose by € 18 m to 134 m

All in all, both ordinary investment income (net) and realized capital gains rose markedly. However, due to higher write-downs on dividend-bearing securities and lower write-ups for fixed-income investments, investment income (net) dropped by € 72 m to 2,847 m. The increase of ordinary investment income (net) by € 77 m to 2,601 m is mainly attributable to income under unit-linked policies as well as higher income from participating interests and investment property following the acquisition of new property. Furthermore, net investment income is also affected by higher unrealized capital losses from forward purchases. This is due to the higher interest level.

The revaluation reserve fell by € 79 m to 299 m. This decrease was mainly attributable to persistently rising interest rates in bond markets.

Claims and benefits grew by € 233 m to 8,240 m. This is primarily due to the expenditure for premium refunds.

Operating expenses reduced by € 274 m to 1,027 m. The parameters for the calculation of deferred acquisition costs are regularly adjusted on the basis of recent findings. These adjustments were the main reason for a decrease of operating expenses. As a result, our expense ratio dropped from 15.1 percent in the previous year to 11.5 percent in the reporting year. In the second quarter 2007, the calculation of the expense ratio was adjusted to the methodology customary in the market to enhance comparability. Under the previously used method the expense ratio would have been 15.1 percent (previous year: 19.1 percent).

The other income and expenditure item improved by € 53 m to -180 m. The main reason for this is a substantially lower level of depreciation on intangible assets compared to the previous year.

The profit before tax decreased by € 4 m to 201 m. This is attributable to the lower net investment income and to higher benefits. The tax expenditure reduced by € 22 m to 67 m, which led to an improvement of the net profit in the life sub-segment by € 18 m to 134 m. The business years 2006 and 2007 were marked by non-operating impacts. In the year 2006 these were the result of negative effects caused by adjustments of the provisions for premium refunds and deferred tax within the scope of a merger within the Group and of positive effects attributable to the capitalization of the corporation tax credit. In the business year, there were charges resulting from the capital decrease of real estate companies belonging to the life sub-segment, which more than compensated the opposite impact from the tax-rate change in the business year applicable as from January 1, 2008.

+4.6%

Health insurers grow faster than the market

Health

After the adoption of the healthcare reform by Bundestag and Bundesrat, the lower and upper houses respectively of the German parliament, the private health insurers now focus on a successful orientation towards this new environment.

In the closed business year the repercussions of the more difficult access to private health cover were already becoming perceptible across the market.

Nevertheless our health insurers experienced a premium growth of 4.6 percent, while the growth rate expected for the market is a mere 2.5 percent. The positive development of our health insurers' premium income was due to new business – which intensified towards the end of the year – and to premium adjustments in the wake of higher costs and benefits in the healthcare sector. At the same time, the number of insured persons increased in the year under report for both full and supplementary health cover.

While ordinary investment income increased by € 24 m to 292 m primarily due to the growing portfolio of fixed-income securities, the total net investment income dropped by € 3 m. This was mainly attributable to the lower level of realized gains, higher write-downs on dividend-bearing securities and unrealized capital losses from forward purchases.

The reduction of the revaluation reserve by € 2 m to 33 m was primarily influenced by the decrease of the valuation reserves of bonds.

In the year under report the claims and benefits for our customers rose by € 75 m to 1,746 m. On the one hand, this was attributable to a rise of claims expenditure and, on the other hand, to a higher allocation to the provision for future policy benefits. The claims ratio of 55.5 percent remained nearly stable.

Including the expense ratio, which dropped from 12.8 to 11.8 percent, the combined ratio was 67.3 percent (previous year: 68.1 percent).

This positive development in the year under report was mainly influenced by high write-downs on deferred acquisition costs in the wake of downgradings and cancellations in the previous year. As a whole, operating expenses reduced by € 7 m to 206 m.

AMB Generali has taken up a loan for the purpose of acquiring all stakes in Central Krankenversicherung AG. The finance costs for that loan amounted to € 16 m (previous year: 9 m).

Health insurance

	2007 € m	2006 € m
Gross premiums written	1,741	1,666
Investment income (net)	293	296
Ordinary investment income (net)	292	268
Claims and benefits (net)	-1,746	-1,671
Claims ratio in %	55.5	55.3
Operating expenses (net)	-206	-213
Expense ratio in %	11.8	12.8
Combined ratio in %	67.3	68.1
Earnings before tax and finance costs	67	61
Finance costs	-16	-9
Tax	-7	-33
Net profit[1]	44	19

	2007 € m	2006 € m
Investments	7,222	6,520
Unrealized capital gains not recognized in income[1, 2]	33	35
Underwriting provisions	7,547	6,837

1 including minority interests
2 after deduction of deferred tax and deferred expenditure for premium refunds

Change of net profit over previous year:

€ +25 m

Both in the year under report and in the previous year the segment result was influenced by extraordinary items. In 2007 there was a deferred tax income as a result of the corporate tax reform, while in 2006 a merger within the Group involved an additional deferred tax expenditure. As a result, the tax expenditure decreased by € 26 m to 7 m. In both years the allocation to the provision for deferred premium refunds increased. The earnings before tax and finance costs amounted to € 67 m, up from 61 m in the previous year.

After tax and finance costs, the health sub-segment made a contribution of € 44 m (previous year: 19 m) to the Group net profit.

Property and casualty insurance segment

Our focus in property and casualty insurance business is on private customers and small to medium-sized clients. Notwithstanding an exceptionally good economic situation, this business is marked by price competition. In this context we continue to concentrate on profitable business segments.

According to first estimates of the German Insurance Association GDV, the market again witnessed a negative development in 2007 with gross premium written of direct business decreasing by 0.4 percent. The AMB Generali Group's property and casualty insurers, however, had a noticeably positive growth of 1.6 percent. Including the premiums for assumed reinsurance business, the total premium income rose by € 46 m to 3,039 m. As a result of higher retentions under reinsurance business, net premiums earned increased from € 2,898 m to 2,961 m.

The storm "Kyrill" remained the determining event with regard to the claims development in the business year 2007 and represented a net claims expenditure of approx. € 60 m. The impact on the claims ratio was approx. 2 percentage points. All in all, our claims and benefits increased by € 36 m compared to the previous year. Mainly due to the development of premium

Property and casualty insurance segment

	2007 € m	2006 € m
Gross premiums written	3,039	2,993
Investment income (net)	375	384
Ordinary investment income (net)	291	250
Claims and benefits (net)	-1,928	-1,892
Claims ratio in %	64.9	65.0
Operating expenses (net)	-902	-889
Expense ratio in %	30.4	30.7
Combined ratio in %	95.3	95.7
Earnings before tax and finance costs	324	331
Tax	-15	-3
Net profit[1]	309	328

	2007 € m	2006 € m
Investments	6,269	6,173
Unrealized capital gains not recognized in income[1, 2]	244	356
Underwriting provisions	4,257	4,243

1 including minority interests
2 after deduction of deferred tax

Property and casualty insurers grow against market trend

+1.6%

income, however, the net claims ratio reduced to 64.9 percent (previous year: 65.0 percent).

Operating expenses rose by € 13 m to 902 m. As a result of the rise of net premiums earned, the expense ratio dropped by 0.3 percentage points to 30.4 percent.

The combined ratio was 95.3 percent in 2007 (previous year: 95.7 percent). We have thus been able to reach our target and keep the combined ratio below 97 percent. This positive development is also attributable to the above-average growth in premiums.

Ordinary investment income rose by € 41 m to 291 m, primarily due to a higher income from participating interests. This increase was, however, not sufficient to fully compensate the substantially higher write-downs on shares and the lower level of realized capital gains from fixed-income securities. As a whole, the net investment income thus reduced by € 9 m to 375 m.

The revaluation reserve dropped substantially by € 112 m to 244 m. Besides the rise of interest rates in the bond market, this is primarily due to the disposal of fixed-income securities.

The earnings before tax and finance costs as at December 31, 2007 amounted to € 324 m (previous year: 331 m). While underwriting business improved, the other income and expenditure item and the net investment income decreased, among others due to consolidation impacts and the measures initiated to sustainably increase competitiveness. The lower net investment income also had a curbing effect. The impact from the higher capitalization of the corporation tax credit in the previous year exceeded the income from the tax-rate change applicable as from January 1, 2008. Tax expenditure thus increased by € 12 m to 15 m. The resulting net profit was € 309 m (previous year: 328 m).

Financial services segment

The consolidation of the asset-management activities of the international Generali Group at a European level involved the integration of the Italian, French and German asset-management units into Generali Investments S.p.A., the new interna-

Financial services segment

	2007 € m	2006 € m
Building-society new business:		
Target contract sums	2,430	2,790
Number of contracts	115,925	136,426
Contract portfolio of the building society:		
Target contract sums	26,481	27,405
Number of contracts	1,377,727	1,464,731
Investment income (net)	209	224
Ordinary investment income (net)	222	232
Interest surplus of the building society	107	103
Commission result of the building society	15	17
Earnings before tax and finance costs	38	61
Finance costs	-2	-4
Tax	0	-17
Net profit[1]	36	40

	2007 € m	2006 € m
Investments	4,880	4,905
Unrealized capital gains not recognized in income[1, 2]	-10	-4
Building loans	2,979	2,932
Deposits under building-society contracts	4,315	4,361

1 including minority interests
2 after deduction of deferred tax

Housing loans increased despite difficult environment

€ +47 m

tional asset-management holding company based in Trieste. Both the positive one-off effect from the contribution of AMB Generali Asset Management Kapitalanlagegesellschaft into the new asset management holding company and the proportionate share in the earnings of that holding company are included in this segment.

The development of operating business in this segment continues to be marked by Deutsche Bausparkasse Badenia.

New business in terms of target contract sums dropped by 12.9 percent. In terms of contract numbers there was a 15.0 percent decrease. Besides the quality-oriented underwriting policy of our building society, this development was also influenced by the general tendency in the industry.

Private-sector building societies witnessed a decrease of 7.0 percent in terms of target contract sums. With regard to contract numbers, the market experienced a 10.7 percent drop.

As at December 31, 2007 the contract portfolio of Badenia consisted of 1,377,727 contracts, which is below the previous year's level of 1,464,731 contracts. In terms of target contract sums the contract portfolio decreased from € 27,405 m to 26,481 m.

The income from the contribution of AMB Generali Asset Managers into Generali Investments amounted to approx. € 30 m

In the wake of a persistently high level of redemption payments, an increasing number of building loans was repaid. Nevertheless the building loans recognized as investments in the balance sheet rose to € 2,979 m from a level of € 2,932 m at year-end 2006. The main reason for this rise was the strong demand for so-called constant loans with fixed interest rates and redemption instalments, one of Badenia's forward loan products.

Deposits under building society contracts, however, decreased to € 4,315 m, down from 4,361 m at year-end 2006.

Ordinary investment income (net) fell from € 232 m to 222 m as a result of decreasing interest income. This development was attributable to the decreased portfolio of loans under building-society contracts and to a lower interest level under new tariff models. Following an increase in risk provision in credit business compared to the previous year and a decrease in realized capital gains, the total investment income (net) dropped from € 224 m to 209 m.

As a result of lower market values of fixed-income securities, the revaluation reserve decreased from € -4 m to -10 m.

The interest surplus improved from € 103 m to 107 m. In this context the decrease in interest expenditure under building-society business by far exceeded the drop in interest income.

The commission result of € 15 m remained below the previous year's level of € 17 m. The operating expenses of building-society business rose from € 71 m to 72 m. Primarily this was attributable to higher expenses caused by the consolidation of the Group's mortgage business in Badenia.

The income from the contribution of AMB Generali Asset Managers into Generali Investments, which is included in other income/expenditure, amounted to approx. € 30 m for the full year, taking into account the value development of the share in Generali Investments measured at equity.

Primarily due to markedly higher risk provisions and a decrease in interest income, the profit before tax and finance costs dropped to € 38 m (previous year: 61 m). The tax expenditure, which in the previous year had been influenced by the capitalization of the corporation tax credit, reduced further as a result of high tax-free income. After deduction of finance costs, the contribution of the financial services segment to the net profit thus dropped from € 40 m to 36 m.

Report on subsequent events

After the close of the business year, financial markets witnessed substantial turmoil in January and February 2008 in the context of the so-called subprime crisis. The direct repercussions of this crisis on the AMB Generali Group are negligible. Following the substantial correction of stock markets at the beginning of 2008, however, write-downs in the first quarter 2008 cannot be excluded. Beyond this, no events of material importance occurred after the close of the business year.

Proposal for the profit appropriation of AMB Generali Holding AG

In the business year 2007, AMB Generali Holding AG achieved a net profit of € 271.1 m (previous year: 164.2 m). After winding up the profit brought forward from the year 2006 of € 52 thousand (previous year: 50 thousand), withdrawals from the reserve under the Articles of Association (charitable fund) of € 747 thousand (previous year: 270 thousand) and an allocation of € 113.4 m (previous year: 38.8 m) to the other revenue reserves, the balance-sheet profit amounted to € 158.5 m (previous year: 125.7 m).

The Board of Management and the Supervisory Board propose the following profit appropriation to the General Meeting of AMB Generali Holding AG to be held on May 6, 2008:

Balance-sheet profit and appropriation

	€
1. Distribution to the shareholders	
Payment of a dividend of € 2.90 per unit share entitled to dividends, payable on May 7, 2008	155,671,982.60
2. Allocation to the reserve under the Articles of Association (charitable fund)	2,786,540.31
3. Profit carried forward	81,022.44
Balance-sheet profit	**158,539,545.35**

Human resources

- The success of the AMB Generali Group is based on our employees.
- Their commitment and competency are the vital factors for the Group's prosperous development.
- They are passionate in providing the best possible service for our customers, partners and companies.

We are proud of our committed and qualified employees enabling us to stand our ground in a financial services market characterized by change. It is thanks to their dedication that we are in a position to efficiently improve our structures and to continuously enhance our competitiveness.

Employment situation and structure measures

As at December 31, 2007, the AMB Generali Group had 15,536 employees compared to 17,043 in the previous year. Out of these, 23 percent ensure fieldstaff tasks and 77 percent are employees in administrative services for our customers. In addition to about 7,800 professional intermediaries, close to 92,000 side-job intermediaries work in our companies' sales networks. Approximately 12.3 percent of all employees work on a part-time basis. At year-end, 574 young people (previous year: 685) were undergoing professional training as apprentices.

100,000

About 100,000 intermediaries are the direct contact for our customers

The AMB Generali Group responds to the challenges of the market and thereby ensures the Group's long-term competitiveness in the interest of all stakeholders, i.e. employees, shareholders and customers. In 2007 we enhanced our change processes further within the scope of the optimization of our business organization. The staff measures required for concentrating our service operations in a service company and for consolidating the handling of special and major claims in a joint claims management company were largely implemented in 2007.

We are proud of our committed and qualified employees

In addition we initiated further structure changes in the past business year which will also have an impact on the number of employees. Primarily this concerns the planned merger of the Generali and Volksfürsorge insurance companies. Within the scope of this project about 500 jobs will presumably be cut. Consultations and negotiations with the bodies of employee representation – in accordance with their statutory task – have been taken up.

We are aware of our special responsibility towards our staff. In those cases where jobs will have to be cut or have already been shed we try to make use of natural fluctuation and to agree early retirements or special part-time agreements with employees close to retirement age in order to avoid redundancy layoffs to the largest possible extent.

HR and executive development – AMB Generali Management Academy

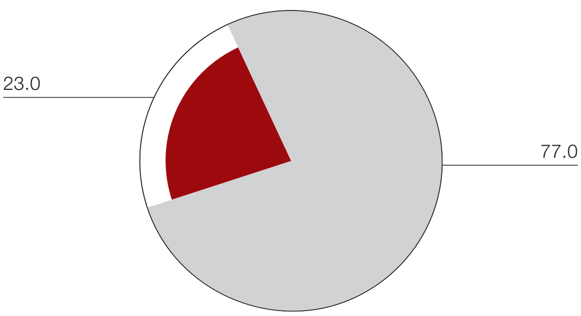
We provide our employees with opportunities to develop continuously on a professional and personal level, to actively bring in their knowledge and to participate in shaping the Group. The training and development programmes across the Group are oriented towards the needs of staff and the requirements of the Group companies.

The AMB Generali Management Academy ensures the further development of management competency in our Group

In the year 2007 the AMB Generali Management Academy offered training programmes aimed at management staff in order to ensure the further development of management competency in the Group. For that purpose the academy's programmes combine the expertise existing within the Group with the know-how of leading trainers and institutions in Europe. Topics and focus areas are developed from the Group's strategic targets and they concentrate on current issues of high relevance to the AMB Generali Group. In this context, a Group-wide exchange of experience and personal dialogue are also encouraged.

Group employees

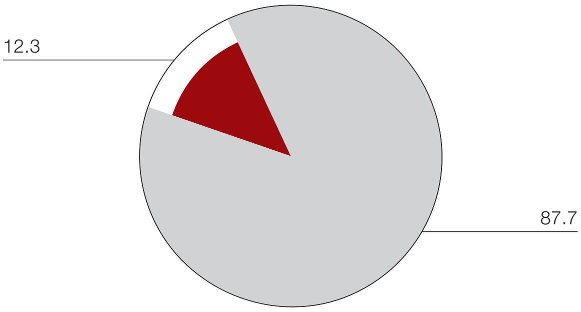
Figures in %



Fieldstaff
Administrative departments

Group employees

Figures in %



Full-time employees
Part-time employees

The programme is complemented by Group-wide management programmes for high potentials of the two highest management levels and it supports participants in the way of actively shaping the changes that lie ahead.

In 2007, our Group trainee programme again offered targeted development opportunities to young professionals. This also enabled us to win more competent and committed employees with a customer orientation for our Group.

Thanks to the employees

In a market demanding continuous change, individuals are faced with the challenge of implementing the necessary measures in their specific fields. Economic success can only be achieved through the continuous commitment and the firm will at all levels of the AMB Generali Group to take an active part in the Group's development. The Board of Management of AMB Generali thanks all employees for the dedication and efficiency in the past year. Again their commitment was an essential basis for the positive development of the AMB Generali Group in 2007. We also thank the bodies of employee representation for their constructive cooperation marked by trust and esteem.

Internal controlling systems

- The internal controlling system of the AMB Generali Group is based on the two fundamental controlling dimensions of capital management and performance management.
- Capital management aims to sustainably ensure the risk-bearing capacity and financial strength of the Group of companies.
- The target of performance management, on the other hand, is to persistently increase the corporate value of AMB Generali.

Basic concept

Internal corporate controlling within the AMB Generali Group is organized on the basis of a standardized Group-wide planning and controlling process. Uniform planning and simulation models and regular reporting are applied for the monitoring and controlling of the parameters derived from strategic planning. Apart from the classical accounting-based target parameters – such as net profit and combined ratio – the system also covers economic risk-based controlling parameters, which are described and presented below in more detail. In this context, the two major controlling instruments of capital management and performance management are combined with one another.

Capital management focuses on sustainably ensuring the risk-bearing capacity and financial strength of the Group of companies. For that purpose the economic capital required under risk aspects is calculated at different company and controlling levels and compared to the actual capital available for bearing risks. Capital management therefore is an integrated part of internal risk management.

Performance management, on the other hand, represents the value-based perspective and measures the value increase of the Group over time. For that purpose the economic results of our business activities are derived and then related to the previously determined required and actual capital amounts. By linking these dimensions, key return figures are identified which can be used to assess risk-based profitability.

Capital-management approach

Within the scope of capital management, the economic capital required (target) of AMB Generali is calculated and compared to the available risk-based capital (actual). In our external communication we use the term economic capital (EC) for the target capital attributable to the shareholders. The available risk-based capital is composed of the embedded value (EV) and the hybrid capital, with the embedded value corresponding to the available capital attributable to the shareholders.

The economic capital is calculated on the basis of a consistent risk philosophy for all segments of the AMB Generali Group. It describes the economic capital required for compensating possible losses that may arise due to uncertainties involved in future developments. The economic capital requirement encompasses investment risks (risks referring to the price of shares and property, interest-rate changes, currency and concentration), credit and operational risks as well as underwriting risks specific to the segments. Besides, in the life sub-segment – and in 2007 for the first time also in the health sub-segment – the value in force (VIF) which is calculated as the present value of future profits (PVFP) from business in force and which is included in the embedded value of the

Group is also to be underpinned with capital for reasons of prudence. In order to quantify the economic capital, internal risk models are used which, on the basis of detailed corporate information, determine the value at risk, i.e. the maximum loss which, according to a predetermined probability, will not be exceeded. The broader the spread of the simulation results, the higher the risk exposure of the simulated business unit and the higher the economic capital required.

The embedded value comprises the value in force and is calculated taking into account the particularities specific to the segment on the basis of actuarial and accounting data. The difference between the embedded value (actual) and the economic capital (target) indicates the excess capital or the deficit capital.

In 2007 the methodology for calculating the embedded value and the value in force in the life and health sub-segments was changed uniformly within the Generali Group from the European embedded value to the market consistent embedded value. This involves the use of market consistent valuation procedures as are common practice in the financial market. For the reporting year 2007, the value in force in health insurance is taken into account for the first time. In addition, the shareholder structure changed and the interest of minority shareholders decreased in 2007. In order to illustrate the impact of these changes, the 2006 figures were recalculated according to the new methodology and are also shown below for comparison.

The internal risk model to determine the economic capital is currently under revision and is in particular being extended to include elements of stochastic modelling in life and health insurance. This is done with the objective of being able to take the behaviour of policyholders and the possibilities of management action and response even better into consideration in modelling. The new risk model is in line with the Group-wide approach of the international Generali Group and is referred to as Economic Balance Sheet (EBS). The results referring to the economic capital as presented in this Report are still based on the risk model applied today and may change upon the changeover to the new model.

Performance-management approach

The derivation of economic results is strongly influenced by the business models used. In property and casualty insurance the economic result is mainly determined by the combined ratio of the business year. In life and health insurance, in contrast, because of the long duration of contracts, an adequate value assessment is based on present-value models taking into account the present value of all future profits from

Overview capital management

	2007	2006 after recalculation*	2006
	€ m	€ m	€ m
EC life	3,360	3,100	2,885
EC property/casualty	865	807	807
EC financial services	317	277	277
EC health	1,246	1,077	294
EC total	**5,788**	**5,261**	**4,263**
EV Group	**5,875**	**5,393**	**4,565**
Hybrid capital	296	378	378
Available risk-based capital (RC)	**6,171**	**5,771**	**4,943**
Ratio RC/EC	106.6%	109.7%	116.0%
Excess cover RC vs. EC	382	511	680

* consideration of value in force in health, method changes and new shareholder structure

the business in force. Another important key figure in this context is the new business value indicating the present value of all future profits expected from the insurance contracts newly concluded in the business year.

In addition, performance management also covers extraordinary items due to investment results or tax impacts. Since these items may have a significant influence on results but are not attributable to operating business, they are excluded when measuring operating profitability and are instead shown separately.

On the basis of these results it is possible to calculate the key figures of return on economic capital (RoEC) and return on embedded value (RoEV). The RoEC puts the economic result, adjusted for extraordinary items, in proportion to the required capital (target). This figure measures our operating profitability. On the other hand, the RoEV indicates the total economic result as a percentage of the actual capital. The RoEV is thus an indicator of our profitability taking into consideration extraordinary items.

Results in the business year 2007

In 2007, the economic capital (EC) as well as the available risk-based capital (RC) increased substantially (see table on p. 55). This is primarily attributable to the higher value in force in the life and health sub-segments and correspondingly does not indicate a higher risk exposure in our life and health insurance business. With an embedded value (EV) also markedly increased to € 5,875 m, the Group continues to be adequately capitalized as a whole. Together with the hybrid capital there is an excess cover totalling € 382 m.

In the property and casualty segment, the economic capital equals 29.2 percent (previous year: 27.8 percent) of net premiums earned. The rise compared to the previous year is due to a slightly higher investment risk. The economic capital of life insurance amounts to 4.7 percent of net underwriting reserves (previous year: 4.3 percent). The reasons for this increase are the higher value in force included in the EC, on the one hand, and the increase of the interest risk on the basis of the assumption of a higher interest-rate volatility in the market, on the other hand.

Compared to the previous year, the economic result in the life sub-segment increased by € 51 m to 314 m. The main reasons for this increase are the higher new-business value, which improved due to higher margins, and risen profits from the insurance business in force.

Performance management life

	2007 € m	2006 € m
New business value	145	129
Profits from business in force (including operational deviations)	170	144
Economic result after tax	**314**	**263**

In 2007 the economic result in property and casualty insurance rose substantially to € 167 m. This was mainly due to the increase of normalized investment income (rise of interest rates in the duration range of relevance for property/casualty business) as well as an improvement of the balance of other income/expenditure. The combined ratio at Group level further reduced from 95.7 percent to 95.3 percent in 2007. This is primarily attributable to the cost-cutting measures taken in the Group.

Performance management property/casualty

	2007 € m	2006 € m
Net underwriting result	138	124
Balance of other income/ expenditure*	-134	-162
Normalized investment income	274	227
Economic result before tax	**279**	**189**
Normalized tax	-112	-75
Economic result after tax	**167**	**114**

* adjusted for extraordinary items

Linking the economic results with the previously calculated capital figures (EC and EV) leads to the following key return figures:

Performance management key return figures

	2007 %	2006 %
RoEC life	10.1	10.8
RoEC property/casualty	20.7	15.0
RoEC financial services	13.0	14.0
RoEC health	11.2	18.3
RoEC total	**12.1**	**12.3**
Return on excess capital	2.6	2.2
RoEV normalized	**11.9**	**11.3**
Debt capital cost	-0.2	-0.4
Extraordinary items (mainly investments and tax)	0.1	2.1
RoEV total	**11.8**	**13.1**

The return on the economic capital (RoEC) was 12.1 percent and has slightly decreased from the previous year's level. This is mainly attributable to the value in force of the health business which was included for the first time. The value in force is part of the economic capital in health and thus involves a considerable rise of the basis for the RoEC. This leads to the lower RoEC health disclosed. The profitability of the financial-services segment was largely maintained at a high level.

The decreasing return on embedded value (RoEV) from 13.1 to 11.8 percent reflects the decline of extraordinary investment and tax items.

Integration of internal management tools into the preparations for Solvency II

The Solvency II project initiated by the European Commission aims at a revision of the regulatory requirements for insurance companies in Europe. In particular the capital requirements under the future solvency system are to be more closely linked to the specific business structure of a company's risks. Since for regulation purposes there is also the option of applying internal approaches, the AMB Generali Group has started at a very early stage to prepare for future requirements. Within the scope of these preparations the internal models are continuously enhanced and internal risk-management processes are checked with a view to future requirements.

Risks involved in the future development and risk controlling

- Our risk-management system enables us to recognize risks early and to analyse and control them.
- We thus ensure the sustainable profitability of the Group.
- As a whole, there is currently no development emerging which could substantially affect the assets, financial strength and earnings position of the AMB Generali Group.

Risk management in the AMB Generali Group

As a financial services group focussing on insurance, investments and building-society activities, the AMB Generali Group has to monitor a variety of risks. These risks arise, on the one hand, in our core business by assuming the risks of our customers and, on the other hand, by the general operating activities of our Group. On the basis of our risk-management system (RMS) we aim at an early risk recognition and a systematic analysis and monitoring of all risks in order to exclude any hazard for the Group and the companies and to sustainably ensure the earning capacity of the Group. All in all, there is no development becoming evident at the moment that would materially affect the asset, financial strength and earnings position of the AMB Generali Group. There are currently no risks recognizable which would jeopardize its existence.

Organization of risk management

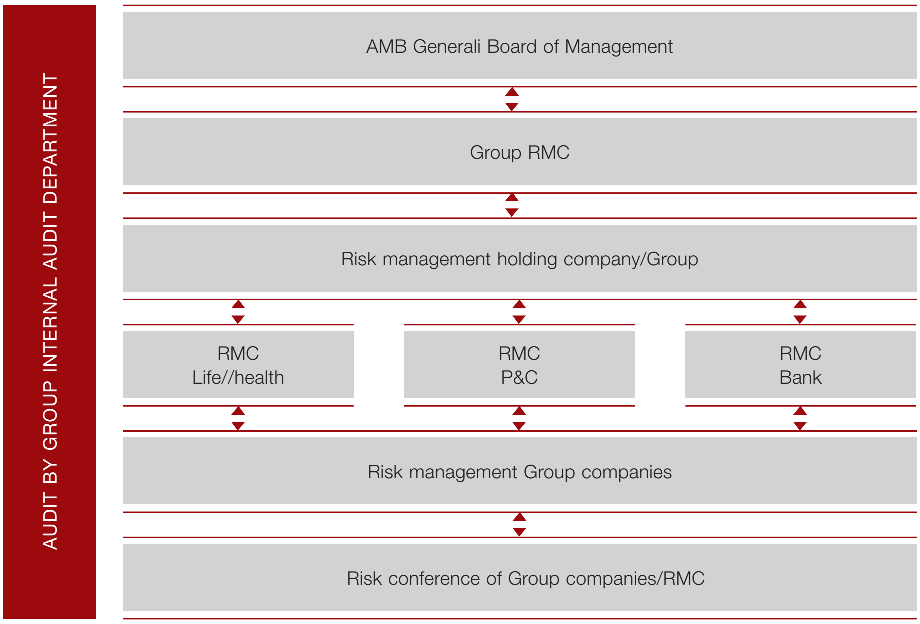
The Group-wide coordination of issues with a risk-management relevance is primarily ensured in regular meetings of the Risk-Management Committees (RMC) in which all companies concerned are represented.

In the Group companies, issues and findings of risk-management relevance are discussed in regular local RMC meetings and risk conferences. The local Company Risk Manager is also the risk-management contact for the Board of Management of the company concerned and for the Group Risk Manager. The major risk-management findings at the level of the Group company are systematically consolidated in the meetings of the specific segment committees “RMC life/health”, “RMC P&C” and “RMC Bank” which are held regularly. The purpose of these meetings, which – in addition to the members of the Boards of Management of the companies concerned – are also attended by the Group Risk Manager, is to respond adequately and timely to changes of the risk situation. Against this background, adequate risk-controlling measures are elaborated, analysed and decided, if appropriate. The tasks of the committees also include the systematic monitoring and verification of risk-controlling measures already initiated at segment level.

The Group Risk Management is in charge of Group risks and for the conceptual development and updating of the risk-management system at Group and holding company level. In addition to setting uniform Group-wide standards of risk management, the tasks of Group Risk Management therefore include the activities of initiating, elaborating and coordinating risk-management measures together with the Company Risk Managers and the RMCs. Within the scope of the quarterly meetings of the Group RMC,

Organization of risk management in the AMB Generali Group

The organizational framework structure of the risk-management system comprises the members of the Board of Management, the persons in charge of all operational divisions concerned, the risk managers of the individual Group companies, the Group Risk Manager and the internal audit department of the Group.



which in addition to the Board of Management of AMB Generali and the Group Risk Manager also comprise the persons in charge of various operational areas of the holding company, the risk situation of the entire AMB Generali Group is assessed and monitored on the basis of the findings of the meetings of the specific segment RMCs. Group-wide measures for controlling risks at Group level are discussed and decided, if appropriate.

The Group's internal audit department as a superior body independent of processes regularly verifies the efficiency of the risk-management system, gives advice with regard to enhancing the system and documents the audit results for the Boards of Management of the Group companies.

The risk-management system within the AMB Generali Group

The risk-management system of the AMB Generali Group follows the successive risk-management steps which are common practice in the market (see graph "Risk-management process" on p. 60).

Risk identification

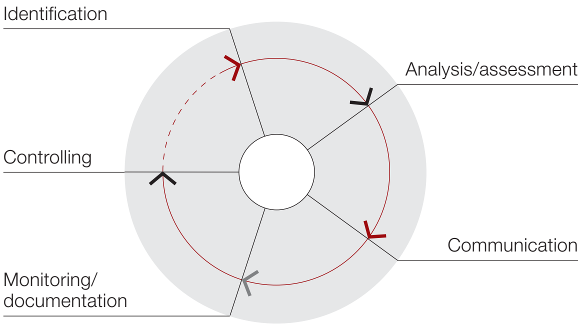
The first step within the scope of the risk-management system consists of the identification of all risks which could jeopardize the existence of the Group or hinder the Group in reaching its business targets. Within a risk inventory process taking place at least once a year in the Group companies and in AMB Generali, all risks are comprehensively and systematically registered in a risk list and thereafter aggregated into a Group-wide risk list. The Company Risk Manager is to be informed of any new risks occurring in the course of the year. Following coordination with the Group Risk Manager, these risks are included in the risk list as appropriate.

Classes and types of risks

Investment risks

Investment risks are composed of market, currency and concentration risks and describe the danger of losses which may be the result of adverse changes of market prices or of factors influencing the price – such as changes of interest rates, share prices or currency fluctuations – or due to an insufficient diversification in the portfolio.

Risk-management process



Credit risks

Credit risks are risks involved in the possible losses attributable to a durable deterioration of the credit standing or of the total or partial default of an issuer or contracting party. Default risks in primary insurance business exist mainly with regard to the amounts receivable from policyholders, insurance intermediaries and reinsurers. The default risks under loans to end customers (such as loans in building-society business) are also included in credit risks.

Specific segment risks (underwriting risks)

Life and health sub-segments

The specific segment risk of life and health insurance is composed of the **biometric risk**, the **cost risk** and the **lapse risk**. The risks are involved in the fact that the possible occurrence of claims and the future cost or lapse situation may differ from the assumptions on which the premium calculation was based.

Property and casualty segment

The specific segment risk of property and casualty insurance consists of the **pricing risk** and the **reserving risk**. The premiums determined in advance have to be sufficient so that future claims can be paid. Due to the fact that prognoses with regard to future claims are only possible to a limited extent, the extent of claims payments is not yet known with certainty when premium levels are fixed (pricing risk). The reserving risk may be involved in an insufficient level of provisions for outstanding claims with the ensuing impact on the underwriting result.

Liquidity risk

The liquidity risk is the risk involved in not being able to fulfil current and future payment obligations, especially under insurance contracts, in time or for the full amount.

Other risks

Other risks occur, for instance, in the context of all operational systems and processes and may be caused by human or technical failure and by external factors of influence. The other risks comprise operational, strategic and litigation risks as well as general business risks.

Details regarding these risks, in particular the approaches and methods for controlling these risks and the appropriate sensitivity analyses, are disclosed in compliance with the rules of IFRS 4 (Insurance Contracts) and IFRS 7 (Financial Instruments: Disclosures) in the Notes, section 5, p. 104 ff.

Risk analysis and assessment

After their classification by specific risk categories, all identified risks are allocated to adequate risk-management processes within the scope of the risk-management system of the AMB Generali Group. These processes take into account the different risk features. This ensures an appropriate analysis, assessment and monitoring of risks.

The allocation of the risks to the four standardized risk-management processes or management routines is oriented at three major criteria:

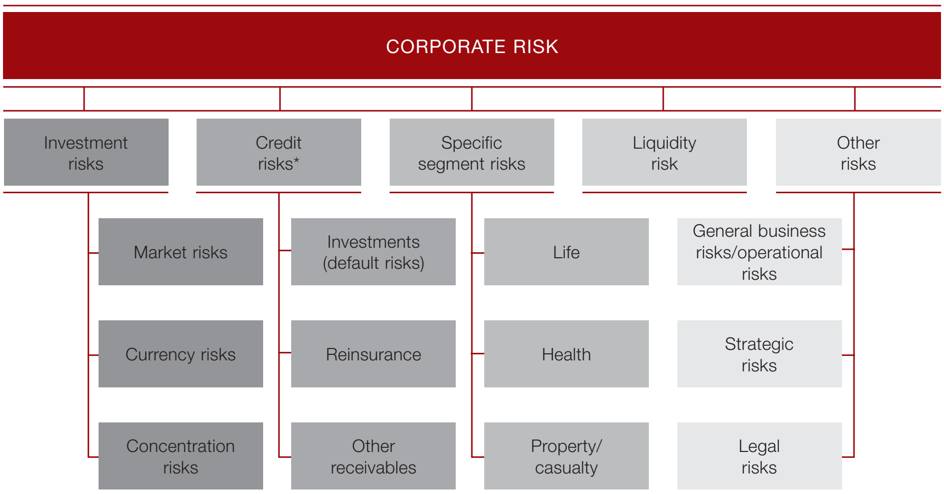
1. quantifiability of the risk;
2. time horizon in which the risk may potentially contribute to jeopardizing the existence;
3. materiality of the risk.

Quantity-based management process

If the identified risk is quantifiable and may threaten the company's existence in the short term within one year (materiality), it is allocated to the quantity-based management process. The necessary risk quantification is done on the basis of a standardized Group risk model and comprises all investment, credit and specific segment risks. In addition, these risks are subject to continuous monitoring by the persons

Risk categories

On the basis of market standards, the identified risks are allocated to five different risk categories which, in turn, are divided into various sub-categories and sub-types of risk.



* Within the scope of the Group-wide RMS, default risks under loans to end customers (such as in building-society business) are allocated to credit risks.

in charge of the risk. The other risks are handled on a global basis – similar to the approaches used in the market – within the Group risk model since due to an insufficient empirical basis they are difficult to quantify for the time being.

Quality-based management process

Risks which cannot be quantified or adequately quantified but which may nevertheless threaten the existence of the company in the short term within one year are allocated to the purely quality-based management process. This applies, for instance, to the risk of a failure of technical equipment and important business processes. Persons in charge have been allocated to these risks and ensure continuous monitoring and controlling.

Strategic controlling process

The strategic controlling process informs the management about risks which cannot be modelled or cannot be adequately modelled and which have the potential of a long-term creeping threat to the existence of the company. These risks (such as the risks resulting from a wrong strategic positioning) are the subject of the annual planning and controlling discussions.

Regular business processes

The controlling of risks not jeopardizing the company's existence, which remain below a defined threshold value and are no threat to the existence of the company, is part of common prudence in everyday corporate practice and management and is therefore handled within the scope of regular business processes.

Communication and monitoring

Regular communication with regard to identified risks is ensured by quarterly risk reporting. In addition, internal ad-hoc reporting has been established in order to inform management at short notice about any risks occurring spontaneously. The quarterly risk reports focus on those risks which have been allocated to the quantity-based and quality-based management processes and which could jeopardize the company's existence in the short term. Reporting also covers newly identified and newly registered risks.

With regard to the quantified risks within the quantity-based risk-management process, detailed statements about the risk-based capital (required capital) are made in the risk reports. The required capital amounts for the risk drivers are shown individually and are then aggregated, taking into consideration risk-compensating effects, to determine the required economic capital for the Group. The total economic capital is then compared to the existing equity capital of the Group. In addition, various key figures referring to capital adequacy are shown as the ratio of existing and required economic capital. Reporting is based on the actual reporting dates of quarterly accounting and on the planning periods. On the basis of the company-based individual reports, an overall report (Group Risk Report) is established by Group aggregation. Furthermore the controlling of measures is also presented. The addressees of the report are primarily the management (Board of Management), the operational divisions concerned and the Group's internal audit department. In addition, regular reporting also takes place in the RMC meetings with an exchange of risk-relevant information across the Group. As a whole, risk reporting thus allows a systematic and well-organized transfer of risk-relevant information to decision-makers and thus represents an essential basis for continuous risk monitoring.

Risk controlling

The basis for risk controlling is standardized risk reporting, which provides information about the overall risk situation in the individual companies and in the entire Group. The risk report also documents the initiated measures decided by the Board of Management or the RMC in charge. The measures are implemented by the defined persons in charge or, as the case may be, by working parties or project groups across companies.

In addition, risk controlling is complemented by guidelines (such as investment and underwriting guidelines, guidelines on product development and claims settlement), further instruments of analysis and existing schemes of limits. Besides the side conditions of economic safety, these instruments also include further legal or other restrictions. If, within the course of the year, it should turn out to be necessary to deviate from investment, underwriting or other guidelines because the risk situation is aggravating, appropriate measures will be decided and controlled by the Board of Management or the RMC in charge.

The Group's internal audit department regularly verifies the adequacy and efficiency of the internal monitoring systems and limits and it adequately reports the results of its audit activities to the Group Risk Manager.

Reporting on selected operational risks

Services in the fields of information technology, accounting, tax, claims management and investment management are rendered by centralized service companies within the AMB Generali Group. The risk management of those companies is integrated into the risk management of the Group and comprises the management of those risks involved in the rendering of the services concerned. By means of regular risk reports to the Group Risk Manager and to the Group companies to which the services are rendered it is ensured that the services rendered do not create risks that could jeopardize the company's existence.

IT security

The tasks of the AMB Generali Group in the IT field are concentrated in AMB Generali Informatik Services GmbH (AMB Informatik). Due to the integration of AMB Informatik into the risk management system, the AMB Generali Group has efficient instruments for recognizing IT risks across the Group. To minimize risks, measures are taken on a continuous basis to ensure the largest possible availability of hardware and software systems in the data centre of AMB Informatik as well as the IT security and protection of the data of all Group companies.

In the business year 2007 the procedures used as a protection against computer viruses again prevented major incidents.

By means of the implemented technical and organizational measures of precaution, AMB Informatik is able to ensure the function of the AMB Generali Group's IT operations even in the case of a catastrophe.

Subprime crisis

Since the middle of 2007, the dominant factor influencing capital markets has been the crisis of financial and credit markets following the dramatic decrease in property values in the U.S. The direct consequences of the so-called subprime crisis for AMB Generali are negligible.

AMB Generali has no direct investments in syndicated property loans of the U.S. subprime segment.

With the exception of traditional mortgage-backed bonds (Pfandbriefanlagen) in Europe, there is no exposure in securitized property financing.

With regard to listed participation certificates to the bearer of IKB Deutsche Industriebank AG and silent-partner interests of Sachsen LB Landesbank Sachsen AG which are indirectly affected, write-downs were recognized in the balance sheet. As far as securitized credit card debt and other asset-backed securities (ABS) held by us are concerned we do currently not see any adverse impact since we intend to keep these investments and product calculations have priced in high default rates. AMB Generali holds no investments in its portfolio where the rating class is based on the credit assessment of a specialized insurer. Neither does it have investments in the segment of U.S. municipal bonds and therefore there is no direct exposure with regard to so-called monoliners.

The substantial correction of stock-market prices at the beginning of 2008 in the wake of that crisis does, however, have an influence on the risk-bearing capacity of the Group. The development of the capital market is continuously being monitored in order to enable us to promptly take adequate measures in case the risk situation should aggravate.

“New Generali” project

In the case of mergers of the magnitude of Generali and Volksfürsorge, primarily three risks have to be taken into consideration: loss of distribution capacity, feasibility under personnel management aspects and coping with complexity. The steering committee of the “New Generali” project attaches particular importance to controlling and handling these risks. We counteract the risk of a loss of distribution capacity by not merging the tied-agent networks of the two companies. The traditional sales network of Volksfürsorge is to be transferred to a distribution company to be newly founded, which will continue to use the Volksfürsorge brand for distribution purposes. The feasibility under personnel management aspects is ensured by continuing operations of the new company at the locations of Munich and Hamburg. With the already established service companies and the harmonization achieved in operational activities we have created the necessary basis for coping with complexity. In addition, we base ourselves on our past experience with the successful management of integration processes within our Group. By means of a professional and experienced project management, risks are to be recognized and counter-measures to be developed at an early stage.

Legal risks

In the wake of domination and profit-transfer agreements concluded with subsidiaries and within the scope of the so-called squeeze-out procedure, indemnity offers were made to the minority shareholders of subsidiaries, in particular of AachenMünchener Lebensversicherung AG, AachenMünchener Versicherung AG and Volksfürsorge Holding AG. Furthermore, on the basis of the profit-transfer agreements, the shareholders of the companies involved were also offered compensation for no longer receiving a dividend from the companies concerned. Former shareholders of the subsidiaries filed applications for special court procedures to verify the adequacy of our offer of indemnity and compensation. Legally binding court decisions in these procedures are still pending. In the event of the company losing its case, it may become obliged to make payments in addition to the indemnities and compensations already paid.

Apart from these risks directly concerning AMB Generali, the following describes the legal risks existing in the Group subsidiaries:

The law on the reform of the Insurance Contract Act (Versicherungsvertragsgesetz VVG), which comprises the most important rules governing the relationships between insurance companies and policyholders, came into force as planned on January 1, 2008. The reform of the VVG involves elements that will have a major impact on the operation of the various lines of insurance. In addition, the Decree on Information Duties (VVG-InfoV) also came into force on January 1, 2008. Some elements of the VVG-InfoV decree – such as the disclosure of acquisition and distribution costs in euro amounts in life and private health insurance – will not come into force before July 1, 2008.

AMB Generali has established a Group-wide project team as well as the corresponding working parties in the different Group companies in order to implement the new requirements of the amended VVG in business structures and product calculations. The insurance companies of the AMB Generali Group were able to successfully complete all implementation activities in the business year 2007 in order to comprehensively fulfil all rules applicable as from January 1, 2008, which initially are mainly related to new business. For the business year 2008, the necessary resources for the implementation of the new rules in the insurance portfolio and the required adjustments regarding the elements of the VVG-InfoV decree, which will come into force at a later date, were estimated and budgeted for activities in the context of the VVG reform. Since the project structures, which stood their test in 2007, will largely be maintained and the corresponding activities will be coordinated with other planned Group projects it is ensured that the implementation procedure will run as smoothly as possible.

The healthcare reform passed by the upper and lower houses of parliament at the beginning of the year 2007 has drastically changed the environment for private health insurance in Germany. The main new features are the compulsory introduction of a basic tariff with effect from January 1, 2009, under which health insurers will be obliged to accept applicants, and the portability of ageing provisions. The detailed set-up of these two new elements, however, has not yet been defined. Proceeding from the assumption that the planned reform will not solve the structural problems of public health funds, we see good opportunities in the long term for private health insurance to close the gap in healthcare provision for the population.

The activities of Deutsche Bausparkasse Badenia as a lender in connection with investment property for which, mainly in the early '90s, various sales organizations had acted as intermediaries, have resulted in risks due to the fact that a number of investors have turned to Deutsche Bausparkasse Badenia alleging that the latter bears the ultimate responsibility for the failure of the investments made by the individual customers. Until today, in nearly all litigation cases with a legally binding and final court decision, Deutsche Bausparkasse Badenia has been able to carry its point regarding the situation of facts and law and thus the claims raised against the company have been rejected in the individual proceedings. On May 16, 2006 and March 20, 2007 the Supreme Federal Court (Bundesgerichtshof – BGH) resolved to ease the burden of proof for the plaintiffs. Any higher litigation risks that may exist in special circumstances have been taken into account through appropriate risk provisions.
To cover default risks, AMB Generali has accepted a guarantee for part of the business of Deutsche Bausparkasse Badenia involving risks. Due to this measure and to measures taken by Deutsche Bausparkasse Badenia itself, sufficient precautions have been taken on the basis of the facts known today.

On October 12, 2005 the Federal Supreme Court ruled that life insurance companies would have to reimburse to most customers who took out a life insurance policy between 1994 and 2001 and cancelled it prematurely at least about half the premiums paid, even after a brief policy duration. The resulting claims are being continuously handled and settled. This will continue to cause additional expenses for the Group's life insurance companies (AachenMünchener Lebensversicherung AG, Volksfürsorge Deutsche Lebensversicherung AG, Generali Lebensversicherung AG and Cosmos Lebensversicherungs-AG). At least 90 percent of the expenditure resulting from this rule, however, will have to be borne by the collective of policyholders which means that they will reduce the provision for premium refunds. A maximum of 10 percent will affect the net income for the year.
In the business year 2006 and steered by the consumer organization Verbraucherzentrale Hamburg, 20 policyholders of AachenMünchener Lebensversicherung AG filed a lawsuit with the Regional Court of Aachen in an arbitrary joinder of parties because they were not satisfied with the handling of their claims by the company on the basis of the above-mentioned ruling by the Federal Supreme Court. After the Regional Court had expressed doubts about the admissibility of the action, the latter was initially withdrawn. 15 of these policyholders then ceded their claim to Verbraucherzentrale Hamburg which filed another lawsuit with the Regional Court of Aachen. At the beginning of 2008 a lawsuit was filed, equally by Verbraucherzentrale Hamburg in an arbitrary joinder of parties, against Volksfürsorge Deutsche Lebensversicherung AG with the Regional Court of Hamburg. The current proceedings refer to issues such as the statute of limitations, the cancellation deduction to be applied as well as the calculation of the surrender value and the sums insured of policies after exemption from premium payment.

Solvency requirements

All Group companies subject to solvency requirements showed a sufficient solvency in compliance with statutory regulations.

The presentation of solvency data was changed in comparison to the previous year. The presentation is no longer based on the addition of solo-solvency figures but for the first time on the Group solvency figures to be submitted to the financial services regulator BaFin. The previous year's figures were adjusted accordingly.

On the basis of the Group solvency of the AMB Generali Group, the total of the existing equity capital of € 5,376 m (previous year: 5,138 m) – without deduction of participating interests in credit institutions, financial service providers and finance companies as well as receivables under profit-participation rights and subordinated loans from credit institutions, financial service providers and finance companies – is by € 2,095 m (previous year: 1,961 m) or 64 percent (previous year: 62 percent) in excess of the required level. On that basis the calculated solvency ratio in the Group is 164 percent (previous year: 162 percent).

In 2006 the AMB Generali Group was for the first time identified as a financial conglomerate by the financial services regulator BaFin with reference to the business year 2005. On the basis of our forecast to calculate capitalization as a financial conglomerate, solvency requirements are fulfilled on a conglomerate level during the year and as at the reporting date.

In preparing for the future requirements under Solvency II the AMB Generali Group implemented, as already described, an internal risk model oriented at the standards of the industry. On the basis of this risk model, the Group has a sufficient risk-based capital in order to fulfil the economic capital requirements.

Outlook and further enhancement of risk management

The further enhancement of risk management is a continuous process. At regular intervals, new elements and findings of business administration are included in risk management by appropriate updates. Also in the context of the further development of European insurance regulation (Solvency II) the risk management in AMB Generali is consistently oriented and enhanced with a view to the requirements of the new regulatory system. In this context, the requirements resulting from the 9th amendment of the Insurance Supervisory Act and those expected following the Act on Minimum Requirements for Risk Management (MaRisk) are taken into consideration. In its conception, the Group project is oriented at the three-pillar structure on which the Solvency II project of the EU is also based. Observing this three-pillar structure, the further enhancement of internal systems for risk measurement and controlling, the optimization of processes and the framework for transparency reporting are consistently being pushed forward.

As a whole, there is no development emerging at present which could substantially affect the assets, financial strength and earnings position of the AMB Generali Group. There are currently no risks recognizable which could jeopardize its existence.

Outlook

- The economic development in Germany has improved noticeably. However, there is still no major momentum to be expected for the German insurance industry.
- For the AMB Generali Group, activities will continue to focus on sustainably strengthening profitability and corporate value.
- On the basis of the developments planned in the individual business fields and our development focus we expect further increases in earnings.

Expectations for 2008 regarding the overall economy

The crisis in the U.S. property market is expected to lead to a considerable slowdown of growth in the United States in 2008. As a result of lower export demand, this could affect growth in the eurozone and Japan, too. Also due to the strength of the euro, foreign trade will have a negative impact on eurozone growth and we therefore expect a growth rate of 1.5 percent for the current year. In Germany, growth is increasingly relying on domestic demand supported by a robust labour market. As a whole, overall economic growth is anticipated to be at eurozone level.

Development in financial markets

At the beginning of 2008, the development of financial markets is characterized by extreme uncertainty, which is largely attributable to a loss of confidence in shares of banks and financial institutions. As a result, buyers are massively reticent and therefore the fluctuations of share prices are much stronger than usual. Apart from the financial crisis started in 2007, fears of a recession in the U.S. are a crucial factor. Although we, too, foresee a noticeable slowdown of the economic cycle, in our opinion a durable and marked recession would appear to be improbable. Therefore we consider the recession fears, which stock markets have already priced in, to be exaggerated. Furthermore we proceed from the assumption that the direct consequences of the U.S. mortgage crisis have already been largely dealt with in the financial statements of banks. Neither do we expect the problems of some individual insurers covering subprime risks to lead to a breakdown of the market of municipal bonds in the U.S.

Against this background we regard the development of stock markets of early this year as too pessimistic and anticipate that by the end of the year the market will have reached substantially higher prices than the level at the end of January. Although the growth of earnings will presumably slow down outside the financial sector, it will still be soundly positive, all in all.

At the beginning of the year 2008, bond-market yields will probably remain under pressure as a result of the credit crisis and the flight of investors towards safe investments. Yields will presumably also be kept down by worries about a recession in the U.S. In the course of the year, the strain on asset-backed securities is expected to ease. Therefore a slight increase of the yield for 10-year government bonds would appear to be probable.

Slight premium growth for the insurance industry

In the year 2008, the growth of the insurance industry will remain at a rather low level and continue to lag far behind the development of the overall economy. Although the German Insurance Association (GDV) assumes that premium growth will slightly improve against the previous year to 1.5 percent, any stimulation in the wake of the positive economic development might be obstructed by keen competition in property and casualty insurance, market saturation and, above all, the impact of political reforms.

The dynamic development of Riester and basic pension business will continue in 2008

Again, the general improvement of the economic situation will only have a limited influence on the business development of life insurance in 2008. Despite rising income levels it is not to be assumed that private households will give up their reticence towards assuming long-term obligations, although the acceptance of products of private provision for old age has been steadily growing. In this area, insurance products are increasingly facing the competition of fund products. With the coming into force of the final withholding tax in 2009, competition is expected to intensify in this field. It still remains to be seen what will be the repercussions of the Insurance Contract Act (VVG) coming into force in 2008. As a matter of principle, the improvement of the position of customers should have a positive impact on new business.

The dynamic development of the so-called Riester and basic pension covers should continue. Additional growth momentum is to be expected from premium adjustments under the fourth Riester incentive step. Without this extraordinary item, however, new business will probably witness a merely moderate expansion. The market expects new business growth of 4 percent. It is generally assumed that the trend towards unit-linked pension insurance will continue.

As a whole, the GDV anticipates an increase in life insurance premium income of approx. 2 percent in 2008. Pension schemes and pension funds are not assumed to make a noticeable contribution to growth and therefore this forecast applies to life insurance in both its narrower sense and including pension schemes and pension funds.

Private health insurance is expected to remain the line with the strongest growth in the year 2008. New business will, however, only be moderately dynamic as the new legal rules make it more difficult to switch to private cover. For the portfolio of business in force, rising healthcare costs will have an impact on premium development, but premium adjustments in the course of the year are anticipated to be only moderate. Supplementary covers will probably continue to witness growth. Although the share of this business in premium income is continuously rising, it only has a marginal impact on the overall premium development.

All in all, a growth of 3 percent is forecast for private health insurance. In this context, however, it has to be taken into consideration that it is still difficult to assess the impact of the healthcare reform passed by parliament in 2007.

A high degree of market saturation and persistent price competition in an increasing number of business lines continue to curb premium growth in property and casualty insurance. Only in some areas will the economic improvement lead to rising demand for insurance in 2008. Against this background, the industry anticipates a stagnation of the premium development in property and casualty insurance. Within the individual business lines, however, varying developments are expected: while for motor insurance a further 2 percent decrease in premium income is anticipated, the GDV foresees slight premium growth in private property insurance (in particular homeowners and householders), personal accident and legal expenses insurance.

The market again expects rising premium growth for life insurers

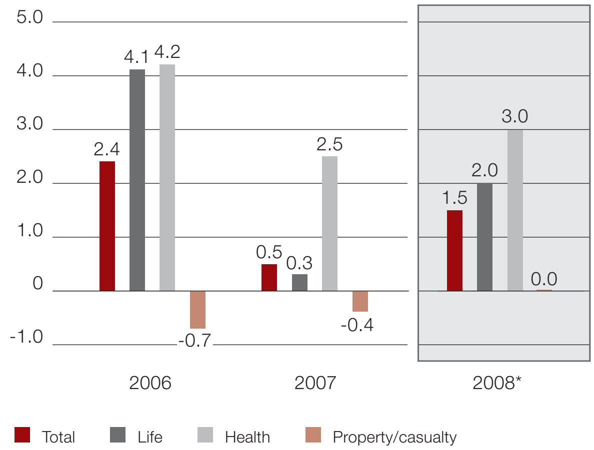
+2%

In Germany, the environment continues to be favourable for property construction. There is a low interest level, coupled with stable prices for construction and for real property. Consumers, however, remain reluctant to invest. This is also illustrated by the strong decline in the number of construction permits.

The building-society sector sees business perspectives in the growing market of alterations and modernizations in the wake of rising energy costs and demographic changes and given the fact that it is envisaged to include residential property among the investments to be encouraged by incentives under the Retirement Income Act.

Premium growth by lines of business

Figures in %, including pension schemes and pension funds



* estimate

Source: GDV

+1.5%

Slight increase of market growth in 2008

Focus of the AMB Generali Group in 2008

The AMB Generali Group will continue its successful course and enforce its activities in order to reach its ambitious targets. In this context, we concentrate on the implementation of our Group's business model with a clear focus on our distribution channels and the ensuing orientation of our multi-line insurers on our three distribution pillars of multi-channel distribution, direct selling and our strategic partnership with Deutsche Vermögensberatung.

This business model forms the basis for stable and sustainably successful structures in the AMB Generali Group and it helps us to further reduce complexity within our Group, make structures more efficient and cut costs. Besides realizing synergies by means of creating bigger units and eliminating redundant areas, we will further consolidate our strengths and sustainably focus on the successful diversity of our distribution channels, which is our unique selling proposition in the German market.

The measures oriented towards a targeted adjustment of the Group structures are expanded to include additional activities. With the continuation of our "*MOVE*" projects and the persistent development of our service companies we will provide substantial momentum with a view to raising the efficiency of the AMB Generali Group. A clear customer orientation of our Group companies will again be in the focus of our attention in 2008. The further enhancement of proximity to market and distribution is consistently being pushed by measures at the level of the individual companies.

Our strategic measures and development focus in the year 2008 are centred around the planned merger of our Group companies Generali and Volksfürsorge. This entrepreneurial realignment will substantially improve our competitive position. The new company will be the biggest insurer within the AMB Generali Group, number 4 and number 6 in the German life and property/casualty markets respectively, and have a multi-channel distribution unique in Germany. Four strong sales channels form the basis for fresh growth: Generali's traditional sales network as a strong organization of tied agents, Volksfürsorge Vertriebsgesellschaft AG to be newly founded, one of the leading broker organizations and a strong bank channel.

We will continue our successful course and consistently work on reaching our ambitious targets

Already at year-end 2007 the work for establishing the business model for the new company was started. After the turn of the year, project activities now focus on refining the concept details. These include the preparation of the new processes and structures, the planning of the implementation process and the preparation of the IT migration. We proceed from the assumption that the merger of the companies will be completed by the beginning of the year 2009.

By implementing this new business model our Group will eliminate redundant structures, cut costs and raise earnings substantially. Following the measures implemented in the Group in order to increase competitiveness and the planned merger of Generali and Volksfürsorge we expect to further cut costs to a total level of € 1,600 m by 2010.

For the business year 2008 we anticipate additional market-share gains in insurance business. Growth will continue to be supported by life and health insurance. We keep concentrating on a sustainable enhancement of service quality for our customers and intermediaries. Accordingly, the focus of our activities lies on the development of innovative products which have distinguishing features, are geared to customer needs and take into account the requirements of the individual distribution channels. In addition, there are measures to raise the productivity of our fieldstaff, keep qualifying our reoriented distribution networks and increase their efficiency.

For the business year 2008 we again anticipate market-share gains

Growth in life above the market average

Life insurance represents approx. 65 percent of the AMB Generali Group's total premium income. Therefore the environment and development tendencies of this segment are of particular importance for our business success. Life insurance certainly is a growth market due to the demographic situation, the structural financing problems of the state-run schemes and a growing awareness that supplementary private or corporate provision for old age are necessary. Thanks to our broad and comprehensive product range and to the quality of our sales networks we have the best conditions in order to position ourselves successfully in this field. This applies to all three tiers of old-age provision and the additional coverage of biometric risks.

The enhancement of tax breaks for the basic pension cover, which is part of the first tier, raised the awareness for this product which is highly interesting for the self-employed, for earners of high incomes and persons approaching retirement age. We have geared our basic pension products to the needs of this customer segment and are now offering a full product line. We expect a further increase in demand for this cover.

In the sustainable growth market of corporate old-age provision (second tier) it is of crucial importance to advice employers on all aspects of corporate pension and also to provide high-quality and individualized consulting to every single employee. These are services we can ensure through our sales networks as a provider of all vehicles of corporate provision for old age.

Incentives for Riester customers complemented by a subsidy for newly born children

€ +300

With regard to Riester pensions of the second tier, the fourth increase step will come into force in 2008. In addition, the incentive for newly born children was raised to € 300 at the beginning of 2008. This will lead to a further increase in the demand for Riester products. As the market leader in this business we will particularly benefit from this development.

The provision products of the third tier, which encompass endowment insurance and private pension insurance, continue to be attractive to customers. The advantages of these products result mainly from the long-term guarantees in respect of benefits and additional coverage for biometric risks. The trend towards pension covers will continue in new business.

Customer interest in unit-linked policies will rise further, especially with regard to innovative covers. As the market leader in unit-linked life insurance we are in a good position to offer state-of-the-art and dynamic solutions to our customers. In addition, our customers have the possibility of making flexible investments in various funds of excellent quality.

We also expect growth momentum from covers for purely biometric risks, such as term life or occupational disability insurance. Term life policies with a differentiated pricing will increasingly replace the options for covering surviving dependants under endowment policies, whose importance within our new business is decreasing. In the long run, there will be a stronger demand for occupational disability covers because the state has largely withdrawn from providing this benefit and the market is not saturated yet. Our product structure takes account of the fact that especially young persons starting their professional career need attractive prices in order to be able to insure their existential risk.

For the growing senior market we are also preparing the issue of long-term care insurance. Amid current discussions about a possible reform of the state-run long-term care scheme we are anticipating strong impulses in this segment. The development of objective criteria for long-term care and the competition thus created between the providers of these services will underline the necessity of private cover. Apart from stand-alone policies we also offer a system of supplementary covers and optional modules to set up tailor-made product packages.

With our innovative product development geared to target groups and our strong distribution networks we will benefit from the growth opportunities opening up in the wake of the demographic development, the gradual reconstruction of the social security schemes and the introduction of the final withholding tax in 2009. The diversity of our distribution channels gives us access to a broad range of end customers. For that purpose we provide all distribution channels with product concepts geared to their target group. In 2008 and the following years we will again witness stronger growth than the total life insurance market and we will continue to reinforce and expand our market leadership in the Riester pension business and in unit-linked and term life insurance.

Through the increase of the overall yield our customers benefit from our sound financial strength

In 2008, the life insurers of AachenMünchener, Volksfürsorge, Generali and CosmosDirekt will increase their overall yield (technical interest rate plus regular profit bonus) for all regular tariffs, both for new business and business-in-force. Customers will thus benefit from the sound financial strength of the AMB Generali Group.

Health insurers preparing for repercussions of healthcare reform

The health insurers of AMB Generali are intensively preparing for the impact of the healthcare reform. Starting from January 1, 2009 it will become easier to change from one private health insurer to another, which will intensify competition for customers. During the first half of the year 2009, if certain prerequisites are fulfilled, it will be possible for existing customers to take their ageing provisions with them when changing over to a new private health insurer. New customers will have that possibility on a permanent basis. Besides, private health insurers are increasingly competing with public health funds in the field of supplementary cover, since the public health funds also offer various optional models, some of which, however, still have a controversial legal basis. The preparations in this field comprise an extensive bundle of measures, such as the reinforcement of sales channels and an intensification of activities with regard to customer acquisition and customer loyalty. Furthermore, the Group has a range of products with high-quality benefits. This range is continuously extended and adjusted in line with the changing requirements of customers. On the whole, AMB Generali's health insurers are very well prepared to remain one of the leading private health insurers and be a winner of the healthcare reform.

According to the German Insurance Association GDV, the impact of the latest healthcare reform on premiums is still difficult to estimate. Growth in private health insurance will primarily be determined by premium adjustments in the wake of higher benefits due to rising healthcare costs. The GDV therefore considers premium growth in the 3 percent range to be realistic. Since we are very well positioned in the healthcare market and on the basis of the successfully initiated measures to improve the quality of our services and products, we proceed from the assumption that we will again achieve growth above the market average in 2008.

Selective approach in property and casualty insurance

The property and casualty insurance market continues to be characterized by fierce competition and a high degree of saturation. In addition, the price sensitivity of customers, which used to be a factor mainly in motor business, is increasingly becoming a major competitive factor in the other insurance classes. Against this background, our underwriting policy oriented on earnings and the selective reinforcement of profitable business segments remain the foundations of our growth strategy in property and casualty insurance. Beyond this, the activities of our property and casualty insurers continue to focus on the development of innovative products consistently geared to the requirements of our customers and sales networks.

Motor insurance remains by far the biggest line of property and casualty business. The relentlessly fierce competition in this business field is anticipated to persist in the near future. Therefore the average market premium is expected to decrease further. In the wake of renewal business in motor towards the end of the year our Group companies Volksfürsorge, Generali and CosmosDirekt were able to win new customers again in 2007. In AachenMünchener, where sales activities were under reorganization, renewal business had a negative development, all in all. It is, however, not our primary target to gain market share in this segment. Instead, our focus is on writing profitable business.

Property and casualty insurance is focused on writing profitable business

Badenia oriented on profitability and value

Deutsche Bausparkasse Badenia is well prepared for the future. The basis for this are attractive products both for the collective of holders of building-society contracts and also outside that collective, a strong organization and dedicated employees in fieldstaff and administrative services.

The strategic orientation of Badenia remains oriented towards earnings and value and on maintaining an adequate solvency. In this context, Badenia is set to increase its profitability in order to make an adequate contribution to safeguarding the earnings capacity of the AMB Generali Group.

Badenia is set to grow in new business. Since target contract sums, however, are geared to the customers' investment capacity and credit standing, the new business targets are oriented on quality aspects rather than volume. With a rising level of interest rates, the building society expects an increasing utilization of loans under building-society contracts and an ensuing rise of the interest surplus.

Prudent approach in investment policy

Our investment policy will continue to be consistently geared to the risk-bearing capacity of our Group companies. In our opinion the capital market developments caused by the so-called subprime crisis will persist in 2008. Investors will focus on low-risk government bonds and credit spreads will remain at a noticeably increased level for the time being. Despite higher inflation data, interest rates will therefore be well supported and rise only moderately over the next two years.

In stock markets, too, developments will primarily depend on the impact of last year's bank and finance crisis. Uncertainty in the market is currently nourished by weaker economic data and will lead to persistent above-average market volatility. We remain optimistic, however, and consider that the global economy will be supported by the emerging countries. In the second half of the year we also expect growth to become more dynamic in the industrial countries. Against this background we assume that the major stock markets will experience a noticeable recovery compared to the prices of January/February without, however, necessarily reaching the levels of the start of the year. Alongside an economic improvement starting in the middle of 2008, this positive tendency is expected to continue into 2009.

In contrast to expectations for the full year, however, write-downs on dividend-bearing securities – on the basis of international accounting standards – cannot be excluded in the first quarter 2008. In line with the expectations described above we assume that in the further course of the year these write-downs will be compensated by higher gains from equities and/or the build-up of hidden reserves.

Our investment policy will continue to be consistently oriented on the risk-bearing capacity of our Group companies

On the basis of the core scenarios indicated above we will, as a matter of principle, maintain our conservative investment policy. We intend, however, to expand our exposure in corporate bonds in a targeted manner in order to benefit from broader spreads. In this context we will focus on investment-grade issuers.

The expansion of the credit exposure coupled with the roll-down will lead to a tendency of slightly shortening durations in the fixed-interest portfolio of the life and health insurers. It is not planned, however, to further shorten durations by actively shifting portfolios. In the property and casualty segment we maintain our active management of durations in order to be able to respond more flexibly to short-term changes in the market.

We do not plan to extend our equity portfolio. On the contrary, the high volatility to be expected would rather involve a latent disposition to reduce exposure physically or through derivatives.

Change in the Board of Management of AMB Generali Holding AG

Dott. Lorenzo Kravina, since 2007 in charge of the entire technical area of insurance operations within the Board of Management of AMB Generali, will change over to the Group Head Office of Assicurazioni Generali in Trieste with effect from April 1, 2008. Dott. Kravina will assume a management function linked with the expansion of the international insurance group in Central and Eastern Europe. A decision regarding the succession of Dott. Kravina has not yet been taken at the time this report is established.

Planned name change of AMB Generali Holding AG

AMB Generali plans to change the name of the Group holding company in 2008. With a view to the next General Meeting to be held on May 6, 2008 we will propose to our shareholders to approve a change of the current company name “AMB Generali Holding AG” to “Generali Deutschland Holding AG”.

Further improvement of results expected

On the basis of the developments planned in the individual business fields and in the light of our development focus we expect further result increases. These will be driven by above-average premium growth and by improvements in operating business primarily aiming at an optimization of the cost situation. Provided that the current business year is not affected by extraordinary claims and the development of capital markets witnesses a recovery by the end of the year, we aim to reach a Group net profit of at least € 450 m in the business year 2008. For the following years we expect that the Group net profit will further improve to € 500 m in 2009 and to 550 m in 2010.

Group targets 2008 through 2010 on the basis of internal management parameters

The following gives an outline of the concrete Group targets for the period 2008 through 2010. We refer to parameters on which our internal management and planning are based. These parameters are growth targets, the values of new business in life and health insurance, the combined ratio, a cost target and the Group net profit under IFRS.

Group targets 2008–2010

	2007	2008	2009/2010
Premium development life	+3.6%	growth above market level	growth above market level
Premium development health	+4.6%	growth above market level	growth above market level
Premium development property/casualty	+1.6%	growth at market level	growth at market level
New business value[1]	€ 175 m	continuous rise in subsequent years	continuous rise in subsequent years
Combined ratio[2]	95.3%	<96% against market cycle	<95% against market cycle
Total expenses[3]	€ 1,744 m	< € 1,700 m	<€ 1,600 m (despite above-average growth)
Group net profit under IFRS[4]	€ 417 m	> € 450 m	2009: € 500 m 2010: € 550 m

1 life and health insurance; acc. to McEV, after capital cost
2 combined ratio in property and casualty insurance; starting from 2008 without consideration of extraordinary claims
3 without commissions and one-off restructuring costs
4 2007 figure without extraordinary items due to tax-rate change; 2008–2010 targets before goodwill amortization

Information and report in compliance with section 315 para. 4 of the German Commercial Code (HGB)

The subscribed capital of the company amounts to € 137,420,784.64 and is divided into 53,679,994 unit shares to the bearer (bearer shares). All shares grant the same rights, i.e. there are no different categories of shares.

Under the Articles of Association there are no restrictions referring to voting rights or to the transfer for shares. The Board of Management is not aware of any such restrictions based on agreements between shareholders. No shares have been issued with special rights conferring powers of control.

As at February 18, 2008 Assicurazioni Generali S.p.A., Trieste, indirectly held a stake of 85.49 percent in AMB Generali (as at December 31, 2007: 85.05 percent). Out of that percentage a direct stake of 77.76 percent (as at December 31, 2007: 77.32 percent) in AMB Generali is held by Generali Beteiligungs-GmbH, Aachen.

The company has not been informed of other direct or indirect shareholdings in its capital exceeding 10 percent of the voting rights.

The Supervisory Board is responsible for appointing and removing members of the Board of Management according to the legal provisions in sections 30 ff. of the Co-Determination Act (MitbestG) in conjunction with sections 84, 85 of the Companies Act (AktG) and the rules of art. 7 para. 1 of the Articles of Association. The Supervisory Board also determines the number of members in the Board of Management. As at December 31, 2007 the Board of Management was composed of three members. According to section 119 para. 1 no. 5 AktG the authority for amending the Articles of Association lies with the General Meeting, which takes its resolutions in compliance with section 179 AktG. The authority to resolve amendments of the Articles of Association which merely refer to the wording has been transferred to the company's Supervisory Board in line with article 19 of the Articles of Association.

The Board of Management manages the company in its own responsibility (section 76 AktG) and represents the company in court and out of court (section 78 AktG). Pursuant to article 7 para. 3 of the Articles of Association, the company is represented by two members of the Board of Management or by one member of the Board of Management acting together with a "Prokurist" (authorized representative). The Board of Management is supervised by the Supervisory Board, to which management tasks cannot be transferred but which may resolve that specific transactions can only be carried out by the Board of Management with the approval of the Supervisory Board.

Pursuant to article 5 para. 4 of the Articles of Association the Board of Management is authorized until May 18, 2009 to increase the share capital, with the approval of the Supervisory Board, by up to € 68,710,392.32 by issuing, in one single or several partial amounts, a total number of up to 26,839,997 new unit shares to the bearer against contribution in cash or in kind (authorized capital). In the case of a capital increase against a contribution in kind the Board of Management is authorized to exclude the subscription right of shareholders with the approval of the Supervisory Board. In the case of a capital increase against a contribution in cash a subscription right is to be granted to the shareholders. The Board of Management is authorized, however, to exclude the subscription right of shareholders with the approval of the Supervisory Board, if at the moment when the issue price is determined, which should be as close as possible to the moment the shares are placed, is not materially below the stock-market price. This authorization to exclude subscription rights is subject to the condition that the total shares issued with the exclusion of subscription rights pursuant to section 186 para. 3 sent. 4 AktG within the five-year authorization period do not exceed 10 percent of the share capital, neither at the time the authorization becomes effective nor at the time it is exercised. The disposal of treasury stock is to be taken into account when calculating the 10 percent limit of the share capital if this disposal is based on an authorization pursuant to section 186 para. 3 sent. 4 AktG, which is applicable at the moment this authorization becomes effective or on an authorization replacing such latter authorization, and the subscription right is excluded. Furthermore the Board of Management is authorized to exempt residual amounts from the statutory subscription right of shareholders with the approval of the Supervisory Board. In addition, the subscription right of shareholders may also be excluded on the basis of a resolution taken by the Board of Management with the approval of the Supervisory Board in order to be able to issue to employees of the company and its Group companies a total of up to 400,000 bearer shares from authorized capital representing a corresponding amount of the share capital of up to € 1,024,000. The Board of Management is authorized to determine, with the approval of the Supervisory Board, all further conditions for the issue of new shares, in particular the issue price. Finally the Supervisory Board is authorized to change the wording of the Articles of Association to reflect the extent of the capital increase from authorized capital.

The Board of Management has the possibility of acquiring company shares for the company as treasury stock within the scope of the legal provisions of section 71 AktG. In particular, by resolution of May 3, 2007 the General Meeting authorized the Board of Management pursuant to section 71 para. 1 item 8 AktG to acquire shares of the company, with the approval of the Supervisory Board, until October 31, 2008. This authorization is restricted to the acquisition of shares representing a share of € 13,742,077.44 of the company's share capital; this equals close to 10 percent of the existing share capital of € 137,420,784.64. The authorization shall not be used for the purpose of trading with company shares. The authorization may be exercised, directly by the company or by third parties commissioned by the company, in one single or several partial amounts or in pursuing one or several purposes. The shares acquired, together with the other treasury stock held by the company or attributable to the company in compliance with arts. 71a ff. of the Companies Act shall at no time exceed 10 percent of the share capital. The acquisition may be done, as decided by the Board of Management, on the stock exchange or by a public offer to the company's shareholders or by a public invitation addressed to the company's shareholders to make sales offers.

If the shares are acquired on the stock exchange, the consideration per share paid by the company (without ancillary acquisition costs) shall not exceed or fall short of the opening price on the three stock market trading days before assuming the obligation to acquire company shares by more than 10 percent. The opening price is determined by the opening auction in Xetra trading (or in a similar system replacing the latter).

If the acquisition is made by a public offer to all shareholders of the company or by a public invitation to the shareholders of the company to make sales offers, the purchase or sales price offered or the upper and lower limits of the range of the purchase or sales price per share (without ancillary acquisition costs) shall not exceed or fall short of the average closing price in Xetra trading (or in a similar system replacing the latter) which is applicable on the three stock market trading days preceding the publication of the offer or the invitation to make sales offers and which has been determined by the closing auction by more than 20 percent. The volume of the offer or of the invitation to make sales offers can be limited. To the extent the total acceptance of the offer or the offers made upon an invitation to submit sales offers exceeds or falls short of this limitation, the acquisition or acceptance has to be done in proportion to the shares offered. It is possible to provide for a preferential acquisition or preferential acceptance of quantities up to 100 shares of the company offered for acquisition per shareholder of the company. The purchase offer or the invitation to submit sales offers may be subject to further conditions. The provisions of the Securities Acquisition and Takeover Act have to be observed to the extent they are applicable.

The Board of Management is authorized, with the approval of the Supervisory Board, to use the shares of the company acquired on the basis of this authorization for all legally admissible purposes in particular for the following:

1. The shares acquired may be withdrawn without the withdrawal or the withdrawal procedure requiring a further resolution by the General Meeting. The withdrawal may be limited to part of the shares acquired. The authorization for withdrawal can be made use of several times. The withdrawal may be made in such a way that the share capital is not changed but that instead the percentage of the remaining shares in the share capital is increased pursuant to section 8 para. 3 AktG (section 237 para. 3 no. 3 AktG). The Board of Management is authorized to amend the number of shares indicated in the Articles of Association in line with the extent to which the capital is reduced as a result of the withdrawal.
2. The acquired shares may be sold against a consideration in kind, in particular in the context of mergers or of the acquisition of companies, stakes in companies or in parts of companies.
3. The acquired shares may be disposed of other than on the stock exchange or by an offer to the shareholders at a price not falling materially short of the stock-market price of the company's shares at the time of the disposal. In that case, the total of the number of the shares to be sold and of the new shares issued since the granting of the authorization, with exclusion of the subscription right pursuant to section 186 para. 3 sent. 4 AktG, shall not exceed 10 percent of the company's share capital at the time the resolution was taken by the General Meeting.

The authorizations under 1. through 3. may be used in one single or various partial amounts.

The shareholders' right to subscribe the company's own shares is excluded to the extent these shares are used within the scope of the authorizations indicated under 2. and 3.

Finally there is a conditional capital set up because of the domination agreements concluded with subsidiary companies in 1997 for the purpose of compensating minority shareholders. In this context reference is made to the information in the Notes on p. 145.

AMB Generali is party to two sales cooperation agreements, which are of material importance for the Group, in favour of Group companies. These agreements include provisions for the case of a change of control. Under one of the agreements the sales cooperation may be terminated in the case of a change of control in AMB Generali or Assicurazioni Generali S.p.A. Under the other agreement, the exclusiveness agreed in favour of the Group companies of AMB Generali may be terminated in the case of a change of control in AMB Generali or Assicurazioni Generali S.p.A., but only if additional measures are announced, decided or initiated which have a material impact on the business activities of the Group companies concerned or on the distribution of their products. No agreements have been concluded by the company with members of the Board of Management or with employees providing for compensation in the case of a takeover bid.

Chap. 3
Consolidated Financial Statements

Pages 078–168

Consolidated Income Statement for the period Jan. 1–Dec. 31, 2007

	Note			2007	2006
		€'000	€'000	€'000	€'000
1. Gross premiums written				**11,771,387**	**11,743,192**
2. Net premiums earned	6		11,424,328		11,390,134
3. Investment income (net)	7				
a) income from shares in enterprises measured at equity		45,143			33,727
b) other investment income		3,639,071			3,730,354
			3,684,214		3,764,081
4. Other income	8		456,788		342,355
				15,565,330	**15,496,570**
5. Net claims and benefits	9				
a) life/health		-9,906,610			-9,669,336
b) property/casualty		-1,928,455			-1,891,689
			-11,835,065		-11,561,025
6. Net operating expenses	10		-2,101,439		-2,386,063
7. Other expenditure	11		-1,001,813		-933,586
				-14,938,317	**-14,880,674**
8. Result before goodwill amortization				**627,013**	**615,896**
9. Goodwill amortization	15			**–**	**-1,433**
10. Earnings before tax and finance costs				**627,013**	**614,463**
11. Finance costs				**-18,006**	**-13,417**
12. Tax	12			**-109,640**	**-150,132**
13. Net profit				**499,367**	**450,914**
a) of which attributable to the equity holders of the parent				498,067	448,534
b) of which minority interests				1,300	2,380
	Note			2007 €	2006 €
14. Earnings per share	13				
a) diluted				9.28	8.36
b) undiluted				9.28	8.36
Earnings per share adjusted for extraordinary items				**7.75**	**6.40**

Consolidated Income Statement for the period Oct. 1–Dec. 31, 2007

			2007	2006
	€'000	€'000	€'000	€'000
1. Gross premiums written			**3,053,728**	**2,971,875**
2. Net premiums earned		**3,225,752**		**3,113,255**
3. Investment income (net)				
a) income from shares in enterprises measured at equity	2,312			12,861
b) other investment income	727,197			876,199
		729,509		**889,060**
4. Other income		**160,490**		**119,440**
			4,115,751	**4,121,755**
5. Net claims and benefits				
a) life/health	-2,590,727			-2,514,947
b) property/casualty	-434,277			-477,463
		-3,025,004		**-2,992,410**
6. Net operating expenses		**-619,417**		**-733,890**
7. Other expenditure		**-352,473**		**-350,004**
			-3,996,894	**-4,076,304**
8. Result before goodwill amortization			**118,857**	**45,451**
9. Goodwill amortization			**–**	**-1,433**
10. Earnings before tax and finance costs			**118,857**	**44,018**
11. Finance costs			**-4,336**	**-5,239**
12. Tax			**-7,707**	**118,028**
13. Net profit			**106,814**	**156,807**
a) of which attributable to the equity holders of the parent			106,165	155,491
b) of which minority interests			649	1,316
			2007	2006
			€	€
14. Earnings per share				
a) diluted			1.98	2.87
b) undiluted			1.98	2.87
Earnings per share adjusted for extraordinary items*			**1.77**	**0.91**

* The extraordinary impact from the corporation tax credit in the previous year was fully taken into account in the fourth quarter.

Consolidated Balance Sheet as at December 31, 2007 – Assets

	Note	€'000	2007 €'000	2006 €'000
A. Owner occupied property/tangible assets	14		**959,530**	**1,051,740**
B. Intangible assets	15			
I. Goodwill		270,189		270,189
II. PVFP of insurance contracts		104,390		97,239
III. Other intangible assets		96,306		110,764
			470,885	**478,192**
C. Deferred acquisition costs	16		**7,797,271**	**7,367,288**
D. Investments				
I. Investment property	17	2,124,082		1,844,909
II. Shares in enterprises measured at equity	18	317,999		224,524
III. Financial assets				
1. loans and receivables	19	37,701,130		30,257,881
2. available for sale	20	36,520,965		42,427,177
3. financial assets at fair value through profit or loss	21			
a) financial assets at fair value through profit or loss (not held for trading)		922,511		352,772
b) held for trading		14,267		23,884
		75,158,873		73,061,714
			77,600,954	**75,131,147**
E. Investments for the account and at the risk of life insurance policyholders	22		**9,627,717**	**8,156,808**
F. Receivables	23		**2,154,445**	**2,096,093**
G. Tax assets				
I. for current tax		318,936		360,684
II. for deferred tax	34	98,239		104,505
			417,175	**465,189**
H. Reinsurers' shares in underwriting provisions			**1,739,144**	**1,746,446**
I. Other assets	24		**121,660**	**140,061**
J. Inventories	25		**18,353**	**34,040**
K. Non-current assets held for sale and disposal groups				
I. Non-current assets held for sale		74,803		175,798
II. Disposal groups	35	49		33,313
			74,852	**209,111**
L. Current-account balances with credit institutions, cheques and cash in hand			**535,631**	**1,191,266**
Total assets			**101,517,617**	**98,067,381**

Consolidated Balance Sheet as at December 31, 2007 – Liabilities

	Note	2007 €'000	2007 €'000	2006 €'000
A. Group equity	26			
I. Subscribed capital		137,421		137,421
II. Capital reserves		1,308,177		1,285,750
III. Revaluation reserve		426,138		603,697
IV. Profit carried forward		1,601,173		1,282,980
V. Reserve from foreign-currency translation		-2,951		-1,230
VI. Net profit attributable to the equity holders of the parent		498,067		448,534
VII. Minority interests		175,503		231,368
			4,143,528	**3,988,520**
B. Underwriting provisions				
I. Unearned premiums	27	483,438		480,242
II. Provision for future policy benefits	28	61,943,221		59,755,638
III. Provision for outstanding claims	29	4,601,451		4,561,143
IV. Provision for premium refunds	30	7,366,164		7,093,734
V. Other underwriting provisions		28,589		30,370
			74,422,863	**71,921,127**
C. Underwriting provisions concerning unit-linked life insurance			**9,605,942**	**8,150,860**
D. Other provisions				
I. Provisions for pensions and similar commitments	31	1,898,656		1,807,573
II. Tax provisions		346,678		402,983
III. Other provisions	32	366,652		366,121
			2,611,986	**2,576,677**
E. Payables	33			
I. Subordinated liabilities		295,844		378,325
II. Bonds and loans		188,011		301,894
III. Other payables		9,504,107		9,854,297
			9,987,962	**10,534,516**
F. Tax liabilities				
I. for current tax		97,260		56,728
II. for deferred tax	34	647,441		828,876
			744,701	**885,604**
G. Other liabilities			**635**	**848**
H. Liabilities of disposal groups	35		**–**	**9,229**
Total liabilities			**101,517,617**	**98,067,381**

Equity development

	Subscribed capital €'000	Capital reserve €'000	Revaluation reserve[1] €'000	Reserve from foreign-currency translation €'000	Profit carried fw. and net profit[2] €'000	Minority interests €'000	Equity €'000
Balance at Dec. 31, 2006	**137,421**	**1,285,750**	**603,697**	**-1,230**	**1,731,514**	**231,368**	**3,988,520**
Change for:							
Foreign-currency translation	—	—	1	-1,721	-87	-641	-2,448
Change of consolidation scope	—	—	-6,105	—	-6,790	-55,373	-68,268
Dividend to shareholders	—	—	—	—	-123,464	-1,745	-125,209
Unrealized capital gains and losses							
withdrawal recognized in income	—	—	-410,784	—	—	—	-410,784
allocation not recognized in income	—	—	239,329	—	—	594	239,923
Net profit	—	—	—	—	498,067	1,300	499,367
Treasury stock	—	—	—	—	—	—	
Other	—	22,427[3]	—	—	—	—	22,427
Balance at Dec. 31, 2007	**137,421**	**1,308,177**	**426,138**	**-2,951**	**2,099,240**	**175,503**	**4,143,528**
Balance at Dec. 31, 2005	**137,421**	**1,282,446**	**778,779**	**1,048**	**1,385,333**	**209,414**	**3,794,441**
Change for:							
Foreign-currency translation	—	—	3	-2,278	-5	-517	-2,797
Change of consolidation scope	—	—	15,892	—	7,696	24,072	47,660
Dividend to shareholders	—	—	—	—	-110,044	-4,178	-114,222
Unrealized capital gains and losses							
withdrawal recognized in income	—	—	-436,538	—	—	—	-436,538
allocation not recognized in income	—	—	245,561	—	—	197	245,758
Net profit	—	—	—	—	448,534	2,380	450,914
Treasury stock	—	17	—	—	—	—	17
Other	—	3,287[3]	—	—	—	—	3,287
Balance at Dec. 31, 2006	**137,421**	**1,285,750**	**603,697**	**-1,230**	**1,731,514**	**231,368**	**3,988,520**

1 The revaluation reserve includes unrealized capital gains of € 8,118 thousand (previous year: 6,575 thousand) and unrealized capital losses of € – (previous year: 3,912 thousand) under hedge accounting.
2 Group net profit attributable to the equity holders of the parent
3 expenditure under stock options

Cash-flow statement

	2007 €'000	2006 €'000
Net profit	499,367	450,914
Change of underwriting provisions (net)	4,826,960	4,899,182
Change of deferred acquisition costs	-429,983	-48,753
Change of reinsurance deposits receivable and payable as well as current accounts receivable and payable	-63	125,341
Change of financial assets held for trading	87,899	104,508
Change of other amounts receivable and payable	-438,614	-258,309
Realized capital gains/losses from the disposal of investments and of plant and equipment	-725,693	-679,763
Change of deferred tax assets/liabilities	-66,037	-23,061
Change of other balance-sheet items	10	145,752
Profits/losses due to deconsolidation	-47,638	-15,672
Adjustment for investment income and expenditure not involving cash movements	-234,652	-523,401
Cash flow due to operating activities	**3,471,556**	**4,176,738**
Receipts due to the disposal of affiliated and associated enterprises	51,491	6,800
Payments due to the acquisition of affiliated and associated enterprises	-75,592	-31,276
Receipts due to the disposal of other investments	19,212,318	20,984,043
Payments due to the acquisition of other investments	-22,099,361	-24,180,963
Receipts due to the disposal of investments under unit-linked life insurance	563,836	300,444
Payments due to the acquisition of investments under unit-linked life insurance	-1,606,398	-1,171,749
Other receipts	139,209	112,897
Other payments	-90,998	-185,632
Cash flow due to investing activities	**-3,905,495**	**-4,165,436**
Change of bonds, loans and subordinated liabilities	-94,430	359,662
Receipts due to capital increase	-1,569	5,482
Dividend payments	-125,209	-114,222
Cash flow due to financing activities	**-221,208**	**250,922**
Impact of currency translation on cash position	-350	-358
Change of the cash position due to the acquisition/disposal of consolidated subsidiaries	-138	12,938
Cash position at the beginning of the business year	1,191,266	916,462
Change of the cash position	-655,147	262,224
Cash position at the end of the period under report	**535,631**	**1,191,266**

The cash position corresponds to the balance-sheet line item of "Current-account balances with credit institutions, cheques and cash in hand". As at the reporting date, out of the amount of liquid resources included in the cash position, € 267,250 thousand (previous year: 774,012 thousand) are part of the tied funds and therefore that part of the cash position can only be disposed of with the approval of a trustee. The cash-flow statement is determined by means of the indirect method.

Cash flows

	2007 €'000	2006 €'000
Premiums written	11,530,117	11,496,842
Ordinary investment income	3,538,197	3,377,413
Claims payments	7,861,997	7,683,766
Commission payments	1,563,436	1,445,512
Tax payments	148,858	281,411

Notes

Pages 086 – 167

Notes to the Consolidated Financial Statements 2007

1 Accounting regulations

The Consolidated Financial Statements have been established on the basis of section 315a of the German Commercial Code (HGB) in compliance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

In the business year 2007, IFRS 7 "Financial Instruments: Disclosures" and the resulting amendments of IFRS 4: "Insurance Contracts" were applied for the first time. IFRS 7 requires detailed disclosures in the Notes on financial instruments and on the financial risk exposures of an enterprise. This involves changes regarding the disclosures made in the Notes in compliance with IFRS 4 "Insurance Contracts".

Furthermore the amendments of IAS 1 "Presentation of Financial Statements" were applied in the Consolidated Financial Statements for the year 2007 with regard to additional disclosures on the capital.

Since these new rules refer only to disclosures in the Notes, the first-time application of the new or revised standards does not involve any changes in the methods of accounting and measurement.

IFRS 8 "Operating Segments" dealing with changes in segment reporting was not applied early. The application of IFRS 8 will become mandatory starting from the business year 2009. The implementation of IFRS 8 will not have a major impact.

Indications of standards in the Consolidated Financial Statements always refer to the version of the standard applied in preparing the Consolidated Financial Statements.

2 Consolidation

Consolidation scope

In compliance with IAS 27 in conjunction with SIC 12, the Consolidated Financial Statements as at December 31, 2007 comprise AMB Generali as well as 63 subsidiaries and 24 investment funds. In addition, after the acquisition of the stake in Generali Investments S.p.A., four companies are measured at equity. These are companies on which the AMB Generali Group may exercise a material influence. Furthermore a stake in a joint venture is measured at equity in compliance with IAS 31. On p. 134 of this Report, a table showing major subsidiaries and companies measured at equity provides information on the consolidation scope. A complete list of the shareholdings is disclosed in the electronic version of the Official German Gazette (Bundesanzeiger) according to section 313 para. 2 of the Commercial Code.

Consolidation principles

Subsidiaries are consolidated if AMB Generali Holding, directly or indirectly, holds a majority of votes. Furthermore companies and/or special purpose entities are consolidated in compliance with SIC 12. A business combination exists if the AMB Generali Group obtains control of another enterprise. In compliance with IFRS 3 "Business Combination", a business combination is accounted for by the purchase method. Under that method all identifiable assets, liabilities and contingent liabilities of the acquired company are measured at their fair value at the moment of acquisition. The acquisition costs of a company purchase result from the fair value of the consideration plus all costs directly attributable to the business combination. If the acquisition costs exceed the Group's share in the fair value of the subsidiary's net assets, the difference is capitalized as goodwill. Negative goodwill is reassessed and recognized in profit or loss in the period of acquisition. Non-Group interests in the net assets of the subsidiary are shown separately in the balance sheet.

The IFRS do not include rules on the recognition of the acquisition of minority interests in the financial statements in respect of business combinations with regard to companies already controlled by AMB Generali. On the basis of the single unit theory, the acquisition of additional stakes in subsidiaries already being part of the consolidation scope is regarded as a pure capital transaction between the parent and the outside shareholder. The acquisition of minority stakes does not lead to a revaluation of assets and liabilities. The positive goodwill resulting from acquisition costs and the carrying amount of the minority stake leads to a reduction of the equity capital without recognition in income.

Interests in associated enterprises where AMB Generali has a material influence are, as a matter of principle, measured at equity. The requirement for the consolidation of these enterprises is the exercise of a material influence by the AMB Generali Group. It is assumed that there is a material influence if the AMB Generali Group holds at least 20 percent of the voting rights in the enterprise. Stakes in joint ventures are measured at equity. These latter enterprises are jointly run by the AMB Generali Group together with an enterprise not included in the Consolidated Financial Statements of AMB Generali. For the measurement of the stakes in joint ventures, the option in accordance with IAS 31.38 is applied. The annual financial statements of the enterprises measured at equity are adjusted to comply with the consistent measurement criteria of the Group. Upon acquisition of an interest, any difference between the acquisition cost of the interest and the interest attributable to the Group in the net assets of enterprises measured at equity has to be recognized in the balance sheet in line with IFRS 3. Any resulting goodwill is included in the carrying amount of the interest but, pursuant to the provisions of IFRS 3, it is not amortized on a scheduled basis. Negative goodwill is recognized in income in the period of acquisition.

Inter-Group amounts receivable and payable, expenditure and income as well as inter-Group results are eliminated.

Foreign-currency translation

The Consolidated Financial Statements of AMB Generali are established in euro, the functional currency of the Group. The translation of business transactions in a currency different from the functional currency is done at the exchange rate applicable at the date of the transaction.

Monetary assets and liabilities are translated in the balance sheet by applying the exchange rate applicable at the balance-sheet date.

As at the balance-sheet date, non-monetary assets and liabilities measured at amortized cost are translated at the historic exchange rate applicable on the day of the first entry in the books, while non-monetary assets and liabilities measured at fair value are translated at the exchange rate applicable at the balance-sheet date.

Gains and losses from foreign-currency translation are recognized under other income and other expenditure respectively.

Exchange-rate fluctuations under non-monetary equity instruments measured at fair value are dealt with, on a uniform basis, either in equity, without recognition in income, or they are recognized in income, depending on the measurement applied to the security.

The financial reporting figures of subsidiaries and investment funds establishing their financial statements in a currency different from the functional currency of AMB Generali are translated into euro at the exchange rate of the balance-sheet date as far as assets and liabilities are concerned and at the average exchange rate of the year as far as income and expenditure are concerned. Differences from foreign-currency translation are dealt with under equity in the reserve for foreign-currency translation without recognition in income.

Estimates and assumptions

The preparation of the Consolidated Financial Statements requires estimates and assumptions, which have an impact on line items of the balance sheet and of the income statement as well as on the other financial commitments and contingent liabilities of the AMB Generali Group. Estimates and assumptions are applied especially in determining the provisions for outstanding claims, the provision for future policy benefits, the fair value and the impairment of financial instruments and other specific balance-sheet items, goodwill, deferred acquisition costs, the present value of future profits (PVFP) of insurance contracts, deferred tax and the provisions for pensions and similar commitments. Estimates are principally based on reasonable premises which are updated annually. Nevertheless, due to their very nature estimates involve uncertainties, which may lead to differences between the actual figures and the estimates. Therefore estimates may have an increasing or decreasing impact on earnings.

In life insurance, assumptions regarding mortality, interest and costs are fixed at the inception of the contract. As a matter of principle, they apply during the full duration of the contract. In subsequent years, the assumptions are verified at every balance-sheet date and adjusted, if necessary. The resulting impact is reflected in the true-up figures regarding the balance-sheet line items of the present value of the future profits (PVFP-value) of insurance contracts, deferred acquisition costs and the provision for future policy benefits.

In health insurance, the provision for future policy benefits includes an ageing provision primarily set up to compensate health costs rising with age. While the premiums remain stable during the contract term, independent of age, the health risk and the health expenditure involved change in the course of time. As a result of the long contract terms, the assumptions are subject to uncertainties.

In property and casualty insurance provisions are set up for outstanding claims referring to the payment obligations towards policyholders and ceding companies the amount or due date of which are uncertain. The provisions for outstanding claims are measured on the basis of best estimates of the expected amount to be paid. The actual claims payments may be higher or lower. The resulting run-off profits or losses, taking into account the shares of reinsurers, are recognized in income.

The measurements of the assumptions and estimates on which other items of the balance sheet and income statement are based, are explained in the section referring to the general methods of accounting and measurement or directly in the notes referring to these individual items.

3 Methods of accounting and measurement

The annual financial statements covered by the Consolidated Financial Statements are established as at the balance-sheet date of AMB Generali, i.e. December 31. Special funds with a different balance-sheet date are consolidated on the basis of interim statements prepared as at December 31. The financial statements of AMB Generali and of the subsidiaries and special funds included in the Consolidated Financial Statements are modified on a consistent basis in line with the accounting and measurement principles of IAS/IFRS. For transactions under insurance business for which IFRS 4 does not include a specific rule for recognition in the balance sheet, the rules of US-GAAP are applied in compliance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”.

If there is no standard or interpretation explicitly applying to a business transaction, the AMB Generali Group, in compliance with IAS 8, applied standards referring to similar transactions. All figures in the Notes are rounded to full thousand euro amounts (€’000).

Owner-occupied property and **tangible assets** are recognized at acquisition or construction costs reduced by scheduled write-downs and impairment.

Owner-occupied property only comprises property mainly used by its owner. Buildings are written down on a straight-line basis over their useful life. For residential buildings the useful life is between 80 and 100 years, for commercial buildings 25 to 60 years. If the realizable value of land and buildings falls below the carrying amount, impairment write-downs are made regardless of the duration of the impairment. As a matter of principle the realizable value is regarded as being equal to the market value determined by recognized methods, such as the earnings value or comparative value procedure. As a general rule, the property of the Group is measured within a period of five years by external experts (appointed by official authorities) under a multi-year plan.

The tangible assets mainly comprise plant and equipment. The write-downs on tangible assets are made on a straight-line basis over their useful life. For the insurance companies of the Group they are allocated to the income statement line items of investment income, claims and benefits, operating expenses and other expenditure.

The **intangible assets** are composed of goodwill, the present value of the future profits (PVFP-value) of insurance contracts and of other intangible assets. The goodwill shown is the positive difference between the purchase price of the acquired enterprise and the Group’s share in the fair value of net assets of the subsidiary after the disclosure of unrealized capital gains and losses at the moment of the purchase. Under IFRS 3, goodwill from acquisitions is no longer amortized on a scheduled basis but it is recognized in the balance sheet at acquisition costs less accumulated impairment amortization. At least once a year, goodwill is subject to an impairment test on the basis of cash-generating units. AMB Generali identifies the legal units as cash-generating units. In order to determine any impairment, the realizable amount of the cash-generating unit concerned is compared to its carrying amount (including goodwill). If the carrying amount (including goodwill) of the cash-generating unit exceeds its realizable value, the goodwill is reduced accordingly. Impairment losses are not reversed. Impairment amortization on goodwill is shown as a separate line item in the income statement. Negative goodwill from first-time consolidation has to be immediately recognized in profit or loss in line with IFRS 3 after a reassessment.

The PVFP-value of insurance contracts, which has to be recognized in the balance sheet upon the first-time consolidation of insurance companies, is amortized on the same basis as the profits, on which its calculation is based, are earned.

Intangible assets with a finite useful life are written down over their useful life and recognized at cost less accumulated scheduled write-downs. In compliance with IAS 38 intangible assets with an indefinite useful life are not written down on a scheduled basis, but are subject to an impairment test at least annually. The other intangible assets comprise purchased and self-developed software as well as other intangible assets acquired. These include, among others, a right for the exclusive use of a sales channel and a preemption right on interests in this sales channel. After an analysis of all relevant factors, the useful life was qualified as indefinite. Any impairments are identified by tests carried out annually to compare the realizable amount and the carrying amount. Software is written down on a straight-line basis over its useful life of a maximum of five years. For the insurance companies, the write-downs are allocated to the income statement line items of net investment income, claims and benefits, operating expenses and other expenditure.

The **deferred acquisition costs** include commissions and other expenses directly incurred when acquiring insurance policies. The acquisition costs of life insurance policies are spread over the term of the contracts, taking into account the interest yield, at the same proportion as the profit margin in each individual year bears to the total profit margin to be expected from the contracts. In long-term health insurance, acquisition costs are written down over the total average contract term in proportion to premium income. The calculation parameters are regularly adjusted to the current situation. For property and casualty insurance the write-downs are also made in proportion to premium income over the contract term, the maximum period being five years.

Investment property is recognized at acquisition or construction costs less accumulated scheduled and unscheduled write-downs and accumulated impairment. The write-down modalities and measurement principles for investment property are the same as those applied for owner-occupied property. Investment property only includes the property mainly occupied by third parties.

Shares in enterprises measured at equity refer to associated enterprises on which the AMB Generali Group may exercise a material influence and to joint ventures jointly run with other partner companies. A material influence is assumed to exist if at least 20 percent of the voting rights are attributable to the AMB Generali Group. An enterprise is jointly run if there is a contractually agreed shared control of the economic business activities of the joint venture.

Financial instruments are recognized in the balance sheet once the AMB Generali Group becomes a party to the contractual rules of the financial instrument. Financial instruments are all kinds of legal transactions in the form of contracts or agreements which directly or indirectly aim at the exchange of means of payment.

Financial instruments can be subdivided into financial assets and financial liabilities. Financial instruments are derecognized, as a matter of principle, if the requirement of a transfer of the risks and rewards of ownership is fulfilled. The transfer of the risks and rewards is regarded on a consolidated basis. Furthermore financial instruments are derecognized if the control of a financial instrument is transferred to the contracting party.

When interest and currency swaps are taken out, hedge accounting is applied if the corresponding criteria are fulfilled.

As a matter of principle, the measurement of financial instruments is determined on the basis of the settlement date. Financial instruments are categorized by “loans and receivables”, “available for sale” and “financial assets at fair value through profit or loss”.

Apart from a break-down by categories, financial instruments are classified by classes having a uniform risk character to the extent disclosures in this detail are required. The classes were determined on the basis measurement categories and sub-categories.

Loans and receivables are recognized at amortized cost; agios and disagios are, as a matter of principle, amortized on a pro-rata basis by applying the effective interest method. This class only includes financial assets not quoted in an active market. A market is assumed to be an active market if prices are available any time and can be put on an objective basis by transactions taking place regularly, i.e. in an organized market as defined by the Securities Trading Act.

Impairments are recognized in income. Impairment losses are recognized if there is objective evidence of impairment. This includes, for instance, substantial financial distress of the issuing company or breach of contract. To the extent there is no evidence of an impairment of individual financial assets tested, these are classified within groups of similar credit-risk features. The assessment is then made on a portfolio basis. As a matter of principle the necessary information on the market values of loans and receivables is determined on the basis of discounted cash flows.

Financial assets available for sale are, as a matter of principle, recognized in the Consolidated Financial Statements at their fair value at the balance-sheet date. For listed financial assets that value is the stock-market value. For financial assets not listed the fair value is determined on the basis of discounted cash flows. Difference amounts between the fair value and amortized cost are directly taken to equity without recognition in income, after deduction of deferred tax and deferred premium refunds, where applicable. In the case of impairments, the impairment loss is recognized in income. In the AMB Generali Group equity instruments are regarded as impaired if the fair value is below historical acquisition costs for a period of more than six months or falls at least 20 percent short of such costs. Under IAS 39 it is not allowed to adjust the acquisition-cost basis and therefore impairment tests are always based on historical costs. Furthermore, under IFRIC 10, impairment losses recognized in interim financial statements for equity instruments are not reversed in the annual financial statements. Write-ups of equity instruments recognized in income are not admissible. If there is objective evidence of an impairment of debt instruments as defined by IAS 39, the impairment losses are recognized. Write-ups through profit or loss are made for debt instruments only if the market value has risen sustainably. This is regularly tested by adequate analyses. All financial assets are allocated to this category, unless another category is applicable.

The line item of **financial assets at fair value through profit or loss** has two sub-items. These are the **financial assets at fair value through profit or loss (not held for trading)** and those **held for trading**. They are recognized at their fair value. For listed financial assets the fair value is the stock-market value. For non-listed financial assets the fair value is determined by recognized valuation methods (in particular the PVFP method or the option-price model). To the extent the fair value is attributable to a change of the credit risk, this is indicated separately for financial instruments to which the requirements of IFRS 7 are applicable. The credit risk is considered to be the risk of one of the contracting parties of a financial asset suffering a financial loss if the obligation is not fulfilled. This includes, for instance, a change in the rating of an issuer. Any changes of the fair value are recognized through profit or loss. The **financial assets at fair value through profit or loss (not held for trading)** include hybrid instruments, in particular. Among others these comprise annual-call zero bonds, debt securities with embedded swaptions as well as credit-linked notes. Because of the application of the fair-value option, hybrid instruments are not separated for recognition in the balance sheet.

As a matter of principle, the financial assets **held for trading** are stand-alone derivatives.

Investments for the account and at the risk of life insurance policyholders are measured at fair value as at the balance-sheet date. Unrealized gains and losses from determining the fair value lead directly to an increase or reduction of the corresponding provision for future policy benefits.

Receivables, including receivables under reinsurance business, are recognized at amortized cost taking into account any redemptions and adequate value adjustments. Write-downs are made if there is objective evidence of impairment. This includes, for instance, an imminent insolvency or other financial distress of the debtor. The impairment loss is recognized in income.

Tax assets/liabilities comprise both the tax assets/liabilities for current tax and the tax assets/liabilities for deferred tax. Deferred tax is set up in the case of temporary measurement differences between the tax balance sheet and the IFRS balance sheet.

Tax assets are measured at the amount of the expected refund for tax paid in excess. They are shown as current tax assets. Taxes not yet paid are shown as current tax liabilities.

Deferred tax assets/deferred tax liabilities have to be determined at those tax rates that will be applicable upon the realization of the future tax asset/tax liability. Due to the uncertainties involved in the future tax development the tax rates applicable on the balance-sheet date are used to determine deferred tax. The calculation takes into account uniform tax rates for the Group.

Due to the resolution of the Bundesrat, the upper house of the German parliament, of July 6, 2007 with regard to the Corporate Tax Reform Act 2008, deferred tax has been assessed on the basis of the tax rates applicable for 2008 starting from the third quarter 2007. As a matter of principle, the determination of current and deferred tax has to be based on the tax provisions and tax rates currently applicable. According to IAS 12, the announcement of the Corporate Tax Reform Act made with this resolution has the material effect of an actual putting into force and accordingly the announced tax rates have to be applied for the assessment of deferred tax. In the business year 2007 the reduction of the corporation tax rate from 25 to 15 percent leads to a decrease of deferred tax recognized.

The **reinsurers' shares in underwriting provisions** are determined on the basis of the reinsurance treaties. The conclusion of reinsurance treaties is not recognized in income at the moment the treaty is taken out. In the business year 2007 no retrospective reinsurance treaties were concluded. On the basis of FAS 113/IFRS 4 no profits had to be set up as a liability item to be amortized over the treaty term.

The **other assets** mainly comprise accrued and deferred items as well as anticipated insurance benefits. They are recognized at amortized cost. In addition, the other assets include interest and currency swaps for which **hedge accounting** is applied, if the criteria to do so are fulfilled. For the time being, only cash flows are hedged in the Consolidated Financial Statements of the AMB Generali Group. In the case of effective hedging, changes in the fair value of the derivative hedging instruments are shown in the cash-flow hedge reserve as a part of the revaluation reserve under equity. The changes are only recognized in income once the offsetting profit or loss of the underlying is realized and recognized. In cases of partially ineffective hedging the proportional change in the fair value of the hedging instrument is immediately recognized in income.

The **inventories** mainly include property acquired by Group companies for the purpose of resale at short notice. Pursuant to IAS 2 these are, as a matter of principle, measured at cost. In addition, non-scheduled write-downs are made as necessary if the expected realizable amount falls short of the carrying amount as at the balance-sheet date.

The balance-sheet line item of **non-current assets held for sale and disposal groups** can be divided into two sub-items. The sub-item of **non-current assets held for sale** includes property planned to be sold within the next twelve months. The disposals take place for strategic reasons. They are recognized at the lower of their carrying amount or fair value less costs to sell.

The sub-item of **assets of disposal groups** refers to an operation held for disposal within the next twelve months. As at the balance-sheet date, AachenMünchener Versicherung AG holds 99.99 percent of the shares of Allfinanz Deutsche Vermögensberatung AG after having contributed its fieldstaff network into Allfinanz Deutsche Vermögensberatung AG by way of a contribution in kind. The disposal of all shares of AachenMünchener Versicherung AG in Allfinanz Deutsche Vermögensberatung AG to Deutsche Vermögensberatung Aktiengesellschaft (DVAG) in the following business year had been contractually agreed by the balance-sheet date. The assets and liabilities of the disposal group are recognized at the lower of their carrying amount or fair value less costs to sell.

Current-account balances with credit institutions, cheques and cash in hand are measured at amortized cost.

Under IFRS 4 the previous accounting policy in respect of **underwriting provisions** can largely be maintained if the insurance contracts include a significant insurance risk and the adequacy of provisions is regularly verified. The AMB Generali Group checked the contracts of its insurance portfolio as to whether they include a significant risk. Most of the contracts in the portfolio have a significant risk as defined by IFRS 4. For a small part of the contracts within the portfolio this is not the case. These are contracts under which no significant insurance risk has been assumed and no discretionary participation features are granted (so-called investment contracts). Pursuant to the provisions of IAS 39 “Financial Instruments” these contracts are recognized at amortized cost.

To the extent the AMB Generali Group holds a co-insurance interest, the measurement of underwriting items is based on the information provided by the leading co-insurer.

Unearned premiums are, as a matter of principle, determined for each individual insurance contract on a daily pro-rata basis.

The recognition of **provisions for future policy benefits** in the balance sheet is determined in accordance with actuarial principles on the basis of the present value of future benefits to be paid by the insurer less the present value of future net premiums. If policyholders participate in profits in proportion to the profit contribution of their contracts (natural profit participation), the provision for future policy benefits is determined in line with prudent calculation bases contractually agreed and in compliance with FAS 120.

If policyholders themselves bear the investment risk (such as in the case of unit-linked products) the underwriting provision of unit-linked life insurance reflects the current investment position as at the balance-sheet date (FAS 97).

For determining the provision for future policy benefits in health insurance FAS 60 is applied. In this context, calculation bases with security margins are applied. Under the prospective-unlocking principle, the calculation bases stipulated at the beginning of the contract are maintained until premiums for the contract are adjusted. The new calculation bases then remain applicable until the next adjustment date.

The **provision for outstanding claims** comprises the future payment obligations for claims where the amount of the insurance claim and/or the due date for payment have not yet been determined. The provision takes into account both claims already known at the balance-sheet date and claims incurred but not yet reported to the insurer as well as claims settlement expenses. With the exception of the annuity provision, provisions for outstanding claims are not discounted.

The provision for outstanding claims is fixed at the amount of the realistic estimate of the settlement amount. For determining the provision, use is made of statistical estimation procedures.

The **provision for premium refunds** includes amounts of profit-related and not profit-related policyholder bonuses allocated to policyholders on the basis of statutory or contractual regulations. In addition, it includes the amounts attributable to policyholders from the accumulated measurement differences between accounting under the German Commercial Code and IFRS (so-called deferred premium refunds). For the life insurers the allocation to deferred premium refunds is 90 percent after tax, for the health insurers 80 percent after tax. The remaining share not attributable to policyholders is recognized in equity. The discretionary participation feature as defined by IFRS 4 for insurance contracts is represented by the profit-related and the deferred provision for premium refunds. The determination of this provision is based on the rules of the decree on minimum premium refunds in life insurance (ZRQuotenV).

IFRS 4 provides for a **liability adequacy test** for liabilities under insurance contracts. This adequacy test gives an assessment as to whether it is necessary to increase the carrying amount of underwriting provisions on the basis of a verification of future cash flows or whether the carrying amount of the corresponding deferred acquisition costs has to be decreased. The adequacy of the liabilities in respect of the underwriting provisions of the life insurers is verified by means of the loss recognition test and in respect of the underwriting provisions of the property and casualty insurers by means of the premium deficiency test. As far as the underwriting provisions of the health insurers are concerned, current best-estimate calculation bases are applied to determine the present value of future benefits, settlement and administration costs on the one hand and the present value of future premiums on the other hand. The adequacy of these margins is verified on a regular basis. If adequacy is no longer ensured it is possible to adjust premiums (prospective unlocking principle).

Pension provisions are recognized in the balance sheet in compliance with IAS 19 as the balance of the present value of the obligations as at the reporting date plus unrecognized actuarial gains or losses less unrecognized past service cost. The provision is reduced for the fair value amount of plan assets. The target value of the obligation equals the present value of the accumulated benefits as at the reporting date of the persons entitled. The measurement of the target value of the obligation, the current service cost attributable to the individual years and the unrecognized past service cost is determined by the method of current single premiums. Under that method, the fictitious part of the final benefit accumulated in the business year is financed by a fictitious premium in order to build up the final obligation. The target amount of the pension obligation as at a reference date equals the present value of the accumulated part of the pension obligation.

The deviation between the actual development in the business year and the assumptions determined at the beginning of the business year leads to actuarial gains and losses. The balance of the gains and losses of the previous year and the business year less the gains and losses amortized in the business year are not recognized in income by application of the corridor method unless a threshold value of 10 percent of the maximum of the target value of the obligation and the fair value of the plan assets is exceeded. Gains and losses outside the corridor are spread over the average remaining service time of active employees on a linear basis and recognized in income.

The provision for pensions refers to the **defined-benefit obligations** of the employer under the pension schemes existing in each subsidiary. The employee is promised a pension by the company which focuses on a defined benefit rather than the contributions to be paid by the company for financing.

In addition, there are **defined-contribution benefits** in the Group under which the obligation is fulfilled by the payment of a defined contribution to an insurance company or a pension fund. The contributions are recognized as expenditure in the reporting period.

The **provision for commitments similar to pensions** encompasses the provisions for early retirement, part-time schemes for employees close to retirement age and anniversaries. Actuarial gains and losses as well as unrecognized past service cost are recognized in income in the year they arise. In addition, the other provisions due in the long term are measured in line with the pension provision.

The measurement of the provision for pensions and similar commitments is based on the 2005 guiding tables of Prof. Dr. Heubeck and on the fluctuation probabilities specific to the enterprise and the expected increases of salaries, pension entitlements and pension payments. The interest rate used for discounting is oriented at the yield applicable at the reporting date to long-term corporate bonds of issuers having an excellent credit standing.

The amount of the **other provisions** mainly includes provisions for restructuring and litigation. They are set up at the amount that will probably be required. Provisions for restructuring are set up if the AMB Generali Group has a detailed official plan of the restructuring measures and has already started to implement the plan or has published material details of the restructuring.

Payables are mainly recognized at amortized cost. The payables also include derivatives carried as a liability which are recognized at fair value. Furthermore changes of the fair value are recognized in income. For derivatives used within the scope of cash-flow hedge accounting, this only applies to the ineffective portions of the hedge relationship.

The **gross premiums written** include all regular and single premiums as well as premium instalments plus instalment charges having become due in the business year under direct business and assumed reinsurance business. For life insurance contracts for which the benefit amount at maturity is not guaranteed or for which no biometric risk is assumed during the period of deferment (unit-linked products recognized in accordance with FAS 97), only that part of the premium paid by customers which covers the assumption of the risk and current expenses is recognized under gross premiums written. Furthermore for such products any changes of the unearned revenue reserves are recognized in earned premiums. Payments received in respect of receivables for premiums written off or cancelled in previous business years as well as income from winding up or reducing lump-sum write-downs are added to premiums written. Individual and lump-sum write-downs of receivables for premiums and insurance tax, however, are deducted from premiums written. The change of unearned premiums reflects the periodical delimitation of the premium income.

In respect of **investment income** a distinction is made between income from interests in enterprises measured at equity and other investment income. The income from enterprises measured at equity includes the attributable share in the net profit. The other investment income includes ordinary investment income and expenditure, capital gains and losses as well as gains and losses due to write-ups and write-downs. Interest income and expenditure are recognized on an accrual basis by applying the effective-interest method. Ordinary investment income also includes the dividends from shares. In respect of dividends the cash-method basis is applied.

Claims and benefits include the payments (including terminal bonuses in life insurance) for claims settled in the business year which occurred both in the business year and in previous years. In addition, claims and benefits comprise the change of the provision for outstanding claims, including the annuity provision. The change of the provision for future policy benefits (including unearned premiums) and the terminal bonus reserve are also comprised in net claims and benefits. The expenditure for profit-related and not profit-related premium refunds as well as for deferred premium refunds also includes the directly allocated policyholder bonus, the allocation to the provision for premium refunds under commercial-code accounting and the change of deferred premium refunds, which is recognized in income.

The other profit participations in the life segment include interest on the accumulated savings amount and the change of the investment position financed by profit bonuses.

Leases

A Group company is the contracting party of a leasing contract recognized according to the rules of IAS 17 “Leases”.

Share-based payment

On the occasion of the 175th anniversary of Assicurazioni Generali S.p.A., Trieste, the General Meeting of that company resolved on April 28, 2007 to distribute an extraordinary bonus to all employees of the Generali Group in the form of ordinary shares of Assicurazioni Generali. As a matter of principle, the shares granted are not subject to any blocking periods and can only be sold en bloc. In compliance with IFRS 2/IFRIC 11 the expenditure resulting from the stock-grant plan is recognized as personnel expenditure with the offsetting entry in equity.

The fair value of the stock options granted by Assicurazioni Generali S.p.A. to selected executives of our Group is determined on the basis of an option-price model which at the moment of granting does not only take into account factors such as the exercise price, the life of the options, the current price of the underlying shares, the expected volatility of the share price, the dividends expected on the shares and the risk-free interest rate, but also the specific characteristics of the option plan itself. Another factor taken into consideration is the possibility of early exercise. The binomial pricing model separately estimates the option value and the exercise probability. Therefore the fair value of the granted equity instruments reflects market conditions. During the vesting period, the cost of the options is recognized as personnel expenditure with the offsetting entry in equity.

Classes of insurance

The AMB Generali Group operates in direct business and assumes reinsurance business in the classes of insurance indicated below:

- life insurance
- health insurance
- personal accident insurance
- general liability insurance
- motor insurance
- aviation insurance
- legal expenses insurance
- fire insurance
- housebreaking, burglary and robbery insurance
- burst pipe insurance
- glass insurance
- storm insurance
- householders insurance
- homeowners insurance
- hailstorm insurance (only assumed reinsurance business)
- livestock insurance
- engineering insurance
- transit insurance
- marine insurance
- credit and fidelity insurance (only assumed reinsurance business)
- extended coverage (EC) insurance
- business interruption insurance
- travel assistance insurance
- aircraft and spacecraft liability insurance
- other property and casualty insurance

4 Segment reporting

Consolidated Income Statement for the period Jan. 1–Dec. 31, 2007

	Life/health		Property/casualty	
	2007	2006	2007	2006
	€'000	€'000	€'000	€'000
1. Gross premiums written				
from insurance business with other segments	78,440	1,476	—	—
from insurance business with external third parties	8,732,786	8,750,641	3,038,601	2,992,551
	8,811,226	**8,752,117**	**3,038,601**	**2,992,551**
2. Net premiums earned	8,541,876	8,493,171	2,960,892	2,898,439
3. Investment income (net)	3,140,689	3,215,215	374,753	384,325
4. Other income	494,237	455,777	466,046	353,432
5. Net claims and benefits	-9,986,114	-9,678,943	-1,928,455	-1,891,689
6. Net operating expenses	-1,233,330	-1,514,665	-902,254	-889,335
7. Other expenditure	-688,806	-703,664	-647,775	-523,779
8. Result before goodwill amortization	268,552	266,891	323,207	331,393
9. Goodwill amortization	—	-973	—	—
10. Earnings before tax and finance costs	268,552	265,918	323,207	331,393
11. Finance costs	-16,461	-8,911	—	—
12. Tax	-74,002	-122,396	-14,694	-3,089
13. Net profit	**178,089**	**134,611**	**308,513**	**328,304**

The segment reporting of the AMB Generali Group complies with IAS 14. We made a primary segmentation by the business fields of life/health, property/casualty and financial services. The segment “other” includes those companies that cannot be allocated to any other segment. This concerns among others AMB Generali Informatik Services GmbH, AMB Generali Immobilien GmbH and AMB Generali Services GmbH. Intermediate holding companies are allocated to the segment of the activity of their most important participating interest.

	Financial services		Other/consolidation		Group	
	2007	2006	2007	2006	2007	2006
	€'000	€'000	€'000	€'000	€'000	€'000
	—	—	-78,440	-1,476	—	—
	—	—	—	—	11,771,387	11,743,192
	—	**—**	**-78,440**	**-1,476**	**11,771,387**	**11,743,192**
	—	—	-78,440	-1,476	11,424,328	11,390,134
	209,153	224,301	-40,381	-59,760	3,684,214	3,764,081
	131,351	149,447	-634,846	-616,301	456,788	342,355
	—	—	79,504	9,607	-11,835,065	-11,561,025
	—	—	34,145	17,937	-2,101,439	-2,386,063
	-302,753	-312,018	637,521	605,875	-1,001,813	-933,586
	37,751	61,730	-2,497	-44,118	627,013	615,896
	—	-460	—	—	—	-1,433
	37,751	61,270	-2,497	-44,118	627,013	614,463
	-1,545	-4,506	—	—	-18,006	-13,417
	-14	-16,933	-20,930	-7,714	-109,640	-150,132
	36,192	**39,831**	**-23,427**	**-51,832**	**499,367**	**450,914**

We have not broken down segment reporting by geographical regions because the major part of premiums is earned in Germany. Segment reporting on a geographical basis would not provide any significant additional information.

There are profit-transfer agreements existing between AMB Generali and its major subsidiaries. In segment reporting, the expenditure under profit transfers is regarded as appropriation of results, which means that the segments are adjusted for this expenditure. The elimination is done in the consolidation column.

Segment reporting Consolidated Balance Sheet as at Dec. 31, 2007 – Assets

	Life/health		Property/casualty	
	2007	2006	2007	2006
	€'000	€'000	€'000	€'000
A. Owner-occupied property/tangible assets	518,380	569,496	348,447	354,326
B. Intangible assets	339,407	347,295	103,466	105,269
C. Deferred acquisition costs	7,558,440	7,127,599	238,831	239,689
D. Investments	67,047,551	64,576,537	6,268,587	6,173,228
E. Investments for the account and at the risk of life insurance policyholders	9,627,717	8,156,808	—	—
F. Receivables	1,777,266	1,763,296	542,946	525,029
G. Tax assets	180,247	160,716	206,989	285,712
H. Reinsurers' shares in underwriting provisions	1,372,705	1,325,466	366,439	420,980
I. Other assets	102,080	120,910	13,901	15,992
J. Inventories	13,700	31,837	1,098	745
K. Non-current assets held for sale and disposal groups	36,897	160,605	37,955	15,193
L. Current-account balances with credit institutions, cheques and cash in hand	481,164	1,086,303	48,273	90,042
Total segment assets	**89,055,554**	**85,426,868**	**8,176,932**	**8,226,205**

Financial services		Other/consolidation		Group	
2007	2006	2007	2006	2007	2006
€'000	€'000	€'000	€'000	€'000	€'000
38,146	39,743	54,557	88,175	959,530	1,051,740
2,492	2,620	25,520	23,008	470,885	478,192
—	—	—	—	7,797,271	7,367,288
4,880,154	4,905,380	-595,338	-523,998	77,600,954	75,131,147
—	—	—	—	9,627,717	8,156,808
74,323	66,718	-240,090	-258,950	2,154,445	2,096,093
28,042	16,926	1,897	1,835	417,175	465,189
—	—	—	—	1,739,144	1,746,446
340	427	5,339	2,732	121,660	140,061
2,543	95	1,012	1,363	18,353	34,040
—	33,313	—	—	74,852	209,111
5,627	12,893	567	2,028	535,631	1,191,266
5,031,667	**5,078,115**	**-746,536**	**-663,807**	**101,517,617**	**98,067,381**

Segment reporting Consolidated Balance Sheet as at Dec. 31, 2007 – Liabilities

	Life/health		Property/casualty	
	2007 €'000	2006 €'000	2007 €'000	2006 €'000
B. Underwriting provisions	70,320,945	67,752,538	4,256,540	4,242,841
C. Underwriting provisions concerning unit-linked life insurance	9,605,942	8,150,860	—	—
D. Other provisions	1,488,760	1,505,133	839,034	853,038
E. Payables	5,346,314	5,669,430	276,512	409,468
F. Tax liabilities	454,489	518,147	294,092	382,876
G. Other liabilities	635	613	—	235
H. Liabilities of disposal groups	—	—	—	—
Total segment liabilities	**87,217,085**	**83,596,721**	**5,666,178**	**5,888,458**

The individual segments are shown after consolidation of the internal transactions within the segment, but before consolidation across segments. Therefore the balance between segment assets and segment liabilities does not allow conclusions with regard to the equity allocated to the activity.

Financial services		Other/consolidation		Group	
2007	2006	2007	2006	2007	2006
€'000	€'000	€'000	€'000	€'000	€'000
—	—	-154,622	-74,252	74,422,863	71,921,127
—	—	—	—	9,605,942	8,150,860
144,296	117,506	139,896	101,000	2,611,986	2,576,677
4,445,634	4,603,658	-80,498	-148,040	9,987,962	10,534,516
9,587	8,861	-13,467	-24,280	744,701	885,604
—	—	—	—	635	848
—	9,229	—	—	—	9,229
4,599,517	**4,739,254**	**-108,691**	**-145,572**	**97,374,089**	**94,078,861**

Equity	4,143,528	3,988,520
Total liabilities	**101,517,617**	**98,067,381**

5 Management of underwriting and building-society risks as well as financial risks

The focus of the business activities of the AMB Generali Group is the distribution and management of insurance products in all established classes of life and health insurance as well as property and casualty insurance, primarily in direct business. Assumed reinsurance business is written to a very limited extent only. In addition, our Group operates in building-society business and as a provider of financial services. Within the scope of these activities the Group assumes in particular underwriting and investment risks. The Group encounters these risks with a variety of measures.

The underwriting risk lies in the possibility that payment flows which are material for insurance business may differ from the level expected. While premiums are collected at the beginning of an insurance term, the claims and benefits contractually agreed, which often – such as in life insurance – have to be paid over a long period of time, are of a stochastic nature and thus involve risks. These risks include the risks of change, error and fortuity:

- The risk of change consists in future changes of risk factors. It involves the danger of a difference between the actual experience and the calculated level expected of claims and benefits.
- The risk of error exists above all for new types of insurance cover when established findings about the exposure involved are not yet available.
- The fortuity risk describes the possible deviations of claims and benefits from the estimated amount expected because fortuitously there may be a particularly high/low number of insurance claims and/or because fortuitously there may be individual claims and benefits of a particularly high/low amount (fortuitous fluctuations). The smaller the insurance portfolio, the higher the fortuity risk.

The building-society risks of Deutsche Bausparkasse Badenia comprise the risks resulting from an erroneous assessment of future developments (interest, customer behaviour). In particular, these risks also include the consequential risks of a negative development of new business.

Investment risks are composed of market, currency and concentration risks which may generate losses as a result of adverse changes of market prices or factors influencing the price – such as changes of interest rates, share prices or currency fluctuations – or due to an insufficient diversification in the portfolio. In addition, credit risks and liquidity risks have to be observed. Interest-bearing investments are both subject to the risk of interest change and to the cash-flow risk.

Risks of property and casualty insurance business and sensitivity analysis

The underwriting risk consists in the fact that covers are granted for possible claims the occurrence and amount of which are uncertain. In addition, the insurer may experience an unfavourable concentration of claims at one location. Examples for this are events leading to a large amount of claims expenditure as a result of adverse natural events, such as storms or floods.

The property and casualty insurers of our Group encounter these risks by making active use of the instruments of premium differentiation and underwriting policy. Basically this means that for risks with a tendency of a higher risk exposure a correspondingly higher premium is calculated. In addition, within the scope of the underwriting policy, such risks are assumed to a limited extent only (e.g. by agreeing deductibles) or the risk is refused. Underwriting may be prohibited for specific risks or on a local basis. Furthermore the portfolio of insured risks is influenced by the wording of insurance terms and conditions and by the agreement of specific clauses.

The Group's nation-wide presence in Germany and across the various locations of the Group companies minimizes the geographical concentration of insurance risks. Furthermore the AMB Generali Group offers its products in all established classes of insurance and customer segments (private and small/medium-sized commercial clients) in order to reach an overall risk balance. The front inside cover shows the business mix of the AMB Generali Group. Furthermore, volatile business is no longer actively operated in the AMB Generali Group. Finally the risks assumed are further limited by the way we structure our outward reinsurance programme.

To ensure that the benefits promised can be paid any time, appropriate provisions are set up which are continuously checked by means of actuarial methods with regard to their adequacy by lines of business. This also allows conclusions concerning the quality of the risks written, their spread across individual classes with a different risk exposure and the assumptions regarding future claims payments. In addition, our portfolios are handled by active claims management. Analyses in respect of the spread of claims amounts and claims frequencies allow a more targeted controlling of risks.

Furthermore our Group companies have a sufficient level of equity capital and fulfil all regulatory requirements in this regard.

During the period from 2001 through 2007 our claims ratios developed as follows:

Claims ratios (net)*

2007	2006	2005	2004	2003	2002	2001
64.9	**65.0**	**65.6**	**66.9**	**68.0**	**78.0**	**70.0**

Figures in %

* net claims expenditure as a percentage of net premiums earned

The continuous improvement of claims ratios in the past few years reflects our prudent underwriting policy and our success in active claims management.

The run-off result of our provision for outstanding claims developed as follows over the period indicated:

Run-off ratio of the provision for outstanding claims on Jan. 1 of each year*

2007	2006	2005	2004	2003	2002	2001
10.7	**8.4**	**8.7**	**8.7**	**8.4**	**6.4**	**8.9**

Figures in %

* net run-off result as a percentage of the original net provision for outstanding claims

The increase of the run-off ratio is primarily attributable to the classes of motor liability, general liability and personal accident insurance.

Sensitivity analysis

In property and casualty insurance the monitoring and controlling of the reserve risk is principally done by an analysis of the claims reserves on the basis of actuarial methods. In respect of the annuity provision, which is part of the provision for outstanding claims, we also observe the development of interest rates since a decrease of the expected investment result below the guaranteed interest rate may lead to allocations to provisions. A corresponding sensitivity analysis at year-end 2007 shows that a rise of interest rates by 100 base points (bp) would lead to a positive result development of € 1.97 m and to an impact before tax of € 3.29 m. If, however, interest is assumed to decrease by 100 bp, the result is expected to be affected by € -2.34 m or by an impact before tax of € -3.91 m. The calculation of annuity reserves is based on up-to-date annuity tables. Interest sensitivities were raised from 75 bp in the previous year to 100 bp because of the increasing interest volatilities in capital markets.

Apart from the reserve risk, the pricing and catastrophe risks may have an impact on the result in property and casualty insurance, in particular if the number of claims occurred and/or the average claims amount deviate substantially from the expected figures and the assumptions on which the calculation is based.

The risks are continuously monitored on the basis of internal risk models and in conjunction with underwriting controlling.

In order to limit the impact on earnings, adequate reinsurance instruments are applied. In addition, there is the possibility of adjusting premiums.

Risks of life insurance business and sensitivity analysis

In life business, the AMB Generali Group focuses on endowment life and pension insurance with a guaranteed interest and a discretionary participation feature, term life insurance and unit-linked insurance products. In pension insurance, also products are distributed which give policyholders the option to choose lump-sum capital payments instead of pensions. Life insurance business is based on assuming the individual risks from policyholders and on balancing these risks within the portfolio and over time. For the life insurers the risk assumed consists in having to pay at an undetermined due date an undetermined amount of insurance benefits from an unchangeable level of premiums calculated in advance.

The calculation of premiums is based on assumptions regarding future mortalities, disabilities and other biometric probabilities, future interest levels and future expenses. Thereafter the risk is divided into a biometric risk, an interest risk and a cost risk.

- The moment of payment in the case of term or endowment life insurance or the frequency of payments in the case of occupational disability or pension insurance is triggered by biometric factors. Depending on the type of cover concerned the risk is called mortality, longevity or disability risk.
- Provisions are set up from the collected premiums. As a general rule, the interest on the provisions is calculated at the technical interest rate, which has to be earned in the capital market. An interest risk exists in respect of insurance contracts with a guaranteed interest. In addition there are interest risks due to the fact that for contracts with dynamic index-based increases, the interest payable on these increases is at the

originally agreed guaranteed rate, unless it is explicitly agreed otherwise. In the case of unit-linked policies the investment risk is borne by the policyholder. Therefore they are only subject to the impact of changed risk and/or cost expectations.

- A cost risk exists in respect of all life insurance contracts for which the expenses calculated for the administration of the contracts may have a different development than expected.

As a result of the above risks, the calculation bases may turn out to be insufficient. The life insurers of the AMB Generali Group make use of various instruments to counteract these risks.

- Prudent choice of all calculation bases: To calculate the premium and the underwriting provisions, the Group companies make use of prudently determined biometric calculation bases. These are regarded as adequate both by the regulatory authority and the German Actuary Association (DAV). The adequacy of the calculation bases is ensured by continuous comparisons between the claims expected under the mortality tables and the claims actually occurred. In addition, adequate safety margins are applied in all calculation bases to take account of the risks of error, fortuity and change.
- Profit bonus of policyholders: The life insurance portfolios of the AMB Generali Group consist mainly of long-term contracts with a discretionary profit participation. Minor modifications of the assumptions regarding biometrics, interest and costs, on which calculation is based, are absorbed by the safety margins existing within the calculation bases. If these safety margins are not needed they generate a profit of which the largest part is allocated to the policyholders in compliance with legal rules. Therefore, in the case of changes of risk, cost or interest assumptions, the impact on income is limited as a result of the adjustment of the future profit bonus of policyholders.
- Furthermore, reinsurance contracts are taken out to encounter specific risks.

The measures referring to investments are described in the investment risks section.

In order to limit risk concentrations, the insurance portfolio is monitored with regard to mortality, longevity and disability risks on the basis of actuarial analyses. Concentrations of insurance risks are minimized by a broad product range in different customer segments.

Sensitivity analysis

In the case of policies with a death risk, a lower mortality than assumed in the calculation bases leads to an increase of profits while for pension covers with a longevity risk profits decrease, in particular during the period of pension payment. If the disability risk increases, the high direct surpluses of occupational disability policies, which as a general rule are used to decrease premiums, are reduced. A decrease of the expected investment result to a level below the interest rate guaranteed could lead to allocations to provisions and thus to a higher expenditure. For unit-linked policies, changes of risk and cost assumptions may also have an impact on income, after the adjustment of the profit declaration. In this context, the deferred and free provision for premium refunds is used for compensating the impact on income in the short term. In the case of a change of future acquisition costs mainly incurred upon the conclusion of contracts, the part of the premium calculated for that purpose would be adjusted accordingly which means that no impact on income is to be expected. A change of future administrative expenses would lead to an adjustment of the bonus from cost profits. A modification of future claims settlement expenses cannot lead to basically different results because of the relatively brief period of claims settlement. In this context it is not material whether the change of expected future costs is due to inflation or other factors.

A change of future lapse behaviour may be of relevance for products in the portfolio with regard to deferred acquisition costs and the outflow of policyholder capital and also for the future lapse structure (early lapses vs. late lapses). This impact is already anticipated in the result of the business year within the scope of the annual true-up.

At year-end 2007 a change of interest and mortality assumptions would lead to an impact on deferred acquisition costs, the reassessed terminal bonus reserve and the provision for future policy benefits. These amounts are determined by modelling similar to the one applied with regard to the amounts actually carried in the balance sheet. Interest sensitivities were raised from 75 bp in the previous year to 100 bp because of increasing interest volatilities in capital markets. If interest assumptions rose by 100 bp, the total positive result impact on the indicated balance-sheet line items would be € 11.6 m or, before allocation to the provision for premium refunds and taxes, € 121.4 m. If, however, interest assumptions decreased by 100 bp, the negative result impact on the indicated balance-sheet line items would be € 72.9 m or, before allocation to the provision for premium refunds and taxes, € 763.9 m. A reduction of mortality by 10 percent leads to an improvement of the result by € 5.7 m or, before allocation to the provision for premium refunds and taxes, of € 59.4 m. The positive result from the decrease of mortality is due to the fact that the share of death risks is higher than the share of longevity risks.

Insurance products may include the following major options for policyholders to the extent these were agreed when the contract was concluded:

- possibility to surrender the contract or to have it exempted from premium payments as well as payment of the guaranteed interest;
- increase of the insurance benefit without an additional health check – mainly on the calculation basis then applicable in respect of biometrics and guaranteed interest (dynamic increases, guaranteed possibility of taking out additional cover in the case of specific changes in the life situation);
- in the case of deferred annuity covers the policyholder may choose the payment of a lump-sum instead of starting to receive a pension (lump-sum option);
- in the case of unit-linked products the policyholder may choose a transfer of the fund interests upon termination of the contract instead of receiving the counter value of the fund interests (option to receive benefit in kind).

A separate recognition in the balance sheet is only done if this is required by IFRS 4 “Insurance Contracts”.

Risks from health insurance business and sensitivity analysis

The health insurance contracts of the AMB Generali Group are mainly long-term contracts covering sickness costs, daily hospitalization allowance, daily sickness cost allowance and long-term care. This business is almost exclusively operated similarly to life insurance business as defined by the Insurance Regulatory Act. For health insurance contracts operated similarly to life insurance business, a regular cancellation of the contract by the insurer is excluded in order to protect the policyholder (at the latest starting from the fourth year of insurance). Therefore contracts may continue during a lifetime. On the other hand, the insurer has the legal right and obligation to annually check the difference between the required benefits and the calculated benefits in respect of the individual monitoring units consisting of groups of tariffs and persons. If these verifications show a difference above a limit defined in the tariff (in our portfolios 5 percent as a general rule) the premiums and all calculation bases are checked by the insurer and are adjusted to the necessary extent with the approval of an independent trustee and with an effect for portfolio and new business.

This adjustment possibility refers to all calculation bases. As a result, change requirements in respect of claims amounts and claims frequencies (with the exception of increases due to ageing which are already covered by calculation) and also in respect of the age and gender sensitivity of risks, the mortality and lapse probabilities and the expenses of the individual tariffs and groups of persons, lead to the necessary premium adjustments on a rather timely basis.

The possibility of premium adjustment also concerns the interest rate as a calculation basis. Taking into account past experience and future expectations, a technical interest rate of 4.5 percent is applied. Calculations proved that even with a lower investment yield between 3.5 and 4.5 percent, which can be earned in the market, the future benefits and expenses can be covered by the provision for future policy benefits and by future premium payments.

Provisions are taken into account by applying the prospective-unlocking principle when premium adjustments are made, i.e. they are maintained despite the change in assumptions, and thus the provision as at the balance-sheet date is adequate. Experience shows that changes already having an impact before the next adjustment can be absorbed by earnings from safety margins, other margins and variations of the policyholder bonus.

Risks of building-society business

To control the risks of building-society business, the major parameters of the building-society contracts and quotas are regularly monitored in compliance with the Building-Society Decree (BSpkV). In addition, simulations are made in order to recognize risks early and be able to take counter-measures.

The increase of interest rates has led to a rise of the loan take-up in 2007 and favoured new business in financing products. This was also supported by the tariff modification introduced in 2006. Nevertheless, across the market and in Deutsche Bausparkasse Badenia, which is part of the AMB Generali Group, the persistently low interest level has led to a further decrease of the investment ratio as a result of the lower level of loan allocations under building-society contracts and a higher level of redemption payments.

Investment risks and sensitivity analysis

Investment risks are composed of market, currency and concentration risks which can generate losses as a result of adverse changes of market prices or of factors influencing the price – such as changes of interest rates, share prices or currency fluctuations – or due to an insufficient diversification in the portfolio.

For all classes of insurance investment risks are a major source of result volatility, and for life insurance companies they can even be regarded as dominant risks. Therefore a special controlling and monitoring of these particular risks is a central task of overall risk management. The target is to define a portfolio structure which lies within the scope of the risk-bearing capacity of each company, on the one hand, and which, subject to this constraint, has an optimized earnings potential, on the other hand.

To reduce the portfolio risk, a broad mix and spread of the individual asset classes is observed. The concentration risk is limited by investment guidelines; it is continuously monitored and is a rather small risk. In addition, investments in assets with a higher risk exposure are allowed to a limited extent only. In individual cases we apply hedge accounting in the Consolidated Financial Statements for the recognition of hedging transactions. Under hedge accounting, financial instruments with an offsetting risk structure are recognized as one connected measurement unit.

The risk of interest-rate changes is the consequence of the different length of the periods in which capital is tied as an asset or a liability. Against the background of guaranteed benefits and a persistently low level of interest for reinvestment, this risk has to be seen as a particularly crucial one. Risk controlling in this respect consists of a mix of instruments applied as appropriate:

1. prolongation of the duration of new investments;
2. advance purchases of fixed-income securities;
3. use of hybrid instruments;
4. hedging transactions/hedge accounting.

At the same time, however, risk controlling also has to take into account the possibility of rising interest rates in order to avoid negative consequences for our Group under such scenarios. Furthermore, the new business of our companies is focussed on unit-linked products, which represent an increasing share of our premium mix. In the case of these products the investment risk is borne by the policyholder.

For the business year 2008 we expect a stable overall development of financial markets with a slight increase of interest rates and a continued positive performance of stock markets. The underlying assumptions do, however, involve uncertainties for the time being. The current situation – economic slowdown and high inflation – could continue into the second half of the year, with the possible repercussion of a markedly negative stock-market development. We restrict the prognosis risk by continuously monitoring and analysing capital markets in order to be able to respond early to negative developments.

Since the middle of 2007, the dominant factor influencing capital markets has been the crisis of financial and credit markets following the dramatic decrease in property values in the U.S. The direct consequences of the so-called subprime crisis for AMB Generali are negligible.

AMB Generali has no direct investments in syndicated property loans of the U.S. subprime segment. With the exception of traditional mortgage-backed bonds (Pfandbriefanlagen) in Europe, there is no exposure in securitized property financing.

With regard to the participation certificates to the bearer of IKB Deutsche Industriebank AG and silent-partner interests of Sachsen LB Landesbank Sachsen AG which are indirectly affected, write-downs were recognized in the balance sheet. As far as securitized credit card debt and other asset-backed securities (ABS) held by us are concerned we do currently not see any adverse impact since we intend to keep these investments and since product calculations have priced in high default rates. AMB Generali holds no investments in its portfolio where the rating class is based on the credit assessment of a specialized insurer. Neither does it have investments in the segment of U.S. municipal bonds and therefore there is no direct exposure with regard to so-called monoliners.

In the wake of that crisis, however, the substantial correction of stock-market prices at the beginning of 2008 does have an influence on the risk-bearing capacity of the Group. The development of the capital market is continuously observed to allow us to take timely and adequate measures if the risk situation should aggravate.

Sensitivity analysis

In addition to regular risk monitoring within the scope of risk-management activities, sensitivity calculations and stress tests are applied for an early recognition of the possible consequences of market-price fluctuations. The sensitivity analyses are based on capital-market fluctuations derived from historical data. In this context, analyses are made regarding the impact of share-price fluctuations by +/- 10 percent and +/- 35 percent as well as shifts of the interest-structure curves by +/- 100 bp and +/- 200 bp on results and equity.

Impact of the change of major risk variables on earnings and equity

		Impact on market values		Impact on Group result		Impact on equity	
		2007	2006	2007	2006	2007	2006
		€ m	€ m	€ m	€ m	€ m	€ m
Change of share price	-35%	-2,709.58	-3,144.49	-199.42	-102.35	-444.29	-516.95
	-10%	-774.17	-898.43	-25.29	-0.92	-126.94	-147.70
	+10%	774.17	898.43	1.00	0.04	126.94	147.70
	+35%	2,709.58	3,144.49	1.08	30.98	444.29	516.95
Change of interest rate	-200 bp	7,498.31	8,561.61	40.60	76.61	451.71	602.32
	-100 bp	3,589.65	4,072.41	18.91	34.59	215.56	285.17
	+100 bp	-3,275.34	-3,667.15	-16.58	-29.10	-195.44	-255.10
	+200 bp	-6,240.19	-6,938.43	-31.21	-54.21	-371.14	-481.66

The basis were the investment portfolios at year-end 2007. In this context, investments with a share-price sensitivity are all shares of the direct and indirect portfolio of the category of “financial assets available for sale”.

Investments with an interest-rate sensitivity include fixed-income securities of the categories “financial assets available for sale”, “loans and receivables” and “financial assets at fair value through profit or loss (not held for trading)”.

Because of the turmoil in financial markets at the beginning of the year 2008 we also simulated extreme market fluctuations. The findings of these simulations were within the range expected by us. Any possible impact would not substantially jeopardize the financial strength of the AMB Generali Group.

Currency risks

Currency risks are in particular involved in international equity investments. We mainly invest in securities of the European Economic Area which have a relatively low exchange volatility against the euro. As a whole, the cumulative currency risk is limited by investment guidelines applicable to each currency. There is only a small amount of investments outside the EU. For these investments, most of the currency risks are hedged. In order to hedge a subordinated loan in British pound sterling, a cross-currency swap with a long duration was agreed.

The impact of foreign-exchange fluctuations on result and equity is low compared to the share-price and interest-rate risks.

Credit risks

Credit risks (also called default risks) are risks that may generate losses due to a durable widening of spread, the default or partial default of an issuer and/or contracting partner.

In order to limit credit risks we pay attention to a good credit standing of the debtor which is verified by means of the rating classes that are common practice in the market. In the case of corporate portfolios with a low credit quality we attach importance to a broad diversification in order to minimize any default risk.

The credit risk or default risk involved in financial assets and receivables from policyholders and intermediaries is also regularly monitored within the scope of risk management. In the period from 2005 through 2007, the average default ratio for receivables from policyholders and intermediaries was 1.4 percent.

In primary insurance, credit risks are also involved in the receivables from reinsurers. In outward reinsurance, especially in business relationships with a long run-off, we attach importance to good financial soundness. The assessment of the quality of reinsurers is oriented towards the requirements of the 4th Act on Financial Market Promotion and on the recommendations regarding the efficiency and solvency of reinsurers in line with the circular letter R 1/97 of the insurance regulator. In addition, use is made of the assessments of internationally recognized rating agencies and our own analyses based on our expertise in the market.

In property financing we limit credit risks by granting new loans almost exclusively to retail customers. The portfolio of commercial loans was mostly disposed of in previous years.

The default risks of Deutsche Bausparkasse Badenia AG – since July 1, 2007 the central provider of property financing within the AMB Generali Group – are limited because of the investment possibilities provided for by section 4 of the Building-Society Act and due to internal limitations. On an individual-case basis, credit risks are controlled, among others, by

- a scoring of loan applications integrated into hierarchical competencies for taking decisions on loan applications;
- a risk classification of the loan portfolio and
- analyses regarding the development of payments in arrears and write-downs.

Any investments showing negative features are subject to intensive management.

The necessary risk provisions for all areas of customer loan business are determined depending on the development of payments in arrears and the value development of the collateral. In respect of deferred default risks, provisions have been set up on the basis of historic experience.

The tables on p. 114–117 below show the structure of financial instruments and receivables with regard to due dates, impairment and rating classes.

Collateral

The main collateral for liabilities are the guarantee assets (Sicherungsvermögen) as defined by section 66 of the Insurance Supervisory Act which amount to € 69,391,401 thousand (previous year: 67,714,326 thousand). In order to ensure the obligations towards policyholders, this part of the assets is internally kept as separate assets. In the case of an insolvency, the other creditors have no access to the guarantee assets. In life and health insurance, the guarantee assets are supervised by an independent trustee.

Liquidity risks

The liquidity risk is the risk of not being able any time to fulfil payment obligations, in particular those under insurance contracts. By means of a systematic liquidity controlling in our Group companies it is ensured that payment obligations can be fulfilled any time. In particular this requirement is observed with a view to investment policy.

Within the scope of liquidity management the expected incoming and outgoing cash flows of assets and liabilities are simultaneously analysed and monitored, taking into account the remaining terms to maturity.

Credit quality of financial assets

	Financial assets which are neither overdue nor impaired in their individual value		Financial assets which are overdue but not impaired in their individual value	
	2007	2006	2007	2006
	€'000	€'000	€'000	€'000
Loans and receivables				
Mortgage loans	3,011,998	3,375,736	121,764	110,466
Building loans	2,596,709	2,493,391	—	—
Loans and advance payments on policies	693,376	714,937	—	—
Debt securities and loans	14,401,661	11,488,948	—	—
Registered bonds	12,485,748	8,035,119	—	—
Other loans	1,453,820	905,862	—	—
Deposits with credit institutions	2,478,703	2,658,047	—	—
Deposits with ceding companies	15,596	17,538	—	—
Available for sale				
Fixed-income securities				
Government bonds	16,477,610	21,305,849	—	—
Other bonds	9,606,189	11,572,658	—	—
Other securities	9,013	23,863	—	—
Financial assets at fair value through profit or loss (not held for trading)	625,263	42,997	—	—
Receivables under insurance business				
from policyholders	296,454	280,257	89,740	96,921
from insurance intermediaries	134,616	97,768	55,805	57,012
Accounts receivable	66,119	88,763	—	—
Reinsurers' share in underwriting provisions	1,739,144	1,746,446	—	—
Other receivables (insofar as financial assets)				
Accrued interest and rent	1,297,995	1,268,174	—	—
Receivables under investments	62,296	97,225	—	—
Other receivables	65,253	43,613	—	—
Total	**67,517,563**	**66,257,191**	**267,309**	**264,399**

The maximum credit exposure of financial assets equals the carrying amount.

	Financial assets which are overdue and impaired in their individual value		**Lump-sum write-downs**		**Carrying amounts**		**Total impairment through profit or loss**	
	2007	2006	2007	2006	2007	2006	2007	2006
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
	38,415	24,054	-4,874	-4,596	3,167,303	3,505,660	-13,993	-21,451
	391,597	438,813	-9,745	-434	2,978,561	2,931,770	-17,052	-20,936
	—	—	—	—	693,376	714,937	—	—
	—	—	—	—	14,401,661	11,488,948	—	—
	—	—	—	—	12,485,748	8,035,119	—	—
	26,361	—	—	—	1,480,181	905,862	-2,636	—
	—	—	—	—	2,478,703	2,658,047	—	—
	—	—	—	—	15,596	17,538	—	—
	—	—	—	—	16,477,610	21,305,849	—	—
	—	—	—	—	9,606,189	11,572,658	—	—
	—	—	—	—	9,013	23,863	-14,852	—
	297,248	309,775	—	—	922,511	352,772	-73,421	-7,767
	—	—	-33,686	-35,693	352,508	341,485	-39,671	-46,509
	—	—	-11,287	-11,940	179,134	142,840	-14,023	-19,001
	—	—	—	—	66,119	88,763	—	—
	—	—	—	—	1,739,144	1,746,446	—	—
	—	—	—	—	1,297,995	1,268,174	—	—
	—	—	—	—	62,296	97,225	—	—
	—	—	—	—	65,253	43,613	—	—
	753,621	**772,642**	**-59,592**	**-52,663**	**68,478,901**	**67,241,569**	**-175,648**	**-115,664**

Age analysis of financial assets which are overdue but not impaired

	Up to 90 days		90 days – 1 year	
	2007	2006	2007	2006
	€'000	€'000	€'000	€'000
Loans and receivables, mortgage loans	107,282	99,372	11,903	9,041
Receivables under insurance business				
from policyholders	50,667	57,263	34,077	33,399
from insurance intermediaries	4,533	4,750	36,242	31,567
Total	**162,482**	**161,385**	**82,222**	**74,007**

Rating classes of financial assets neither overdue nor impaired

	AAA	AA
	€'000	€'000
Loans and receivables		
Mortgage loans	—	3,147,158
Building loans	—	2,978,561
Loans and advance payments on policies	—	693,376
Debt securities and loans	8,660,819	946,572
Registered bonds	9,756,984	656,429
Other loans	—	310,575
Available for sale		
Fixed-income securities		
Government bonds	12,234,397	2,631,237
Other bonds	4,723,624	746,472
Other securities	—	—
Financial assets at fair value through profit or loss		
Financial assets at fair value through profit or loss (not held for trading)	—	—
Trading	—	—
Total	**35,375,824**	**12,110,380**

For more details regarding capital and performance management reference is made to chap. 2 of the Group Management Report, p. 54 ff.

	1 – 2 years		More than 2 years		Total
2007	2006	2007	2006	2007	2006
€'000	€'000	€'000	€'000	€'000	€'000
2,579	2,053	—	—	121,764	110,466
3,696	3,824	1,300	2,435	89,740	96,921
9,376	12,948	5,654	7,747	55,805	57,012
15,651	**18,825**	**6,954**	**10,182**	**267,309**	**264,399**

A	BBB	BB	B and lower	Not rated	Total
€'000	€'000	€'000	€'000	€'000	€'000
—	—	—	—	—	3,147,158
—	—	—	—	—	2,978,561
—	—	—	—	—	693,376
4,225,000	—	—	—	—	13,832,391
1,472,576	—	—	—	—	11,885,989
1,181,666	—	—	—	—	1,492,241
1,611,976	—	—	—	—	16,477,610
3,641,332	405,062	24,437	61,868	3,394	9,606,189
—	—	—	—	9,013	9,013
824,034	—	—	—	98,477	922,511
—	—	—	—	14,267	14,267
12,956,584	**405,062**	**24,437**	**61,868**	**125,151**	**61,059,306**

Supplementary information on the Consolidated Income Statement 2007

6 Earned premiums (net)*

	Life/health		Property/casualty	
	2007	2006	2007	2006
	€'000	€'000	€'000	€'000
Total premiums	10,729,852	10,415,006	3,038,601	2,992,551
less: savings portions (in acc. with FAS 97)	-1,962,742	-1,620,388	—	—
less: premiums of investment contracts (in acc. with IAS 39)	-34,324	-43,977	—	—
Gross premiums written (under Income Statement)	**8,732,786**	**8,750,641**	**3,038,601**	**2,992,551**
Reinsurance premiums ceded	-165,476	-160,504	-75,795	-85,845
Net premiums written	**8,567,310**	**8,590,137**	**2,962,806**	**2,906,706**
Change of gross unearned premiums	-397	-338	-2,803	-7,578
Change of premium components carried as a liability	-103,477	-98,104	—	—
Change of the reinsurers' share in gross unearned premiums	—	—	889	-689
Earned premiums (net)	**8,463,436**	**8,491,695**	**2,960,892**	**2,898,439**

* fully consolidated figures

Gross premiums written of direct insurance business

	2007	2006
	€'000	€'000
Life insurance business	**6,990,874**	**7,084,407**
Health insurance business	**1,741,310**	**1,665,505**
Property/casualty insurance business		
Motor insurance	1,185,766	1,176,220
General liability insurance	416,149	408,547
Personal accident insurance	455,423	445,021
Householders insurance	228,645	228,402
Fire insurance	48,176	48,984
Homeowners insurance	236,156	227,709
Legal expenses insurance	186,171	180,895
Other classes	276,631	270,937
Total property/casualty	**3,033,117**	**2,986,715**
Gross premiums written, direct business	**11,765,301**	**11,736,627**

Out of the directly written gross premiums, 0.4 percent (previous year: 0.4 percent) are attributable to foreign countries. The gross premiums written of assumed reinsurance business amount to € 6,086 thousand (previous year: 6,565 thousand). Unit-linked products where the policyholder bears the investment risk are recognized in compliance with the standard FAS 97. Contracts under which no significant insurance risk is assumed and no discretionary participation features are paid are recognized in compliance with the rules of IAS 39.

7 Investment income (net, by segments)*

	Life/health		Property/casualty	
	2007	2006	2007	2006
	€'000	€'000	€'000	€'000
I. Investment property	114,671	80,459	12,003	22,906
II. Shares in enterprises measured at equity	4,980	1,582	40,873	32,145
III. Financial assets				
1. loans and receivables	1,266,762	917,517	95,695	78,769
2. available for sale				
a) variable yield	680,748	680,005	115,977	143,896
b) fixed interest	1,150,064	1,524,315	86,990	113,701
3. financial assets at fair value through profit or loss				
a) financial assets at fair value through profit or loss (not held for trading)	19,786	-28,479	3,091	656
b) held for trading	-136,079	-54,052	861	2,753
IV. Investments for the account and at the risk of life insurance policyholders	180,817	187,002	—	—
Expenditure for the management of investments, interest expenditure and other investment expenditure	-148,785	-144,646	-16,636	-18,993
Total	**3,132,964**	**3,163,703**	**338,854**	**375,833**

* fully consolidated figures

Financial services/other		Group	
2007	2006	2007	2006
€'000	€'000	€'000	€'000
—	-30	126,674	103,335
-710	—	45,143	33,727
183,733	187,519	1,546,190	1,183,805
-78	210	796,647	824,111
29,853	37,276	1,266,907	1,675,292
—	—	22,877	-27,823
834	-36	-134,384	-51,335
—	—	180,817	187,002
-1,236	-394	-166,657	-164,033
212,396	**224,545**	**3,684,214**	**3,764,081**

Investment income
(net, by types of income and expenditure)[1]

	Ordinary income		Write-ups and unrealized capital gains[6]	
	2007	2006	2007	2006
	€'000	€'000	€'000	€'000
I. Investment property[2,5]	147,474	119,012	10,549	20,443
II. Shares in enterprises measured at equity	45,143	33,727	—	—
III. Financial assets				
1. loans and receivables[3]	1,566,406	1,206,343	15,144	32,473
2. available for sale				
a) variable yield	300,962	276,601	—	—
b) fixed interest[3]	1,334,471	1,633,028	—	11
3. financial assets at fair value through profit or loss				
a) financial assets at fair value through profit or loss (not held for trading)	28,018	15,144	64,883	7,344
b) held for trading	—	—	4,588	1,909
IV. Investments for the account and at the risk of life insurance policyholders	143,675	116,705	24,513	71,982
Expenditure for the management of investments, interest expenditure and other investment expenditure[4]	-166,657	-164,033	—	—
Summe	**3,399,492**	**3,236,527**	**119,677**	**134,162**

1 fully consolidated figures
2 The rental income from investment property amounts to € 147,474 thousand (previous year: 119,012 thousand).
3 The interest income is € 2,900,878 thousand (previous year: 2,839,371 thousand).
4 The expenditure for let property is € -35,560 thousand (previous year: -50,177 thousand), for unlet property it amounts to € -6,257 thousand (preceding year: -9,901 thousand).
5 The write-downs include impairment losses as defined by IFRS 5 of an amount of € -15,060 thousand (previous year: -36,229 thousand).
6 including profits and losses from foreign-currency translation recognized in income

Realized capital gains		Write-downs and unrealized capital losses[6]		Realized capital losses		Group	
2007	2006	2007	2006	2007	2006	2007	2006
€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
53,995	61,419	-84,729	-94,741	-615	-2,798	126,674	103,335
—	—	—	—	—	—	45,143	33,727
834	27,364	-33,681	-42,387	-2,513	-39,988	1,546,190	1,183,805
771,803	713,211	-224,266	-86,520	-51,852	-79,181	796,647	824,111
33,410	111,127	—	—	-100,974	-68,874	1,266,907	1,675,292
4,557	—	-73,421	-7,767	-1,160	-42,544	22,877	-27,823
111,127	100,842	-171,429	-115,189	-78,670	-38,897	-134,384	-51,335
31,156	7,148	-16,290	-1,686	-2,237	-7,147	180,817	187,002
—	—	—	—	—	—	-166,657	-164,033
1,006,882	**1,021,111**	**-603,816**	**-348,290**	**-238,021**	**-279,429**	**3,684,214**	**3,764,081**

8 Other income*

	2007 €'000	2006 €'000
Other net underwriting income of life and health insurance	41,343	28,119
Other net underwriting income of property and casualty insurance	16,435	16,666
Income from investment contracts	912	787
Income of building-society business	79,039	85,211
Income from capital consolidation	57,896	15,675
Other income		
from services rendered	53,286	52,318
from winding-up non-underwriting provisions	69,875	25,779
interest and similar income	44,215	28,906
foreign exchange profits	193	776
other	93,594	88,118
Total	**456,788**	**342,355**

* fully consolidated figures

9 Net claims and benefits*

Claims and benefits under life and health insurance

	Gross		Reinsurers' share		Net	
	2007 €'000	2006 €'000	2007 €'000	2006 €'000	2007 €'000	2006 €'000
Claims expenditure						
Claims paid	-6,155,651	-5,957,052	149,816	105,300	-6,005,835	-5,851,752
Change of the provision for outstanding claims	-32,054	-35,938	964	233	-31,090	-35,705
Total	**-6,187,705**	**-5,992,990**	**150,780**	**105,533**	**-6,036,925**	**-5,887,457**
Change of the provision for future policy benefits	-1,385,953	-1,925,816	-698	89,909	-1,386,651	-1,835,907
Expenditure for profit-related, not profit-related and deferred premium refunds	-1,865,807	-1,359,096	—	—	-1,865,807	-1,359,096
Other profit participation	-617,227	-586,876	—	—	-617,227	-586,876
Total amount of claims and benefits	**-10,056,692**	**-9,864,778**	**150,082**	**195,442**	**-9,906,610**	**-9,669,336**

* fully consolidated figures

The corporate tax reform 2008 leads to an allocation of € 100,942 thousand to the provision for deferred premium refunds.

Net claims and benefits*

Claims and benefits under property and casualty insurance

	Gross		Reinsurers' share		Net	
	2007 €'000	2006 €'000	2007 €'000	2006 €'000	2007 €'000	2006 €'000
Claims expenditure						
Claims paid	-1,987,250	-1,896,483	131,088	64,469	-1,856,162	-1,832,014
Change of the outstanding claims provision	-8,805	-11,050	-55,344	-40,928	-64,149	-51,978
Total	**-1,996,055**	**-1,907,533**	**75,744**	**23,541**	**-1,920,311**	**-1,883,992**
Change of the provision for future policy benefits	-2,036	-5,119	—	—	-2,036	-5,119
Expenditure for premium refunds	-6,108	-2,578	—	—	-6,108	-2,578
Total amount of claims and benefits	**-2,004,199**	**-1,915,230**	**75,744**	**23,541**	**-1,928,455**	**-1,891,689**

* fully consolidated figures

10 Net operating expenses*

	2007 €'000	2006 €'000
Life and health insurance		
Acquisition costs		
Payments	-1,382,876	-1,310,546
Change of deferred acquisition costs	430,841	59,928
Administrative expenses	-286,424	-286,070
less		
Commissions and profit shares received under reinsurance business ceded	31,241	35,049
Total life and health insurance	**-1,207,218**	**-1,501,639**
Property and casualty insurance		
Acquisition costs		
Payments	-281,022	-283,670
Change of deferred acquisition costs	-858	-11,176
Administrative expenses	-624,629	-609,713
less		
Commissions and profit shares received under reinsurance business ceded	12,288	20,135
Total property and casualty insurance	**-894,221**	**-884,424**
Total	**-2,101,439**	**-2,386,063**

* fully consolidated figures

11 Other expenditure*

	2007 €'000	2006 €'000
Other net underwriting expenditure of life and health insurance	-62,953	-66,061
Other net underwriting expenditure of property and casualty insurance	-12,344	-10,869
Expenditure from investment contracts	-5,081	-3,240
Expenditure for building-society business	-253,877	-261,339
Other expenditure:		
Expenditure that cannot be allocated to functional areas	-356,106	-185,767
Interest and similar expenditure	-144,495	-133,485
Services, agency, leading and co-insurance business	-53,824	-54,025
Write-downs and portfolio-based value adjustments	-16,334	-58,160
Capital consolidation	-15,337	-23,688
Foreign-exchange losses	-259	-104
Other	-81,203	-136,848
Total	**-1,001,813**	**-933,586**

* fully consolidated figures

12 Tax

Tax expenditure

	2007 €'000	2006 €'000
Income tax		
Current tax		
Corporation tax and solidarity charge	-87,263	-160,124
Trade income tax	-81,108	-117,217
Corporation tax credit*	—	114,983
Deferred tax		
due to temporary differences	55,822	20,873
due to change of tax losses carried forward	11,181	2,783
Total	**-101,368**	**-138,702**
Other tax	-8,272	-11,430
Aggregate tax amount	**-109,640**	**-150,132**

* The discounted corporation tax credit recognized in 2006 as a tax refund receivable in compliance with section 37 of the Corporation Tax Act was increased by an interest amount of € 4,623 thousand to 119,606 thousand in 2007. Furthermore, for part of the tax loss carried forward (corporation tax of € 237,772 thousand; trade tax of € 250,057 thousand) no deferred tax is set up since it is not probable that it will be utilized in the near future.

Reconciliation

	2007 €'000	2006 €'000
Earnings before tax (under Commercial Code balance sheet)	609,007	601,046
Expected tax expenditure*	-243,603	-240,418
Corrected for tax impact due to:		
non-deductible operating expenses	-17,293	-14,872
tax-free income	134,536	66,954
tax of preceding years	63,279	-15,932
income from tax-rate changes	182,959	—
corporation tax credit	—	114,983
deductible tax	-10,591	22,718
difference between tax balance sheet and Commercial Code balance sheet	-46,332	-4,596
other impact	-164,323	-67,539
Income tax expenditure	**-101,368**	**-138,702**

* earnings before tax, taking into account the Group tax rate

The Group tax rate corresponds to the average income-tax charge of all Group companies. That charge is determined by corporation tax plus solidarity charge and trade income tax.

As a matter of principle, current and deferred tax assets and liabilities are assessed at the currently applicable tax rates and tax rules. In compliance with IAS 12, the announcement of the corporate tax reform by means of the resolution taken by the Bundesrat on June 6, 2007 has the material effect of an actual coming into force and therefore the new tax rates have to be applied in assessing deferred tax already in the Consolidated Financial Statements 2007.

13 Earnings per share

For determining the earnings per share, the (adjusted) net profit of the Group attributable to the equity holders of the parent is divided by the average number of shares of AMB Generali that was issued and outstanding during the period. The weighted average of the number of shares is 53,679,994 (previous year: 53,678,881). This leads to undiluted earnings per share of approx. € 9.28 (previous year: 8.36). Without extraordinary tax items (impact of € 82 m in 2007 and of € 105 m in 2006), the earnings per share amounted to € 7.75 (previous year: 6.40).

The conclusion of the pending court procedures in respect of the domination agreements between AMB Generali and AachenMünchener Versicherung, AachenMünchener Lebensversicherung and Volksfürsorge Holding could lead to a dilution of the earnings per share in the future. It is, however, not yet possible to make a statement as to when these procedures will be concluded.

Supplementary information on the Consolidated Balance Sheet 2007 – Assets

14 Owner-occupied property

	2007 €'000	2006 €'000
Gross carrying amount Jan. 1	1,237,429	1,243,765
Accumulated write-downs by Jan. 1	-353,547	-334,792
Net carrying amount Jan. 1	**883,882**	**908,973**
Additions	35,364	72,270
Change of consolidation scope	—	370
Non-current assets held for sale and other disposals	-17	-83,883
Reallocations	-38,553	9,799
Write-ups	806	—
Scheduled write-downs	-19,020	-19,551
Impairment losses	-29,734	-4,096
Net carrying amount Dec. 31	**832,728**	**883,882**
Accumulated write-downs by Dec. 31	-370,753	-353,547
Gross carrying amount Dec. 31	1,203,481	1,237,429

Tangible assets*

	Life/health €'000	**Property/ casualty** €'000	**Financial services/other** €'000	2007 €'000	2006 €'000
Gross carrying amount Jan. 1	145,071	121,001	234,935	501,007	516,252
Accumulated write-downs by Jan. 1	-100,519	-91,641	-140,989	-333,149	-354,794
Net carrying amount Jan. 1	**44,552**	**29,360**	**93,946**	**167,858**	**161,458**
Additions	9,419	7,417	18,741	35,577	80,767
Change of the consolidation scope	-194	-7	—	-201	5,274
Write-ups	1	—	—	1	195
Non-current assets held for sale and other disposals	-3,035	-2,865	-20,117	-26,017	-19,506
Write-downs	-11,596	-5,683	-33,137	-50,416	-60,330
Net carrying amount Dec. 31	**39,147**	**28,222**	**59,433**	**126,802**	**167,858**
Accumulated write-downs by Dec. 31	-90,339	-49,755	-129,540	-269,634	-333,149
Gross carrying amount Dec. 31	129,486	77,977	188,973	396,436	501,007

* fully consolidated figures

The column "Financial services/other" includes, among others, the tangible assets of AMB Generali Informatik Services GmbH.

15 Intangible assets

Composition of intangible assets

	2007 €'000	2006 €'000
Goodwill	270,189	270,189
PVFP of insurance contracts	104,390	97,239
Self-developed software	4,061	6,293
Other intangible assets acquired	92,245	104,471
Total	**470,885**	**478,192**

Goodwill allocation to segments[1]

	Life/health €'000	Property/ casualty €'000	Financial services/ other €'000	2007 €'000	2006 €'000
Carrying amount before impairment amortization Jan. 1[2]	167,540	102,000	2,082	271,622	268,200
Accumulated impairment loss Jan. 1	-973	—	-460	-1,433	—
Balance-sheet amount Jan. 1[2]	**166,567**	**102,000**	**1,622**	**270,189**	**268,200**
Additions	—	—	—	—	3,422
Impairment loss	—	—	—	—	-1,433
Balance-sheet amount Dec. 31	**166,567**	**102,000**	**1,622**	**270,189**	**270,189**
Accumulated impairment loss Dec. 31	-973	—	-460	-1,433	-1,433
Carrying amount before impairment amortization Dec. 31	167,540	102,000	2,082	271,622	271,622

1 fully consolidated figures

2 Pursuant to IFRS 3.79 b the gross carrying amount of goodwill is reduced by accumulated amortization.

Under the annual impairment test for goodwill, no impairment loss was identified.

Goodwill allocation to cash-generating units

	2007 €'000	2006 €'000
AachenMünchener Lebensversicherung AG	90,200	90,200
Volksfürsorge Holding AG	67,300	67,300
Generali Lloyd AG	63,700	63,700
AachenMünchener Versicherung AG	34,100	34,100
Other	14,889	14,889
Total	**270,189**	**270,189**

Impairment test for goodwill

On the basis of IFRS 3 “Business Combinations” goodwill is no longer amortized on a scheduled basis starting from January 1, 2005. Instead goodwill is tested annually for impairment in compliance with the rules of IAS 36 on the basis of cash-generating units. In the AMB Generali Group, the subsidiaries are identified as the cash-generating units for the purposes of goodwill allocation and impairment testing.

An impairment may become evident by comparing the carrying amount of the cash-generating unit, including allocated goodwill, with the realizable amount of the unit. In the AMB Generali Group, the carrying amount is the equity capital under IFRS of the subsidiary concerned. As realizable amount, the AMB Generali Group applies the fair value as at December 31, 2007 of the subsidiary concerned, which is determined in compliance with the accounting standard IDW RS HFA 10 by applying the capitalized earnings method. In a two-phase model, the earnings surpluses of the subsidiary are derived from the planning statement (detailed planning phase). The assumptions of the forecast of cash flows is based on the corporate planning of the AMB Generali Group for the period from 2008 through 2010. Furthermore, the extrapolation of cash-flow projections for each cash-generating unit within the scope of a perpetual annuity on a long-term basis is done by applying a growth rate that is regarded as probable against the background of the individual environment in which the company operates. The growth rates applied are within a range of 0.5 to 1.0 percent.

The value of capitalized earnings for each subsidiary results from the discounting of future earnings surpluses by applying a capitalization interest reflecting the cost of equity capital taking into account the individual risk structure of the subsidiary. The capitalization interest is determined by the capital-asset pricing model (CAPM). It is composed of a risk-free basic interest and a risk charge determined on an individual basis for the company. The applied rates of capitalization interest are within a range of 6.75 to 8.75 percent.

PVFP from insurance contracts*

	Life/health	Property/ casualty	2007	2006
	€'000	€'000	€'000	€'000
Gross carrying amount Jan. 1	176,461	6,976	183,437	183,437
Accumulated amortization by Jan. 1	-80,966	-5,232	-86,198	-61,573
Net carrying amount Jan. 1	**95,495**	**1,744**	**97,239**	**121,864**
Additions	11,246	—	11,246	—
Write-ups	5,067	—	5,067	—
Scheduled amortization	-8,290	-872	-9,162	-12,303
Impairment loss	—	—	—	-12,322
Net carrying amount Dec. 31	**103,518**	**872**	**104,390**	**97,239**
Accumulated amortization by Dec. 31	-84,189	-6,104	-90,293	-86,198
Gross carrying amount Dec. 31	187,707	6,976	194,683	183,437

* fully consolidated figures

The positive true-up effect for the PVFP of life insurance contracts is € 5,067 thousand (previous year: -8,784 thousand).

Self-developed software*

	Life/ health	Property/ casualty	Financial services	2007	2006
	€'000	€'000	€'000	€'000	€'000
Gross carrying amount Jan. 1	66,612	89,521	6,587	162,720	162,720
Accumulated amortization by Jan. 1	-61,094	-88,746	-6,587	-156,427	-151,427
Net carrying amount Jan. 1	**5,518**	**775**	**—**	**6,293**	**11,293**
Scheduled amortization	-1,457	-775	—	-2,232	-5,000
Net carrying amount Dec. 31	**4,061**	**—**	**—**	**4,061**	**6,293**
Accumulated amortization by Dec. 31	-62,552	-89,521	-6,587	-158,660	-156,427
Gross carrying amount Dec. 31	66,613	89,521	6,587	162,721	162,720

* fully consolidated figures

Other acquired intangible assets*

	Life/ health €'000	Property/ casualty €'000	Financial services €'000	Other €'000	2007 €'000	2006 €'000
Gross carrying amount Jan. 1	172,868	43,217	6,682	135,551	358,318	310,513
Accumulated amortization by Jan. 1	-93,153	-42,467	-5,684	-112,543	-253,847	-178,756
Net carrying amount Jan. 1	**79,715**	**750**	**998**	**23,008**	**104,471**	**131,757**
Additions	1,358	2,839	348	19,476	24,021	42,331
Disposals	-2,688	-2,758	—	-44	-5,490	-2,326
Change of consolidation scope	—	—	—	—	—	4,116
Scheduled amortization	-10,893	-239	-476	-16,918	-28,526	-32,066
Impairment loss	-2,231	—	—	—	-2,231	-39,341
Net carrying amount Dec. 31	**65,261**	**592**	**870**	**25,522**	**92,245**	**104,471**
Accumulated amortization by Dec. 31	-106,151	-34,835	-6,153	-128,229	-275,368	-253,847
Gross carrying amount Dec. 31	171,412	35,427	7,023	153,751	367,613	358,318

* fully consolidated figures

The other acquired intangible assets include an amount of € 5.2 m of such assets with an indefinite useful life. With regard to measurement reference is made to the information of the methods of accounting and measurement on p. 89 ff.

16 Deferred acquisition costs*

	2007 €'000	2006 €'000
Life and health insurance		
As at Jan. 1	7,129,214	7,069,286
Amount deferred	1,051,170	960,081
Interest charge	323,920	297,550
Write-downs	-944,249	-1,197,703
As at Dec. 31	**7,560,055**	**7,129,214**
Property and casualty insurance		
As at Jan. 1	238,074	249,250
Amount deferred	74,569	72,846
Write-downs	-75,427	-84,022
As at Dec. 31	**237,216**	**238,074**

* fully consolidated figures

In health insurance an interest rate of 4.5 percent (previous year: 4.5 percent) is applied. For life insurers, as a matter of principle, the interest yield on the policyholder funds and the margin remaining for the insurer are taken into account.

As at December 31, 2007 there is a positive true-up effect of € 35,188 thousand (previous year: -115,535 thousand) on deferred acquisition costs.

17 Investments

Investment property*

	Life/health	Property/ casualty	Financial services	2007	2006
	€'000	€'000	€'000	€'000	€'000
Gross carrying amount Jan. 1	2,158,018	277,171	477	2,435,666	1,931,245
Accumulated write-downs by Jan. 1	-508,115	-82,250	-392	-590,757	-578,195
Net carrying amount Jan. 1	**1,649,903**	**194,921**	**85**	**1,844,909**	**1,353,050**
Additions by purchase	407,593	19	—	407,612	625,345
Additions by capitalized supplementary acquisition costs	6,675	—	—	6,675	774
Change of consolidation scope	-21,352	—	—	-21,352	45,651
Non-current assets held for sale and other disposals	-34,070	-42,013	-85	-76,168	-115,489
Reallocations	26,027	12,526	—	38,553	-9,799
Write-ups	10,377	172	—	10,549	12,823
Write-downs	-29,071	-3,445	—	-32,516	-22,630
Impairment loss	-34,207	-2,946	—	-37,153	-35,882
Change due to currency translation	-17,027	—	—	-17,027	-8,934
Net carrying amount Dec. 31	**1,964,848**	**159,234**	**—**	**2,124,082**	**1,844,909**
Accumulated write-downs by Dec. 31	-573,724	-79,555	—	-653,279	-590,757
Gross carrying amount Dec. 31	2,538,572	238,789	—	2,777,361	2,435,666
Market value	**2,149,399**	**193,533**	**—**	**2,342,932**	**1,978,889**

* fully consolidated figures

18 Shares in enterprises measured at equity

	2007 €'000	2006 €'000
Balance-sheet values Jan. 1	**224,524**	**171,963**
Additions	69,264	37,285
Change of share in equity	26,872	22,543
Disposals	-4,772	-8,433
Write-downs	—	—
Unrealized gains and losses	2,111	1,166
Balance-sheet values as at Dec. 31*	**317,999**	**224,524**

* As at the balance-sheet date, the portfolio included a joint venture with a carrying amount of € —. As at the balance-sheet date there are payment obligations towards that joint venture amounting to € 5,600 thousand.

Major subsidiaries and associated enterprises

(interests held directly and indirectly)

December 31, 2007	Country	Percentage share in equity in %
1 AachenMünchener Lebensversicherung AG	D	100.0000
2 AachenMünchener Versicherung AG	D	100.0000
3 Advocard Rechtsschutzversicherung AG	D	100.0000
4 AMB Generali Immobilien GmbH	D	100.0000
5 AMB Generali Informatik Services GmbH	D	100.0000
6 AMB Generali Lloyd GmbH	D	88.5942
7 AMB Generali Pensionsfonds AG	D	100.0000
8 AMB Generali Pensionskasse AG	D	100.0000
9 AMB Generali Schadenmanagement GmbH	D	100.0000
10 AMB Generali Services GmbH	D	100.0000
11 Central Krankenversicherung AG	D	100.0000
12 Cosmos Lebensversicherungs-AG	D	100.0000
13 Cosmos Versicherung AG	D	100.0000
14 Deutsche Bausparkasse Badenia AG	D	100.0000
15 Deutsche Vermögensberatung Aktiengesellschaft DVAG*	D	49.9998
16 Dialog Lebensversicherungs-AG	D	100.0000
17 Envivas Krankenversicherung AG	D	100.0000
18 Generali Investments S.p.A.*	I	30.0000
19 Generali Lebensversicherung AG	D	98.5807
20 Generali Lloyd AG	D	94.3017
21 Generali Versicherung AG	D	100.0000
22 Pensor Pensionsfonds AG	D	100.0000
23 Volksfürsorge Deutsche Lebensversicherung AG	D	100.0000
24 Volksfürsorge Deutsche Sachversicherung AG	D	100.0000
25 Volksfürsorge Holding AG	D	100.0000
26 Volksfürsorge Pensionskasse AG	D	100.0000

* associated enterprise

Financial instruments

Presentation of the fair value of financial instruments under assets

	Carrying amount		Fair value	
	2007	2006	2007	2006
	€'000	€'000	€'000	€'000
Loans and receivables				
Mortgage loans	3,167,303	3,505,660	3,147,158	3,605,909
Building loans	2,978,561	2,931,770	2,978,561	2,931,770
Loans and advance payments on policies	693,376	714,937	693,376	714,937
Debt securities and loans	14,401,661	11,488,948	13,832,391	11,345,360
Registered bonds	12,485,748	8,035,119	11,885,989	7,931,492
Other loans	1,480,182	905,862	1,492,241	933,205
Deposits with credit institutions	2,478,703	2,658,047	2,478,703	2,658,047
Deposits with ceding companies	15,596	17,538	15,596	17,538
Available for sale				
Variable-yield securities				
Shares and other equity instruments	8,664,794	8,144,683	8,664,794	8,144,683
Fund units	1,623,410	1,217,048	1,623,410	1,217,048
Other variable-yield securities	139,949	163,076	139,949	163,076
Fixed-income securities				
Government bonds	16,477,610	21,305,849	16,477,610	21,305,849
Other bonds	9,606,189	11,572,658	9,606,189	11,572,658
Other securities	9,013	23,863	9,013	23,863
Financial assets at fair value through profit or loss				
Financial assets at fair value through profit or loss (not held for trading)	922,511	352,772	922,511	352,772
Trading	14,267	23,884	14,267	23,884
Investments under unit-linked life insurance	9,627,717	8,156,808	9,627,717	8,156,808
Receivables under insurance business				
from policyholders	352,508	341,485	352,508	341,485
from intermediaries	179,134	142,840	179,134	142,840
Accounts receivable	66,119	88,763	66,119	88,763
Reinsurers' share in underwriting provisions	1,739,144	1,746,446	1,739,144	1,746,446
Other receivables (insofar as financial instruments)				
Accrued interest and rent	1,297,995	1,268,174	1,297,995	1,268,174
Receivables under investments	62,296	97,225	62,296	97,225
Other receivables	65,253	43,613	65,253	43,613
Total	**88,549,039**	**84,947,068**	**87,371,924**	**84,827,445**

19 Loans and receivables

	Amortized cost		Fair value	
	2007	2006	2007	2006
	€'000	€'000	€'000	€'000
Mortgage loans	3,167,303	3,505,660	3,147,158	3,605,909
Building loans	2,978,561	2,931,770	2,978,561	2,931,770
Loans and advance payments on policies	693,376	714,937	693,376	714,937
Debt securities and loans	14,401,661	11,488,948	13,832,391	11,345,360
Registered bonds	12,485,748	8,035,119	11,885,989	7,931,492
Other loans	1,480,182	905,862	1,492,241	933,205
Deposits with credit institutions	2,478,703	2,658,047	2,478,703	2,658,047
Deposits with ceding companies	15,596	17,538	15,596	17,538
Total	**37,701,130**	**30,257,881**	**36,524,015**	**30,138,258**

Loans and receivables

	Mortgage loans	Building loans	Loans and advance payments on policies	Debt securities and loans
	€'000	€'000	€'000	€'000
Balance-sheet values as at Dec. 31, 2006	3,505,660	2,931,770	714,937	11,488,948
Additions	100,524	813,259	143,238	3,644,218
Change of consolidation scope	—	—	—	—
Disposals	-432,946	-756,753	-164,799	-735,416
Redemption	251	—	—	3,911
Write-ups	7,807	7,337	—	—
Impairments	-13,993	-17,052	—	—
Change due to currency translation	—	—	—	—
Balance-sheet values as at Dec. 31, 2007	**3,167,303**	**2,978,561**	**693,376**	**14,401,661**

The mortgage loans, registered bonds and debt securities and loans under the line item “loans and receivables” bear interest rates between 1.99 and 8.60 percent.

Remaining terms to maturity of loans and receivables

	Amortized cost		Fair value	
	2007	2006	2007	2006
	€'000	€'000	€'000	€'000
up to 1 year	4,262,849	4,273,036	4,255,485	4,273,977
between 1 and 2 years	1,652,645	1,487,169	1,641,805	1,486,387
between 2 and 3 years	1,778,751	1,736,508	1,767,005	1,742,121
between 3 and 4 years	1,869,872	1,717,195	1,838,238	1,719,197
between 4 and 5 years	2,802,981	1,892,649	2,753,009	1,891,466
between 5 and 10 years	13,850,241	9,163,442	13,462,328	9,154,434
more than 10 years	11,483,791	9,987,882	10,806,145	9,870,676
Total	**37,701,130**	**30,257,881**	**36,524,015**	**30,138,258**

	Registered bonds	Other loans	Deposits with credit institutions	Deposits with ceding companies	Total
	€'000	€'000	€'000	€'000	€'000
	8,035,119	905,862	2,658,047	17,538	30,257,881
	4,486,162	700,180	82,189	971	9,970,741
	—	—	-14,403	—	-14,403
	-114,947	-123,230	-246,609	-2,913	-2,577,613
	79,414	6	—	—	83,582
	—	—	—	—	15,144
	—	-2,636	—	—	-33,681
	—	—	-521	—	-521
	12,485,748	**1,480,182**	**2,478,703**	**15,596**	**37,701,130**

20 Financial assets

Available for sale

	Balance-sheet values Dec. 31, 2006	Additions	Change of consolidation scope	Redemption
	€'000	€'000	€'000	€'000
Variable-yield securities				
Shares and other equity instruments	8,144,683	4,043,776	—	—
Fund units				
Equity funds	561,941	1,272,135	-2,054	—
Bond funds	436,165	511,264	-6,808	—
Property funds	218,942	477,634	—	—
Other variable-yield securities	163,076	19,714	—	-1,434
Fixed-income securities				
Government bonds	21,305,849	941,627	—	-5,496
Other bonds	11,572,658	4,217,687	—	66,443
Other securities	23,863	2	—	—
Total	**42,427,177**	**11,483,839**	**-8,862**	**59,513**

Available for sale

	Amortized cost		Unrealized gains/losses		Fair value	
	2007	2006	2007	2006	2007	2006
	€'000	€'000	€'000	€'000	€'000	€'000
Variable-yield securities						
Shares and other equity instruments	6,586,739	5,828,539	2,078,055	2,316,144	8,664,794	8,144,683
Fund units						
Equity funds	417,078	454,150	91,521	107,791	508,599	561,941
Bond funds	657,282	421,822	6,565	14,343	663,847	436,165
Property funds	441,725	215,890	9,239	3,052	450,964	218,942
Other variable-yield securities	144,190	159,567	-4,241	3,509	139,949	163,076
Fixed-income securities						
Government bonds	16,842,235	21,065,821	-364,625	240,028	16,477,610	21,305,849
Other bonds	9,627,857	11,352,123	-21,668	220,535	9,606,189	11,572,658
Other securities	9,013	23,863	—	—	9,013	23,863
Total	**34,726,119**	**39,521,775**	**1,794,846**	**2,905,402**	**36,520,965**	**42,427,177**

The interest rates of the fixed-income securities included in the line item “available for sale” are between 1.4 and 8.0 percent.

Disposals	Write-ups	Impairment	Unrealized gains and losses	Change due to currency translation	Balance-sheet values Dec. 31, 2007
€'000	€'000	€'000	€'000	€'000	€'000
-3,328,971	—	-184,182	-10,512	—	8,664,794
-1,334,734	—	-41	11,352	—	508,599
-253,012	—	-16,109	-7,653	—	663,847
-248,539	—	-3,742	6,669	—	450,964
-28,319	—	-5,340	-7,748	—	139,949
-5,280,255	—	—	-484,115	—	16,477,610
-6,007,683	—	—	-236,486	-6,430	9,606,189
—	—	-14,852	—	—	9,013
-16,481,513	**—**	**-224,266**	**-728,493**	**-6,430**	**36,520,965**

Remaining terms to maturity of financial assets available for sale

	Amortized cost		Fair value	
	2007	2006	2007	2006
	€'000	€'000	€'000	€'000
up to 1 year	2,954,510	3,294,615	2,953,308	3,265,541
between 1 and 2 years	2,433,091	2,761,139	2,429,612	2,784,186
between 2 and 3 years	2,659,422	2,616,068	2,663,175	2,642,579
between 3 and 4 years	2,253,241	2,656,654	2,281,217	2,686,180
between 4 and 5 years	1,167,601	2,180,982	1,167,503	2,257,475
between 5 and 10 years	7,885,858	8,543,187	7,763,901	8,636,183
more than 10 years	7,116,369	10,365,299	6,825,083	10,606,363
Total	**26,470,092**	**32,417,944**	**26,083,799**	**32,878,507**

The remaining terms to maturity refer to fixed-income securities.

21 Financial assets

Financial assets at fair value through profit or loss

The sub-item of **financial assets at fair value through profit or loss (not held for trading)** mainly includes hybrid instruments. Furthermore the item includes loans of an amount of € 89,317 thousand (previous year: 92,792 thousand).

The fair value of hybrid instruments amounts to € 922,511 thousand (previous year: 352,772 thousand). The maximum credit risk of the credit element of hybrid instruments equals the carrying amount of € 922,511 thousand (previous year: 352,772 thousand).

The table below shows the fair value of the hybrid instruments included in "financial assets at fair value through profit or loss (not held for trading)" as at the balance-sheet date and their maturities. The indicated terms to maturity refer to the underlyings. The hybrid instruments involving an interest risk are mainly annual-call zero bonds. As at December 31, 2007 they amount to € 207,932 thousand (previous year: 216,982 thousand).

Fair value and contractual terms to maturity of hybrid instruments

Instruments with	interest risk	equity exposure	currency risk	credit risk	2007	2006
	€'000	€'000	€'000	€'000	€'000	€'000
up to 1 year	—	—	98,478	—	98,478	32,028
between 1 and 2 years	—	—	—	10,604	10,604	—
between 2 and 3 years	—	—	—	—	—	10,969
between 3 and 4 years	516,180	—	—	—	516,180	—
between 4 and 5 years	—	—	—	—	—	—
between 5 and 10 years	—	—	—	—	—	—
more than 10 years	207,932	—	—	89,317	297,249	309,775
Total	**724,112**	**—**	**98,478**	**99,921**	**922,511**	**352,772**

The interest rates of the hybrid instruments included in the item "financial assets at fair value through profit or loss (not held for trading)" are between 2.6 and 8.3 percent.

Cancellation rights 2008 – 2012 with regard to annual-call zero bonds at the end of the closed business year

		2008	2009	2010	2011	2012
Volume	€ m	351.8	—	144.0	65.0	883.8
Nominally weighted strike	%	4.98	—	4.41	5.25	5.32

The **trading** sub-item mainly comprises stand-alone derivatives. In compliance with IAS 39 derivative financial instruments are shown under assets or liabilities. The profits and losses resulting from fair-value measurement are recognized in investment income or expenditure. Within the AMB Generali Group, use is made of derivatives to efficiently control financial investments in line with general investment targets. They serve the purpose of compensating adverse market fluctuations. In particular the instruments employed are futures, forward purchases and stock options. Futures are used for hedging foreign-currency risks and the bond portfolio, forward purchases are employed for hedging the risk of interest-rate changes. In addition, stock-option transactions are made to increase earnings and to prepare purchases. The table below shows the composition of open derivative positions as at the reporting date:

Nominal and market values of open derivative positions

	Nominal values		**Positive market values**		**Negative market values**	
	2007	2006	2007	2006	2007	2006
	€'000	€'000	€'000	€'000	€'000	€'000
Hedging of foreign-currency risks						
Futures	316,988	235,504	2,698	194	304	2,109
Hedging of interest risks						
Forward purchases	1,477,000	2,949,000	—	20,084	125,278	49,780
Increasing earnings and preparing purchases						
Stock options	1,450,360	637,326	11,569	3,606	11,447	6,858

As at the reporting date the maximum remaining term to maturity of open derivative positions is 3 years.

22 Investments for the account and at the risk of life insurance policyholders

This item includes the investments of unit-linked products. The investments are kept and shown separately by the insurance companies. The policyholders are entitled to receive all income, i.e. the total amount of the investments shown under these items. Any losses also have to be borne by the policyholders. Therefore the liabilities line item of "Underwriting provisions concerning unit-linked life insurance" develops concurrently.

23 Receivables

	2007 €'000	2006 €'000
Receivables under insurance business		
from policyholders	352,508	341,485
from insurance intermediaries	179,134	142,840
Accounts receivable under reinsurance operations	66,119	88,763
Other receivables under insurance business	28,153	31,785
Total receivables under insurance business	**625,914**	**604,873**
Other receivables		
Accrued interest and rent	1,297,995	1,268,174
Receivables under investments	62,296	97,225
Other receivables	168,240	125,821
Total of other receivables	**1,528,531**	**1,491,220**
Total	**2,154,445**	**2,096,093**

Remaining terms to maturity of receivables

	Amortized cost	
	2007 €'000	2006 €'000
up to 1 year	1,803,129	1,823,492
between 1 and 5 years	349,848	268,607
between 5 and 10 years	372	2,674
more than 10 years	1,096	1,320
Total	**2,154,445**	**2,096,093**

24 Other assets

A currency swap was taken out to hedge a foreign-currency loan. Since the required criteria are fulfilled, the AMB Generali Group applies the rules of hedge accounting for recognition. The changes of the fair value resulting from the currency swap are recognized in the result for the period every year. In 2007 the result of the cash-flow hedge is € -5,219 thousand (previous year: 3,556 thousand). The change in the present value of the expected future cash flows from the subordinated loan attributable to foreign-exchange fluctuations equals the change attributable to the swap component in British pound sterling. The change of the fair value of the currency swap that is no longer required to compensate foreign-exchange fluctuations of the loan in the income statement is recognized in equity.

Ahead of taking up the subordinated foreign-currency loan, an interest hedging transaction (cash-flow hedge) was concluded to which hedge accounting is also applied. The profit from this transaction is included in equity, in the cash-flow hedge reserve as part of the revaluation reserve, and is recognized in income over the term of the loan. In the reporting year an amount of € 658 thousand (previous year: 356 thousand) was redeemed. The cash flows from the underlying business will be recognized in income upon maturity in the month of June of the business year following the year under report.

25 Inventories

Inventories amount to € 18,353 thousand (previous year: 34,040 thousand). The inventories mainly include property acquired with the objective of resale and are thus measured in compliance with the rules of IAS 2 applicable to inventories. The carrying amount of this property is € 11,655 thousand (previous year: 25,538 thousand).

Supplementary information on the Consolidated Balance Sheet 2007 – Liabilities

26 Group equity

Equity composition

	2007 €'000	2006 €'000
Subscribed capital	137,421	137,421
Capital reserve	1,308,177	1,285,750
Treasury stock	—	—
Revaluation reserve*	426,138	603,697
Profit carried forward	1,601,173	1,282,980
Reserve from foreign-currency translation	-2,951	-1,230
Net profit attributable to the equity holders of the parent	498,067	448,534
Minority interests	175,503	231,368
Total	**4,143,528**	**3,988,520**

* The revaluation reserve includes unrealized gains of € 8,118 thousand (previous year: 6,575 thousand) and unrealized losses of € – (previous year: 3,912 thousand) resulting from hedge accounting.

The **subscribed capital** equals the share capital of AMB Generali and the **capital reserve** includes the premiums from share issues and an amount attributable to share-based payment recognized as an expenditure. The legal reserves and the reserves under the Articles of Association (charitable fund) of AMB Generali are included in the **profit carried forward**. The latter also comprises the retained profits of the Group companies included in the Consolidated Financial Statements and the allocations from the Group net profit. Unrealized capital gains and losses from the revaluation of financial assets available for sale are reflected in the revaluation reserve after taking into consideration deferred tax and deferred premium refunds, if applicable. The **revaluation reserve** also includes the cash-flow hedge reserve.

The subscribed capital remains unchanged at the preceding year's level of € 137,420,784. This amount corresponded to 53,679,994 fully paid unit shares to the bearer. Assicurazioni Generali S.p.A., Trieste/Italy, have informed us in compliance with sections 21, 22 Securities Trading Act (WpHG) and section 20 Companies Act that they indirectly hold a majority interest in AMB Generali Holding AG.

As at December 31, 2007 the **authorized capital** amounted to € 68,710 thousand. Out of that amount up to € 1,024 thousand may be used to issue employee shares to the employees of the company and its Group companies. The authorization for the Board of Management is valid until May 18, 2009.

As at the reporting date there is a **conditional capital**, which due to the domination agreements concluded with subsidiary companies in the business year 1997, is earmarked as a compensation for minority shareholders. Due to the squeeze-out transactions meanwhile carried out for a cash indemnity in the individual subsidiaries concerned, no use was made of the conditional capital in the closed business year. The following table shows the conditional capital.

Conditional capital

for the acquisition of shares of		Aachen Münchener Lebensversicherung AG	Aachen Münchener Versicherung AG	Volksfürsorge Holding AG	Total
AMB Generali shares	Number	247,214	145,207	183,625	**576,046**
Nominal value	€	632,867.84	371,729.92	470,080.00	**1,474,677.76**

Minority interests

	2007 €'000	2006 €'000
in the revaluation reserve	46,459	81,312
in the Group net profit	1,300	2,380
in the other equity	127,744	147,676
Total	**175,503**	**231,368**

27 Unearned premiums*

	Life/health		Property/casualty		Group	
	2007	2006	2007	2006	2007	2006
	€'000	€'000	€'000	€'000	€'000	€'000
Gross	**3,482**	**3,085**	**479,956**	**477,157**	**483,438**	**480,242**
Reinsurers' share	—	—	-7,265	-6,376	-7,265	-6,376
Net	**3,482**	**3,085**	**472,691**	**470,781**	**476,173**	**473,866**

* fully consolidated figures

Development of unearned premiums

	Gross	Reinsurers' share	Net	Net
			2007	2006
	€'000	€'000	€'000	€'000
Unearned premiums Jan. 1	**480,242**	**-6,376**	**473,866**	**469,204**
Foreign-currency translation	-4	—	-4	-1
Total	480,238	-6,376	473,862	469,203
Portfolio changes	—	6	6	404
Other changes	3,200	-895	2,305	4,259
Unearned premiums Dec. 31	**483,438**	**-7,265**	**476,173**	**473,866**

28 Provision for future policy benefits*

	Life/health		Property/casualty		Group	
	2007	2006	2007	2006	2007	2006
	€'000	€'000	€'000	€'000	€'000	€'000
Gross	**61,856,601**	**59,671,054**	**86,620**	**84,584**	**61,943,221**	**59,755,638**
Reinsurers' share	-1,358,797	-1,312,523	—	—	-1,358,797	-1,312,523
Net	**60,497,804**	**58,358,531**	**86,620**	**84,584**	**60,584,424**	**58,443,115**

* fully consolidated figures

In health insurance an interest rate of 3.5–4.5 percent (previous year: 4.5 percent) is applied. For life insurers, as a matter of principle, we use the interest rate applied to the policyholder funds – without terminal bonuses – which is between 4.1 and 4.3 percent (previous year: between 4.0 and 4.3 percent). The positive true-up effect for the premium components carried as a liability (unearned revenue reserve) is € 14,683 thousand (previous year: 6,466 thousand) and for the adjusted terminal bonus reserve it is € 128,355 thousand (previous year: -34,924 thousand).

Development of the provision for future policy benefits

	2007 €'000	2006 €'000
Gross provision for future policy benefits Jan. 1	**59,755,638**	**57,111,355**
Payments for traditional life insurance policies	3,582,687	4,607,356
Other changes	-1,395,104	-1,963,073
Gross provision for future policy benefits Dec. 31	61,943,221	59,755,638
Reinsurers' share	-1,358,797	-1,312,523
Net	**60,584,424**	**58,443,115**

In **life insurance**, the assumptions with regard to mortality, interest and costs are fixed at the inception of the contract for the full contract term.

- In individual business, the mortality tables by the German Actuary Association (DAV) are used to determine mortality. In Group business different tables are used, where appropriate. These tables are determined on the basis of internal statistics and statistical analyses of reinsurers.
- The interest rate applied is the guaranteed interest rate contractually agreed.
- The costs are determined on the basis of past experience by recognized actuarial procedures.

In subsequent years the assumptions made are verified as at each reporting date and adjusted, where appropriate, in order to measure the contracts. The resulting effects are reflected in the true-up figures.

In **health insurance** assumptions are made regarding per-capita claims, mortality, lapse probability, interest and costs. The assumptions are tested annually on the basis of rules provided by law. If these tests show deviations, premium adjustments have to be made.

- The per-capita claim is the average annual claims expenditure for an insured person of a specific age. The per-capita claim is determined by gender and individual policy models.
- With regard to mortality, the mortality tables published by the German insurance regulator BaFin for private-sector health insurance are applied.

- The lapse probabilities are determined on the basis of past experience and future expectations by each individual company.
- The technical interest rate is based on past experience and future expectations.
- Costs are determined on the basis of past experience.

Remaining terms to maturity of the provision for future policy benefits

	2007 €'000	2006 €'000
up to 1 year	3,125,787	3,792,758
between 1 and 5 years	11,642,319	10,166,355
between 5 and 10 years	10,548,282	11,162,455
between 10 and 15 years	9,681,313	9,867,351
between 15 and 20 years	6,991,323	12,356,219
more than 20 years	19,954,197	12,410,500

29 Provision for outstanding claims*

	Life/health		Property/casualty		Group	
	2007 €'000	2006 €'000	2007 €'000	2006 €'000	2007 €'000	2006 €'000
Gross	**959,890**	**927,907**	**3,641,561**	**3,633,236**	**4,601,451**	**4,561,143**
Reinsurers' share	-13,908	-12,944	-358,784	-414,153	-372,692	-427,097
Net	**945,982**	**914,963**	**3,282,777**	**3,219,083**	**4,228,759**	**4,134,046**

* fully consolidated figures

The provisions are determined at a sufficiently high level at their settlement amounts. After the reporting date no extraordinary claims occurred that would materially affect the Group's assets, financial position and income.

For the purpose of taking into account receivables for recourses, salvages and knock-for-knock agreements an amount of € 23,716 thousand (previous year: € 22,885 thousand) is deducted from the provision for outstanding claims.

The annuity provision set aside for agreed annuity payments of the property/casualty insurers amounts to € 160,604 thousand (previous year: 146,716 thousand).

Development of the provision for outstanding claims

	Gross	Reinsurers' share	Net 2007	Net 2006
	€'000	€'000	€'000	€'000
Outstanding claims provision Jan. 1	**4,561,143**	**-427,097**	**4,134,046**	**4,046,645**
Foreign-currency translation	-482	25	-457	-287
Total	**4,560,661**	**-427,072**	**4,133,589**	**4,046,358**
Use of provision for payments	-1,122,309	103,015	-1,019,294	-1,105,157
Winding-up of provision for preceding year's claims*	-691,135	514	-690,621	-559,329
Allocation to provision for claims of the business year	1,854,234	-49,149	1,805,085	1,752,174
Total	**40,790**	**54,380**	**95,170**	**87,688**
Outstanding claims provision as at Dec. 31	**4,601,451**	**-372,692**	**4,228,759**	**4,134,046**

* This includes the run-off profit for complementary occupational disability insurance for which, on the other hand, there is an allocation to the provision for future policy benefits for the pensions recognized.

The provision for outstanding claims is determined by means of mathematical and statistical procedures on the basis of FAS 60. For that purpose, it is necessary to calculate future payments on the basis of past figures and to make an assessment of trends (such as inflation) that have an influence on the adequacy of these figures.

Remaining terms of the provision for outstanding claims (direct business)

	2007	2006
	€'000	€'000
up to 1 year	1,796,479	1,703,205
between 1 and 5 years	944,696	960,530
between 5 and 10 years	164,016	201,700
more than 10 years	206,491	162,297

Claims expenditure in property and casualty insurance (direct business)

The following **gross and net claims triangles** include those major classes where the run-off, as a general rule, is longer than one year. Both claims payments and provisions for outstanding claims are taken into consideration

Gross claims triangle

	1st year € m	2nd year € m	3rd year € m	4th year € m	5th year € m	6th year € m	Total € m
2002	2,444	2,334	2,275	2,257	2,251	2,233	
2003	2,149	2,052	1,983	1,964	1,948	—	
2004	2,017	1,884	1,806	1,780	—	—	
2005	1,966	1,828	1,777	—	—	—	
2006	1,969	1,832	—	—	—	—	
2007	2,119	—	—	—	—	—	
Claims expenditure	2,119	1,832	1,777	1,780	1,948	2,233	**11,689**
Accumulated payments	1,143	1,401	1,497	1,576	1,765	2,073	**9,455**
Provisions for outstanding claims	976	431	280	204	183	160	**2,234**
Before the period under review							**802**
From remaining classes							**228**
Annuity provision and other provisions							**158**
Gross direct business (acc. to balance sheet)							**3,422**

Net claims triangle

	1st year € m	2nd year € m	3rd year € m	4th year € m	5th year € m	6th year € m	Total € m
2002	2,242	2,094	2,039	2,020	2,013	1,998	
2003	1,965	1,880	1,814	1,797	1,781	—	
2004	1,942	1,817	1,742	1,717	—	—	
2005	1,944	1,806	1,756	—	—	—	
2006	1,959	1,820	—	—	—	—	
2007	2,069	—	—	—	—	—	
Claims expenditure	2,069	1,820	1,756	1,717	1,781	1,998	**11,141**
Accumulated payments	1,119	1,393	1,478	1,514	1,603	1,846	**8,953**
Net provision for outstanding claims							**2,188**
Before the period under review; from remaining classes							**924**
Net direct business (acc. to balance sheet)							**3,112**

30 Provision for premium refunds*

	Life/health		Property/casualty		Group	
	2007	2006	2007	2006	2007	2006
	€'000	€'000	€'000	€'000	€'000	€'000
Gross	**7,345,445**	**7,075,285**	**20,719**	**18,449**	**7,366,164**	**7,093,734**
Reinsurers' share	—	—	—	—	—	—
Net	**7,345,445**	**7,075,285**	**20,719**	**18,449**	**7,366,164**	**7,093,734**

* fully consolidated figures

Provision for premium refunds (gross)

	2007	2006
	€'000	€'000
Provision for profit-related and not profit-related premium refunds		
profit-related	3,318,897	2,801,828
not profit-related	560,453	501,886
Provision for deferred premium refunds	3,486,814	3,790,020
Total	**7,366,164**	**7,093,734**

Provision for premium refunds (net)

	2007 €'000	2006 €'000
Provision for profit-related and not profit-related premium refunds		
As at Jan. 1	3,303,714	2,869,281
Change of consolidation scope	—	331
Allocation	1,452,507	1,308,353
Wind-up	-501,375	-439,308
Payments	-374,581	-362,488
Other changes	-915	-72,455
As at Dec. 31	**3,879,350**	**3,303,714**
Provision for deferred premium refunds		
As at Jan. 1	3,790,020	4,331,139
Foreign-currency translation	-426	-308
Total	**3,789,594**	**4,330,831**
Change of consolidation scope	9,811	2,716
Fair-value fluctuations	-856,497	-738,046
Revaluations recognized in income	543,906	194,519
As at Dec. 31	**3,486,814**	**3,790,020**

31 Provisions for pensions and similar commitments

	2007 €'000	2006 €'000
Pension commitments	1,686,310	1,637,791
Provisions for commitments similar to pensions	212,346	169,782
Total	**1,898,656**	**1,807,573**

Enterprises of the AMB Generali Group grant **defined-benefit pension commitments** to their staff. The commitments are taken into account by pension provisions whose measurement also considers the development of future benefit claims of the beneficiaries and whose present balance-sheet value is determined on the basis of the interest rate to be expected on a long-term basis. Subsequently to the company committed to paying the benefit, the pension guarantee association Pensionssicherungs-Verein a.G. is liable under its articles of association for the fulfilment of the pension commitments granted.

Provision for defined-benefit pension commitments

	2007 €'000	2006 €'000
Balance-sheet value as at Jan. 1	1,637,791	1,570,795
Change of consolidation scope	-1,084	18,097
Disposal group	—	-2,283
Paid benefits	-93,968	-89,370
Expenditure of the business year	128,913	126,599
Other	14,658	13,953
Balance-sheet value as at Dec. 31	**1,686,310**	**1,637,791**

Out of the balance-sheet value, € 96.4 m are due as benefits in the business year 2008.

Development of the extent of obligations and of the plan assets of defined-benefit pension commitments

	2007 €'000	2006 €'000
Present value of promised pension benefits Jan. 1	**2,165,883**	**2,193,773**
Change of consolidation scope	-1,084	18,097
Disposal group	–	-3,605
Current service cost	39,936	44,941
Interest cost	90,001	87,285
Employee contributions	752	753
Actuarial gains and losses*	-228,665	-85,991
Paid benefits	-93,966	-89,370
Present value of promised pension benefits Dec. 31	**1,972,857**	**2,165,883**
Fair value of plan assets Jan. 1	-361,495	-363,974
Transferred assets	-1,528	—
Expected income from plan assets	-15,313	-14,280
Actuarial gains and losses	13,731	2,806
Employer contributions	-2,922	-2,910
Employee contributions	-763	-754
Paid benefits	18,344	17,617
Fair value of plan assets Dec. 31	**-349,946**	**-361,495**
Sub-total	**1,622,911**	**1,804,388**
Unrecognized actuarial profits and losses	63,468	-166,597
Unrecognized past service cost	-69	—
Balance-sheet value as at Dec. 31	**1,686,310**	**1,637,791**

* including past service cost in 2007

The necessity of taking into account actuarial gains or losses is verified by the corridor procedure.

Funding status

	2007 €'000	2006 €'000	2005 €'000	2004 €'000	2003 €'000
Present value of promised pension benefits	1,972,857	2,165,883	2,193,773	1,648,425	1,434,768
Plan assets	-349,946	-361,495	-363,974	-32,979	-24,395
Total	**1,622,911**	**1,804,388**	**1,829,799**	**1,615,446**	**1,410,373**

The present values of promised pension benefits that are covered fully or in part by external carriers amount to € 1,269,739 thousand (previous year: 1,421,412 thousand). Those not covered by external providers amount to € 700,906 thousand (previous year: 744,471 thousand).

Development of actuarial gains and losses

	2007 €'000	2006 €'000
Actuarial gains and losses of the business year (pension obligations)*	**-228,665**	**-85,991**
of which due to adjustments based on experience	31,094	-18,567
of which due to the impact of changes of the actuarial assumptions	-259,759	-67,424
Actuarial gains and losses of the business year (net plan assets)*	**13,731**	**2,806**
of which due to adjustments based on experience	13,731	2,806
of which due to the impact of changes of the actuarial assumptions	—	—

* including past service cost

Expenditure of the business year

	2007 €'000	2006 €'000
Current service cost	41,097	45,694
Interest cost	90,075	87,285
Expected return on plan assets	-15,313	-14,280
Recognition of actuarial gains or losses	4,888	6,343
Past service cost	8,166	1,557
Total	**128,913**	**126,599**

The necessity of taking into account actuarial gains or losses is verified by the corridor procedure.

Calculation factors applied

	2007 %	2006 %
Technical interest rate	5.50	4.25
Expected return on plan assets	4.63	4.00
Rate of salary growth (including career development)	3.00	2.50–3.00
Pension growth rate	1.70–2.00	1.50–1.75
Adjustment of maximum salary limit for calculation of contributions	2.00	1.50

Classes of plan assets

	Percentage composition		**Expected long-term return**
	2007 %	2006 %	2007 %
Shares, fund units and other variable-yield securities	12.16	7.10	1.00
Fixed-income securities/debt titles	84.81	81.30	6.10
Property	-0.06	5.50	0.00
Other	3.09	6.10	1.00
Total	**100.00**	**100.00**	**4.20**

The actual return on plan assets amounts to € 1,581.7 thousand.

In the case of **defined-contribution plans** the employer pays a defined contribution amount to a pension-scheme company or directly to an insurance company for a policy. The employer's obligation is fulfilled by payment of the contributions. The resulting expenditure in the business year was € 8,333 thousand (previous year: 11,046 thousand).

The **benefits upon termination of the employment relationship** amount to € 194,809 thousand (previous year: 158,121 thousand).

32 Other provisions

	Restructuring provisions	Other provisions	2007	2006
	€'000	€'000	€'000	€'000
As at Jan. 1	**106,734**	**259,387**	**366,121**	**314,314**
Change of consolidation scope	–	-2,335	-2,335	9,918
Use of provisions	-19,309	-84,709	-104,018	-125,953
Wind-ups	-46,568	-20,594	-67,162	-44,833
Allocations of the business year	4,105	172,645	176,750	221,612
Other changes	-2,759	55	-2,704	-8,937
As at Dec. 31	**42,203**	**324,449**	**366,652**	**366,121**

Out of the restructuring provisions an amount of € 21,016 thousand and out of the other provisions an amount of € 146,489 thousand is due within one year.

Open Infrastructure Offering Agreement (OIO agreement)

With retroactive effect from October 1, 2007, an agreement was concluded between AMB Generali Informatik Services GmbH and IBM Deutschland GmbH (IBM) on making available IT hardware, software and corresponding services. One element of the OIO agreement is a leasing contract for specific data-centre hardware. In the year under report, leasing rates were not yet paid. A provision of € 2,800 thousand (previous year: —) was set up for the services already received in the reporting year.

The agreement has a term of three years. Both contracting parties have an extraordinary cancellation right during the term of the agreement. At the end of the term there is a purchase option at conditions customary in the market. The agreement has a total volume of € 157,899 thousand.

33 Liabilities

	2007 €'000	2006 €'000
Subordinated liabilities	295,844	378,325
Bonds and loans	188,011	301,894
Liabilities under building-society business	4,341,046	4,395,584
Liabilities under insurance business		
Deposits held under reinsurance business ceded	1,390,965	1,398,380
Liabilities under direct insurance business		
to policyholders	3,032,787	3,339,591
to insurance intermediaries	132,221	145,736
Accounts payable under reinsurance business	8,512	25,746
Other insurance liabilities	27,952	33,421
Investment contracts	90,873	59,422
Liabilities to credit institutions	11,921	1,807
Liabilities under instruments held for trading	137,029	58,747
Salary-related liabilities	96,673	78,893
Other liabilities	234,128	316,970
of which:		
for social security	104	247
under investments	105,363	187,531
Total	**9,987,962**	**10,534,516**

Within the scope of the optimization of the shareholding structure within the Group, AMB Generali Holding AG acquired a 45.9 percent stake in Central Krankenversicherung AG from a subsidiary in the previous year. For that purpose, AMB Generali AG took up a subordinated loan in British pound sterling amounting to a total of £ 207 m (equalling approx. € 281 m). Ahead of taking up the loan, an interest hedging transaction was concluded while at the moment of taking up the loan a foreign-currency hedging contract was taken out.

The effective interest rates of the subordinated debt are between 5.35 and 6.71 percent.

The investment contracts without discretionary participation features are hybrid instruments. The fair value of these investment contracts equals amortized cost.

The instruments held for trading which are shown as liabilities comprise those derivatives under liabilities which are recognized at fair value.

Presentation of the fair value of financial instruments under liabilities

	Carrying amount		Fair value	
	2007	2006	2007	2006
	€'000	€'000	€'000	€'000
Liabilities under financial instruments				
Subordinated liabilities	295,844	378,325	295,880	418,445
Loans and receivables	188,011	301,894	188,011	301,894
Liabilities under building society business	4,341,046	4,395,584	4,341,093	4,401,517
Liabilities to credit institutions	11,921	1,807	11,921	1,807
Other liabilities	461,926	434,892	461,926	434,892
Liabilities under insurance business				
Deposits held under reinsurance business ceded	1,390,965	1,398,380	1,390,965	1,398,380
to policyholders	3,032,787	3,339,591	3,032,787	3,339,591
to intermediaries	132,221	145,736	132,221	145,736
Accounts payable	8,512	25,746	8,512	25,746
Other liabilities under insurance business	27,952	33,421	27,952	33,421
Total	**9,891,185**	**10,455,376**	**9,891,268**	**10,501,429**

Remaining terms to maturity

	Amortized cost	
	2007	2006
	€'000	€'000
up to 1 year	5,369,401	4,464,951
between 1 and 5 years	2,128,343	2,605,977
between 5 and 10 years	1,688,527	1,806,912
more than 10 years	801,691	1,656,676
Total	**9,987,962**	**10,534,516**

As collateral for obligations under reinsurance business there are security deposits in favour of other insurance companies of an amount of € 30,541 thousand (previous year: 33,497 thousand).

34 Deferred tax

	Deferred tax assets		Deferred tax liabilities	
	2007	2006	2007	2006
	€'000	€'000	€'000	€'000
Investments	-11,461	-50,011	506,349	697,407
Underwriting items	118,055	165,328	76,343	127,461
Tax loss carried forward	2,203	2,871	-17,727	-5,879
Other	-10,558	-13,683	82,476	9,887
Total	**98,239**	**104,505**	**647,441**	**828,876**

Out of these amounts a total of € 1,938 thousand (previous year: -22,226 thousand) of deferred tax assets and an amount of € 80,010 thousand (previous year: 166,325 thousand) of deferred tax liabilities has no effect on income. Deferred tax assets and liabilities are as a matter of principle set off against each other in the balance sheet if they refer to income tax occurring within the same fiscal-unity scope.

35 Disposal groups

In the wake of the consolidation of distribution activities, the sales network of AachenMünchener Versicherung AG was transferred to Allfinanz Deutsche Vermögensberatung AG as a contribution in kind. In return, the company received 99.99 percent of the stakes with the intention of selling them to DVAG within short. That sale was made on January 9, 2008. In this context, the carrying amount of Allfinanz Deutsche Vermögensberatung AG of € 49 thousand is reallocated to the separate asset line item of **disposal groups** on the balance-sheet, taking into account the measurement rules of IFRS 5.

36 Additional information

Staff

In the business year 2007, the companies included in the Consolidated Financial Statements have 15,994 (previous year: 17,606) employees on an annual average. On an annual average basis, 12,451 of these persons (previous year: 14,534) are employed with insurance companies, 755 (previous year: 728) with the building society and 2,788 (previous year: 2,344) with other service providers. The number of those employed in administrative services of the Group companies is 11,719 (previous year: 12,430), while the field-staff comprises 4,275 (previous year: 5,176) employees.

With regard to the fieldstaff figure it is to be taken into consideration that business is acquired in part by direct selling, but mainly produced by self-employed agents. In the year 2007 there are 6,667 women (previous year: 7,202) and 9,327 men (previous year: 10,404) employed with the AMB Generali Group.

The Consolidated Income Statement includes a personnel expenditure of € 1,052,671 thousand (previous year: 1,099,652 thousand).

Share-based payment

Selected executives of our group are involved in a stock-option plan of our parent. Top managers of the AMB Generali Group in Germany are beneficiaries of this plan. The purpose of the plan is to grant options for the acquisition of ordinary shares of Assicurazioni Generali S.p.A. The requirement for granting the options is not only the achievement of targets of the Generali Group but, in addition, that a target exclusively referring to the success of the AMB Generali Group has to be achieved.

The options cannot be exercised until expiry of a vesting period of three years after the granting of the options by the Board of Assicurazioni Generali S.p.A. The period during which the options may be exercised is three years.

In the year 2007, 240,000 stock options were granted for the acquisition of shares of Assicurazioni Generali S.p.A. at a price of € 29.60. The options may be exercised between 2010 and 2013. As at the balance-sheet date, there were still options outstanding from the stock-option plans of previous years.

The personnel expenditure of € 1,753 thousand resulting from the stock-options granted is spread over the vesting period of three years each and recognized in income.

The average fair value of € 7.15 per option for the stock options granted in 2007 was determined by Assicurazioni Generali S.p.A. by means of a recognized financial and mathematical option-price model.

The table below shows the number and the weighted average exercise price of the stock options:

Stock options

	Number of options	Weighted average exercise price
	Number	€
Outstanding as at Jan. 1, 2007	1,586,300	25.73
Allocated options	240,000	29.60
Forfeited options	173,250	28.74
Exercised options	115,950	22.98
Outstanding as at Dec. 31, 2007	1,492,050	25.89
Exercisable as at Dec. 31, 2007	651,250	25.55

The range of the exercise prices of all options still outstanding at the end of the reporting period is between € 20.24 and 36.66. The average weighted expiry date of the options outstanding at year-end is May 29, 2010.

In the business year 2007, Assicurazioni Generali S.p.A., Trieste, granted to the employees of all subsidiaries of the Generali Group an extraordinary bonus in the form of free ordinary shares. 649,520 new registered shares having a fair value of € 31.79 were issued to the employees of the AMB Generali Group. As a matter of principle, the shares are not subject to a blocking period and can only be sold en bloc. They have full voting rights and are fully entitled to dividends. For the stock-grant plan a total amount of € 20.6 m was recognized as personnel expenditure of the AMB Generali Group.

Other financial commitments and contingent liabilities

Within the scope of domination and profit-transfer agreements concluded with subsidiaries as well as the squeeze-out procedures, indemnities were offered to outside shareholders. On the basis of the domination and profit-transfer agreements, shareholders of the subsidiaries were also offered compensation for no longer receiving a dividend from the companies concerned. Former shareholders of subsidiaries filed court applications for a special court procedure verifying the adequacy of our indemnity and compensation offers. In most cases, legally binding court decisions are still pending.

For the purpose of strengthening business relations with our strongest distribution partner Deutsche Vermögensberatung AG DVAG (associated enterprise) it has been undertaken to acquire shares in Deutsche Vermögensberatung AG DVAG upon request or to act as an intermediary for the acquisition of such shares by third parties. The amount of this commitment is unknown because it is currently not assumed that such request will be made and there are no comparison standards available.

By court order of March 15, 2007 the Regional Labour Court of Munich ruled that an agreement on the conversion of remuneration into pension contributions directly paid to a pension scheme or to the insurer covering that scheme on the basis of a zillmerized tariff was invalid. An appeal, which is still pending, was lodged against this court order. On the basis of the order of March 15, 2007 our life insurers declare to employers taking out new business that they indemnify them in respect of above claims raised by employees to the extent the corresponding requisites are fulfilled. There is thus an obligation for compensation in cases where an employee is in a position to raise a claim against the employer. The actual impact can, however, not be assessed until a legally binding court order is issued in the above litigation case.

In the Group there are investment obligations of € 3,321 m (December 31, 2006: 4,212 m). These include payment commitments to the safety-net funds established for life and health insurers. In compliance with section 124 ff. of the Insurance Regulatory Act (VAG), the safety-net fund charges life insurers with annual contributions of a maximum of 0.2 per mil of the total net underwriting provisions until a volume of guarantee assets representing 1 per mil of the total net underwriting provisions has been built up. The future commitments for this purpose amount to € 23 m (December 31, 2006: 29 m) for all life insurers of the AMB Generali Group. In addition, the safety-net fund may charge extraordinary contributions amounting to another 1 per mil of the total of net underwriting provisions. As at December 31, 2007 this equals a commitment of € 55 m (December 31, 2006: 48 m). Furthermore the life insurers have undertaken to make financial means available to the safety-net fund or, alternatively, to Protektor Lebensversicherungs-AG if the means of the safety-net fund turn out not to be sufficient in the case of a company default. This commitment amounts to 1 percent of the total net underwriting provisions, taking into account the amount of contributions already paid to the safety-net fund. Including the payment commitments indicated above under the contribution payments to the safety-net fund, the total commitment as at December 31, 2007 is € 519 m (December 31, 2006: 463 m).

For the health insurers, payment obligations may arise up to a maximum of 2 per mil of the total net underwriting provisions.

Furthermore there are commitments under guarantees and warranties of € 459 m (December 31, 2006: 347 m) and other financial commitments of € 155 m (December 31, 2006: 154 m).

Auditor's fees

In the business year an expenditure of € 3,125 thousand (previous year: 4,012 thousand) was recognized for the audit of the Consolidated Financial Statements and for the annual financial statements of the subsidiaries. For other audit services the auditor received a fee of € 1,201 thousand (previous year: 1,739 thousand). Furthermore an expenditure of € 179 thousand (previous year: 124 thousand) was recognized for consultancy services rendered by the auditor the same as an amount of € 63 thousand (previous year: 353 thousand) for other services rendered. The auditor did not make valuations.

Group holding company

The parent company of the AMB Generali Group is AMB Generali Holding AG (AMB Generali). It was founded in Aachen/Federal Republic of Germany and entered into the Aachen commercial register under HRB 93. Its address is: Aachener und Münchener Allee 9, 52074 Aachen, P.O. Box 100251, 52002 Aachen. In addition to its functions as the holding company of the Group, AMB also operates as the Group reinsurer. Furthermore it is an affiliated enterprise of the Generali Group, for which consolidated financial statements are established by Assicurazioni Generali S.p.A., deposited at its registered office in Trieste/Italy and filed with the Italian regulatory authorities. As at February 18, 2008 Assicurazioni Generali S.p.A. indirectly held a stake of 85.49 percent in AMB Generali (as at December 31, 2007: 85.05 percent). The remaining 14.51 percent (as at December 31, 2007: 14.95 percent) are in the market as free float.

Remuneration of the Board of Management and the Supervisory Board

In the year 2007 the members of the Board of Management of AMB Generali received a total remuneration of € 3,016 thousand (previous year: 3,130 thousand) for their activities in the parent company and in the subsidiary companies. As resolved by the General Meeting of May 18, 2006, the remuneration of the Board of Management is not disclosed on an individualized basis.

In addition to the fixed salary, the part of the remuneration which is not performance-related also includes remuneration in kind and perquisites, such as the use of a company car or the payment of telecommunication expenses by the company. The performance-related remuneration includes a guaranteed bonus and a performance bonus. The performance bonus is based on the fulfilment of targets newly determined every year. Part of these targets are operating targets of AMB Generali which are applied to the whole Board of Management, while another part consists of targets fixed for the individual members of the Board of Management.

Remuneration of the Board of Management

	2007 €'000	2006 €'000
Salaries and other payments due at short term	1,022	1,119
Not performance-related remuneration elements	117	13
Performance-related remuneration elements	1,877	1,998
Total	**3,016**	**3,130**

The remuneration paid to the members of the Supervisory Board in 2007 is € 1,949 thousand (previous year: 1,785 thousand).

An amount of € 5,879 thousand (previous year: 2,887 thousand) is paid to former members of the Board of Management of AMB Generali and their surviving dependants. The provisions for pension commitments towards this group of persons amount to € 37,136 thousand (previous year: 28,493 thousand).

The loans granted to members of the Board of Management of AMB Generali amount to € 256 thousand (previous year: –). The interest rates on these loans range from 4.25 to 6.20 percent.

The loans granted to members of the Supervisory Board of AMB Generali amount to € 1,077 thousand (previous year: 1,111 thousand; redemption in 2007: € -34 thousand (previous year: -40 thousand)). The interest rates of these loans are between 4.24 and 6.20 percent.

Development of the loans granted to the Board of Management and the Supervisory Board

	Loans to the Board of Management		**Loans to the Supervisory Board**	
	2007 €'000	2006 €'000	2007 €'000	2006 €'000
As at Jan. 1	—	—	1,111	1,199
Loans granted in the business year	256	—	—	—
Redemption	—	—	-34	-40
Other	—	—	—	-48
As at Dec. 31	**256**	**—**	**1,077**	**1,111**

German Corporate Governance Code

For AMB Generali Holding AG a declaration in respect of the German Corporate Governance Code was published in compliance with section 161 of the Companies Act. The declaration is published on the Internet at www.amb-generali.de.

Members of the Supervisory Board and the Board of Management

The composition of the Supervisory Board and the Board of Management is indicated on p. 4 f. of this Report. The list on p. 169 ff. shows the mandates held by these persons.

37 Information on related companies and persons

Companies of the AMB Generali Group have various business relationships with related companies and persons. In the AMB Generali Group the related persons include managers in key positions as well as their close relatives. The managers in key positions comprise the members of the Boards of Management and the Supervisory Boards of all subsidiaries of the AMB Generali Group. Furthermore the group of closely related persons comprises all department heads of AMB Generali Holding AG.

With regard to business relationships with enterprises measured at equity only Deutsche Vermögensberatung AG (DVAG) makes a material contribution to the new business production and to the premium income under the existing insurance portfolio. Within the scope of the reorientation of the distribution activities of AachenMünchener Versicherungen resolved in November 2006, the products of AachenMünchener Versicherungen will in the future be exclusively sold by the DVAG Group. The distribution competency of AachenMünchener Versicherungen will thus be with the DVAG Group in the future, while AachenMünchener Versicherungen will exclusively concentrate on the development of products of private provision in the fields of life and property/casualty insurance as well as corporate-client business and on customer service.

In addition, there are intermediary and reinsurance relationships with related companies at conditions which are common practice in the market. The reinsurance partners are only companies of the Generali Group. An amount of € 101,256 thousand (previous year: 98,123 thousand) was paid as reinsurance premiums. The transactions were done at arm's length conditions.

Remuneration for managers in key positions

	2007 €'000	2006 €'000
Salaries and other payments due in the short term	23,495	27,505
Expenditure for pension benefits	7,949	4,791
Other payments due in the long term	463	771
Payments due to termination of employment contract	1,177	127
Total	**33,084**	**33,194**

The expenditure for executives in key positions resulting from share-based payment transactions amounts to € 1,753 thousand.

Turnover from material service and cooperation agreements as well as other agreements with related enterprises and persons

	2007 €'000	2006 €'000
Service and cooperation agreements with		
Assicurazioni Generali	7,149	8,050
enterprises measured at equity	709,762	588,945
related persons	—	—
Other agreements and transactions with		
Assicurazioni Generali	—	—
enterprises measured at equity	8,917	8,906
related persons	7,011	5
Total	**732,839**	**605,906**

The relationships with related enterprises mainly consist of service and cooperation agreements at arm's length conditions.

Insurance contracts with related enterprises and persons

	2007 €'000	2006 €'000
Sums insured under life insurance contracts	82,627	86,450
12 times the annual pension under pension contracts	4,949	6,293
Target contract sums under building-society contracts	732	643

The insurance contracts existing with related persons and enterprises are based on the customary conditions as applicable to employees.

Receivables and liabilities with related enterprises

	2007 €'000	2006 €'000
D. III. 1. Financial instruments, loans and receivables	**850,437**	**369,328**
of which with other enterprises of the Generali Group	850,437	369,328
of which with enterprises of the AMB Generali Group measured at equity	—	—
F. Receivables:		
Receivables under insurance business	**8,582**	**9,594**
of which with other enterprises of the Generali Group	727	1,924
of which with enterprises of the AMB Generali Group measured at equity	7,855	7,670
Other receivables	**15,568**	**8,240**
of which with other enterprises of the Generali Group	15,568	8,240
of which with enterprises of the AMB Generali Group measured at equity	—	—
E. III. Other liabilities:		
Liabilities under insurance business	**571,819**	**608,172**
of which with other enterprises of the Generali Group	557,076	579,441
of which with enterprises of the AMB Generali Group measured at equity	14,743	28,731
Other	**13,634**	**13,377**
of which with other enterprises of the Generali Group	13,443	13,369
of which with enterprises of the AMB Generali Group measured at equity	191	8

Loans granted to related enterprises and persons

Development of loans to managers in key positions (and their close relatives)

	2007 €'000	2006 €'000
As at Jan. 1	2,383	2,599
Loans granted	—	3
Redemption	-150	-219
Other changes	499	—
As at Dec. 31	**2,732**	**2,383**

Related enterprises and persons of the AMB Generali Group as well as their relatives obtain loans from Group companies at conditions customary in the market. The interest rates applied vary between 3.37 and 6.20 percent.

Responsibility Statement by the Management of AMB Generali Holding AG as at December 31, 2007

To the best of our knowledge and in accordance with the applicable reporting principles, the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the AMB Generali Group, and the Group Management Report includes a fair review of the development and performance of the business and the position of the AMB Generali Group, together with a description of the principal opportunities and risks associated with the expected development of the Group (in compliance with section 315 para. 1 sent. 5 of the Commercial Code).

Aachen, February 19, 2008

AMB Generali Holding AG

The Board of Management

Dietmar Meister	Dott. Lorenzo Kravina	Christoph Schmallenbach

Auditor's Report*

We have audited the consolidated financial statements prepared by the AMB Generali Holding AG, Aachen, comprising the balance sheet, the income statement, the statement of changes in equity, the cash flow statement and the notes to the consolidated financial statements, together with the group management report of AMB Generali Holding AG, Aachen, for the business year from January 1 to December 31, 2007. The preparation of the consolidated financial statements and the group management report is in accordance with the IFRSs, as adopted by the EU, and the additional requirements of the German Commercial Law pursuant to § 315a Abs. 1 HGB (Handelsgesetzbuch: German Commercial Code)and supplementary provisions of the articles of incorporation are the responsibility of the Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.
We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer in Deutschland (IDW) (Institute of Public Auditors in Germany). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the consolidated financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company's Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.
Our audit has not led to any reservations.
In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRS as adopted by the EU, and the additional requirements of German Commercial Law pursuant to § 315a Abs. 1 HGB and supplementary provisions of the articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Düsseldorf, February 25, 2008

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Alexander Hofmann	ppa. Christian Sack
Wirtschaftsprüfer	Wirtschaftsprüfer
German Public Auditor	German Public Auditor

* Voluntary translation. It should be noted that only the German auditor's report, which is based on the audit of the German version of the company's consolidated financial statements, is authoritative.

Mandates

Mandates in other Supervisory Boards having to be established under legal provisions in German companies
Memberships in comparable control bodies of companies in Germany and abroad

Supervisory Board

Prof. h.c. Dr. h.c. (RUS) Dr. iur. Wolfgang Kaske

Chairman

- AachenMünchener Lebensversicherung AG, Aachen (since July 5, 2007)
- AachenMünchener Versicherung AG, Aachen
- Central Krankenversicherung AG, Cologne (Chairman)
- Deutsche Bausparkasse Badenia AG, Karlsruhe
- Deutsche Vermögensberatung Aktiengesellschaft DVAG, Frankfurt-on-Main
- Generali Versicherung AG, Munich
- Volksfürsorge Deutsche Lebensversicherung AG, Hamburg
- Volksfürsorge Deutsche Sachversicherung AG, Hamburg (until June 30, 2007)

Monika Hendricks

Deputy Chairwoman

- AachenMünchener Versicherung AG, Aachen

Dott. Sergio Balbinot

- AachenMünchener Lebensversicherung AG, Aachen
- AachenMünchener Versicherung AG, Aachen
- Commerzbank Aktiengesellschaft, Frankfurt-on-Main
- Deutsche Vermögensberatung Aktiengesellschaft DVAG, Frankfurt-on-Main
- Assicurazioni Generali S.p.A., Trieste/Italy
- Banco Vitalicio de España S.A., Barcelona/Spain
- Europ Assistance Holding S.A., Paris/France
- Future Generali India Insurance Co. Ltd., Mumbai/India (since September 5, 2007)
- Future Generali India Life Insurance Co. Ltd., Mumbai/India (since September 5, 2007)
- Generali Asia N.V., Diemen/Netherlands
- Generali China Insurance Company Ltd., Beijing/China (since April 13, 2007)
- Generali China Life Insurance Co. Ltd., Beijing/China
- Generali España, Holding de Entidades de Seguros, S.A., Madrid/Spain
- Generali Finance B.V., Diemen/Netherlands
- Generali France S.A., Paris/France
- Generali (Switzerland) Holding, Adliswil/Switzerland
- Generali Holding Vienna AG, Vienna/Austria
- Generali Investments S.p.A., Trieste/Italy
- Graafschap Holland Participatie Maatschappij N.V., Diemen/Netherlands
- La Estrella S.A. de Seguros y Reaseguros, Madrid/Spain
- Migdal Insurance & Financial Holdings Ltd., Tel Aviv/Israel
- Migdal Insurance Holdings Ltd., Tel Aviv/Israel
- Transocean Holding Corporation, New York/USA

Antoine Bernheim

- Alleanza Assicurazioni S.p.A., Milano/Italy
- Assicurazioni Generali S.p.A., Trieste/Italy
- Bolloré, Ergué-Gabéric, Odet/France
- Bolloré Investissement, Ergué-Gabéric, Odet/France
- BSI S.A., Lugano/Switzerland
- Christian Dior Couture, Paris/France
- Christian Dior S.A., Paris/France
- Ciments Français, Paris/France
- Eurazeo, Paris/France
- Generali España, Holding de Entidades de Seguros, S.A., Madrid/Spain
- Generali France S.A., Paris/France
- Generali Holding Vienna AG, Vienna/Austria
- Graafschap Holland Participatie Maatschappij N.V., Diemen/Netherlands
- Intesa Sanpaolo S.p.A., Milano/Italy
- LVMH Moët Hennessy Louis Vuitton, Paris/France
- Mediobanca S.p.A., Milano/Italy
- SFGI Société Française Générale Immobilière, Paris/France

Martin Blessing
- Commerzbank Inlandsbanken Holding AG, Frankfurt-on-Main
- Commerz Real AG, Eschborn
- Heidelberger Druckmaschinen AG, Heidelberg
- ThyssenKrupp Services AG, Düsseldorf
- BRE Bank SA, Warsaw/Poland

Prof. Avv. Gerardo Broggini
- Buechi Italia S.r.l., Milano/Italy
- Danieli e C. Officine Meccaniche S.p.A., Buttrio/Italy
- Generali France S.A., Paris/France
- INA Assitalia S.p.A., Rome/Italy
- Rosenthal Italia S.r.l., Milano/Italy
- SMS Demag Italia S.r.l., Milano/Italy
- Swarovski Internazionale d'Italia S.p.A., Milano/Italy
- Tyrolit-Vincent S.p.A., Thiene/Italy
- UBS Securities (Italia) Finanziaria S.p.A., Milano/Italy

Shirley Drewing-Jeitner
(until December 31, 2007)
- Volksfürsorge Deutsche Sachversicherung AG, Hamburg

Dr. Alfredo Gysi
- B-Source SA, Lugano/Switzerland

Karl-Rupert Hasenkopf
- AachenMünchener Lebensversicherung AG, Aachen

Susanne Hille
- AachenMünchener Lebensversicherung AG, Aachen
- Volksfürsorge Deutsche Lebensversicherung AG, Hamburg

Brigitte Jakob
- AachenMünchener Versicherung AG, Aachen

Dr. Michael Kalka
- AachenMünchener Lebensversicherung AG, Aachen (until June 30, 2007)
- AachenMünchener Versicherung AG, Aachen (until June 30, 2007)
- Deutsche Bausparkasse Badenia AG, Karlsruhe
- Deutsche Vermögensberatung Aktiengesellschaft DVAG, Frankfurt-on-Main
- Generali Versicherung AG, Munich
- Volksfürsorge Deutsche Lebensversicherung AG, Hamburg
- Volksfürsorge Holding AG, Hamburg (since July 4, 2007)

Dr. Helmut Kohl

Thomas Körber

Michael Kuß
- Generali Versicherung AG, Munich
- Pensionskasse der Angestellten der Thuringia Versicherungs-AG, Munich

Martin Lemcke
- DeTe Immobilien, Deutsche Telekom Immobilien und Service GmbH, Münster

Prof. Dr. jur. Dr. h.c. mult. Reinfried Pohl
- AachenMünchener Lebensversicherung AG, Aachen
- AachenMünchener Versicherung AG, Aachen (since July 5, 2007)
- Allfinanz Aktiengesellschaft für Finanzdienstleistungen, Frankfurt-on-Main
- Allfinanz Deutsche Vermögensberatung AG, Frankfurt-on-Main
- Atlas Dienstleistungen für Vermögensberatung GmbH, Frankfurt-on-Main
- DWS Investment GmbH, Frankfurt-on-Main
- Assicurazioni Generali S.p.A., Trieste/Italy

Hans-Joachim Schroeder
(since January 1, 2008)
- Volksfürsorge Deutsche Lebensversicherung AG, Hamburg

Roland Schwarz
- Deutsche Bausparkasse Badenia AG, Karlsruhe

Rudolf Winkelmann
- Versorgungskasse der Volksfürsorge VVaG, Hamburg
- Volksfürsorge Deutsche Lebensversicherung AG, Hamburg

Dr. Wilhelm Winterstein

Mandates

Mandates in other Supervisory Boards having to be established under legal provisions in German companies
Memberships in comparable control bodies of companies in Germany and abroad

Board of Management

Dietmar Meister

Chief Executive Officer
(since July 1, 2007)

- AachenMünchener Lebensversicherung AG, Aachen (since July 5, 2007 Chairman)
- AachenMünchener Versicherung AG, Aachen (since July 5, 2007, Chairman)
- Advocard Rechtsschutzversicherung AG, Hamburg (until June 30, 2007)
- AMB Generali Asset Managers Kapitalanlagegesellschaft mbH, Cologne (Chairman, until June 10, 2007)
- Central Krankenversicherung AG, Cologne (since July 1, 2007)
- Cosmos Lebensversicherungs-AG, Saarbrücken (Chairman)
- Cosmos Versicherung AG, Saarbrücken
- Deutsche Bausparkasse Badenia AG, Karlsruhe (Chairman)
- Dialog Lebensversicherungs-AG, Augsburg (Chairman, until June 30, 2007)
- Generali Lebensversicherung AG, Munich (since July 13, 2007 Chairman)
- Generali Versicherung AG, Munich (since July 11, 2007 Chairman)
- Volksfürsorge Deutsche Lebensversicherung AG, Hamburg (since July 4, 2007 Chairman)
- Volksfürsorge Deutsche Sachversicherung AG, Hamburg (since July 4, 2007 Chairman)
- Volksfürsorge Holding AG, Hamburg (until June 30, 2007)
- Protektor Lebensversicherung-AG, Munich (until June 6, 2007)
- AMB Generali Immobilien GmbH, Cologne (Chairman)
- AMB Generali Services GmbH, Aachen (Chairman)
- Generali Investments S.p.A., Trieste/Italy (since July 10, 2007)
- GLL Real Estate Partners GmbH, Munich

Dott. Lorenzo Kravina

Member of the Board of Management
(May 16, 2007 until March 31, 2008)

- Advocard Rechtsschutzversicherung AG, Hamburg (since February 12, 2007 Chairman)
- AMB Generali Informatik Services GmbH, Aachen
- AMB Generali Schadenmanagement GmbH, Cologne (Chairman)
- Central Krankenversicherung AG, Cologne
- Cosmos Lebensversicherungs-AG, Saarbrücken
- Cosmos Versicherung AG, Saarbrücken (since July 1, 2007 Chairman)
- Dialog Lebensversicherungs-AG, Augsburg (since July 1, 2007, Chairman)
- Envivas Krankenversicherung AG, Cologne
- Europ Assistance Versicherungs-AG, Munich (Chairman)
- Generali Lebensversicherung AG, Munich
- Generali Lloyd AG, Munich (Chairman)
- Generali Versicherung AG, Munich
- Volksfürsorge Deutsche Lebensversicherung AG, Hamburg
- Volksfürsorge Deutsche Sachversicherung AG, Hamburg

Christoph Schmallenbach

Member of the Board of Management
(since July 15, 2007)

- Advocard Rechtsschutzversicherung AG, Hamburg (since July 16, 2007)
- AMB Generali Informatik Services GmbH, Aachen (since July 5, 2007, Chairman)
- Cosmos Lebensversicherungs-AG, Saarbrücken (since July 4, 2007)
- Generali Lloyd AG, Munich (since July 13, 2007)
- Volksfürsorge Deutsche Sachversicherung AG, Hamburg
- Volksfürsorge Holding AG, Hamburg (since July 4, 2007, Chairman)

Dr. Walter Thießen

(Chief Executive Officer, until June 30, 2007)

- AachenMünchener Lebensversicherung AG, Aachen (Chairman, until June 30, 2007)
- AachenMünchener Versicherung AG, Aachen (Chairman, until June 30, 2007)
- AMB Generali Informatik Services GmbH, Aachen (Chairman, until June 30, 2007)
- Central Krankenversicherung AG, Cologne (until June 30, 2007)
- Cosmos Lebensversicherungs-AG, Saarbrücken (until June 30, 2007)
- Envivas Krankenversicherung AG, Cologne (until June 30, 2007)
- Generali Lebensversicherung AG, Munich (Chairman, until June 30, 2007)
- Generali Lloyd AG, Munich (until June 30, 2007)
- Generali Versicherung AG, Munich (Chairman, until June 30, 2007)
- Volksfürsorge Deutsche Lebensversicherung AG, Hamburg (Chairman, until June 30, 2007)
- Volksfürsorge Deutsche Sachversicherung AG, Hamburg (Chairman, until June 30, 2007)
- Volksfürsorge Holding AG, Hamburg (Chairman, until June 30, 2007)
- Generali Investments S.p.A., Trieste/Italy (until June 30, 2007)
- Thales Information Systems GmbH, Siegburg

Glossary

A

Affiliated enterprises
Affiliated enterprises are the parent and all its subsidiaries. Subsidiaries are companies in which the parent may exercise a controlling influence on the business policy. This is the case, for instance, if the parent directly or indirectly holds the majority of voting rights, has the right to appoint or withdraw members of the managing board, of the supervisory board or of other controlling bodies of the subsidiary or if domination agreements have been concluded.

Agio
Amount by which the price exceeds the nominal value of a security of the par value of a foreign currency. In most cases the agio is expressed as a percentage of the nominal value.

Allocation
Declaration that obligations of building societies have become due for payment. It refers both to the deposit under a building-society contract (accumulated savings) and to the building loan.

Amortized cost
The original cost is reduced by durable depreciation.

Assets under management
All assets managed by the Group under its responsibility. They are recognized at fair value. They include all investments owned by the Group, investments under unit-linked life insurance and receivables under banking and building-society business.

Associated enterprises
These are participating interests consolidated at equity, i.e. they are measured in the consolidated financial statements with the corresponding share in the equity. The major criterion for doing so is the Group's ability to exercise a decisive influence on the operation and financial policy of the associated enterprise, regardless of whether the Group actually makes use of that influence.

B

Binomial model
Model for modelling the price development of securities and shares in order to determine a fair option price.

C

Cash flow
Flow of cash from operating, investing and financing activities created by the company during a specific period (source and application of funds).

Cash-flow hedge
This is a type of hedge accounting. A cash-flow hedge reduces the risk of the fluctuation of future cash flows. Other types of hedge accounting are fair-value hedges and hedges of a net investment in a business operation abroad. Under a fair-value hedge, assets or liabilities are hedged against the risk of value changes.

Cash-flow hedge reserve
The cash-flow hedge reserve is part of the revaluation reserve. It comprises the effective part of the hedging transaction.

Cessionaire
Reinsurer of the primary insurer

Claims and benefits, net
Expenditure (net of reinsurers' shares) for insurance claims, for premium refunds and for the change of the provision for future policy benefits and/or of underwriting provisions.

Combined ratio
Total ratio of claims and expenses

Contingent liabilities
Liabilities that do not have to be recognized in the balance sheet and where the probability of materialization appears to be uncertain (e.g. contingent liabilities under guarantee commitments).

Corridor method
Actuarial gains and losses of pension provisions can be identified by the so-called corridor method. A corridor of values is determined and actuarial gains and losses are not recognized in the balance sheet and, in particular, in income if they remain within that corridor.

Credit-linked notes
Bonds whose redemption amount depends on specific, contractually agreed credit events. They are part of credit derivatives and allow the transfer of credit risks from the seller to the purchaser. The credit risks may be combined at discretion.

Glossary

Cross-currency swap
A cross-currency swap is an agreement between two parties about the exchange of different specific interest payments in different currencies within a period defined in the agreement. Cross-currency swaps are applied, among others, for the hedging of interest and currency risks.

D

Deferred acquisition costs
These comprise the expenses incurred by an insurance company for concluding new insurance policies or renewing existing policies. Among other costs they include acquisition commissions and expenses for handling proposal forms and risk assessment.

Deferred tax
The calculation of deferred tax under IFRS aims at giving a fair view of net assets. The amount of deferred tax results from a comparison of asset values in the tax-based balance sheet and the IFRS balance sheet. Deferred tax has to be set up for deviations in value if these differences have an impact on tax in the future. Deferred tax liabilities arise if the IFRS value of assets exceeds the value under the tax-based balance sheet. Similarly deferred tax assets have to be set up if the value of assets under the tax-based balance sheet is higher than under IFRS.

Defined-benefit commitments
Commitments made by the employer to its employees whereby the employees have a direct claim against the employer for this commitment

Deposits receivable/payable under reinsurance business
Amount receivable by the reinsurance company from the ceding company on the basis of the reinsurance business assumed by the reinsurer and which for the latter is similar to an investment. The amount equals the amount provided to the ceding company as collateral. Analogously: deposits payable

Derivatives
Financial contracts whose value depends on the price development of an underlying asset. Examples: options, futures, forwards, interest and currency swaps.

Direct business
Insurance contract taken out by a primary (direct) insurance company with a private person or enterprise (while reinsurance business assumed, i.e. indirect business, refers to the business assumed from another primary insurer or a reinsurance company).

E

Earnings per share
Key figure determined by dividing the consolidated net profit for the year by the average number of shares issued and outstanding. The diluted earnings per share are determined by including the options exercised or to be exercised in the number of shares and in the net profit. Options are created by the issue of convertible bonds or by subscription rights for shares.

Equity method
Method used for recognizing the interests in associated enterprises. As a matter of principle, they are measured at the Group's share in the equity of these companies. In the case of interests in enterprises which also establish consolidated financial statements, measurement is based on the share in the Group equity. The measurement of interests is regularly adjusted for changes in the equity, with the interest in the net profit for the year being allocated to the Group net profit.

F

Fair value
As a general rule, the fair value is equal to the market value in an active market. If there is no such market value, the latter is replaced by auxiliary values.

FAS
Financial Accounting Standards – Regulations defining details with regard to US-GAAP

Forward purchase
A forward purchase is a binding transaction under which the interest rate is definitely agreed when the contract is concluded and only the value date is postponed.

Forwards
Financial forward transactions under which delivery and acceptance take place at a previously agreed date and price.

Free float
Refers to the percentage of shares actually tradable in the market and not tied by long-term strategic investors.

Futures
Standardized forward transactions which are traded at an exchange. Frequently at the agreed date a compensation payment is made instead of the actual delivery or acceptance.

G

Goodwill
Amount by which the purchase price for a subsidiary exceeds the interest in net assets on the date of acquisition, after winding up the unrealized capital gains/losses attributable to the purchaser.

H

Hedge accounting
Presentation of the offsetting value developments of a hedging transaction (e.g. an interest swap) and its underlying (e.g. a loan). The target of hedge accounting is to minimize the impact of the recognition and measurement of derivative transactions on the income statement.

Hybrid instruments
Instruments of the capital and derivatives market in the form of investments specifically designed to suit determined yield and risk preferences.

Hybrid instruments with an equity exposure
Hybrid instruments where the result depends on the development of a share index.

I

IAS
International Accounting Standards

IDW RS HFA
Statement by the Institute of Auditors: Statement on Accounting by the Main Expert Committee.

IFRIC
International Financial Reporting Interpretation Committee – Interpretations on existing International Financial Reporting Standards (IFRS)

IFRS
International Financial Reporting Standards
Since 2002 this term has been applied to the whole framework of standards approved by the International Accounting Standards Board. Standards previously approved are still indicated as International Accounting Standards (IAS).

Impairment test
Test for determining the lower of cost or market procedure for identifying an impairment loss.

Interest swap
Exchange of fixed and variable interest liabilities, as a general rule of identical capital amounts and of congruent currencies, during a determined period. An interest swap allows an active management of the risks of changing interest rates.

L

Loss recognition test
The loss recognition test is used to verify the adequacy of the provision for future policy benefits.

M

Market value
Amount that can be obtained in an active market by selling a financial investment.

O

Operating expenses, net
This item includes the expenses incurred in the business year, such as for general administration and the management of insurance portfolios, to the extent they were not incurred with the acquisition or the renewal of insurance contracts. The deduction of commissions received and profit shares from ceded reinsurance business leads to net operating expenses.

Option
In an option transaction, the buyer or seller acquires or sells the right, but not the obligation, to buy or sell a specific asset (→ underlying) during a specific term or at a specific date at an agreed price.

Glossary

P

Portfolio changes
Portfolio changes comprise both portfolio entries and withdrawals. They occur when an insurance portfolio is accepted or ceded. This increases or reduces, as the case may be, the amount of the provision for future obligations in the balance sheet.

Premium deficiency test
By means of the premium deficiency test it is verified whether the provision for outstanding claims is adequate.

Premiums/premium income
Gross premiums written. All premiums received in the business year under direct (primary) insurance business and reinsurance business assumed.
Reinsurance premiums ceded. Share of the premiums paid to the reinsurer as a consideration for reinsuring certain risks.
Earned premiums. The premiums referring to the business year which determine the income for the business year. For calculating the amount of earned premiums, the preceding year's → unearned premiums referring to the reporting year are added to the → gross premiums written and the premium shares referring to future business years are deducted.

Present value of promised pension benefits
The present value of all defined-benefit obligations, taking into account assumed growth of salaries and pensions. Only the portion promised as at the reporting date is taken into consideration.

Prospective unlocking principle
This principle applied to long-term health insurance contracts gives insurers the possibility to adjust premiums. The calculation bases with a safety margin applicable at the beginning of the contract are maintained until premiums for the contract are adjusted. The new calculation bases are applicable until the next date of premium adjustment.

Provision for future policy benefits
Provision at the amount of the existing obligation to pay insurance claims and premium refunds, mainly in life and health insurance. The provision is calculated in line with actuarial methods as the balance of the present value of future obligations less the present value of future premiums.

Provision for outstanding claims
This provision includes the payment obligations for insurance claims which occurred before the reporting date but which have not yet been (completely) settled.

Provision for premium refunds
The part of the profit to be distributed to the policyholders is appropriated to a provision for premium refunds. These refunds may be made in line with statutory provisions or the Articles of Association or on a contractual or voluntary basis. The provision also includes deferred amounts.

Purchase method
Method of international common practice for capital consolidation

PVFP (present value of future profits) of acquired insurance contracts
The value to be recognized in the balance sheet as the counter-value of insurance contracts upon the first-time consolidation of an insurance company

R

Reinsurance
Ceding/assuming a risk/portfolio accepted by an insurer to/by another insurer/reinsurer

Retained profits
Profits which are not distributed but used for reinvestment

S

Salvages
Recoveries from a damaged object which the insurer is entitled to receive after having paid the full indemnity. The term is mainly used in marine insurance. The term salvages is also used in a non-technical sense for the scrap value of a damaged object or the amounts obtained under recourses.

Share-based payment
Share-based payment plans are an instrument of executive and employee remuneration. The fair value of share-based payment plans is determined at the grant date and recognition in income is spread over the vesting period.

Solvency II
EU project for developing and introducing an EU-wide regulatory system for the insurance industry

Special funds
Special funds are investment funds in which units can exclusively be acquired by institutional investors.

Spread
Difference at the reporting date between the market values of different, as a general rule two, asset items.

Stress test
Method for measuring the effect of extreme changes of parameters, such as changes of the market value of investments in the case of extreme market fluctuations.

Swaptions
Option contracts which allow the purchaser, against payment of a one-off premium, to enter an interest swap. The duration and the interest level of the swap are fixed and the swap is acquired against payment of a premium.

T

True-up
Updating of parameters having a direct influence on margins. These include interest-rate assumptions, assumptions regarding lapse and mortality probabilities, developments of expenses and of claims and benefits.

U

Underlying
A security or another reference value on which a derivative financial instrument is based.

Unearned premiums
That part of the premium income of the year which refers to periods of insurance that lie after the reporting date, i.e. which are not yet earned as at the reporting date. In the balance sheet unearned premiums have to be shown as a separate line item under underwriting provisions.

US-GAAP
United States – Generally Accepted Accounting Principles

Z

Zero bonds
(also called zero-coupon bonds) Discounted bonds whose yield is not paid at specific dates during the bond term but only once at the end of the term.

Addresses of the Group Companies

AMB Generali Holding AG
Aachener und Münchener Allee 9
52074 Aachen
Phone: +49 (0) 241 461-01
Fax: +49 (0) 241 461-1805
E-mail: info@amb-generali.de
www.amb-generali.de

AachenMünchener
52054 Aachen
Phone: +49 (0) 241 456-0
Fax: +49 (0) 241 456-4510
E-mail: service@amv.de
www.amv.de

Advocard Rechtsschutzversicherung AG
Heidenkampsweg 81
20097 Hamburg
Phone: +49 (0) 40 23731-0
Fax: +49 (0) 40 23731-414
E-mail: nachricht@advocard.de
www.advocard.de

Generali Investments Deutschland
Kapitalanlagegesellschaft mbH
Gereonswall 68, 50670 Cologne
Phone: +49 (0) 1801 163616
Fax: +49 (0) 221 1636-444
E-mail: service@geninvest.de
www.geninvest.de

AMB Generali Immobilien GmbH
Agrippinawerft 30, 50678 Cologne
Phone: +49 (0) 221 4203-110
Fax: +49 (0) 221 4203-152
E-mail: amb-immobilien@amb.de
www.amb-immobilien.de

AMB Generali Informatik Services GmbH
Anton-Kurze-Allee 16, 52064 Aachen
Phone: +49 (0) 241 461-02
Fax: +49 (0) 241 461-1818
E-mail: info@amb-informatik.de
www.amb-informatik.de

AMB Generali Pensionsfonds AG
Oeder Weg 151, 60318 Frankfurt-on-Main
Phone: +49 (0) 69 1502-2473
Fax: +49 (0) 69 1502-2001
E-mail: mstille@generali-int.de
www.generali-bav.de

AMB Generali Pensionskasse AG
Robert-Schuman-Straße 51
52066 Aachen
Phone: +49 (0) 241 456-3500
Fax: +49 (0) 241 456-3510
E-mail: info@ambgpk.de
www.ambgpk.de

AMB Generali Services GmbH
Maria-Theresia-Allee 38, 52064 Aachen
Phone: +49 (0) 241 461-01
Fax: +49 (0) 241 461-3519
E-mail: info-ambgs@amb-generali.de

AMB Generali Schadenmanagement GmbH
Hansaring 40-50, 50670 Cologne
Phone: +49 (0) 221 1636-5666
Fax: +49 (0) 221 1636-755666
E-mail: info-amgsm@amb-generali.de
www.amgsm.de

Central Krankenversicherung AG
Hansaring 40-50, 50670 Cologne
Phone: +49 (0) 221 1636-0
Fax: +49 (0) 221 1636-200
E-mail: unternehmenskommunikation@central.de
www.central.de

CosmosDirekt
Halbergstraße 50-60, 66121 Saarbrücken
Phone: +49 (0) 681 966-6666
Fax: +49 (0) 681 966-6633
E-mail: info@cosmosdirekt.de
www.cosmosdirekt.de

Deutsche Bausparkasse Badenia AG
Badeniaplatz 1, 76114 Karlsruhe
Phone: +49 (0) 721 995-0
Fax: +49 (0) 721 995-2799
E-mail: service@badenia.de
www.badenia.de

Dialog Lebensversicherungs-AG
Halderstraße 29, 86150 Augsburg
Phone: +49 (0) 821 319-0
Fax: +49 (0) 821 319-1533
E-mail: info@dialog-leben.de
www.dialog-leben.de

Envivas Krankenversicherung AG
Gereonswall 68, 50670 Cologne
Phone: +49 (0) 1802 116000
Fax: +49 (0) 221 1636-2561
E-mail: info@envivas.de
www.envivas.de

Generali Versicherungen
Adenauerring 7, 81737 Munich
Phone: +49 (0) 89 5121-0
Fax: +49 (0) 89 5121-1000
E-mail: service@generali.de
www.generali.de

Volksfürsorge Versicherungen
20083 Hamburg
Phone: +49 (0) 40 2865-0
Fax: +49 (0) 40 2865-3369
E-mail: service@volksfuersorge.de
www.volksfuersorge.de

Imprint

AMB Generali Holding AG

Aachener und Münchener Allee 9
52074 Aachen/Germany
Registered at the Commercial Register of
the Aachen Local Court under HRB 93

Corporate Communication

Karl-Friedrich Brenner
Phone: +49 (0) 241 461-1116
Fax: +49 (0) 241 461-3830
E-mail: presse@amb-generali.de

Investor Relations

Martin Liebich
Phone: +49 (0) 241 461-1776
Fax: +49 (0) 241 461-1486
E-mail: investor.relations@amb-generali.de

Internet: www.amb-generali.de

Forward-looking statements

To the extent this Report includes prognoses or expectations or forward-looking statements, these may involve known and unknown risks and uncertainties. The actual results and developments may therefore differ materially from the stated prognoses or expectations. Besides other reasons not specified here, deviations may be the result of changes of the overall economy or of the competitive situation, especially in core activities and core markets. Deviations may also result from the extent and the frequency of claims, lapse ratios, mortality and morbidity rates or tendencies. The developments of financial markets and of the exchange rates of foreign currencies as well as amendments of national and international law, particularly in respect of tax rules, may have an influence. Terrorist attacks and their consequences may increase the probability and the extent of deviations. The company is under no obligation to update the statements made in this Report.

Financial calendar

March	
March 19, 2008	Accounts Press Conference in Cologne
May	
May 6, 2008	General Meeting in Aachen
May 7, 2008	Dividend payment*
May 9, 2008	Group Report 1st Quarter 2008
August	
August 7, 2008	Group Report 1st–2nd Quarters 2008
November	
November 11, 2008	Group Report 1st–3rd Quarters 2008

The updated financial calendar of AMB Generali is published on the Internet at: www.amb-generali.de

* subject to shareholder resolution at the General Meeting

www.amb-generali.de