GENERALI DEUTSCHLAND

Group Report
2008

Generali Deutschland Group

94.4%

Improved combined ratio

€ 2.90

Proposed dividend

€ 14.2 bn

Total insurance premiums

€ -103 m

Decrease in total costs

€ 85 bn

Assets under management

€ 857.5 m

Net investment income

+3.4%

Increase in total premiums

€ 4 m

Group net profit 2008

>>

Overview

Key figures of the Generali Deutschland Group

		2008 €	2007 €	Change in %	Page
Income Statement					
Total premiums[1]	**m**	**14,239.7**	**13,768.5**	**3.4**	**26, 42, 125**
Gross premiums written	**m**	**11,907.6**	**11,771.4**	**1.2**	**42, 125**
of which (fully consolidated figures): life	m	7,000.1	6,991.3	0.1	42, 125
health	m	1,844.8	1,741.5	5.9	42, 125
property/casualty	m	3,062.7	3,038.6	0.8	42, 125
Investment income (net)	m	857.5	3,684.2	-76.7	42, 128 ff.
Claims and benefits (net)	m	-9,082.6	-11,835.1	-23.3	43, 130 f.
Operating expenses (net)	m	-2,620.5	-2,101.4	24.7	43 , 131
Earnings before tax and finance costs	m	-4.2	627.0	-100.7	44, 84 f.
Finance costs	m	-16.7	-18.0	-7.1	43, 84 f.
Tax	m	25.3	-109.6	-123.1	44, 84 f., 132
Net profit	**m**	**4.3**	**499.4**	**-99.1**	**44, 84 f.**
of which attributable to the Group	m	1.9	498.1	-99.6	84 f.
of which attributable to minority interests	m	2.4	1.3	84.2	84 f.
Net profit without impact of tax-rate change in previous year[2]	**m**	**4.3**	**417.4**	**-99.0**	**43**
Balance Sheet					
Assets under management	**bn**	**85.0**	**86.8**	**-2.1**	**44, 86, 139 ff.**
Equity	**bn**	**3.8**	**4.1**	**-9.5**	**87 f.**
Number of employees[3]		15,081	15,994	-5.7	52 f., 164
of which fieldstaff		3,695	4,275	-13.6	52 f., 164
administrative staff		11,386	11,719	-2.8	52 f., 164
Generali Deutschland share					
Earnings per share		**0.04**	**9.28**	**-99.6**	**23, 84 f., 133**
Dividend per share		**2.90[4]**	**2.90**	**0.0**	**9, 22 f., 51**
Dividend distribution	m	155.7[4]	155.7	0.0	23, 51
Price of the Generali Deutschland share as at Dec. 31		**73.75**	**106.75**	**-30.9**	**9, 22 f.**

1 including the savings portions of the life insurance products concerned and the premiums of investment contracts
2 in 2007 income of € 82.0 m attributable to tax-rate change
3 average number of employees in the enterprises included in the consolidation scope
4 subject to shareholder resolution at the General Meeting

GENERALI DEUTSCHLAND

Life and property/casualty insurance under one roof

GENERALI Versicherungen

Protection under the wings of the lion

Staff: 3,361
Customers: 6 m
Premiums: € 5.3 bn

Aachen Münchener

Dreams need security

Staff: 2,384
Customers: 4.7 m
Premiums: € 5.1 bn

CosmosDirekt.

Germany's biggest direct-selling insurer

Staff: 1,041
Customers: 1.6 m
Premiums: € 1.4 bn

Single-line providers Life and health

central

Healthcare moves us

Staff: 1,285
Customers: 1.7 m
Premiums: € 1.8 bn

ENVIVAS Krankenversicherung AG

Tailor-made supplementary health cover

Customers: 550,000
Premiums: € 31,8 m

Dialog: Lebensversicherungs-AG

THE specialist for biometric risks

Staff: 98
Customers: 280,000
Premiums: € 188 m

GENERALI Pensor Pensionsfonds *

Lifelong pension for worry-free retirement

Corporate customers: 524
Premiums: € 55.6 m

GENERALI Pensionskasse

Competency + service in corporate pensions

Customers: 180,000
Premiums: € 190.9 m

Single-line providers Legal expenses and financial services

AdvoCARD

Lawyers love Advocard with its "already done" service

Staff: 171
Customers: 1.4 m
Premiums: € 189.4 m

Deutsche Bausparkasse BADENIA

Specialist for housing finance

Staff: 798
Customers: 1.2 m
Contract portfolio: € 25,7 bn

GENERALI Investments

Fund company and asset manager

Staff: 106
Deposits: 130,000
Assets u. mgmt: € 74.4 bn

GENERALI Private Equity Investments

Competence center Private Equity

Assets u. mgmt: € 1.4 bn

GENERALI SicherungsManagement

Cover for accumulated working hours

Corporate customers: 1,500
Covered volume: € 513 m

Service companies

GENERALI Immobilien

International property investments and portfolio management

GENERALI Informatik Services

Full-service IT provider

GENERALI Schadenmanagement

Biggest stand-alone claims manager in the German insurance market

GENERALI Services

Shared-service organization offering broad range of services

Volksfürsorge

Distribution company for products of provision and finance

all figures rounded

* until August 2009: AMB Generali Pensionsfonds and Pensor Pensionsfonds

Market position expanded – Group earnings affected by financial crisis

- Total premiums rise by 3.4 percent to € 14.24 bn
- Premium growth of 3.8 percent (market: 0.8 percent) in life, 5.9 percent (market: 2.9 percent) in health and 0.8 percent (market: 0.2 percent) in property and casualty
- Market leader in Riester insurance with more than 1.64 million policies in force; top position in term life insurance, basic pensions and unit-linked insurance
- Financial market crisis having adverse impact of € 481 m on Group result; following significant write-downs on financial market instruments the Group posts a net profit of only € 4 m
- Combined ratio further improving by nearly 1 percentage point to 94.4 percent
- Dividend remaining stable at € 2.90 per unit share despite low Group result (subject to shareholder resolution at General Meeting on May 19, 2009)

Strategic focus

- Excellent starting position for the Generali Deutschland Group: second-largest primary insurer in the German market is very well established in business providing for old age and healthcare
- Group business model with all units clearly geared to distribution channels having a strong advisory capacity:
  - Multi-channel distribution through traditional fieldstaff network, distribution company, brokers and banks for Generali Versicherungen
  - Exclusive distribution through strategic partnership with Deutsche Vermögensberatung for AachenMünchener
  - Direct selling through CosmosDirekt
  - Strength and competency of special providers (among others Advocard, Badenia, Central, Dialog and Generali Investments)
- Excellent ratings from all agencies of international renown affirm the financial strength and soundness of the Generali Deutschland Group

Outlook for the business year 2009

- Continuous growth above the market average in life and health insurance and growth at market level in property and casualty insurance
- Improvement in service for customers and sales networks as well as enhancement of efficiency, effectiveness and quality in insurance operations
- Marked increase in Group earnings in the year 2009
- 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
(until May 6, 2008)
Member of the Board of Management
of Commerzbank Aktiengesellschaft

Prof. Avv. Gerardo Broggini
Attorney, Broggini law office

Dr. Alfredo Gysi
(until May 6, 2008)
Chief Executive Officer of BSI SA

Karl-Rupert Hasenkopf*
Insurance employee

Susanne Hille*
(until May 6, 2008)
Trade Union Secretary of the
trade union ver.di – Vereinte
Dienstleistungsgewerkschaft

Brigitte Jakob*
(until May 6, 2008)
Trade Union Secretary of the
trade union ver.di – Vereinte
Dienstleistungsgewerkschaft

Maximilian Michael Jetzlsperger*
(since May 6, 2008)
Area Head Insurance of
Generali Versicherung AG

Dr. Michael Kalka
(until May 6, 2008)
Retired Chief Executive

Dr. Achim Kassow
(since May 6, 2008)
Member of the Board of Management
of Commerzbank Aktiengesellschaft

Thomas Körber*
(until May 6, 2008)
Management employee of
AMB Generali Services GmbH

Dr. Helmut Kohl
Former German Chancellor

Michael Kuß*
Insurance employee

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

Marlies Pörtner*
(since May 6, 2008)
Banker

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

Hans-Joachim Schroeder*
(from January 1, 2008 to May 6, 2008)
Insurer

Roland Schwarz*
(until May 6, 2008)
Banker

Rolf Stockem*
(since May 6, 2008)
Trade Union Secretary

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 173 ff.

Board of Management

Dietmar Meister
Chief Executive Officer
Group Development
Controlling/Risk Management
Finance/Accounting
Law
Corporate Communication
Distribution
Building Society

Christoph Schmallenbach
Member of the Board
of Management
Information Technology
Operational Organization
Process Optimization
Internal Audit

Winfried Spies
Member of the Board
of Management
(since July 1, 2008)
Human Resources and Social Matters
Life Insurance
Health Insurance
Property and Casualty Insurance
Legal Expenses Insurance
Reinsurance

Christoph Schmallenbach   Dietmar Meister   Winfried Spies

Dear Madam, Dear Sir,

The closed business year was an extremely difficult one for the entire financial services industry. The downswing in stock markets, which had already started in 2007, accelerated and amplified to turn into an outright slump. The share of Generali Deutschland was affected by this development, too. In addition, the financial crisis was also the reason why Generali Deutschland was not in a position to achieve its ambitious earnings target. In operating business, however, we improved again and reached stronger growth than the market in all insurance segments. This is particularly noteworthy because internally, with the merger of Generali and Volksfürsorge, we made comprehensive structural changes from which we will sustainably benefit in the future.

As a whole, however, the turmoil in capital markets overshadowed the basically positive development of your company in 2008. The financial market crisis has left a painful trace. As a big investor with assets under management of about € 85 bn we are, of course, hit by plunging prices. Despite significant write-downs on equities we are nevertheless able to report a Group result of € 4 m and have thus achieved a profit.

Even in these times of crisis, our financial strength enables us not only to cope with the mentioned write-downs; Generali Deutschland is also in a position to keep the dividend at the previous year's level. The Board of Management and the Supervisory Board thus propose to the General Meeting to resolve the distribution of a dividend of € 2.90 per unit share for 2008.

It is important for our customers to know that the companies of the Generali Deutschland Group do not suffer from a squeeze on liquidity or capital. Even in these stormy times our Group proves to be a safe haven because of its strength and reliability. There has been no change in our capacity of fulfilling our obligations towards our customers to the full extent. Our customers can be sure that their money is safely invested. The investments managed by our insurers are broadly spread and mainly in fixed-income securities. In addition, we have actively and extensively reduced our equity risks. The average percentage of equity investments in the Group is only 5 percent today, of which about 30 percent are hedged.

Another distinguishing feature of our Group, besides its financial strength, is the diversity of its distribution channels and the consistent orientation of our Group companies towards their respective channels. This enabled the insurers in our Group to again achieve above-average growth in 2008. The total premium income rose by 3.4 percent to a new high of € 14.2 bn. All in all, we witnessed faster growth than the market in all relevant lines of business. Besides the traditional fieldstaff networks of our Group companies, our longstanding strategic partner Deutsche Vermögensberatung again made an outstanding contribution to the sales success of the Generali Deutschland Group in 2008.

One of the focus areas of our strategic development in the closed business year was the merger of our multi-channel insurers Generali and Volksfürsorge. The activities aimed at concentrating the companies based in Munich and Hamburg to create a new insurer

>> Even in these stormy times our Group proves to be a safe haven because of its strength and reliability. <<

DIETMAR MEISTER, CHIEF EXECUTIVE OFFICER

and one of the market leaders in Germany proceeded as scheduled. Within a period of only 15 months, one of the most important projects of our Group successfully reached the finishing straight while the good distribution performance was maintained. Right at the beginning of the year 2009 the new Generali Versicherungen started operating in the market. By means of this step we will continue to significantly enhance our profitability and distribution strength. We have thus created the best basis for remaining one of the top providers in the German insurance market in the future. It is thanks to all the persons involved in the project that the merger was completed successfully. We owe them our special thanks and highest recognition for what they have achieved.

With the merger of Generali und Volksfürsorge we have established our target business model through which the Generali Deutschland Group will be even better positioned in its markets and will be successful in the coming years. In recent years we have laid the foundations enabling us to sustainably improve our competitive position in the German market of insurance and financial services. Our optimistic outlook on the future development of the Generali Deutschland Group is above all the result of our strategic approach of consistently gearing our companies to a sales-channel model consisting of three pillars: the multi-channel distribution of Generali Versicherungen, AachenMünchener's exclusive distribution through its close strategic partnership with Deutsche Vermögensberatung and direct selling with CosmosDirekt as the leader in the German direct-selling market. In addition, we continue to focus on the strength and competency of our specialist providers Advocard, Badenia, Central, Dialog and Generali Investments. The diversity of these company profiles enables us to respond to a large variety of customer and market requirements. This means, on the one hand, that the Group has a very broadly based access to customers. On the other hand, we achieve efficiency by applying harmonized standards in the business fields and by means of the strategic controlling of the Group through Generali Deutschland as the management-holding company.

Beyond this, we are benefiting from the measures already initiated in previous years with a view to enhancing our competitiveness. The concentration of important service activities was implemented by their integration into the service providers Generali Deutschland Informatik Services, Generali Deutschland Immobilien, Generali Investments as well as Generali Deutschland Services and Generali Deutschland Schadenmanagement. The two latter companies have successfully completed their first full business year in 2008. The consolidation of all major service functions in our service companies will enable us to be even more cost-efficient, effective and service-oriented in insurance business in the future.

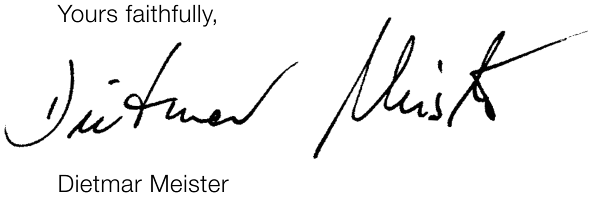
We started the business year 2009 with a new name. At the turn of the year we changed our name to Generali Deutschland Holding AG. At the same time, all service providers of the former AMB Generali Group changed their names, too. This new name gives a clear message to the market: we are a strong Group – both at a national and international level. The new name will enable us to benefit even more from the international renown of Assicurazioni Generali and to continue pursuing our successful development.

In the current year, dear Madam, dear Sir, our activities continue to focus on increasing the value of your company. The basis for this are the diversity of brands and distribution channels in the Generali Deutschland Group and the intensive use of the advantages involved in a strong Group. Provided that in the current year there are no extraordinary claims and capital markets are not affected by further adverse impacts of an extremely sustained nature we proceed from the assumption that in 2009 we will again achieve markedly higher earnings, the amount of which will, however, not be in line with the levels reached before the financial crisis.

Particularly after the crisis year 2008 I express my special thanks to the employees of the Generali Deutschland Group. In a difficult year, they showed great commitment in facing the numerous challenges. Their dedication is the vital support for our Group's success.

I also wish to thank you as our shareholders for your trust and your interest in the Generali Deutschland Group. It is the declared target of all of us bearing responsibility in the Group to continue to justify your trust by a sustainable development of the Group and thus also of your company, Generali Deutschland Holding AG.

Yours faithfully,



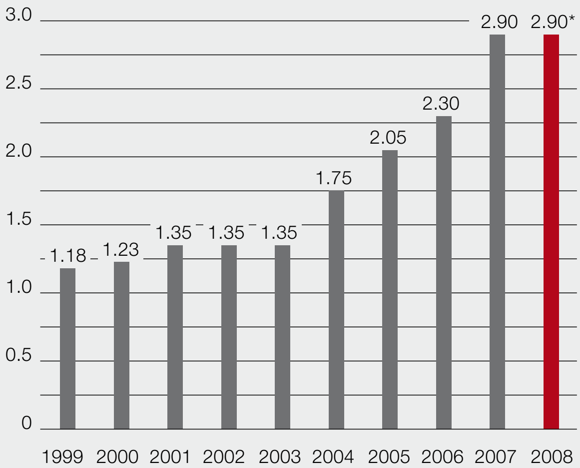
Dietmar Meister
Chief Executive Officer

Performance of the Generali Deutschland share 2003–2008

Figures in €

Dividend per share 1999–2008

Figures in €



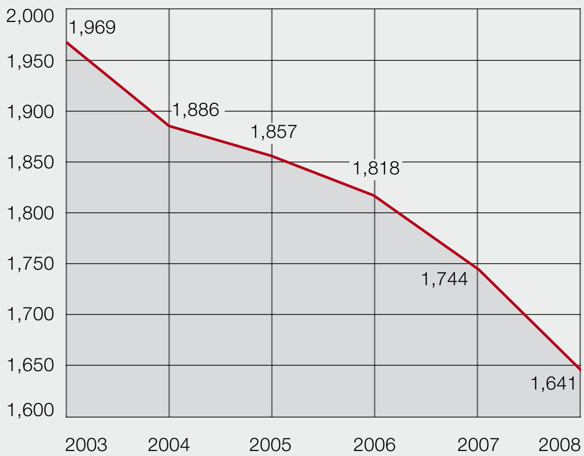
* subject to shareholder resolution at the General Meeting

€ 2.90

Stable dividend despite lower Group earnings

Total costs* 2003–2008

Figures in € m



* without commissions and one-off restructuring costs

€ -103 m

Further decrease in total costs

Dear Shareholders,

Dr. Wolfgang Kaske

In the year under report, the Supervisory Board of Generali Deutschland 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 Generali Deutschland and its major subsidiaries. In addition, the Board of Management provided us with comprehensive information on corporate planning, the risk situation and risk management as well as on the status of the major activities in the Generali Deutschland Group with a view to increasing earnings by projects across the Group and by measures taken 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, a Committee for Matters of the Board of Management and an Audit Committee. 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 2008, regular elections for the Supervisory Board were held. At the same time, the number of the members of this corporate body was reduced from 20 to 16 pursuant to the amendment of the Articles of Association resolved in the previous year. The memberships of Susanne Hille, Brigitte Jakob, Martin Blessing, Dr. Michael Kalka, Dr. Alfredo Gysi, Thomas Körber, Hans-Joachim Schroeder and Roland Schwarz ended with effect from May 6, 2008. I wish to take this opportunity to again express my thanks to them for their commitment in the past few years. Following the election of new employee representatives and the appointments at last year's General Meeting, Marlies Pörtner, Maximilian Jetzlsperger, Dr. Achim Kassow and Rolf Stockem joined the Supervisory Board as new members.

The Supervisory Board held five meetings in the year under report. 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 latter, met twice. The Committee for Matters of the Board of Management, which deals in particular with the employment contracts of the members of the Board of Management, had one meeting. The Audit Committee was established in the last meeting of the Supervisory Board in the business year 2008 and thus met for the first time in the current business year. 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 2008, the following issues were of particular importance for the work of the Supervisory Board:

Financial market crisis

The development of international capital markets was a regular issue of extensive discussion. Following the subprime crisis, by which the Group was only affected indirectly, the general crisis of the banking industry did, of course, have an impact on the net investment income of the Generali Deutschland Group. The Supervisory Board repeatedly deliberated on the investments of the companies of the Generali Deutschland Group, on the net investment income and on the status of developments in this field. Furthermore, the Supervisory Board discussed the expected adverse effect on the overall economy and the resulting impact on the further targets of the Generali Deutschland Group.

Merger of Generali and Volksfürsorge Versicherungen

The most important project of the Generali Deutschland Group was the preparation of the merger of Generali and Volksfürsorge Versicherungen implemented at the end of the year. The individual steps of the project and the opportunities and risks involved were intensively discussed at each regular meeting of the Supervisory Board. Besides, an extraordinary meeting of the Supervisory Board was held on July 25, 2008 and there were several separate meetings of the Board of Management with the employee representatives in the Supervisory Board. In the current business year, the Supervisory Board will continue to intensively accompany the further development of the merged Generali Versicherungen.

Current business development

Further important aspects of the work of the Supervisory Board were the claims developments due to storms and natural perils ("Emma", "Grit", "Naruporn"), the persistently competitive market in motor insurance and the changing environment for private health insurance due to the healthcare reform.

Transactions concerning participating interests of Generali Deutschland

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, among others, in the decisions concerning major transactions of the Generali Deutschland Group. In particular, the General Committee has approved the steps required by corporate law with a view to the merger of Generali and Volksfürsorge Versicherungen. Furthermore the General Committee has approved an agreement between the company and the Pohl family concerning Deutsche Vermögensberatung AG (DVAG) under which the Pohl family will increase its stake in the company by approximately 10 percentage points through a capital increase in order to ensure the distribution strength of DVAG as a family-led financial services company.

Change in the Board of Management

After Dott. Lorenzo Kravina had left the Board of Management on March 31, 2008, the Supervisory Board appointed Winfried Spies as a further member of the Board of Management and as the Director of Labour Relations with effect from July 1, 2008. Mr. Spies had previously held positions in various companies of the Group, most recently as the Chief Executive of CosmosDirekt Versicherungen. I would like to take this opportunity to thank Dott. Kravina again, on behalf of the entire Supervisory Board, for his dedicated work and wish him all the best for his new tasks in the international Generali Group.

Corporate Governance and declaration of compliance

In the period under report, the Supervisory Board again dealt comprehensively with Corporate Governance issues. In particular, the efficiency of the Supervisory Board was scrutinized and discussed by the Supervisory 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 that the Supervisory Board receives information on a timely and comprehensive basis, proved to be reliable instruments as a matter of principle. Following an amendment of the German Corporate Governance Code in this regard, however, the Supervisory Board resolved in November to establish an Audit Committee in charge of the issues of accounting, risk management and compliance and which will in the future also discuss the quarterly financial statements with the Board of Management before publication. The internal rules were amended accordingly.

In its meeting of November 27, 2008 the Supervisory Board discussed and approved the structure of the remuneration of the members of Generali Deutschland'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, that member 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 2008, including an assessment of Generali Deutschland's system for an early identification of risks. An unqualified auditor's opinion was issued. In addition, the auditor verified whether Generali Deutschland 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 auditing company 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 included 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 of the company with the Management Report and the Consolidated Financial Statements with the Group Management Report for the business year 2008, 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 auditor and discussed by us in detail. The Audit Committee, which previously had already discussed the financial statements with the Board of Management and the auditor, also reported to the Supervisory Board in the accounts meeting. 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 2008. The Annual Financial Statements are thus adopted pursuant to section 172 of the Companies Act. We join the Board of Management in its proposal for the appropriation of the balance-sheet profits.

As in previous years we wish to express our special recognition and sincere thanks to the employees of Generali Deutschland and our Group companies and to the members of the Boards of Management in our Group. Without their competency and commitment the positive development of the Group in these challenging times would not have been possible. Also for the future, we wish success and good luck to the Board of Management of Generali Deutschland and also to all executives and employees of the Group.

Aachen, March 24, 2009

On behalf of the Supervisory Board

Dr. Wolfgang Kaske
Chairman

Corporate Governance

- Generali Deutschland is committed to a good and responsible corporate governance. It implements the essential elements of the standards of the German Corporate Governance Code.
- In addition, Generali Deutschland complies with the rules of the Ethical Code of the international Generali Group which refers 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.

Generali Deutschland is listed in the prime standard segment of Deutsche Börse. The prime standard represents the highest degree of transparency for companies listed on the stock exchange and goes beyond the minimum legal requirements of the official market and the regulated market.

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.generali-deutschland.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 Generali Deutschland 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 Generali Deutschland complies with the recommendations of the German Corporate Governance Code. That declaration of compliance was last renewed on November 27, 2008.

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

Generali Deutschland 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, Generali Deutschland 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). Generali Deutschland regularly publishes the documents convening a General Meeting on its website and makes them available to shareholders and other interested persons for download. Considering the consequences of not duly convening a General Meeting, however, the Board of Management and the Supervisory Board are of the opinion 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, Generali Deutschland continues to be of the opinion that a deductible is not necessary.

Generali Deutschland 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 granting of the stock options is subject to the achievement of a target exclusively referring to the Generali Deutschland Group. The plan is described on p. 164 f. In addition to these remuneration elements, Generali Deutschland does not consider a stock-option plan of its own to be necessary.

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 and the information provided on p. 167 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 5.4.6 of the Code). The structure of the remuneration of the Supervisory Board is disclosed in the Articles of Association and in the Group Report (see details below and the information on p. 167 f.). The collective amount paid as remuneration is also indicated in the Group Report (see p. 167 f.).

Generali Deutschland does not 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 Generali Deutschland'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 Generali Deutschland 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 when members of the Supervisory Board can bring in their experience from non-Group companies. For the time being, Generali Deutschland 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 5.4.7 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 Generali Deutschland is composed of three elements: a fixed annual salary, an additional fixed remuneration, which, however, is without pension entitlement, 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. 70–80 percent of these targets are operating targets of the Generali Deutschland Group (so-called company-related targets) and 20–30 percent of these targets are other individually determined performance yardsticks. The performance bonus is payable on the basis of the target-achievement ratio determined by the Committee for Matters of the Managing Board after the close of the business year.

Assuming that the present members of the Managing Board of Generali Deutschland reach all their performance targets, the various remuneration elements would represent the following shares of the remuneration for the business year 2008:

- Fixed annual salary: approx. 37 percent
- Add. fixed amount: approx. 11 percent (without pension entitlement)
- Performance bonus: approx. 52 percent

Beyond this and as already explained above, Generali Deutschland does not have a share-based remuneration plan of its own. Instead, the Board of Management and selected executives of Generali Deutschland are included in the 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 Generali Deutschland Group has to be reached.

Upon retirement, the members of the Board of Management of Generali Deutschland 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 and 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 plan and the individual remuneration elements are provided in the Notes on p. 164 f. and 167 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 of the Group Report 2008 on p. 167 f.

Directors' Dealings

In the business year 2008 there have been 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 Generali Deutschland Group conduct their business activities in a responsible manner and in compliance with legal provisions. A sustainable compliance in the Generali Deutschland Group creates trust on the part of the capital market and customers. Therefore the Board of Management of Generali Deutschland maintains binding compliance programmes for all companies of the Generali Deutschland Group. These guidelines support employees in their task of fulfilling increasingly demanding legal requirements.

For that purpose the Generali Deutschland Group has adopted the Ethical Code of the international Generali Group. With the Ethical Code, the Generali Deutschland 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 Generali Deutschland. The Code of Conduct comprises specific rules of conduct for the employees, in particular with regard to issues such as confidentiality, accepting and giving gifts and other grants, contract assignment, 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. Beyond this, the Group companies have appointed two external lawyers as ombudspersons, which the employees can contact with regard to suspected infringements of compliance rules and who will keep the identity of the persons providing the information as strictly confidential.

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 Generali Deutschland 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 Generali Deutschland, in cooperation with the compliance officer, makes certain that the rules of the Securities Trading Act are observed in the Generali Deutschland Group by distributing state-of-the-art guidelines for security compliance across the Group.

Flashlights: Eventful Year for the Generali Deutschland Group

2,500 Employees

In the Cologne banking district, right next to the cathedral, about 160 construction workers are busy making the future Group head office progress. By mid-2009 everything is planned to be ready – the about 220 employees of Generali Deutschland Holding and a staff of approx. 170 persons from Generali Deutschland Immobilien and Generali Investments will move to the new building in Tunisstraße. Starting from June 2009 a total of about 2,500 persons will be working for the Generali Deutschland Group in the city famous for its cathedral. These include approximately 1,000 employees of Central Krankenversicherung located at Hansaring and more than 650 persons at AachenMünchener's customer head office at Sachsenring. In addition, there are about 140 employees of Generali Deutschland Services located in Hürth near Cologne.

New Generali

At the 2008/2009 turn of the year, the merger of Generali (Munich) and Volksfürsorge (Hamburg) creates a company of new dimensions in the German insurance market. In 2008 Generali has a premium income of more than € 5 bn and looks after more than 6 million customers. The registered head office of Generali is Munich; this location is also responsible for managing property and casualty business. Life insurance business is managed from Hamburg. Frankfurt is the management unit in charge of corporate pension business. The company's nation-wide presence and direct customer contacts are ensured by more than 2,900 administrative employees, a fieldstaff organization of over 2,400 exclusive agencies and specialists, the distribution company Volksfürsorge AG Vertriebsgesellschaft für Vorsorge- und Finanzprodukte with a sales staff of about 4,000 persons and exclusive agencies, the broker channel with about 8,000 active relations with brokers and multiple agents as well as over 80,000 side-job intermediaries.

The year 2008 – a review

January The transfer of the former traditional fieldstaff network of AachenMünchener to Allfinanz Deutsche Vermögensberatung is successfully completed. With more than 1,230 financial advisors, about 92 percent of the sales capacity of the former sales organization of AachenMünchener changes over to Allfinanz.

The Law on the Reform of the Insurance Contract Act (VVG) comes into force on January 1, 2008. The new rules enhance the transparency of insurance law as a whole.

Dialog Lebensversicherung is awarded the innovation prize "Goldener Bulle" of the publishing house Axel Springer Finanzen for its Biometric Optimization Model.

February The best mark of A++ is assigned to Cosmos Lebensversicherung under a quality assessment by the Cologne-based rating agency ASSEKURATA.

March On March 1, the electronic cover note is introduced across Germany. For policyholders this means a considerable reduction of waiting and handling time at motor-vehicle registration offices.

The storm "Emma" leaves a trace of destruction across Europe. The net claims expenditure for the Group of about € 20 m is, however, substantially lower than the previous year's expenditure for the storm "Kyrill".

April The Federal Government decides the introduction of Riester contracts for the financing of residential property. Riester incentives can thus also be used for owner-occupied houses or flats.

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AGIL

With the AGIL methodology (Advanced Generali Improvement Levers), the Generali Deutschland Group disposes of a harmonized modular system of methods for the optimization of business processes. By means of the AGIL methodology based on Six Sigma as well as lean and change management approaches, business processes are improved and made more cost efficient across the Group. Generali Deutschland has thus created a valuable asset for its Group companies. In 2008, more than 50 employees of the Generali Deutschland Group are certified for the first time as AGIL Expert, AGIL Senior Expert or AGIL Executive.

Generali Future Fund

Generali Deutschland has reoriented its social and charitable commitments and consolidated its activities in the Generali Future Fund. In the future, the focus will be on supporting the volunteer work of elderly persons. The study on Volunteerism in Germany, the first project of the Future Fund, is presented to the public on November 19, 2008 and leads to lively public debates about the extent of volunteer work in the various German regions. The study marks the beginning of a large number of activities in the fields of science, politics and individual projects. Volunteerism is also to be encouraged among the staff of the Group.

Decree on Information Duties

At the beginning of the year 2008 the Decree on Information Duties comes into force. Primarily this decree indicates precisely what information has to be handed out to consumers in time before they fill in their proposal forms. Some elements of the Decree on Information Duties, such as the disclosure of acquisition costs and distribution expenses in euro amounts in life and private health insurance, are applicable as from July 1, 2008. The information is now handed out to customers, together with proposal documents and folders, before proposal forms are submitted.

Financial Crisis

2008 enters history as the year of the financial crisis. Never before has there been stock-market turmoil of this frequency and dimensions over a longer period of time. On the average, the 30 DAX companies alone lose half their stock-market value between January and December. This is primarily a crisis of banks, liquidity and above all of trust. Dramatically plunging share prices have an adverse impact on the business results of the Generali Deutschland Group. But despite the decrease in earnings the Generali Deutschland Group remains a safe haven for its customers.

180 Financial Advisors

Deutsche Bausparkasse Badenia intensifies its longstanding successful partnership with Deutsche Vermögensberatung. In June 2008 the about 180 self-employed agents of Badenia are given the opportunity of changing over to Deutsche Vermögensberatung as financial advisors. In addition to producing business for Badenia, they now offer the broadly diversified product range of the biggest autonomous sales organization for financial services worldwide, apply its advisory approach and use its state-of-the-art electronic information and consultancy system.

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The year 2008 – a review

May The General Meeting held in Aachen approves the name change of the Group. At the 2008/2009 turn of the year, the “AMB Generali Group” is to change its name to “Generali Deutschland Group”.

June The business magazine “Capital” awards the title of an “Insurance Champion” to Germany’s best insurers. The tests refer to product quality, price-performance ratio and customer satisfaction. The winner in life insurance is CosmosDirekt.

July Winfried Spies, until then Chief Executive of CosmosDirekt, is appointed to the Group’s Board of Management with effect from July 1, 2008.

For a period of three years, Generali Deutschland sponsors a professorship-in-residence for Real Estate Finance & Insurance at the IRE|BS International Real Estate Business School of the Regensburg University.

Generali Versicherungen launches a comprehensive concept of provision and finance under the name of Generali VITA® and intensifies its focus on the market segment of the 50+ generation, which is becoming increasingly important.

August Commerzbank announces the plan of its merger with Dresdner Bank.

A.M. Best, the agency specialized in insurer ratings, analyses the financial strength of the Generali Deutschland Group for the first time and assigns an A+ (“superior”). Generali Deutschland now has top ratings from all four rating agencies of international renown.

September The Generali Deutschland Group expands its network of motor garages to 1,200 partner garages nation-wide. For this purpose, the Group cooperates with HUK-Coburg as a service provider in charge of consistently expanding the efficient garage network and of assuring its quality.

40 Years

November 14 marks the 40th anniversary of the foundation of the Hamburg-based legal expenses insurer Advocard Rechtsschutzversicherung as "Volksfürsorge Rechtsschutz" in 1968. "We are particularly proud that we can celebrate this anniversary as the recommended partner of the German Lawyer Association", says Dr. Karsten Eichmann, then the Chief Executive of Advocard. He thanks all employees for having turned into reality the company's slogan "Anwalts Liebling" – a pun referring to Liebling, the lawyer of a popular German TV series, and meaning that lawyers love Advocard.

More than 700 Guests

The Aachen Dialogue welcomes Horst Köhler, President of the Federal Republic of Germany, as its guest of honour and meets with an overwhelming response. More than 700 persons follow AachenMünchener's invitation to attend discussions on "The Future of Germany – Reforms for what Purpose?" in the historical town hall of Aachen. Attendees also include the journalists who in 2008 received the Media Award of AachenMünchener. The Aachen Dialogue, which was founded by AachenMünchener, has meanwhile established itself as an outstanding forum for the discussion of socio-political issues among prominent guests.

"Brilliant Fireworks"

The 850th Anniversary of the city of Munich marks the occasion for an extraordinary exhibition: in the Art Gallery "Haus der Kunst" eleven companies from Munich jointly present works of art of their collections, which have never before been shown to the public in this form, from September 10, 2008 through January 11, 2009. The most varying artistic perspectives and currents are presented under the exhibition name of "Brilliant Fireworks". Munich-based Generali Versicherungen participates with works by David Barbarino and Franz Anton Bustelli.

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Black Monday, September 15, 2008 sees the break-down of three big financial groups in the U.S.: the collapse of Lehman Brothers, the acquisition of the major investor Merrill Lynch and the Fed's refusal of AIG's request for a capital injection. Stock markets start plummeting.

October With the issue of GaranT 3, the third of a total number of five planned guarantee funds, Generali Investments Deutschland goes on with its innovative concept of guarantee funds.

Generali Deutschland Immobilien GmbH grants new assignments for its property management. The contracts are awarded to STRABAG Property and Facility Services GmbH for the region north/north-east and to EPM Assetis GmbH, a company of Bilfinger Berger Facility Services, for the region west/centre and south.

AMB Generali Pensionsfonds AG and Pensor decide to intensify their cooperation and to concentrate their core competencies.

November The "Job and Family" initiative of the charitable foundation Hertie Stiftung awards a quality seal to AachenMünchener and Generali Versicherungen for their HR policy with a sustained family-friendly focus.

December The big merger project bringing together Generali and Volksfürsorge is on schedule. At the turn of the year, the new company starts operating in the German market under the name of "Generali" as one of the leading insurers with a premium volume of more than € 5 bn.

All name changes from "AMB Generali" to "Generali Deutschland" are entered in the commercial registers for the companies concerned. Starting from the turn of the year our name is "Generali Deutschland Group".

The Generali Deutschland Share

- The Generali Deutschland share was affected by a substantial price loss at the end of the year due to the financial crisis.
- Following a revision of share-index rules, the Generali Deutschland share left the MDAX mid-cap index in December 2008.
- Despite the financial crisis, Generali Deutschland keeps the dividend for its shareholders at a constant level.

Stock markets were characterized by extreme volatility and massively plunging prices in the year 2008. Following the U.S. property crisis, the year started with steep price drops. The development in the following months was marked by a high degree of uncertainty reflected in a strong volatility of markets. The default of credit institutions, the breakdown of the interbank market and the ensuing crisis of confidence led to further massive price plunges in stock markets starting from the end of September.

As a result, the price performance of all relevant indices is markedly negative. In the year under report the U.S. S&P 500 index lost 37.0 percent and the European DJ STOXX index dropped by 43.8 percent. The German indices, too, experienced high losses of 40.4 percent for the DAX and 43.2 percent for the MDAX.

The Prime Insurance index, which is of relevance for the German insurance industry, had lost 36.5 percent by the end of the year. Until September the price performance of the Generali Deutschland share had been markedly more positive than the development of comparable shares. Amid an aggravating financial crisis, however, the price dropped to € 73.75 at the end of the year, which is 30.9 percent below the level at the end of the previous year. Taking into account the dividend, this equals a performance of -29.2 percent.

Market places and indices

The Generali Deutschland share is listed in the prime standard segment and traded in all German stock markets. With more than 98.8 percent, the bulk of share transactions was handled by the Xetra electronic trading platform.

At the end of November 2008, Deutsche Börse AG decided to revise its share index rules. The minimum free-float threshold was raised from 5 to 10 percent. For this reason, the Generali Deutschland share left the MDAX on December 22, 2008.

Dividend for the business year 2008

The dividend policy of Generali Deutschland pursues the aim of having its shareholders constantly participate in the growing business success of the company. In the past few years, shareholders have therefore benefited from the successful business development by continuously rising dividends.

Based on the persistently high financial strength of the company, the Board of Management and the Supervisory Board propose to the General Meeting to be held on May 19, 2009 to keep the dividend at a constant level and to distribute € 2.90 per unit share despite the low Group result of € 4 m in 2008.

Share capital of Generali Deutschland

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

Share capital of Generali Deutschland

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

as at December 31, 2008

Shareholder structure

Assicurazioni Generali S.p.A., Trieste, directly and indirectly through subsidiaries, holds a total share of 93.02 percent in Generali Deutschland. The free float comprises the remaining 6.98 percent of the shares which are held by other institutional investors, companies and private persons with an interest of less than 5 percent each.

Investor Relations

The target of our Investor Relations activities is an open and trustful communication with institutional and private investors as well as analysts. Interested investors have access to information on the Generali Deutschland share on our website www.generali-deutschland.de, "Investor Relations" section. The Investor Relations area will be pleased to answer any further questions you may have. Contacts as well as our financial calendar 2009 are indicated on the back cover pages.

The Generali Deutschland share at a glance

		2007	2008
Bearer share			
Number of shares (as at Dec. 31)		53,679,994	53,679,994
Highest price	€	119.73	121.64
Lowest price	€	96.00	65.00
Year-end price	€	106.75	73.75
Market capitalization	€'000	5,730,339	3,958,900
Dividend distribution	€'000	155,672	155,672*
Key figures per share			
Earnings per share	**€**	**9.28**	**0.04**
Dividend per share	**€**	**2.90**	**2.90***

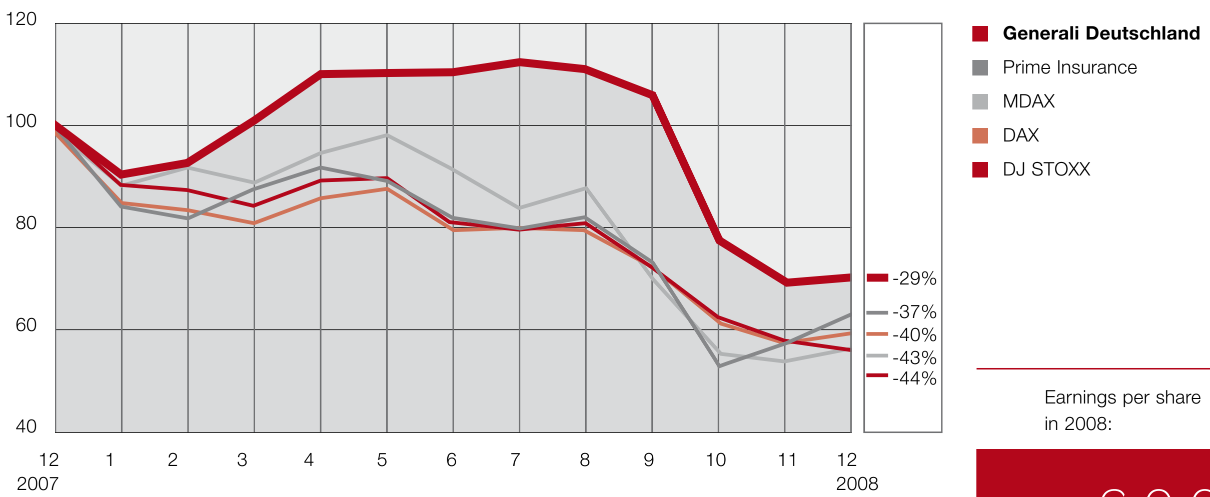
* subject to shareholder resolution at the General Meeting

as at Dec. 31, 2008

Share price at year-end

€ 73.75

Performance of the Generali Deutschland share in the year 2008



Indexed performance development; December 31, 2007 = 100

Earnings per share in 2008:

€ 0.04

Ratings for the Generali Deutschland Group

- The Generali Deutschland Group regards interactive financial strength ratings of companies as a good and reliable source of information for customers and investors.
- Besides the ratings assigned by Standard & Poor's (S&P), Moody's Investors Service and FitchRatings, A.M. Best did a first-time interactive rating of the Generali Deutschland Group in 2008. Our Group is thus the only primary insurance group in Germany interactively rated by all four rating agencies of international renown.

Within the scope of the interactive ratings of long-term financial strength, rating agencies are provided with a large variety of information about the enterprise and its strategy. The interactive procedure puts each agency in the position to get a comprehensive overview of the economic and financial situation of the company and its future development. In their rating processes, the agencies pursue a different individual approach with regard to the focus areas of their analyses.

The top results achieved in all four financial strength ratings clearly affirm the successful business policy of the Generali Deutschland Group. The rating agencies' quality seals give our customers the assurance that our Group companies are sound and efficient partners with a broad range of innovative products.

Standard & Poor's

S&P has confirmed its AA rating ("very strong") for all subsidiaries regarded as core to the Generali Deutschland Group. S&P sees the strong competitive position and the improvements in operating business, among others, as major strengths.

The following companies are regarded as core by S&P:

- AachenMünchener Lebensversicherung AG
- AachenMünchener Versicherung AG
- Advocard Rechtsschutzversicherung AG
- Central Krankenversicherung AG
- Cosmos Lebensversicherungs-AG
- Cosmos Versicherung AG
- Envivas Krankenversicherung AG
- Generali Deutschland Pensionskasse AG
- Generali Lebensversicherung AG
- Generali Versicherung AG

Top results in interactive financial strength ratings affirm the Group's soundness and efficiency

The outlook assigned by S&P is negative. This outlook is mainly based on external market conditions and on factors which cannot be primarily influenced by the German companies of the Group.

Besides the insurance companies of the Generali Deutschland Group, Deutsche Bausparkasse Badenia AG has been assigned an A rating ("very good") by S&P. This top rating compared to other banks recognizes the strategic realignment and successful restructuring of Badenia accompanied by consistent cost-cuts.

Moody's Investors Service

Moody's has assigned an unchanged Aa3 rating ("high-grade") to all insurance companies of the Generali Deutschland Group and to Generali Deutschland Holding AG. In particular, the specialists of this rating agency with worldwide operations appreciate the very strong competitive position and the excellent brand values. In addition, the agency underlines the strength and diversity of distribution channels, the conservative investment strategy and the prudent reserving policy. Moody's assigns a stable outlook to all companies.

FitchRatings

Within the scope of the Group rating done by Fitch, a "very strong" has been assigned to Generali Deutschland Holding AG and to the companies of the major Group brands AachenMünchener, Generali and Cosmos as well as to Central Krankenversicherung as the operating companies of the Generali Deutschland Group. The analysts proceed from the assumption that with its improved cost position and its focussed multi-brand and multi-channel strategy, the Group is very well positioned to benefit from future competition in the most important insurance segments in Germany. The outlook for the assigned ratings is negative. According to Fitch, this is attributable to the assessment of the market in general and to factors which cannot be primarily influenced by the Generali Deutschland Group.

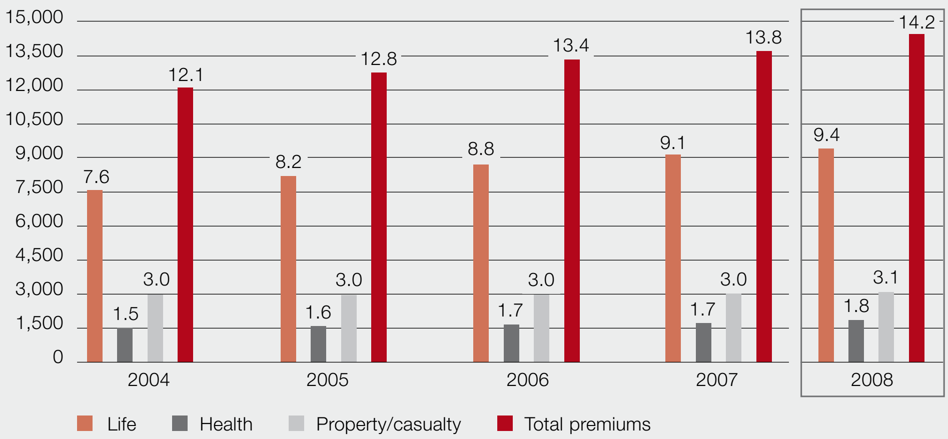
A.M. Best

In 2008 the rating agency A.M. Best, which is specialized on insurance companies, made a first-time financial strength rating of Generali Deutschland Holding AG and its major subsidiaries and assigned an A+ ("superior"), which is the second-best category. The major subsidiaries included are AachenMünchener, Cosmos, Generali as well as Central Krankenversicherung. The rating reflects, among others, the Group's strong position in the market and its sustainable technical performance. According to A.M. Best, the Generali Deutschland Group has an excellent business profile in the German insurance market. The outlook assigned by the agency for all ratings is stable.

The Generali Deutschland Group will continue to have its financial strength and strategic orientation analysed on an objective basis by independent specialists.

Total premiums 2004–2008

Figures in € bn

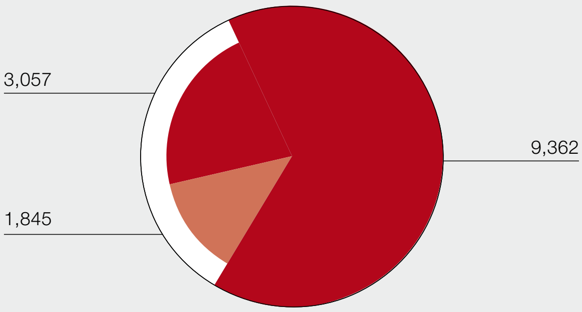


Growth of premium income since 2004

€ +2.1 bn

Total premiums of direct business 2008

Figures in € m



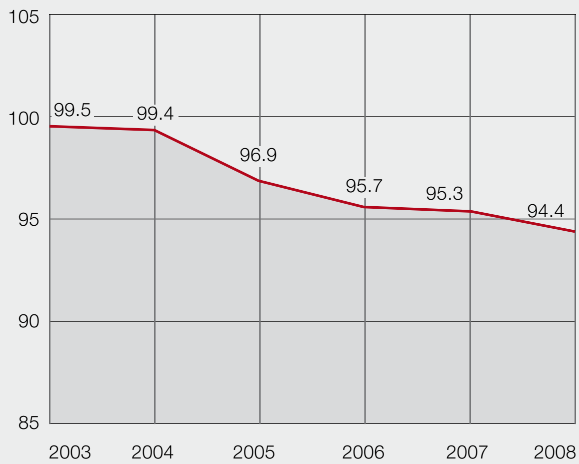
	Change over previous year
Life	+3.3%
Health	+5.9%
Property/casualty	+0.8%

+3.4%

Growth of total premiums 2008

Combined Ratio 2003–2008

Figures in %



-0.9 perc. points

Improvement of combined ratio

Chap. 2
Group Management Report

Pages 028 – 080

Economic environment in 2008

- In 2008 global growth slowed down considerably and was weaker than on the long-term average.
- The impact of the financial crisis in combination with the economic downturn in the U.S. led to global recession in the course of the year.
- Central banks responded by cutting rates and taking unconventional measures. In bond markets, the yields of 10-year government bonds dropped to record lows both in the U.S. and the eurozone.
- Stock-market prices plunged by an average of about 40 percent amid extreme volatility.

The high level of global growth of previous years could not be maintained in 2008. The global economy expanded by 2.9 percent compared to 4.6 percent in 2007. While early in the year global economic activities were still strong, the combined impact of an increasingly slumping U.S. economy and an aggravating credit crisis also led to a slowdown in the other countries. The total production growth of 1.3 percent in the U.S. and 0.8 percent in the eurozone is primarily attributable to the first half of 2008 while total output contracted in the second half of the year.

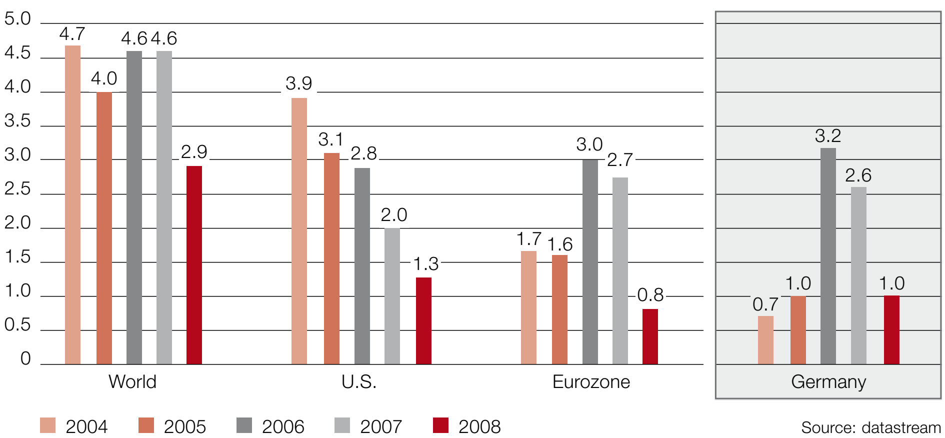
With an overall growth rate of 1.0 percent, economic activities in Germany were somewhat stronger than in the eurozone. Into autumn this development was supported by an improving labour market. The unemployment rate referring to all employable persons

Curbed economic growth in Germany

+1.0%

Economic growth in selected regions since 2004

Figures in %



Source: datastream

Yield development in selected asset classes[1]

	2004 %	2005 %	2006 %	2007 %	2008 %
Bonds[2]					
World	6.0	-6.5	5.9	10.8	12.0
U.S.	3.4	2.9	3.1	9.2	14.3
Eurozone					
Government bonds	0.2	5.3	-0.3	1.8	9.4
Corporate bonds (not including financial instruments)	0.7	3.4	0.5	0.8	0.9
Shares[3]					
S&P 500	19.1	4.9	15.8	5.5	-37.0
DJ STOXX	20.8	26.7	20.8	2.4	-43.8
DAX	22.0	27.1	22.0	22.3	-40.4

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

Financial crisis makes DAX plummet

-40.4%

was an average 7.8 percent in 2008. The German industry started the year with well filled order books. Real incomes were initially affected by high inflation rates of an average 2.8 percent as a result of the rise in oil prices. In the second half of the year, the economic climate turned markedly dimmer amid a weakening global economy and dysfunctions in the money and credit markets.

Financial markets

In the course of 2008, stock markets worldwide suffered massive losses. Early in the year a moderate slowdown had still been expected for economic activities. With the financial crisis aggravating and the U.S. economy deteriorating, the pressure on stock markets increased. Following the collapse of the U.S. investment bank Lehman Brothers, stock markets witnessed a sell-off in October. Massive rate-cuts by central banks and the announcement of stimulus packages helped to stabilize sentiment at a low level. Amid extreme uncertainty, volatility rose to record levels. Over the year German shares lost 40 percent in value.

Inflation worries as a result of rising oil prices affected bond markets well into the summer. In June, and despite resolute rate cuts by the Federal Reserve, the yield of 10-year U.S. treasury bonds rose to a peak level of 4.07 percent. In the second half of the year, worries focussed on the economic development and on speculations regarding a slide of leading industrial countries into deflation, i.e. the downward spiral of reducing incomes and loans followed by the corresponding price decreases. In addition, government bonds appeared to be a safe haven in times of turmoil. At year-end, the yield of 10-year government bonds reached a record low of 2.06 percent in the U.S. and 2.92 percent in the eurozone. Despite comprehensive measures taken by the central banks and loan guarantees from governments it was not possible to restore confidence, especially between the banks, and to eliminate dislocations in the money market. The premiums for non-collateralized loans of financial institutions continue to be higher than those of non-financial institutions.

Insurance industry and financial services sector

- In 2008 the German insurance industry witnessed a growth of 1.0 percent in terms of premium income.
- The life and health insurers again made a major contribution to market growth while the property and casualty insurers merely achieved growth rates slightly exceeding the previous year's level.
- The financial crisis and the economic crisis becoming evident in the second half of the year have not yet had a major impact on premium income.

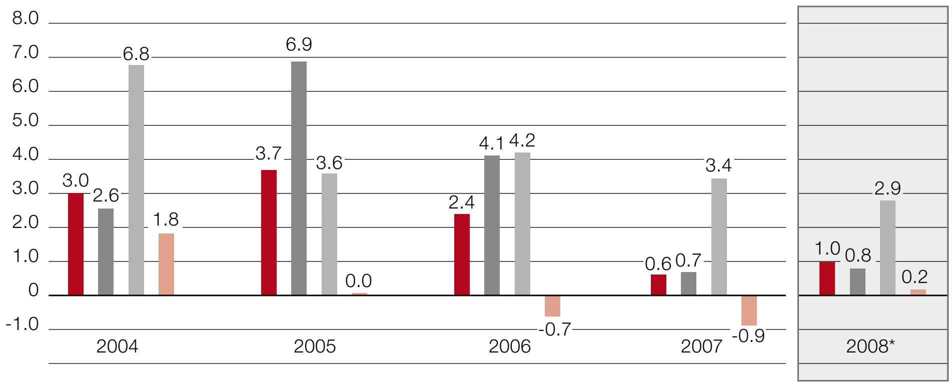
In the business year 2008 the German insurance industry witnessed a slight improvement of premium growth compared to the previous year. The market, however, hardly benefited from the positive economic sentiment still prevailing at the beginning of the year. Besides, insurance business continued to be constrained by a number of features specific to the industry. These included rising competitive pressure, the high degree of market penetration in some areas and the impact of a changed legal environment. While – supported by the premium development in life and health insurance – premium income continued to rise in 2008, decreasing premium rates and intensive price competition in property and casualty insurance again had a curbing impact. According to first estimates, the 468 member companies of the German Insurance Association (Gesamtverband der Deutschen Versicherungswirtschaft e.V. – GDV) experienced growth of about 1.0 percent. This is above the previous year's level of 0.6 percent. The total premium income across all lines and classes of business amounted to approx. € 164.5 bn (previous year: 162.9 bn). The GDV proceeds from the assumption that the financial crisis and the recession setting in towards the end of the year have not yet had a noticeable impact on the premium income of 2008.

The development in the industry was primarily supported by the life and health insurers. Life insurers in Germany achieved a premium growth of 0.8 percent to € 79.6 bn (previous year: 79.0 bn). New business witnessed an unabated trend away from classical endowment to pension products. At the same time, there was a rising share of single-premium business dominated by policies with immediate annuities, on the one hand, and comprehensive covers for the financing of employer obligations in corporate pension business, on the other hand. Life new business as a whole – without pension schemes and pension funds – saw a strong growth of approx. 7.2 percent (previous year: -1.7 percent) in terms of regular premiums and about 4.0 percent (previous year: 3.0 percent) in terms of single premiums. A major contribution to this positive development was made by Riester new business and by the coming into force of the last Riester incentive step. As a whole, about 1.6 million (previous year: 2.1 million) Riester contracts qualifying for state incentives were concluded. The portfolio of Riester policies taken out across the market has meanwhile reached approximately 10 million contracts. The business of pension schemes and pension funds, however, witnessed a substantial decline in business. Their premium income dropped by 7.1 percent from the previous year's level to € 3.3 bn.

The premium development in private health insurance was primarily marked by the changes of the political environment under the healthcare reform. Private health covers have certainly become much more attractive in the wake of benefit cuts of public health funds, but simultaneously political restrictions have made access to private health insurance more difficult. In the year under report, private health insurance witnessed a 2.9 percent growth to € 30.3 bn (previous year: 29.5 bn). This growth is rather attrib-

Premium growth of the German insurance industry by lines of business 2004–2008

Figures in %



Source: GDV

* preliminary figures
including pension schemes and pension funds

Private health insurers reached highest premium growth in the German insurance industry in 2008

+2.9%

2008 premium income of the German insurance industry by lines of business

	Premium income € bn	Change over prev. year %
Life insurance	**79.6**	**0.8**
Private health insurance	**30.3**	**2.9**
Property and casualty insurance*	**54.6**	**0.2**
Motor insurance	20.4	-2.0
Property insurance for retail customers	7.6	5.0
General liability insurance	6.8	0.0
Personal accident insurance	6.4	1.0
Legal expenses insurance	3.2	1.5
Other classes	10.3	0.5
Total insurance	**164.5**	**1.0**

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

Source: GDV and company calculations

German life insurers only saw slight increase in premium income

€ 79.6 bn

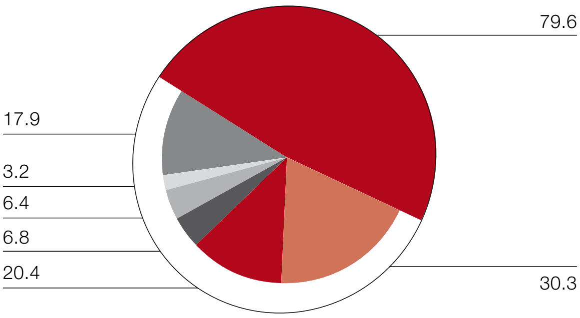
utable to an increasing level of benefits leading to the corresponding premium adjustments than to a rise in net new business. Out of the € 30.3 bn of gross premiums written in 2008, about 28.4 bn (previous year: 27.6 bn) were attributable to full and supplementary covers. The number of persons with full health covers only increased marginally over the previous year's level (8.6 million), while the number of newly concluded supplementary covers continued to rise substantially. By year-end 2008 nearly 21 million persons (previous year: 19.8 million) had taken out supplementary private insurance in addition to their statutory cover in a public health fund.

Property and casualty insurance has been stagnating for years. After the slightly negative growth trends of previous years, the segment again reached a small premium growth of 0.2 percent in 2008. Given the difficult market situation in motor insurance it is, however, not possible to speak of a reversal of the trend. The total premium income in this segment rose to € 54.6 bn (previous year: 54.5 bn).

Premium income in motor insurance dropped by 2.0 percent and witnessed its fourth consecutive year of decrease. The negative development was reinforced by portfolio business changing over to categories with higher non-claims bonuses and to more favourably priced tariffs. General liability insurance stagnated (previous year: -0.8 percent). The other classes of business – with the exception of industrial and marine business – achieved premium growth. Personal accident insurance grew by 1.0 percent (previous year: 1.2 percent). Property insurance for retail customers rose by 5.0 percent, of which homeowners insurance witnessed a growth of 7.0 percent (previous year: 1.7 percent) and legal expenses insurance increased by 1.5 percent (previous year: 3.0 percent).

2008 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**

-2.0%

Motor insurance again witnessed decline in premium income

In the year under report, business activities in the building-society sector became substantially more dynamic. Besides the fact that the financial crisis is likely to have made building-society contracts more attractive, the market also benefited from the abolition of previously granted state incentives for residential housing construction at year-end 2008. Many customers took out contracts last year in order to ensure they still receive these incentives in the coming years. Another reason for the increasing number of contracts taken out towards the end of the year is the new type of Riester incentive granted for residential housing which has the function of a provision for old-age, similar to the Riester pension.

As a whole, the new business submitted of private-sector building societies in Germany increased by about 560,000 to more than 2,700,000 contracts in the year under report. The target contract sums of that business totalled € 72.2 bn (previous year: 61.9 bn). The new business actually recognized in 2008 increased by approx. 315,000 to over 2,355,000 contracts. Target contract sums rose by € 5.6 bn to 62.4 bn.

The market share of private-sector building societies remains at approximately two thirds. The new savings investments of these companies amounted to € 15.7 bn (previous year: 15.5 bn). Loans paid out to customers rose to € 30.9 bn (previous year: 26.0 bn).

Development focus of the Generali Deutschland Group

- The activities of Generali Deutschland and its Group companies are aimed at reinforcing and further expanding the Group's excellent market position to the benefit of customers and shareholders.
- The basis for the successful development of the Generali Deutschland Group is the diversity of its distribution channels and the concentration on strong brands.
- At the same time, these are the most important factors distinguishing the Group from its competitors.

Successful business model

Strong distribution networks and brands, the concentration on successful business fields with retail customers as well as small to medium-sized commercial clients and an efficient organization are the cornerstones of the business success of the Generali Deutschland Group. The strategic framework of the Group's development consists in combining the advantages of a big unit with those of a broad diversification of distribution channels and strong Group companies operating in the market. In this context, the allocation of roles between Generali Deutschland and the Group companies is clearly defined. Generali Deutschland as the management-holding company determines the Group's strategic development, creates synergies and coordinates business activities. The Group companies have the operating responsibility for customer acquisition, customer retention and customer service and thus they are in particular in charge of their distribution activities and corporate brand. The rendering of important service tasks for the Group is concentrated in the Group's service companies.

The companies in the Group operate with different distribution channels and a differentiated product range especially geared to the various lines of business. Activities focus on consistently exploiting the diversity of sales channels based on a distribution model composed of three pillars. These three pillars are the multi-channel distribution of Generali Versicherungen, AachenMünchener's exclusive distribution through its close strategic partnership with Deutsche Vermögensberatung and direct-selling with CosmosDirekt as the market leader among German direct-selling insurers. Besides, the Group continues to focus on the strength and competency of the specialized companies Advocard, Badenia, Central, Dialog and Generali Investments. The diversity of these company profiles enables the Group to respond to a large variety of customer and market requirements. This means, on the one hand, that the Group has a very broadly based customer access. On the other hand, the creation of harmonized standards in the segments and the strong leadership in the Group through Generali Deutschland as the management-holding company lead to a cost-efficient cooperation within the Group.

Thanks to the integration into the programmes of the Generali Group with its international activities, the companies of the Generali Deutschland Group benefit from the economies of scale involved on an international level. At the same time, they make an important contribution to the success of the international Group by transferring their expertise and by participating in transnational benchmark analyses and the internationalization of important service functions, such as the consolidation of IT activities and the concentration of asset management.

Measures aimed at reaching ambitious targets

Generali Deutschland is very well positioned in its business fields. In the past few years we have experienced a successful development and have meanwhile advanced to position 2 in the German primary insurance market. For the future we have further ambitious targets: as a Group of companies we are set to become number 1 in profitability and distribution strength in the German market for retail customers and small to medium-sized commercial business. In order to reach this challenging goal and to keep raising our Group's competitiveness we continued to enhance our efficiency in the year under report by extensive project activities. The focus was on the merger of the multi-channel insurers Generali and Volksfürsorge into one of the leading insurers in Germany. In addition, activities were implemented with a view to further reinforcing the customer and market proximity of our Group companies and to sustainably increase profitability.

Multi-channel insurers Generali and Volksfürsorge successfully merged

Merger of Generali and Volksfürsorge

With the merger of Generali and Volksfürsorge one of the most important projects of our Group was successfully implemented. The new insurer started its operations in the market on January 1, 2009 under the name "Generali". After the merger, Generali Versicherungen has more than 6 million customers and by far over € 5 bn of premium income and is among the most important companies in the German insurance industry. The registered head office is Munich from where property and casualty insurance is managed. The Hamburg location will in the future be in charge of life insurance business, while Generali at the Frankfurt location will be the controlling unit for corporate pension business.

As a whole, the merger process in the year under report was smooth and constructive. This applies both to the definition and set-up of the business model and to the agreements with the work's councils. Within 15 months only the merger was completed. It is a particular achievement of the project and of the persons involved that distribution results continued to be good in 2008, despite the enormous project efforts. Generali Versicherungen will further enhance these distribution results in the coming years and the company will thus continue its successful course. An excellent basis for this is provided by Generali's multi-channel distribution, which is unique in Germany in its form and set-up comprising traditional fieldstaff network, brokers and bank channel. The traditional fieldstaff organization of Generali is composed of more than 2,000 agencies managed by two head offices and 18 regional offices. In order to maintain the strong distribution power of the Volksfürsorge brand, the previous fieldstaff network of Volksfürsorge was developed into "Volksfürsorge AG Vertriebsgesellschaft für Vorsorge- und Finanzprodukte". Through its 4 fieldstaff head-offices and its approximately 400 distribution and regional offices with about 4,000 employed staff and intermediaries, the company provides advice on and sells the products of the harmonized product portfolio of Volksfürsorge and Generali and further products from our specialist companies Central, Badenia, Advocard and Generali Investments. With their different orientation, the two exclusive sales networks will complement each other in the future and address their various customer groups in a targeted approach. Broker service with its competency in life and property/casualty business will be consolidated in broker sales units at five locations. Decentralized underwriting, the strong point of the former broker organization AMPAS, is also being pursued and further expanded by the new unit. As a further distribution channel, distribution through banks will be continued and developed through the existing partnerships with financial institutions.

Within the scope of the merger of Generali and Volksfürsorge another focus of project work – besides the organization of distribution activities – was IT migration. On the basis of the successful project activities in the year 2008 it was possible to implement important milestones right on target for the launch of the "new" Generali on January 1, 2009. Apart from the harmonized corporate design and the presentation of a uniform target product range, the technical merger of the sales organizations was successfully completed. The start into the year 2009 means a floating transition from a stabilization of the systems towards the project tasks still to be handled in the year 2009.

The merger is an important step towards the optimization of our business model

With the “new” Generali we are taking an important step with a view to optimizing our Group business model. In order to further enhance our competitiveness we have worked on establishing future-oriented and stable structures. The new service companies Generali Deutschland Services GmbH and Generali Deutschland Schadenmanagement GmbH, which were founded in 2007, have been successfully established in the Group. By interacting with the Group companies they make a vital contribution to the Group’s development. These clear and efficient structures put us in the position to jointly respond to the forthcoming challenges.

Successful strategic partnership with Deutsche Vermögensberatung

For more than 30 years, Deutsche Vermögensberatung has been a factor assuring the business success of the Generali Deutschland Group. It has made a vital contribution to the growth capacity of our Group and has for years been the undisputed number 1 of autonomous sales organizations for integrated financial services. At the beginning of 2008 we were very successful in completing the transfer of the fieldstaff organization of AachenMünchener to Allfinanz Deutsche Vermögensberatung. Deutsche Vermögensberatung now has the sole distribution competency for AachenMünchener. The latter concentrates exclusively on the development of attractive and modern products, on an excellent quality of sales support and on first-class customer service. This measure lays the foundation for continuing the outstanding success in the cooperation of the two companies. With more than 1,230 intermediaries, a distribution capacity of about 92 percent of the former sales organization of AachenMünchener changed over to Allfinanz.

In order to further intensify this long-standing and extraordinarily successful partnership, the traditional fieldstaff organization of Deutsche Bausparkasse Badenia was transferred to Deutsche Vermögensberatung in 2008. In August 2008, the about 180 self-employed agents of Badenia received the offer of changing over to Deutsche Vermögensberatung as financial advisors. This provides the agents with the possibility of offering their customers – besides the products of Badenia – the broadly diversified product range of the biggest autonomous sales organization for financial services worldwide, of pursuing its approach in advisory services and of benefiting from its state-of-the art electronic system of information and advice. The merger of the sales networks will lead to additional growth momentum for building-society business and ensure a more comprehensive service for customers. In terms of distribution capacity, nearly 90 percent of the traditional organization decided in favour of a changeover to Deutsche Vermögensberatung. Since October 1, 2008 they have been acting as financial advisors in all issues of asset planning for their customers.

The new Allfinanz Deutsche Vermögensberatung was launched at the beginning of 2008

1,230 intermediaries

The success of Deutsche Vermögensberatung is to a very high extent attributable to the Pohl family and closely linked with the company being managed as a family-led enterprise. We are convinced that these factors are vital for the further successful development of Deutsche Vermögensberatung and they are therefore consistently supported by the Generali Deutschland Group. Against this background the Pohl family, which currently holds somewhat more than 50 percent of the shares of Deutsche Vermögensberatung, has concluded an agreement with Generali Deutschland under which it will further reinforce its investment and increase its stake in the company, through a capital increase, by approximately 10 percentage points to slightly over 60 percent. After these transactions, the Generali Deutschland Group will hold approximately 40 percent and continue to be the sole shareholder partner of the family. The orientation and further development of Deutsche Vermögensberatung as a family-led enterprise has been assured and underpinned by means of this step.

Name change of the Group holding company

At the 2008/2009 turn of the year, the holding company of the Generali Deutschland Group changed its name from "AMB Generali Holding AG" to "Generali Deutschland Holding AG". Simultaneously the names of all service companies of the Group which previously had "AMB Generali" in their name changed their company names, too. As a result of this name change, Generali Deutschland will benefit even more from the name recognition, size and strength of the "Generali" brand of international renown.

Group benefits from name recognition, size and strength of renowned "Generali" brand

With this name change, Generali Deutschland implemented the resolution taken by a majority at the General Meeting of May 6, 2008. The abbreviation "AMB" originally stood for "Aachener und Münchener Beteiligungsgesellschaft". The main reason for dropping this abbreviation is that this name no longer corresponds to the current structure of the Group. Another motive are the brand management and the reinforcement of the "Generali" brand in Germany.

Development focus in the business fields

Life insurance

The Generali Deutschland Group holds one of the top positions in life business in the German insurance industry. Especially in the business fields of private provision for old age, which require intensive customer advice, we are among the market leaders. With regard to the so-called Riester pension and in basic pension business we have top rankings in market comparisons.

The vast majority of our Riester customers – nearly 80 percent – accepted the fourth Riester increase step in the course of the year. With this step, 4 percent (previously 3 percent) of the gross net income of a person are now eligible for incentives. Accordingly, the premiums under the Riester policies of the Generali Deutschland Group increased by a total of about 36 percent. This high degree of acceptance shows that there is a growing awareness among the population of the need to provide for old age on an individual basis.

Market leadership maintained in Riester pensions

1.64 m Riester contracts

Last year our life insurers developed innovative unit-liked Riester tariffs which provide for markedly higher yield opportunities on the basis of a dynamic investment and which at the same time are also attractive for our safety-oriented customers. These innovations have made a substantial contribution to the production of a total of more than 351,000 new Riester policies in the year 2008. Approximately 70,000 of our existing Riester customers decided to change over to the new attractive Riester tariff. As at December 31, 2008 the portfolio of sold Riester policies had risen to 1.64 m contracts.

We also continue to witness strong demand for basic pensions. We offer these as traditional and unit-linked products. Across the Group, close to 63,000 basic pension contracts with a regular annual premium of about € 117.0 m were produced. In our portfolio we thus have nearly 170,000 basic pension contracts representing more than € 278 m in terms of regular annual premiums.

Since July 1, 2008, Generali Lebensversicherung has been offering a new and comprehensive product of provision and finance for the target group of persons over 50 years of age. The concept follows an integrated consulting approach developed in an international cooperation within the Generali Group for the so-called third age. The approach comprises an extensive analysis of requirements across lines of business and consists of cover modules which can be chosen individually. The core products have the purpose of safeguarding the standard of living after retirement. In addition, they provide complementary cover for illness, after accidents or for long-term care and give direct support by means of assistance services, including a personal health manager. Generali is thus breaking new ground in this market. Right with the merger of Generali and Volksfürsorge the product was also made available to the former traditional fieldstaff network of Volksfürsorge now operating in the market as Volksfürsorge Vertriebsgesellschaft. In the coming years the innovative solutions of this model will be further extended.

In the year 2008 we were able to maintain our leading position in covering biometric risks by appropriate term life and occupational disability products. We responded to individual customer requirements with flexible products in order to generate additional growth opportunities in attractive customer segments.

Health insurance

In the year under report the market of private health insurance continued to be substantially influenced by the healthcare reform. On January 1, 2009 a basic tariff, under which applicants have to be accepted by insurers, was introduced in the market. The type and extent of this tariff – against which constitutional complaints are still pending – is comparable to the cover provided by public health funds. Simultaneously with the launch of the basic tariff, new rules regarding the changeover within the private health insurance market came into force which allow customers to take their ageing provisions with them when changing over to a different provider of private health insurance covers.

The legal amendments having come into force on January 1, 2009 lead to keener competition in health insurance. Due to its multi-channel distribution focussed on intensive advice to customers, Central is one of the few private health insurers to nevertheless achieve substantial growth in new business in 2008. In this context, our health company benefited from measures initiated at an early stage with a view to extending and improving distribution processes. Furthermore, the product portfolio has been expanded and geared even more closely to the requirements of customers. The numerous activities to optimize service processes also made a substantial contribution to this successful development. In order to further increase the number of its customers and to enhance customer loyalty, Central is reinforcing its brand profile and will continue to position itself in the market as a healthcare specialist in the future.

Since 2004 public health funds and private health insurers have been allowed to cooperate. Since then Generali Deutschland has been operating in the cooperation market with its specialized insurer Envivas. The cooperation partner is Techniker Krankenkasse (TK), the leading public health fund in Germany which has for years been distinguishing itself by a strong growth in membership, good service and high customer satisfaction. Envivas offers supplementary covers to the members of TK in line with their requirements and ideally completing their insurance under the public scheme. With its broad range of products and individual tariffs Envivas is well positioned in the market. Under the cooperation with TK, Envivas had won more than 210,000 customers by year-end 2008.

The Group's health insurers again achieved substantially stronger growth than the market

Property and casualty insurance

The property and casualty insurers of the Generali Deutschland Group gear their activities and products directly to the requirements of their customers. The distribution and company resources are consistently directed to those areas which help us to achieve our ambitious targets. And we do this successfully: in the year under report we again reached growth above the market average.

Retail business in property and casualty insurance continues to be characterized by two developments: on the one hand, consumers are becoming increasingly price sensitive not only in motor business but in the non-motor lines, too. On the other hand, competition among insurers is becoming fiercer as a result of market saturation and a shrinking potential for new business. We take this into account, among others, by means of new tariffs in the retail lines of business. The enhancement of our product range is a continuous process by which we wish to respond even better to customer requirements as a means of distinguishing ourselves from the market.

With a view to further strengthening our market position in motor insurance, we are substantially expanding garage management. Within the scope of a cooperation, our insurers will extend their network of 300 partner garages to 1,200 in the year 2009. For this purpose we are cooperating with HUK-Coburg which, as a service provider, will be in charge of developing and assuring the quality of an efficient garage network. Thereby the Generali Deutschland Group gains access to a nation-wide network of partner garages and is thus in a position to offer its customers an even more attractive service with regard to their motor insurance. The strategic partnership of the two insurance groups refers exclusively to network management, i.e. assuring defined quality and service standards for repairs and negotiating purchasing conditions with the garages. The companies of our Group will remain the sole contacts for customers and claimants. Apart from this, the motor insurers will continue to operate in the market independently as competitors. The approximately three million motor customers of the Generali Deutschland Group will benefit from the cooperation thanks to the many advantages provided by the garage network with the best nation-wide territorial coverage in Germany. On the one hand, the cost advantages involved in the cooperation with this big and efficient partner network will be passed on to our customers in the form of attractive insurance premiums. At the same time, our customers have access to a comprehensive offer of repair services. The satisfaction of our customers with the services provided by the garages will be regularly monitored in the future.

1,200 garages

We are expanding our network of partner garages to reinforce our market position

In property and casualty insurance we respond to our customers' requirements of comprehensive cover by developing assistance modules for our products. The householders insurance of AachenMünchener and Generali has thus been complemented with an assistance package for residential property which provides policyholders with important organizational services in the case of a claim and under which the costs for specific assistance services are assumed. As far as personal accident insurance is concerned, AachenMünchener and Generali together revised their accident assistance package and made it more attractive for customers. The accident manager as a means of extensive assistance for persons injured in an accident has now also been introduced by AachenMünchener within the scope of a product overhaul. In addition we have modified successful products, such as the combined "Vermögenssicherungspolice" for retail customers, and adjusted them even more to the requirements of sales networks and market developments. In addition, we are working across the Group on an enhancement of our liability products for corporate clients. In the first half of 2009 we will launch a totally overhauled product range in the market which will encompass a further enhanced insurance cover and represent an optimum adjustment to the changed market environment.

By developing new assistance modules we respond to customer requirements of comprehensive cover

Law on VVG reform

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 in 2008. The most important features of the reform were, among others, 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 and personal accident insurance with a premium refund, new rules were introduced regarding the participation of policyholders in valuation reserves. In the future, our customers will participate in the hidden reserves of the investments attributable to their contract upon expiry or retirement.

In the year under report, the reform had a noticeable influence on business operations in the various lines of business. Ahead of the introduction of the new VVG, our insurance companies concentrated on adjusting the complete product range to the new requirements and on implementing the revised product world for new customers. We thus fully complied with the rules applicable as from January 1, 2008 primarily for new business. After the coming into force of the new VVG, the focus of our activities was on informing our existing customers. Within the scope of a concerted campaign, letters were sent with comprehensive information about the innovations involved in the reform and which starting from the beginning of the year are also applicable to business in force.

Another focus of our work referred to the implementation of requirements under the Decree on Information Duties which came into force in the closed business year. Primarily this decree indicates what consumer information has to be handed out to policyholders in time before they submit their proposal form. Right on July 1, 2008 our insurance companies had implemented the requirements of the Decree on Information Duties and introduced the necessary individualized product-information sheets for our customers in all lines and for all distribution channels. The disclosure of acquisition costs and management expenses included in premium calculation has thus also been implemented. The information is now handed out, together with proposal documents and folders, before customers submit their proposal forms.

The requirements of the Decree on Information Duties were fully implemented on time

Deutsche Bausparkasse Badenia

The cooperation between the companies of the Generali Deutschland Group is an important basis for customer loyalty across the Group. With the completion of its product range by including the financing of residential property and certified products for residential property as a product of old-age provision, Badenia has become the specialist for old-age provision in the form of residential property for the entire Generali Deutschland Group. With its financial products referring to property, the company completes the product range of the Group's distribution networks.

Apart from the transfer of Badenia's traditional fieldstaff network into Deutsche Vermögensberatung already described above, the "ELSE" project continued to be in focus of the company's activities in 2008. "ELSE", an abbreviation consisting of the first letters of the German adjectives Einfach (simple), Leistungsstark (strongly performant), Schnell (fast) as well as Ertragsorientiert (profitability-oriented), concentrates on the automation of many work processes in the building society and is of substantial importance for the company. The target is to substantially expedite the handling of transactions for intermediaries and administrative staff. The project activities focus on interlinking and enhancing loan processes. In order to respond to the requirements of a fast granting of loans, loan processes are accelerated considerably, among others by an automated preliminary checking of loans and by a fully automated calculation of the property value to be used as collateral.

Deutsche Bausparkasse Badenia is the Generali Deutschland Group's specialist for residential property as a provision for old age

Badenia continued to further optimize its building society tariff and introduced an enhanced version of its Via Badenia 06 ClassicFinanz product in May 2008. Since that date, customers have been granted an additional interest, besides the basic interest, of 300% of the credit interest earned until loan allocation or up to a duration of a maximum of 15 years. The credit interest rate may thus rise to up to 3.80 percent in nominal terms.

In the year under report the Act on Residential Property as a means of Retirement Provision was passed with retroactive effect from January 1, 2008. Badenia responded to this legislative initiative at an early stage and was one of the first building societies to offer certified products qualifying for Riester incentives starting from November 2008. These products include the building-society contract Via Badenia R and the property loan R. The features of these two products are oriented at the existing products and were extended to fulfil the requirements of the Act on Residential Property as a means of Retirement Provision.

Reinsurance

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

97%

The Group's retention is far above the market average

Property management

As asset manager for the property asset class, Generali Deutschland Immobilien has been pushing the consistent implementation of the Generali Deutschland Group's portfolio strategy referring to real estate. The international diversification of the property portfolio through indirect investments was further pursued. In addition, Generali Deutschland Immobilien as the specialist for the German property market assists the Generali Group in the acquisition of German property for international portfolios. With a view to supporting portfolio management, the existing IT systems have been enlarged to include indirect property investments and the risk-management systems have been extended.

Within the German property portfolio, Generali Deutschland Immobilien concentrates on more broadly based value creation by means of selective product development and active asset management. With a view to cost optimization, new tender invitations were made regarding the services of property and facility management and new orders were placed. At the same time, customer management was enhanced and stronger tenant retention was improved.

Optimization of business processes and operations

In the closed business year we continued to push the harmonization and optimization of our business processes. At Group level, the activities within the scope of our AGIL (Advanced Generali Improvement Levers) methodology were intensified with the target of enhacing QUALIFICIENCY (quality and efficiency). The focus of activities in this context was on the training of managers and staff in line with this methodology certified by the Technical Inspection Agency TÜV. As a whole, approximately 130 optimization projects have meanwhile been initiated in the Generali Deutschland Group, of which more than 50 had been completed by year-end 2008.

An important basis for continuous process enhancement was also provided by Group benchmarking with the target of cost optimization. Beyond this, towards year-end 2008 we started to implement the "Net Promotor Score Index" in the Group companies to provide customer-oriented momentum. This index measures the probability of customers recommending our Group companies to others.

The activities within the Group project of standard customer services aiming to raise the automation degree in operational areas were largely completed.

Restructuring of locations

In the wake of our plans for the restructuring of locations within the Generali Deutschland Group we will transfer the Group's head office to Cologne in the course of the year 2009. In the future, the Group companies Generali Deutschland Immobilien and Generali Investments will also operate from that location.

Business development of the Generali Deutschland Group

- The 2008 earnings of the Generali Deutschland Group were substantially influenced by the capital-market crisis.
- Following significant write-downs on financial-market instruments, the Group net profit as at December 31, 2008 dropped from € 499 m to 4 m.
- In insurance business, the Group again achieved considerably stronger growth than the market. This development was in particular supported by life and health insurance.

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 Generali Deutschland 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 the year under report, the entire financial services industry had to cope with a difficult environment as a consequence of the financial market crisis. Contrary to many banks, the insurers of the Generali Deutschland Group were not affected by a liquidity squeeze, but the repercussions of the crisis are nevertheless reflected in net investment income. This shows that despite comprehensive countermeasures, big investors can hardly avoid the repercussions of such a far-reaching global crisis. Following a rising need for safety on behalf of consumers and thanks to the strong advisory capacity of our fieldstaff networks, the Generali Deutschland Group was again able to achieve a better development than the market in 2008 and to grow substantially both in new business and in total premiums across all segments.

As at December 31, 2008 the consolidated net profit of the Generali Deutschland Group decreased to € 4 m (previous year: 499 m). In the previous year we had an extraordinary income of € 82 m from the tax-rate change having become effective on January 1, 2008 and an income from the contribution of the German asset-management unit into Generali Investments S.p.A., Trieste. The decline is, however, primarily attributable to net investment income. Despite a decrease in the percentage of equities within our Group’s investments, a substantial amount of write-downs had to be absorbed. The negative impact on results caused by the turmoil in capital markets amounts to € -481 m. The 2008 result was also affected by the expenditure for measures initiated to sustainably increase and safeguard our competitiveness and distribution strength. In particular, there was the expenditure involved in merging Generali and Volksfürsorge. On the other hand, the decrease in the Group net profit was mitigated by reduced allocations

Group earnings affected by financial crisis

€ 4 m

to risk provisions in the financial services segment and a lower tax charge.

In terms of new business, the full year 2008 was extraordinarily positive for the Generali Deutschland Group. The major part of our new business growth in life sub-segment was attributable to the strong market position in Riester business. Our health insurers were extremely successful in achieving considerable growth in new business. Given the difficult market environment ahead of the changes under the healthcare reform coming into force at the beginning of 2009, this development is particularly positive. The number of persons with full health covers and of those with supplementary covers both increased substantially. Our property and casualty insurers, too, reached growth above the market average despite a highly saturated market.

While according to the prognoses of the German Insurance Association (GDV) it is to be assumed that premium income in the market will grow by 1.0 percent, the total premiums of the Generali Deutschland Group rose by 3.4 percent to € 14,240 m compared to the previous year. This development was primarily supported by our life and health insurers. In the life sub-segment, total premiums rose by 3.8 percent to € 9,332 m, in the

Above-average growth rates achieved in all insurance segments

health sub-segment even by 5.9 percent to € 1,845 m. In the period under report the savings portions of the life insurance products concerned witnessed a much stronger increase than the premiums under traditional life insurance products. This is primarily attributable to the rising share of unit-linked and Riester products within our Group's portfolio of business in force. Therefore, in the life sub-segment the gross premiums written as defined under IFRS accounting saw a weaker growth to € 7,000 m, up from 6,991 m in the previous year. Despite high competitive pressure, the gross premiums written in the property and casualty segment increased by € 24 m to 3,063 m.

All over the business year 2008 the development of capital markets was determined by the persistent financial crisis, which escalated in the second half of the year, accompanied by an economic slowdown worldwide. In the course of the year, stock-market prices witnessed several new lows. With regard to fixed-income securities, the prices of first-class government bonds increased strongly towards the end of the year, while some corporate bonds quoted at a markedly weaker level as a result of credit spreads reaching historical highs.

Growth of total premiums markedly above average in the industry

Total premiums rose to € 14.2 bn – gross premiums written increased to € 11.9 bn

Despite its rather defensive investment policy, the Generali Deutschland Group, as a big market participant, was also affected by this turmoil. We had to make massive write-downs, in particular for shares. Besides, the level of realized capital gains was far below the good result achieved in the previous year. The amount of ordinary investment income (net), which rose by € 120 m to 3,487 m, and the positive income from hedging transactions were by far insufficient to compensate these developments. As a whole, the investment income (net) dropped from € 3,684 m to 858 m.

In an environment characterized by great uncertainty we reduced our equity portfolios and at the same time increased our hedging ratio markedly. With regard to fixed-income investments we also acted very prudently in the second half of the year rather raising liquidity instead.

The financing sources of the Generali Deutschland Group include first of all the Group equity capital, the components of which are indicated and explained on p. 88. In addition to the equity capital shown, another important capital element are the underwriting provisions because of the premium payments received in advance and the process of capital accumulation in life insurance. Furthermore, the capital structure of an insurance company also includes the free provision for premium refunds of the life insurers, which comprises the profit bonuses not yet allocated and serves as a cushion for equalizing the annual profit bonus. In the Group, debt capital in the classical sense – apart from the loan for financing the acquisition of stakes in Central – only exists in Deutsche Bausparkasse Badenia in the form of the take-up of loans as is common practice in the building-society market.

Overall business

	2008 € m	2007 € m
Total premiums[1]	14,240	13,768
Gross premiums written	11,908	11,771
Investment income (net)	858	3,684
Ordinary investment income (net)	3,487	3,367
Claims and benefits (net)	-9,083	-11,835
Operating expenses (net)	-2,621	-2,101
Expense ratio in %	18.7	15.5
Earnings before tax and finance costs	-4	627
Finance costs	-17	-18
Tax	25	-110
Net profit[2]	4	499
of which attributable to the Group[3]	2	498
of which attributable to minority interests	2	1
Net profit without extraordinary item due to tax-rate change in previous year	4	417

	2008 € m	2007 € m
Investments[4]	83,550	87,229
Assets under management[4]	84,973	86,806
Equity	3,753	4,144
Unrealized capital gains not recognized in income[2,5]	269	473
Underwriting provisions[4]	81,254	84,029

Increase in total premiums over previous year:

+3.4%

1 before deduction of savings portions included in premiums
2 including minority interests
3 corresponds to the line item on the Income Statement “of which attributable to the equity holders of the parent”
4 including amounts attributable to unit-linked insurance
5 after deduction of deferred tax and deferred expenditure for premium refunds

The unrealized capital gains shown in the revaluation reserve amount to € 269 m (previous year: 473 m) and reflect the contrasting developments of stock and bond markets. While the reserves referring to equities dropped significantly despite the write-downs made, the reserves for bonds rose steeply towards the end of the year.

The drop in net investment income was the reason for the significant reduction of premium refunds in the life and health segment. While in the health sub-segment benefits only decreased by € 56 m to 1,690 m, they dropped by € 2,698 m to 5,463 m in the life sub-segment. Claims payments in the property and casualty segment amounted to € 1,930 m, which is nearly the same level as in the business year 2007.

In the business year under report we witnessed a noticeable rise of operating expenses from € 2,101 m to 2,621 m. This increase was attributable to the regular true-up of parameters for the calculation of deferred acquisition costs in the life sub-segment. In the property and casualty segment expenses decreased slightly to € 891 m (previous year: 894 m). In line with the strong expansion of business volume, the operating expenses of the health insurance companies rose by € 13 m to 217 m. As a whole, the expense ratio increased from 15.5 to 18.7 percent. This rise is primarily due to the impact in the life sub-segment described above. Regular personnel and material costs were further reduced despite an above-average premium growth.

Assets under management:

€ 85.0 bn

Assets under management

	Carrying amount 2008 € m	Fair value 2008 € m	Carrying amount 2007 € m	Fair value 2007 € m
Land and buildings	2,285	2,495	2,124	2,343
Shares in associated enterprises	526	526	318	318
Loans and receivables	41,141	41,686	37,701	36,524
Financial assets available for sale	31,173	31,173	36,521	36,521
Financial assets at fair value through profit or loss	1,062	1,062	937	937
Investments	**76,188**	**76,942**	**77,601**	**76,642**
Investments of unit-linked insurance		7,362		9,628
Current-account balances with credit institutions, cheques, cash in hand		669		536
Assets under management		**84,973**		**86,806**

The other income and expenditure deteriorated from € -545 m to -759 m. This decrease is primarily due to the fact that in the previous year there was the impact from the contribution of the German asset management unit into the international company Generali Investments S.p.A., Trieste, in the financial services segment. Another major reason are various expenses for the initiated measures to sustainably increase and ensure our competitiveness and distribution strength. On the other hand, there was the positive impact of a marked reduction of risk provisions in the financial services segment.

The Generali Deutschland Group closed the business year 2008 with earnings before tax and finance costs of € -4 m (previous year: 627 m). This negative result is primarily attributable to steeply plunging stock-market prices and the ensuing write-downs on shares. The decline in earnings before tax and finance cost and a tax income for previous years led to a tax income of € 25 m (previous year: tax charge of € 110 m). After tax and finance costs, the Group net profit amounted to € 4 m.

Life and health insurance segment

Life

In the business year 2008, we were able to substantially increase life new business despite the difficult market environment. As a whole, net new business rose by € 211 m to 2,174 m. This equals a 10.8 percent growth and is noticeably higher than the comparable market growth of 3.1 percent. Even excluding the so-called Riester incentive step, the new business growth of our life insurers of 3.9 percent was above the growth achieved by competitors. In terms of sums insured, the portfolio of business in force increased from € 389,010 m to 403,849 m.

Besides the rise due to the 4th Riester incentive step, the distribution success of the new product “RiesterPension Strategy No. 1” of AachenMünchener Lebensversicherung AG launched at year-end 2007 contributed substantially to the new business growth in terms of regular annual premiums by € 118 m to 1,100 m. The rise in new business in terms of single premiums by € 93 m to 1,074 m, too, was attributable to a non negligible extent to this innovative Riester product. Since a changeover from the existing to the new tariff is also attractive for existing customers, transfers of the capital already accumulated under old contracts represented an amount of € 157 m recognized under new business in terms of single premiums.

The total premiums of direct business rose by 3.3 percent from the previous year’s level to € 9,362 m. The market only achieved a premium growth of 0.8 percent in 2008. Gross premiums written decreased by 0.6 percent to € 7,030 m. The reason for this was the rising share of life policies for which gross premiums written are recognized after the deduction of sav-

Life insurance

	2008 €m	2007 €m
New business in terms of regular annual premiums	1,100	982
New business in terms of single premiums	1,074	981
Portfolio in terms of sums insured	403,849	389,010
Total premiums[1]	9,362	9,067
Gross premiums written[2]	7,030	7,070
Regular premiums	6,403	6,408
Single premiums	627	662
Investment income (net)	542	2,847
Ordinary investment income (net)	2,687	2,601
Claims and benefits (net)	-5,490	-8,240
Operating expenses (net)	-1,523	-1,027
Expense ratio in %	16.6	11.5
Earnings before tax and finance costs	-39	201
Tax	39	-67
Net profit[3]	0	134
	2008 €m	**2007 €m**
Investments[4]	65,881	69,453
Unrealized gains not recognized in income[3,5]	142	299
Underwriting provisions[4]	69,148	72,379

1 before deduction of savings portions and of premiums of investment contracts
2 in the business year, including € 1 m of premiums from assumed reinsurance business
3 including minority interests
4 including amounts attributable to unit-linked insurance
5 after deduction of deferred tax and deferred expenditure for premium refunds

Total premiums of direct business:

+3.3%

ings portions in compliance with international accounting standards. As a result of our over-proportionate share of Riester and unit-linked policies, this impact is stronger for our life insurers than for the average of the market.

New business growth of 10.8% for the Group's life insurers

As a result of the financial market crisis, the investment income (net) decreased by € 2,305 m to 542 m. This was primarily attributable to a high level of write-downs on securities. Due to the adverse capital-market development realized capital gains, in particular from shares, and the unrealized gains from unit-linked policies decreased. On the other hand, a positive development was witnessed by ordinary investment income (net), which rose from € 2,601 m to 2,687 m, and by the unrealized gains from forward purchases.

The reduction of the revaluation reserve from € 299 m to 142 m was attributable to the decline of share prices. Despite the high level of write-downs and price gains under fixed-income securities it was not possible to compensate this decrease.

In line with the development of net investment income, the expenditure for premium refunds also dropped and the level of benefits (net) thus reduced substantially by € 2,750 m to 5,490 m.

Health insurance

	2008 €m	2007 €m
Gross premiums written	1,845	1,741
Investment income (net)	105	293
Ordinary investment income (net)	322	292
Claims and benefits (net)	-1,690	-1,746
Claims ratio in %	57.5	55.5
Operating expenses (net)	-220	-206
Expense ratio in %	11.9	11.8
Combined ratio in %	69.4	67.3
Earnings before tax and finance costs	19	67
Finance costs	-16	-16
Tax	-8	-7
Net profit/loss[1]	-5	44

	2008 €m	2007 €m
Investments	7,497	7,222
Unrealized capital gains not recognized in income[1,2]	20	33
Underwriting provisions	8,131	7,547

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

Increase in gross premiums written:

+5.9%

Operating expenses (net) increased from € 1,027 m to 1,523 m. This was primarily attributable to the regular true-up of parameters for determining deferred acquisition costs. As a result, the expense ratio increased from 11.5 to 16.6 percent.

The expenditure for measures aiming at sustainably ensuring and reinforcing our competitiveness and distribution strength was the main factor for the deterioration of our other income and expenditure by € 188 m. The rise of interest allocations to pension provisions involved a further adverse impact. As a whole, the other income and expenditure reduced to € -368 m.

The earnings before tax and finance costs were substantially affected by the high amount of depreciation in the wake of the financial market crisis. They dropped to € -39 m (previous year: 201 m). The tax charge reduced by € 106 m and led to an income of € 39 m. Apart from the decrease in earnings, this was primarily due to tax relief for previous years. The net profit after tax in the life sub-segment amounted to € 0 (previous year: 134 m).

Health

In the year 2008, private health insurance witnessed a moderate development across the market. This is primarily attributable to the three-year waiting period introduced in 2007 and the changes which came into force on January 1, 2009 within the scope of the healthcare reform.

New business growth of 28.5% in health insurance

Our health insurers, however, succeeded in distinguishing themselves positively from this trend and expanded their market share noticeably. Gross premiums written rose by 5.9 percent to € 1,845 m. This is twice the rate of the market which expects growth of 2.9 percent.

Besides premium adjustments in the wake of higher healthcare expenses, this was also due to the extraordinarily positive development of new business. Especially in the highly competitive market of full health covers the number of insured persons increased substantially. As a whole, our health insurers witnessed new business growth of 28.5 percent.

The massive downturn in financial markets required substantially higher write-downs, in particular on dividend-bearing securities. In addition, the level of realized gains reduced despite higher gains from hedging transactions. Although the unrealized gains from derivatives and forward contracts increased, investment income (net) as a whole contracted by € 188 m to 105 m. This comprises the improvement of regular investment income by € 30 m to 322 m due to higher interest and dividend payments.

The revaluation reserve, which over the year reduced by € 13 m to 20 m, reflects the contrasting performance of stock and bond markets. Rising bond prices, however, were not able to fully compensate the negative performance of equities.

The development of claims and benefits was largely determined by the provision for premium refunds. Following the steep decline in net investment income, the allocation to this provision reduced substantially.

On the other hand, claims expenditure increased in line with the general expansion of business. In particular the sharp rise in benefits for out-patient treatment led to an increase of the claims ratio. As at December 31, 2008 that ratio was 57.5 percent, up from 55.5 percent in the previous year.

As a whole, the total amount of claims and benefits was € 1,690 m (previous year: 1,746 m).

The rise in operating expenses by € 14 m to 220 m was in line with the general expansion of business. The expense ratio of 11.9 percent thus remained nearly constant compared to the previous year (11.8 percent).

As a result of the marked rise of the claims ratio, the combined ratio of claims and expenses increased by 2.1 percentage points to 69.4 percent.

In the previous year, the tax-rate change within the scope of the corporate tax reform led to an extraordinary tax income. As a result, and despite the lower level of earnings before tax and finance costs, the tax charge of the business year increased from € 7 m to 8 m. After the deduction of finance costs of € 16 m, the net loss of the health sub-segment amounted to € -5 m (previous year: profit of 44 m).

Property and casualty insurance segment

Despite the difficult economic environment in general and the high degree of market saturation in property and casualty insurance, the Generali Deutschland Group was able to increase its gross premiums written in direct business by 0.8 percent to € 3,057 m. This is above the full-year growth expectation of 0.2 percent for the insurance market. Including the premiums of assumed reinsurance business, gross premiums written increased by € 24 m to 3,063 m. Earned premiums rose by € 29 m to 2,990 m.

The net claims expenditure increased by € 4 m to 1,924 m and thus remained relatively constant compared to the previous year. Claims and benefits rose by € 2 m to 1,930 m. Following the growth of premium income and the improvement of the result from assumed reinsurance business compared to the previous year, the net claims ratio dropped from 64.9 to 64.3 percent. A further positive impact in 2008 was the decrease of claims settlement expenses which were, among others, the result of our reorganization and the ensuing cost cuts in claims management. For the coming years we expect the claims ratio to rise slightly.

Operating expenses reduced by € 3 m to 899 m while at the same time business was expanded. This was achieved by our measures aimed at enhancing our competitiveness. The expense ratio dropped from 30.4 percent in the year 2007 to 30.1 percent. The combined ratio of claims and expenses was 94.4 percent (previous year: 95.3 percent).

Due to a high level of write-downs on securities and lower realized capital gains from shares, the investment income (net) fell substantially by € 346 m to 29 m. Ordinary investment income reduced slightly by € 8 m to 283 m which is attributable to an extraordinary income item from participating interests in the previous year.

Following plunging stock-market prices the revaluation reserve decreased, too. Despite the write-downs made and the higher revaluation reserves for fixed-income securities attributable to interest-rate cuts, this reserve decreased from € 244 m to 170 m.

Property and casualty insurance witnesses growth above market level

+0.8%

Property and casualty insurance segment

	2008 € m	2007 € m
Gross premiums written	3,063	3,039
Investment income (net)	29	375
Ordinary investment income (net)	283	291
Claims and benefits (net)	-1,930	-1,928
Claims ratio in %	64.3	64.9
Operating expenses (net)	-899	-902
Expense ratio in %	30.1	30.4
Combined ratio in %	94.4	95.3
Earnings before tax and finance costs	-18	324
Tax	8	-15
Net profit/loss[1]	-10	309

	2008 € m	2007 € m
Investments	5,796	6,269
Unrealized capital gains not recognized in income[1,2]	170	244
Underwriting provisions	4,244	4,257

1 including minority interests
2 after deduction of deferred tax

As a result of the higher expenditure from the measures aimed to sustainably strengthen competitiveness, the other net income and expenditure reduced by € 26 m to -208 m.

Although the underwriting result improved slightly, the decline in our net investment income and the decrease of the other net income and expenditure led to a substantial contraction of earnings before tax and finance costs by € 342 m to -18 m. While last year there was a tax charge of € 15 m, the business year posted a tax income of € 8 m which is primarily attributable to the decrease in earnings before tax and to tax relief for previous years. On the other hand there was an adverse impact due to the fact that the previous year had benefited from an income under the corporate tax reform and that part of the expenditure incurred as a result of the capital-market crisis is not tax-deductible.

Despite a continued positive development in operating business, the net result of the property and casualty segment in the business year 2008 dropped to € -10 m, down from a profit of € 309 m in the previous year.

Financial services segment

Starting from the business year 2008, Generali Deutschland Immobilien GmbH is included in the financial services segment. The main reason for this was the development of that company from a Group-internal service provider to a central asset manager also assuming strategic and controlling tasks with regard to our property portfolio.

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

Building-society contracts have become more attractive as safe investments, not only in the wake of the financial market crisis. Due to the underwriting policy of our building society with a consistent focus on quality, positive momentum was witnessed in the business year 2008. Following the general market trend, submitted new business in terms of target contract sums rose by 28.9 percent. At the same time contract numbers increased by 59.2 percent. This development was supported, among others, by the high demand for building-society products ahead of the coming into force of new legal rules regarding state incentives for

Financial services segment

	2008 €m	2007 €m
Building-society new business:		
Target contract sums	2,459	2,430
Number of contracts	121,290	115,925
Contract portfolio of the building society:		
Target contract sums	25,685	26,481
Number of contracts	1,304,747	1,377,727
Investment income (net)[3]	207	210
Ordinary investment income (net)	221	222
Interest surplus of the building society	108	107
Commission result of the building society	6	15
Earnings before tax and finance costs[3]	28	54
Finance costs	0	-2
Tax[3]	-2	-8
Net profit[1,3]	26	44

	2008 €m	2007 €m
Investments[3]	4,771	4,907
Unrealized capital gains not recognized in income[1,2]	5	-10
Building loans	3,199	2,979
Deposits under building-society contracts	4,203	4,315

1 including minority interests
2 after deduction of deferred tax
3 previous year's figure adjusted

New business growth in terms of target contract sums:

+28.8%

housing construction on January 1, 2009. The market figures of private building societies witnessed a rise in submitted new business by 16.7 percent in terms of target contract sums and by 26.0 percent in terms of contract numbers. Since a large part of the business of our building society was produced towards year-end 2008, the new business actually recognized as at December 31, 2008 only increased by 1.2 percent in terms of target contract sums. Growth in terms of contract numbers was 4.6 percent.

Contract numbers in building-society new business rose by 59.2%

In the market, private building societies announced a 10.6 percent rise in terms of target contract sums for business actually recognized. Growth in terms of contract numbers was 15.4 percent.

At year-end 2008 Badenia's portfolio consisted of 1,304,747 contracts which is below the previous year's level of 1,377,727 contracts. In terms of target contract sums, the portfolio reduced from € 26,481 m to 25,685 m.

The portfolio decreases due to loan redemptions and cancellations were more than compensated by the persistently strong demand for building loans and so-called constant loans with fixed interest and redemption instalments, which are a variance of forward loans. The building loans shown under investments thus rose to € 3,199 m, up from a level of € 2,979 m as at December 31, 2007. Over the same period, the savings deposits under building-society contracts decreased from € 4,315 m to 4,203 m.

The ordinary investment income (net) decreased from € 222 m to 221 m. It was adversely affected by the reduced portfolio of fixed-income securities and short-term investments. A contrasting impact was attributable to the higher proportionate share in the earnings of Generali Investments S.p.A. which is consolidated at equity within this segment. The total investment income (net), too, reduced from € 210 m to 207 m. Here it was possible to almost fully compensate the realized capital losses under fixed-income securities by a lower level of risk provision.

The rise in the revaluation reserve from € -10 m to 5 m was primarily attributable to an increase in the market values of interest-bearing securities and to the disposal of fixed-income securities.

The interest surplus rose from € 107 m to 108 m. The commission result of € 6 m was below the previous year's figure of € 15 m. The operating expenses of building-society business of € 72 m remained nearly at a constant level.

The decrease in earnings before tax and finance costs from € 54 m to 28 m was primarily influenced by impacts of the previous year. The fact that, unlike 2007, the other income and expenditure no longer included the extraordinary income from the contribution of AMB Generali Asset Managers Kapitalanlagegesellschaft into Generali Investments S.p.A. was only compensated in part by a markedly lower level of risk provisions.

After tax, the contribution of the financial services segment to the Group net profit was € 26 m (previous year: 44 m).

Report on subsequent events

After the close of the business year, financial markets witnessed further turmoil at the beginning of the year 2009. In principle we anticipate additional write-downs on affected investments in the first quarter of 2009 in the wake of stock-market volatility. For the further course of the year, however, we expect stock markets to settle down and improve slightly. Beyond this, no events of material importance have occurred after the close of the business year.

Proposal for the profit appropriation of Generali Deutschland Holding AG

In the business year 2008 Generali Deutschland Holding AG achieved a net profit of € 204.7 m (previous year: 271.1 m). After winding up the profit brought forward from the year 2007 of € 81 thousand (previous year: 52 thousand), withdrawals from the reserve under the Articles of Association (charitable fund) of € 2,597 thousand (previous year: 747 thousand) and an allocation of € 49.7 m (previous year: 113.4 m) to the other revenue reserves, the balance-sheet profit amounted to € 157.7 m (previous year: 158.5 m).

The Board of Management and the Supervisory Board propose the following profit appropriation to the General Meeting of Generali Deutschland Holding AG to be held on May 19, 2009:

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 20, 2009	155,671,982.60
2. Allocation to the reserve under the Articles of Association (charitable fund)	2,000,000.00
3. Profit carried forward	23,714.36
Balance-sheet profit	**157,695,696.96**

Human resources

- Our employees make a material contribution to the success of the Generali Deutschland Group.
- Their commitment and competency are the vital factors for the Group's successful development.
- They provide the best possible services to our customers, partners and companies.

We are proud of our committed and qualified employees who supported us in asserting ourselves in the strained financial services market in 2008. It is thanks to their commitment at all levels that we have been able to enhance our competitiveness and to further improve our strong market position as an insurance and financial services group.

Employment situation and structure measures

As at December 31, 2008 the Generali Deutschland Group had 15,054 employees compared to 15,536 in the previous year. Out of these, 24 percent ensure fieldstaff tasks and 76 percent are employees in administrative services for the customers of our Group. In addition to more than 6,000 professional intermediaries, far more than 80,000 persons work for the sales networks of our companies as side-job intermediaries. 14.9 percent of all employees work on a part-time basis. At year-end 469 young people (previous year: 574) were undergoing professional training as apprentices across the Group.

The Generali Deutschland Group responds to the challenges of the markets thereby ensuring the Group's competitiveness on a long-term basis in the interest of all stakeholders, i.e. employees, shareholders and customers. In the year 2008 we therefore continued to enhance our change processes within the scope of the optimization of our business procedures.

The merger of Generali and Volksfürsorge Versicherungen, which will presumably lead to approximately 500 job-cuts, was prepared in the year under report with regard to HR policy and HR management. This enabled us to start with the implementation, as scheduled, at the beginning of 2009. The measures to be applied were taken in agreement with the bodies of employee representation.

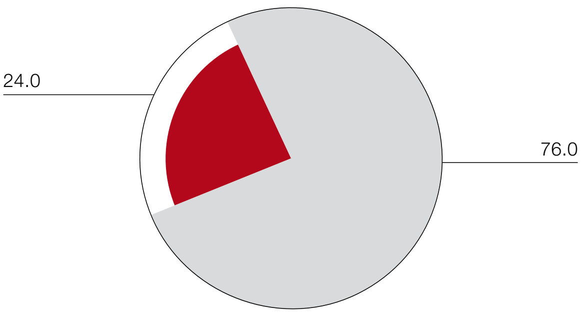
We are aware of our special responsibility towards our staff. In those cases where jobs have already been or will have to be cut we try to make use of natural fluctuation and to agree early retirements or special part-time agreements with employees close to retirement age in order to avoid redundancy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

15,054 employees

Within the scope of our HR policy, we will intensify our efforts aimed at increasing our staff's competency in the future. We will continue to improve the environment conditions which enhance both the job fitness and the company fitness of our employees and which, beyond this, support us in our ambition of being perceived, both internally and externally, as an attractive employer.

Group employees

Figures in %



Fieldstaff

Administrative departments

HR and executive development – Generali Deutschland Management Academy

Already today we provide our staff with opportunities to develop continuously on a professional and personal level, to actively bring in their knowledge, to contribute to shaping the Group and to prepare themselves for the future. The training and development programmes across the Group are oriented towards the needs of the employees and the requirements of the Group companies and the market.

With its training programme especially geared to the higher management level, the Generali Deutschland Management Academy again made an important contribution to the development of management competency in the Group. For that purpose, the programmes and measures provided by the Academy combine the expertise existing within the Group with the know-how of leading trainers and institutions in Europe. The topics and focus areas are derived from the Group's strategic targets and are concentrated on current issues of high relevance to the Generali Deutschland Group. One of the focus areas is the exchange of experience across the Group and the personal dialogue between the managers. In addition, the integration into the international programmes of Assicurazioni Generali S.p.A. puts managers in a position to develop an intercultural understanding and to enhance the exchange of experience on an international level.

The offer of courses and workshops is complemented by Group-wide management programmes for high potentials of the two highest management levels. The participants of these programmes are encouraged to take an active approach in shaping the changes that lie ahead. In this context, we aim to fill management vacancies from our own staff, and the Management Academy provides an important basis for achieving this.

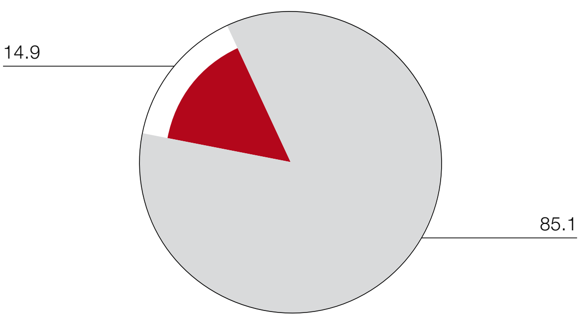
In the current business year, we will continue to further expand the Group trainee programme. This programme is an indispensable instrument enabling us to win committed, competent and customer-oriented staff for our Group. For the first time, the new programme also includes an international assignment for all trainees.

Thanks to the employees

In a market requiring change more than ever, everyone of us is faced with the challenge of adjusting to new situations and of supporting and implementing the necessary measures. Our economic success depends on our continuous commitment at all levels to actively shape the further development of the Generali Deutschland Group. The performance and the dedication of our staff were an essential basis for the stability and the development of the Generali Deutschland Group in 2008. The Board of Management of Generali Deutschland Holding AG thanks all employees for their commitment in the past year. We also thank the bodies of employee representation for their constructive cooperation marked by trust and esteem.

Group employees

Figures in %



Full-time employees

Part-time employees

Internal controlling systems

- The internal controlling system of the Generali Deutschland 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.
- The target of performance management, on the other hand, is to persistently increase the corporate value of Generali Deutschland.

Basic concept

Internal corporate controlling in the Generali Deutschland Group is organized on the basis of a standardized planning and controlling process across the Group. Uniform planning and simulation models as well as 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 dimensions 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. For that purpose the economic capital, which is tied under risk aspects and on the basis of solvency and regulatory rules, is calculated at different company and controlling levels and compared to the actual capital available for bearing risks. Capital management is thus 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 available capital and tied 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 of the Generali Deutschland Group, which is tied under risk aspects as well as solvency and other regulatory rules, is calculated and compared to the available capital. In our external communication we use the term economic capital (EC) for the tied capital. The available capital is composed of the embedded value (EV) and the hybrid capital, with the embedded value corresponding to the actual capital attributable to the shareholders.

The economic capital is calculated on the basis of consistent risk models for all segments of the Generali Deutschland Group. It describes the economic capital required for compensating possible losses that may arise due to uncertainties involved in future developments and, in addition, takes into account solvency and regulatory requirements. The economic capital requirement comprises market risks (equity and interest-rate risks as well as risks from the change of assumed volatilities, risks involved in property prices and foreign-currency risks), credit risks, concentration risks and operational risks as well as underwriting risks

Capital management
Overview

	2007	2007 after recalculation*	2008
	€ m	€ m	€ m
EC life/health	4,606	3,905	3,939
EC property/casualty	865	1,195	1,120
EC financial services	317	258	200
EC total	**5,788**	**5,358**	**5,258**
EV total	**5,875**	**5,843**	**5,900**
Hybrid capital	296	296	213
Available risk-based capital (AC)	**6,171**	**6,139**	**6,113**
Ratio AC/EC	106.6%	114.6%	116.2%
Excess cover AC vs. EC	382	781	854

* considering change in methodology due to changeover to the internal model of the international Generali Group

and building-society risks specific to the segments. In order to quantify the economic capital, the internal risk model of the international Generali Group is used which, on the basis of detailed corporate information, determines the value at risk, i.e. the maximum loss which, according to a predetermined probability, will not be exceeded.

In addition to the Group's equity capital, the embedded value comprises above all the value in force in life and health insurance and is calculated taking into account the particularities specific to the segments on the basis of actuarial and accounting data.

In 2007 the methodology for calculating the embedded value and the value in force in the life and health segment was changed on a uniform basis from the European embedded value to market consistent measurement procedures which are common practice in the financial market.

In the year 2008, the key figures of capital and performance management are for the first time fully shown on the basis of the internal model of the international Generali Group whose methodology is different from the internal model previously used by the Generali Deutschland Group. In order to illustrate the impact of this change, the 2007 figures have been recalculated on the basis of the new methodology and are also shown for comparison.

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. Due to the long duration of contracts in life and health insurance, the adequate value assessment in this segment is based on present-value models taking into account the present value of all future profits from the business in force. An 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 takes into account extraordinary items due to investment income 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 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 tied capital. This figure measures our operating profitability. On the other hand, the RoEV indicates the total economic

Performance management
Key return figures

	2007 %	2007 after recalculation* %	2008 %
RoEC life/health	10.4	12.0	12.1
RoEC property/casualty	20.7	16.3	18.2
RoEC financial services	13.0	14.5	10.1
RoEC total	**12.1**	**13.0**	**13.4**
Return on excess capital	2.6	2.7	3.2
RoEV normalized	**11.9**	**12.7**	**12.5**
Debt capital cost	-0.2	-0.2	-0.2
Extraordinary items (mainly investments and tax)	0.1	6.2	-8.7
RoEV total	**11.8**	**18.7**	**3.6**

* considering change in methodology due to changeover to the internal model of the international Generali Group

result as a percentage of the total available capital. The RoEV is thus an indicator of our profitability taking into account extraordinary items.

Results in the business year 2008

In the business year 2008, the economic capital (EC) decreased slightly. This reflects, among others, the substantial reduction of the percentage of equity investments compared to the previous year which contributed to relief in terms of tied capital. The available capital also decreased marginally due to the lower level of hybrid capital. With the embedded value (EV) slightly increasing to € 5,900 m the Group continues to be adequately capitalized. Together with the hybrid capital the excess cover totals € 854 m equalling a ratio of 116 percent (based on the internal model).

The economic result in important segments witnessed increases which in some areas were substantial.

Linking the economic results shown in the tables on the opposite page with the already calculated capital figures (EC and EV) leads to the key return figures indicated above.

The economic capital in the life and health segment amounts to 5.2 percent (previous year: 5.0 percent) of the net underwriting reserves. While in terms of absolute figures, the economic capital only increased slightly, the economic result rose by € 37 m against the previous year's level to € 472 m. This is attributable to higher profits from the business in force. The RoEC (related to the EC at the beginning of each business year) thus increased slightly to 12.1 percent.

In the property and casualty segment the economic capital is 37.4 percent (previous year: 40.3 percent) of net premiums earned. In terms of absolute figures, it decreased by € 75 m to 1,120 m. The economic result, on the other hand, increased against the previous year's level by € 50 m to 217 m. This was primarily attributable to the improvement of the combined ratio which further reduced across the Group from 95.3 to 94.4 percent in 2008. To a minor extent, a contribution to this result was also made by the improved normalized investment income (rise of interest rates in the duration range of relevance for the property/casualty segment) and lower charges from other income/expenditure and normalized tax. As a result, the RoEC rose substantially to 18.2 percent (related to the EC at the beginning of each business year).

In the financial services segment, the RoEC dropped to 10.1 percent as a consequence of the lower result.

Across all segments, the RoEC was 13.4 percent which equals an 0.4 percent increase against the previous year. This is due to the rise of the economic result in the life and health segment as well as the property and casualty segment.

The decrease in the RoEV from 18.7 to 3.6 percent is primarily attributable to negative extraordinary impacts resulting from the development of capital markets.

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 level of capital requirements under the future solvency system are to be more closely linked to the specific business structure of an insurance company's risks. Since for regulatory purposes there is also the option of applying internal approaches, the Generali Deutschland Group has started at an early stage to prepare for the future requirements. Within the scope of these preparations, the internal models are continuously enhanced and internal risk-management processes are verified with a view to future requirements.

Performance management Life and health

	2007 €m	2008 €m
New business value[1]		175
New business value[2]	175	199
Profits from business in force (including operational deviations)	260	297
Economic result after tax	**435**	**472**

1 excluding holding-company costs, income of Generali Investments, Volksfürsorge Vertriebsgesellschaft and reinsurance income of Generali Deutschland; this figure is used for calculating the economic result starting from 2008

2 including holding-company costs, income of Generali Investments, Volksfürsorge Vertriebsgesellschaft and reinsurance income of Generali Deutschland; this figure represents the full new business value used for calculating the economic result until 2007

Performance management Property and casualty

	2007 €m	2008 €m
Net underwriting result	138	166
Balance of other income/ expenditure*	-134	-129
Normalized investment income	274	282
Economic result before tax	**279**	**320**
Normalized tax	-112	-102
Economic result after tax	**167**	**217**

* adjusted for extraordinary items

Risks involved in the future development and risk controlling

- Our risk management system enables us to recognize risks of the Generali Deutschland Group early and to analyse, control and monitor them.
- We thereby sustainably ensure the profitability of the Group.
- As a whole, there is no development emerging at present which could affect the risk-bearing capacity in a way jeopardizing the Group's existence, even though the net assets, financial standing and earnings position of the Generali Deutschland Group are noticeably influenced by the adverse capital-market development.

Risk management in the Generali Deutschland Group

As a financial services group focussing on insurance, investments and building-society business, the Generali Deutschland Group has to monitor a variety of risks. These risks arise, on the one hand, in our core business by assuming the risks of customers and, on the other hand, within the scope of the general business activities of our Group. The risk-management system pursues the target of early risk-recognition, systematic analysis and monitoring of possible risks of the Generali Deutschland Group and the individual Group companies in order to exclude any hazard for the Group and the individual Group companies and to sustainably ensure the Group's profitability.

Organization of risk management in the Generali Deutschland Group

The risk management in the Generali Deutschland Group distinguishes itself by closely interlinking the Group risk management and the risk management in the Group companies. The latter are integrated into the risk-management system of the Generali Deutschland Group by means of Group-wide bodies (Risk Management Committees – RMCs).

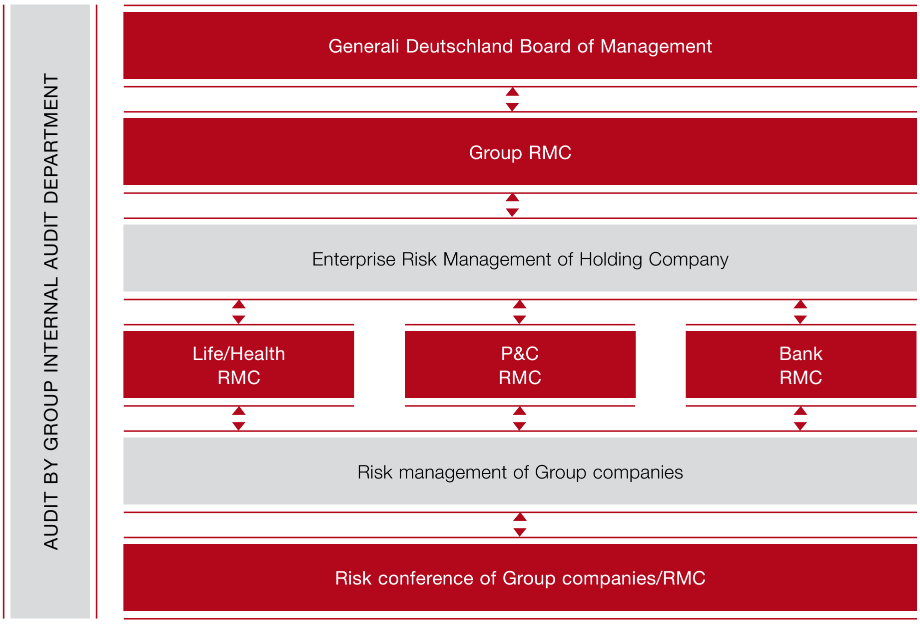
Within the Group companies, risk-relevant facts and results are discussed at regular internal RMCs and at risk conferences held at least once a year. The local Company Risk Manager is also the risk-management contact for the Board of Management of the company concerned and for the Group Risk Manager.

The major risk-management findings at the level of each Group company are systematically consolidated in the meetings of the specific segment committees Life/Health RMC, Property/Casualty RMC and Bank RMC. The purpose of these meetings, which – in addition to the Executive Managers of the companies concerned – are also attended by the Group Risk Manager and the persons in charge of various areas in the holding company, is to respond adequately and timely to changes of the risk situation. In this context, pertinent measures of risk controlling are elaborated, analysed and approved as appropriate. The tasks of the Group-wide committees also include the systematic monitoring and verification of the risk-controlling measures already initiated at segment level.

The centralized Enterprise Risk Management located in Generali Deutschland Holding AG is in charge of controlling the risks of the Group and of the conceptual development and updating of the risk-management system at Group and holding-company level. Apart from defining uniform risk-management standards across the Group, the tasks of centralized Enterprise Risk Management thus comprise the activities of initiating, elaborating and coordinating risk-management measures together with the Company Risk Managers and the RMCs. Within the scope of

Organization of risk management in the Generali Deutschland 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.



the quarterly meetings of the Group RMC, which is composed of the Board of Management of Generali Deutschland Holding AG, the Group Risk Manager and persons in charge of various areas in the holding company, the risk situation of the entire Generali Deutschland Group is assessed and controlled on the basis of the results of the RMC meetings specific to segments. Group-wide measures of risk controlling at Group level are discussed and approved as appropriate.

The Group's internal audit department as a superior body independent of processes regularly verifies the efficient functioning of the risk-management system, advises on the enhancement of the system and documents the audit results for the Boards of Management of both the Group companies and of Generali Deutschland Holding AG.

All major rules regarding the structure and processes of risk management are comprised and documented in the risk-management system. The latter is thus the basis for integrated risk monitoring and controlling.

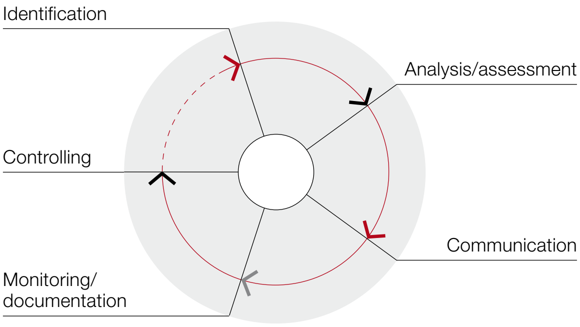
The risk-management system of the Generali Deutschland Group

The risk-management system of the Generali Deutschland Group follows the successive steps which are common practice in the market:

Risk identification

The first step within the scope of the risk-management system consists in the identification of all risks which could jeopardize the durable 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 Generali Deutschland Holding AG, all risks are comprehensively and systematically registered in a risk list and thereafter aggregated into a Group-wide risk list. The risk managers of the Group companies concerned are informed of any new risks emerging in the course of the year. Following coordination with the Group Risk Management, these risks are included in the risk list as appropriate.

Risk-management process



Based on market standards, the identified risks are allocated to the six risk categories indicated below, which, in turn, may be sub-divided into various sub-categories and types.

Market risks

Market risks are composed of equity risks, interest-rate risks and currency risks and they describe the risk of losses that may occur in capital markets due to adverse changes of market prices or to factors having a price influence.

Credit risks

Credit risks are due to possible losses attributable to a durable widening of spread or to the total or partial default of an issuer, contracting party or borrower. These risks are primarily involved in investments, including loans to end-customers (among others under building-society business). Furthermore, credit risks also include the default of receivables under insurance business, in particular amounts receivable from policyholders, intermediaries and reinsurers.

Concentration risks

Concentration risks are due to an insufficient diversification of the investment portfolio and refer to all individual investments involving a risk and having a default potential that is sufficiently big to jeopardize the solvency or financial standing of the Group and/or of Group companies. Concentration risks in insurance business are dealt with under specific segment risks.

Liquidity risks

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

Specific segment risks

Life and health segment

The specific segment risk of life and health insurance is composed of the biometric risk, the cost risk, the claims risk (health insurance) 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.

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 amount of claims payments it not yet known with certainty when premium levels are fixed (pricing risk). The reserving risk may arise from an insufficient level of provisions for outstanding claims with the ensuing impact on the underwriting result.

Financial services segment

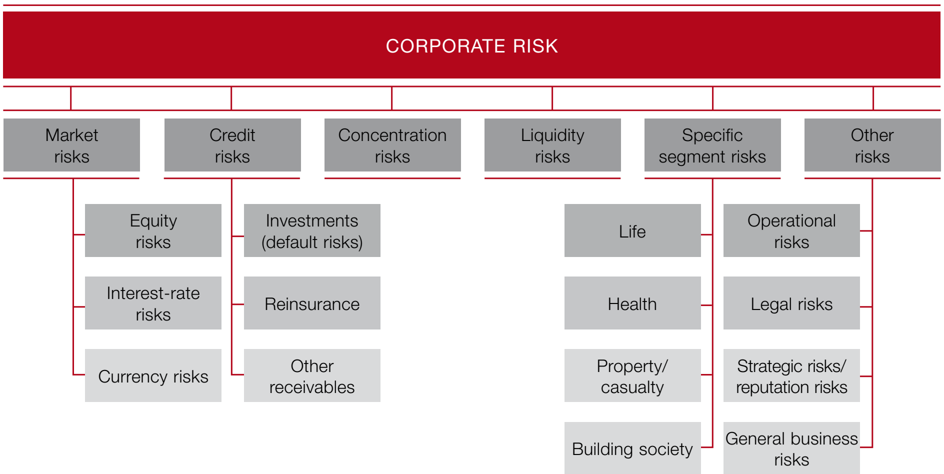
The specific segment risk of building-society business consists primarily of liquidity risks or a negative change of the interest margin due to an adverse change in the behaviour of building-society customers.

Other risks

The other risks refer to losses that may arise due to the inadequacy of internal procedures and systems, to human failure or as a result of external events. This definition also includes legal risks primarily resulting from contractual agreements or the framework of legal provisions and tax rules as well as general business risks, strategic risks and reputation risks.

Risk types and categories

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



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 Generali Deutschland Group which take into account the individual nature of the risks. This ensures an appropriate analysis, assessment and monitoring of the risks.

The allocation of the risks to the four standardized risk-management processes described below follows three major criteria:

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

Quantitative management process

If the identified risk is quantifiable and may threaten the company's existence in the short term within one year it is allocated to the quantitative 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 in charge of risks. The other risks are handled on a global basis – similar to the approaches used in the market – within risk modelling as they are difficult to quantify for the time being due to an insufficient empirical basis.

Qualitative management process

Risks which cannot be quantified or which cannot be quantified adequately but which may nevertheless threaten the existence of the company in the short term within one year are allocated to the purely qualitative management process. This applies, for instance, to the risk of a failure of technical equipment and of 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 modelled adequately and which have the potential of a long-term creeping threat for 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 is part of the regular business processes under which our risk culture and our prudence in everyday corporate practice and management ensure that these risks are taken into consideration. Risks are qualified as not jeopardizing the company's existence if they do not exceed specific threshold values and do not represent a significant threat to the company.

Communication and monitoring

Regular communication with regard to the risks identified is ensured by quarterly risk reporting. In addition, internal ad-hoc reporting has been established in order to inform management at short notice about new risks or the aggravation of risks. The quarterly risk reports focus on those risks which have been allocated to the quantitative and qualitative management processes and which could jeopardize the existence of the company within the short term. In addition, the reporting also covers newly identified and newly registered risks.

With regard to the quantified risks within the quantitative risk-management process, detailed statements with regard to the required capital (or target capital) are made. The required capital amounts for the risk drivers are shown individually and are then aggregated, taking into consideration effects of risk compensation, to determine the required economic capital for the Group company concerned. The total economic capital is then compared with the existing equity capital of the company. In addition, various key figures referring to capital adequacy are shown as the ratio of available and required capital. Reporting is based on the actual reporting dates of quarterly accounting and on the planning periods. Furthermore an overall report (Group Risk Report) is established at Group level by aggregating the individual reports referring to the companies. The controlling of measures is presented, too. The addressees of the report are primarily the company management (Board of Management), the company areas concerned and the Group internal audit department. Reporting also takes place in the regular RMC meetings where information is exchanged across the Group on facts of relevance to risk management. As a whole, risk reporting thus ensures a systematic and orderly forwarding of risk-relevant information to decision-makers and it is therefore an important basis for regular risk monitoring.

Risk controlling

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

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. These take into account legal, economic and other restrictions. If a deviation from investment, underwriting or other guidelines turns out to be necessary because a risk situation is aggravating in the course of the year, appropriate measures will also be decided and supervised by the Board of Management or by the competent RMC. Limits are regularly monitored, infringements of limits are analysed and corresponding measures are initiated as appropriate. In special circumstances ad-hoc analyses are made as well.

At regular intervals the Group's internal audit department verifies the adequacy and efficient functioning of the internal controlling systems and limits and provides the Board of Management and the Group Risk Manager with adequate information about the findings of its audit.

Reporting on selected risks

Within the Generali Deutschland Group, services referring to activities such as information technology, accounting, tax, claims management and investment management are provided by centralized service companies. The risk management of these companies is integrated into the risk management of the Group and refers to the management of the risks inherent to the rendering of the services concerned. On the basis of risk reports to the Group Risk Manager and to the Group companies for which the services are rendered it is possible to take measures which ensure that the rendering of the services does not involve any risks jeopardizing existence.

Market risks

In the course of the year 2008, the individual Group companies and the entire Generali Deutschland Group were affected by the adverse impacts of the persisting financial crisis and the ensuing negative market developments. These impacts are attributable to an extensive investment activity, with a European focus, on the German and international financial markets, which is linked with our business model.

Following the sometimes significant fluctuations in capital markets in the course of 2008, the coverage of our underwriting provisions was at times monitored daily. This coverage and solvency were sufficient at all times.

Because of the broad diversification of our investment portfolios we consider that the Generali Deutschland Group is well positioned to partly safeguard against the impacts on net assets, financial standing and earnings position without totally depriving itself of participating in any possible upward movements. Despite this cautious composition of the portfolio, however, it is not possible to totally prevent that in particular a persistent period of low interest rates in the life and health segment and a significant rise of interest rates in the property and casualty as well as the financial services segments could have an adverse impact on the risk-bearing capacity of the Group companies concerned. We consider the probability of this kind of interest-rate development to be rather small in the coming years, but we are continuously observing markets in order to be able to take appropriate countermeasures in time, should the necessity arise.

As a matter of principle, the investment policy of the Generali Deutschland Group follows a conservative approach. In addition to ensuring on a permanent basis an adequate mix and spread of our investment portfolio, this also implies that we add more risky investments, such as hedge funds and private equities, to our portfolios to a very limited extent only. In addition, we refrain to the largest possible extent from investments in securitizations of low credit quality and have primarily invested in bonds with state guarantees and covers. Due to the investment policy pursued by us and on the basis of the results of our internal models and the standard model we are currently not seeing any investment risks that would affect risk-bearing capacity in a way jeopardizing existence, although negative impacts on the assets, financial standing and earnings position of the Generali Deutschland Group cannot be excluded for the future, either.

Equity risks

The substantial corrections in stock markets worldwide also had repercussions on the risk-bearing capacity of the Generali Deutschland Group. In this context, the negative impact for the Group was limited because of a percentage of equity holdings which is rather low compared to the market and by additional hedging measures. The price losses accumulated in the wake of value fluctuations in the course of 2008 have already been fully recognized in the financial statements for 2008 in compliance with IFRS accounting. Basically there is, however, the risk that any significant write-downs that may be made in the current business year will trigger an expenditure for deferred premium refunds as a consequence of the different accounting methods under HGB and IFRS rules. Apart from this, in the last six months of the year, our investment level in the sectors involving risks (financial institutions, automotive industry) was below the average.

In line with the prudent investment approach of the Generali Deutschland Group, our equity risks are controlled by an orientation of our equity investments at broadly-based European equity indices and by means of investments in highly capitalized standard stock. In doing so we take into account the type of our payment obligations in order to benefit comprehensively from diversification effects. In addition, part of our equity portfolio is hedged by stock options against a loss in market value, which are based on our current market assessments. The use of stock options allows us, on the one hand, to be protected from price losses against the payment of an option premium, while on the other hand we continue to participate in a recovery of stock markets.

Beyond this, the level of our equity investments is consistently oriented at our individual risk-bearing capacity. Especially for our Group companies in the segment of life and health insurance, the composition of earnings according to sources of earnings (investment income, assumption of underwriting risks and other sources) as well as the amount of the free provision for premium refunds and the terminal bonus reserve are taken into consideration for determining the adequate percentage of equity investments from a risk point of view.

As at December 31, 2008 the equity percentage of our investment portfolio was approximately 5 percent, of which about 32 percent were hedged.

We consider that it is possible for share prices to drop further in the short term in 2009. On the basis of the persistently high level of capital adequacy ratios and the hedging applied we do not consider the risk-bearing capacity of the Generali Deutschland Group to be affected in a way jeopardizing existence. At the same time we will actively observe stock markets in the current year in order to respond directly and adequately to any changes in market sentiment.

Property risks

With regard to property investments we pursue a conservative approach, like for our total investment portfolio. This means in particular that our investment activities are restricted to property in good and very good locations in big cities and that the values of our property portfolio are regularly verified. With a view to further enhancing diversification within our property portfolio, we will add further indirect property investments in the future, some of which will also include international investment property.

In the short term, the economic downturn caused by the persistent financial crisis could lead to decreasing property prices. In Germany, however, this development is likely to be much weaker than on an international scale since Germany – unlike, for instance, the U.S. – has not witnessed an excessive rise of property prices (property bubble) in recent years. Accordingly we are of the opinion that there is a relatively low correction potential for property prices. We consider that the attractiveness of this asset class will rise in the case of further price drops.

Because of the conservative orientation of our portfolio we currently do not see ourselves subject to any property risks jeopardizing existence.

Interest-rate risks

We assume that in 2009 bond-market yields will initially remain at historically low levels and that the yields of government bonds will recover somewhat in the further course of the year.

This situation of low interest rates may involve opportunity costs, especially in life insurance, if interest-rate conditions for the reinvestment of funds are at a level below the guaranteed minimum yield. In the life and health segment this risk exists only in a weaker form. On the one hand, parts of the investment portfolio have been hedged against further rate cuts. This was done by means of forward purchases, swaptions and constant maturity swaps (CMS) with a guaranteed minimum coupon. On the other hand, in the course of time, the lower level of technical interest is also reflected by a lower level of the average interest rate guaranteed in our insurance portfolio. In fact, the duration strategy of our bond portfolio is not only oriented at our market assessment and risk-bearing capacity but it also takes into account the extent to which our earnings depend on interest income.

For the property/casualty and financial services segments, the risk of rising interest rates is of particular importance, with the slight recovery of yields forecast by us not involving a significant interest-rate risk.

Bond markets are continuously observed in order to allow us to take adequate measures on a timely basis in case the risk situation should aggravate.

Currency risks

In order to limit currency risks, our investments are focussed on products within the eurozone. Investments in foreign currencies, which as a matter of principle are of minor importance within our investment portfolio, are restricted to exposures in U.S. dollar and a few other currencies (in particular British pound, Swiss franc, Japanese yen and Swedish and Norwegian krona). In addition, part of these exposures is hedged against exchange-rate fluctuations. The price developments in foreign-exchange markets are continuously observed in order to enable us to adjust the hedging measures on a timely basis if the necessity arises.

Due to the minor significance of investments in foreign currencies within our portfolio we currently do not see ourselves subject to any major currency risk.

Credit risks

Credit risks increased substantially in 2008 as a consequence of the financial crisis and the economic downturn. This is illustrated by higher credit spreads, on the one hand, which lead to lower valuations for corporate bonds in comparison to government bonds. Furthermore the default ratio is likely to have increased and for 2009 no recovery in this regard is to be expected.

Securities held by us of issuers with recognizable payment problems or insolvencies as well as subordinated loans, participation rights and silent-partner interests, where in some cases interest payments are contingent, have been written down to an adequately prudent value. Apart from this, interest defaults occurred to a minor extent in the business year 2008 with regard to subordinated loans, participation rights and silent-partner interests. Given the economic development of credit institutions, a similar situation could arise in 2009 without this being of material significance for the net investment income of the Generali Deutschland Group. The remaining exposure of securities of financial-sector issuers does not represent a particular threat to our risk-bearing capacity in the light of the rescue measures of the government which can currently be observed. In the year 2008 there were no defaults of securitized loans. At any rate asset-backed securities (ABS) only represent a very small share of our portfolio, which we reduced at an early stage and which is limited to receivables of the highest quality.

As a whole, our bond portfolio is characterized by a consistent orientation at debtors of high credit standing and liquidity and a broad diversification of issuers. In comparison to the market, this leads to an above-average percentage of government bonds exclusively of a high credit quality, German mortgage-backed bonds (Pfandbriefe) and loans to banks for which there are public guarantees. On the other hand, the percentage of non-financial sector corporate bonds is small.

In the wake of an economic downturn there may be a rise of default rates in our mortgage portfolio. We do not expect a significant adverse impact on our result since the percentage of this asset class in our investment portfolio has been reduced in the past, limits accepted as loan collateral are low and a large part of the loans in our portfolio has already been redeemed.

From our point of view, any further expansion of credit spreads will not have a significant effect on our result because of the good structure of our portfolio in terms of credit standing. Even a further rise of default rates in the future does not jeopardize the risk-bearing capacity of the Generali Deutschland Group. The same applies to any adverse impact that might result from a guarantee granted to Hypo Real Estate.

Concentration risks

The market and credit risks explained above can be of high significance for the risk situation if they occur together with accumulation or concentration risks. The Generali Deutschland Group has an investment portfolio which is diversified on a professional level. The composition of assets shows both a broad mix of asset classes and a broad diversification of issuers. Together with the focus on high-quality issuers, this portfolio diversification ensures that major concentration risks are of relevance to very few positions only. According to our assessment, concentration risks are of minor significance with regard to the risk-bearing capacity. The percentage of government bonds in our direct portfolio (without the fully consolidated funds) is approximately 27 percent of the carrying amount of investments and there are no investments held in crisis-stricken countries. The percentage of investments in banks is 34 percent, with about 40 percent of the bank exposure being underpinned by mortgage-backed bonds. The ten biggest banks, none of which has a rating below A, account for approximately 14 percent of the total investments held in the direct portfolio.

Liquidity risks

We encounter the risk of not being able to fulfil current and future payment obligations in time or for the full amount by foresighted liquidity planning. This enables us to cover the amounts payable by us on the liabilities side of our balance sheet any time by liquid and realizable funds on the assets and liabilities side. The liquidity risk becomes markedly reduced by the growing volume of our insurance portfolio and the continuous premium income resulting therefrom. Besides, the high share of government bonds with best liquidity and the broad diversification of investments ensure a sufficient liquidity on a durable basis. Furthermore we dispose of a sufficient level of call and time deposits ensuring that we are able to fulfil all obligations any time, even in extraordinary situations. We have further improved the diversification of these call and time deposits while at the same time we have raised our requirements on credit institutions.

Even in the case of a persistent liquidity squeeze in the financial sector we currently do not see ourselves subject to a significant liquidity risk, neither in investments nor insurance business.

Specific segment risks

Within the risk-management system of our Group, the specific segment risks assume a particular role. Besides the regular monitoring of risk experience and of the accounting bases for the calculation of premiums and for determining the underwriting provisions, there are comprehensive legal rules and guidelines regarding underwriting. The actuarial departments ensure an appropriate pricing and the setting up of adequate provisions. Despite a risk-adjusted management of our business, further risks may occur which have to be identified and limited. These include, among others, concentration risks and the risks under accumulation events and catastrophes which in part can be compensated within the insured collective and which furthermore are covered by reinsurance (exclusively with reinsurers of high credit standing).

Underwriting risks in life insurance

The specific segment risk of life insurance is composed of the biometric risk, the cost risk and the lapse risk.

We regularly verify the lapse behaviour of our policyholders and the lapse experience of the insurance portfolio. As a result of current developments in capital markets, the number of cancelled policies, especially of unit-linked contracts, could rise slightly. We do, however, not expect any particular liquidity risks caused by a changed lapse behaviour.

The financial crisis and the expected economic downturn could also have an influence on the German life insurance market. Apart from the economic impact on the available funds of the population, there might also be a rising uncertainty that could lead to a cautious and wait-and-see attitude among consumers. In the short term it is conceivable that new business, especially of unit-linked products without a guarantee, could decrease. On the other hand, the life insurance industry will not be affected by the financial crisis to the same strong extent as the banking industry. Within life insurance most products have a guarantee. Under traditional life insurance policies the accumulated capital is guaranteed. Therefore the customers of these products have not suffered any losses of their accumulated capital. Most unit-liked policies sold by the Generali Deutschland Group also have a guarantee and thus the losses on the capital invested in a unit-linked life product have been and will remain limited.

The biometric risks in life insurance encompass the death risk, the longevity risk, the disability risk and the long-term care risk. Mortality may be different from assumptions. Depending on the product mix within the portfolio of insurance policies in force, higher mortality leads to the realization of the death risk while lower mortality involves the longevity risk. Similarly the number of persons with a total or occupational disability (disability risk) or requiring long-term care (long-term care risk) may exceed assumptions. According to the assessment of the competent actuaries the safety margins applied by us in our biometric calculation basis are adequate and sufficient.

A cost risk exists if the acquisition costs and administrative expenses covered by the premium calculation are not sufficient to cover actual costs. The competent actuaries are of the opinion that also in this regard the costs included in the calculations with a safety margin are adequate and sufficient.

In addition, the adequacy of the biometric assumptions and cost assumptions is regularly verified within the scope of profit apportionment for the entire portfolio.

Underwriting risks in health insurance

The specific segment risk of health insurance is composed of the biometric risk, the cost risk, the claims risk and the lapse risk.

In health insurance, the biometric risk exists in a deviation of mortality from the assumptions used for calculation. The calculation bases and the assumed lapse behaviour for setting up provisions are regularly verified by actuaries. The cost risk arises by cost charges included in the premium calculation not being sufficient. If the safety margins of the assumptions are insufficient on a sustainable basis, premiums are adjusted within the scope of the possibilities provided for by law. This limits the impact of increases in the biometric risk, the lapse risk and the cost risk.

The claims risks consists in premiums not being sufficient to pay specific contractually agreed benefits in the future. The amount of these benefits depends on the frequency of medical care and the development of healthcare costs. For the future we expect further improvements in medical treatment, which may lead to higher benefit payments and thus to premium adjustments. Apart from this there is the risk of a rising general inflation and an over-proportionately high inflation in the healthcare sector. This may lead to an adverse impact on the risk result which, in turn, involves premium adjustments.

Underwriting risks in property and casualty insurance

The specific segment risk in property and casualty insurance consists of the pricing risk and the reserving risk.

The development in property and casualty insurance is to an essential degree marked by motor insurance which is characterized by decreasing premium income despite a rising number of contracts. Relentlessly keen price competition hardly leaves any scope for a further decrease of the premium level under new-business tariffs. Amid today's intensive competition in a saturated market we deliberately pursue the approach of a curbed price-cycle strategy. In doing so, we apply state-of-the-art methods of price determination in order to achieve the maximum earnings. The fact that customers increasingly ask for more favourable offers counteracts the trend towards a complete change of the insurer. Another factor of great importance is the automatic upgrade into more favourable categories of the no-claims bonus scheme, which leads to further losses in premium income.

As far as distribution policy is concerned, there are market changes being observed insofar as direct selling is gaining market share, in particular through Internet-based secondary brands, and that alternative distribution channels, such as car manufacturers and car dealers are gaining importance and lead to an increase in competition.

The underwriting of business with strong margins and a low claims level while achieving growth in line with the market turns out to be ambitious. Premium growth in business with retail customers is rather low. Sustained recession and the resulting decrease of the available incomes of private households lead to a shrinking sales potential.

The claims experience of past years has shown that there may be a considerable risk of claims caused by natural hazards. We encounter these risks by means of an adequate reinsurance programme.

Building-society risks

Increase in credit risks of building-society business due to economic development

Badenia responds to the generally decreasing creditworthiness of potential borrowers and customers by continuously enhancing its scoring system for assessing credit standing. Consistent risk selection may, however, also lead to a decrease in new business of immediate financing. The original loan business based on building-society contracts would be affected to a minor extent only by this development.

Other risks

Operational risks

Operational risks, which are an inevitable part of daily business activities and which, as a whole, might involve a loss potential that should not be underestimated, require consistent controlling across the company. Since operational risks can only to a limited extent be recognized by means of purely quantitative methods and underpinned with capital adjusted to the risk involved, we control and limit these risks by means of our integrated internal control system. Currently these instruments are being optimized and enhanced by comprehensive project activities across the Group. Besides a systematic documentation of business processes involving a risk, these activities encompass in particular the identification and measurement of operational risks and the control measures applied.

Furthermore we are continuously enhancing our emergency, crisis and business-continuity management. This enables us to ensure safety for our employees, customers and business partners even in the case of a catastrophe and, in addition, to re-establish regular business operations as soon as possible.

IT security

The IT activities of the Generali Deutschland Group are concentrated in Generali Deutschland Informatik Services GmbH (GD Informatik). By integrating GD Informatik into the risk-management system, the Generali Deutschland Group has efficient instruments at its disposal for recognizing IT risks across the Group. For the purpose of minimizing risks, measures are taken on a continuous basis to ensure the largest possible availability of hardware and software systems in the data centre of GD Informatik as well as the IT safety and protection of the data of all Group companies.

Thanks to the procedures used as a protection against computer viruses we again succeeded in avoiding major disturbances in the business year 2008.

With its implemented technical and organizational measures of precaution, GD Informatik is in a position to safeguard the IT operations of the Generali Deutschland Group also in the case of a catastrophe.

Fraud risks

In the wake of the weakening economy, the expenditure for claims and benefits also rises due to an increasing level of fraud. Specialist units of fraud prevention have been built up in the Generali Deutschland Group; they consolidate the expertise existing in the individual companies and have also been reinforced by new staff. As additional measures we are closely cooperating with the German Insurance Association GDV in this field, we have implemented a system for detecting fraud patterns and we have enhanced our internal control system for the monitoring of payment flows.

Legal risks

Legal and regulatory requirements may have a substantial impact on the Generali Deutschland Group.

Healthcare reform

The Act on the Reinforcement of Competition in Public Health Insurance (GKV-Wettbewerbsstärkungsgesetz – WSG) involves a fundamental change of the environment for private health insurance in Germany.

Starting from January 1, 2009 all private health insurers are obliged to offer a basic tariff under which they have to accept all customers applying for this cover. The main requirements regarding this tariff are that benefits have to be at the level of those provided by public health funds, that the premium is limited to that of the maximum contribution to public health funds, that premiums are halved for needy customers and that no additional premiums may be charged or benefits excluded for previously existing diseases. Together with the simultaneously introduced obligation for all persons to take out health insurance this could involve an increasing level of benefits and decreasing margins.

The coming into force of the WSG Act also introduced the general obligation for all German citizens to take out health insurance. Starting from January 1, 2009 at the latest, all persons have to be insured either with a public health fund or a private health insurer. In this context, the private health insurers are under the obligation of accepting persons under the basic tariff who previously had a private health cover, even customers who do not pay premiums and whose contracts were cancelled because they were in arrears with premium payment. In the future it will no longer be possible to cancel contracts for non-payment. This could involve higher write-downs because of premium payments in arrears while at the same time the private health insurers continue to be liable for paying benefits for acute disease and emergency cases; this may lead to a sustainably adverse impact on the earnings position.

Furthermore the WSG Act opens up the possibility to public health funds to offer optional tariffs to their members which they are then obliged to maintain for three years. Apart from optional tariffs referring to deductibles, premiums refunds, a bonus for attending specific healthcare measures or tariffs regarding specific types of healthcare benefits, which primarily have the effect of binding potential customers of private health insurers to their public health fund, there are also tariffs encompassing the reimbursement of healthcare expenses with higher benefits and tariffs for daily sickness allowance some of which are in competition with the products offered as supplementary private health covers.

The portability of ageing provisions applicable as from January 1, 2009 will be accounted for in the new tariffs by an additional premium. The resulting price increase may have led to an acceleration of sales at year-end 2008 in the run-up to this charge. Accordingly the new business development in 2009 may be lower. In addition, the three-year waiting period and the optional tariffs of public health funds have an influence on the new-customer potential.

The WSG Act represents a major interference with the business model of private health insurers and involves a substantial deterioration of their competitive position compared to public health insurance. The public health insurance industry responded with a constitutional complaint. A ruling of the Federal Constitutional Court is expected in 2009. The risk of further political intervention after the forthcoming general elections continues to be high. We encounter the risks which are the direct consequence of the healthcare reform (with regard to new business, level of benefits and earnings) by a consistent and timely monitoring, assessment and controlling of the development of production, portfolio and benefits.

Special financing operations

In the 1990s Deutsche Bausparkasse Badenia (Badenia) financed freehold apartments sold by various distribution companies as investment property. Some of the purchasers demand from Badenia to be released from the loan obligation or to be paid damages. As at December 31, 2008 a total of 1,294 court proceedings in this matter were pending. In 425 proceedings final court orders have already been issued, of which 416 in favour of and nine against Badenia. In addition Badenia has concluded settlements with investors in about 1,700 cases for economic reasons. It has thus enabled many debtors to make a new financial start. The litigation process is not yet completed. The recognizable risks have been adequately taken into consideration.

To cover the credit risk involved in these cases, Generali Deutschland Holding AG has granted a guarantee for part of the business of Badenia involving a risk. Due to this measure and to measures taken by Badenia itself, sufficient precautions have been taken for these risks on the basis of the facts currently known.

VVG reform

The law on the reform of the insurance contract act (VVG reform), which comprises the most important rules governing the relationships between insurance companies and policyholders, and the decree on information duties (VVG-InfoV) came into force, as planned, on January 1, 2008. This was followed on July 1, 2008 by the obligation to disclose acquisition and distribution costs (in euro amounts) as part of the VVG-InfoV decree. The insurance companies of the Generali Deutschland Group fully implemented all requirements resulting from these legal rules. Currently no decrease in new business, especially as a result of the disclosure of costs, can be observed.

Special court proceedings

In the wake of domination and profit-transfer agreements concluded with subsidiaries in previous years and within the so-called squeeze-out procedure, indemnity offers were made to former shareholders of subsidiaries, in particular 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 proceedings to verify the adequacy of our offer of indemnity and compensation. In some proceedings, legally binding court decisions 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. Financial provisions have been set up at an adequate level.

ALLWO

ALLWO GmbH, previously ALLWO Allgemeine Wohnungsvermögens-Aktiengesellschaft, an affiliated company of Generali Deutschland Holding AG held through the Group companies Generali Lebensversicherung and AachenMünchener Lebensversicherung, is faced with a larger number of claims for the reversal of purchase and sale agreements for flats dating back to the early 1990s. A final assessment of the litigation risk was made. It was taken into account by ALLWO GmbH setting up adequate provisions.

As meanwhile this risk is no longer material, the current Group Report is presumably the last one to include information about this issue.

Instalment clause

Another legal risk could result from the possibility of a negative ruling by the Federal Supreme Court on the admissibility of instalment clauses used in the General Insurance Conditions.

Act on the Modernization of Accounting Law

For the preparation of the individual financial statements of the Group companies in compliance with the German Commercial Code (HGB), the Act on the Modernization of Accounting Law (BilMoG) will have to be taken into account in the future. The enhancement of the HGB accounting rules is to provide an alternative to the International Financial Reporting Standards (IFRS) which is relatively simpler and involves lower costs and which increases the informative value of the year-end accounts in compliance with the HGB. The bill published by the Federal German Government on May 21, 2008 encompasses, among others, amendments regarding the recognition and measurement of intangible assets, financial assets held for trading, deferred tax and provisions. The rules do not apply to underwriting provisions. The new rules of the BilMoG are likely to be applied for the first time for the 2010 financial statements in compliance with the HGB. The implementation could involve risks. We are actively observing the legislation process and are taking the appropriate precautions.

Strategic and general business risks

"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 and coping with complexity. The steering committee of the "New Generali" project attaches particular importance to controlling and handling these risks.

We give the risk of a loss of distribution strength the highest priority and have been counteracting this risk since the start of this project in various subprojects. On January 1, 2009 we started operating in the German market with a strategy of multi-channel distribution.

The feasibility under personnel management aspects is ensured by continuing operations of the new company at the locations of Munich and Hamburg. We succeeded in agreeing a key-point paper with the companies' work councils on the safeguarding of locations and in concluding an agreement on compensation and reconciliation of interests.

The new service companies already established and the harmonization already achieved in business operations have created the necessary basis for coping with complexity. In addition, we benefit from our experience made in the past year with the successfully managed integration processes within our Group. By means of a professional and experienced project management, risks – such as those that might result from IT migration of the concentration of operations – are to be recognized and countermeasures to be developed at an early stage.

Bank channel

At the end of August 2008 Commerzbank announced its merger with Dresdner Bank. In order to respond to this change, we have established a project working on the strategic scope of activities in the bank-channel field.

Solvency requirements

All Group companies subject to solvency requirements showed a sufficient solvency in compliance with statutory regulations. On the basis of the Group solvency of the Generali Deutschland Group, the total of the existing equity capital of € 5,056 m (previous year: 5,376 m) is by € 1,715 m (previous year: 2,095 m) or 51 percent (previous year: 64 percent) in excess of the required level. On that basis the calculated solvency ratio in the Group is 151 percent (previous year: 164 percent).

The Generali Deutschland Group is no longer regarded as a financial conglomerate by the financial services regulator BaFin and is therefore exempted from regulatory provisions applicable to financial conglomerates. Therefore, the calculations required under the solvency rules for financial conglomerates no longer have to be filed. We will, however, continue to voluntarily prepare a solvency calculation on a financial-conglomerate basis and submit it to the BaFin. As a result, no deduction will be required, neither in the future, at Group and company level with regard to interests in and receivables under participation rights and subordinated loans from credit institutions, financial service institutions and financial companies.

In preparing for the future requirements under Solvency II, the Generali Deutschland Group has 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 enhancement of risk management

The enhancement of risk management is a continuous process. At regular intervals, new elements of business administration are included in risk management by updates. Also in the context of the further development of the system of European insurance regulation (Solvency II), the risk management of the Generali Deutschland Group is consistently enhanced and geared to the requirements of the regulatory system. The requirements of the 9th Amendment of the Insurance Supervisory Act and the Minimum Requirements on Risk Management published by the insurance regulator are taken into account. In its conception the Group project for implementing these requirements is oriented at the three-pillar structure of the EU Solvency II project. On the basis of this three-pillar structure, the further development of internal systems for risk management and controlling, the optimization of processes and the framework for transparent reporting are persistently pushed forward.

As a whole, there is no development emerging at present which could affect the risk-bearing capacity in a way jeopardizing existence, even though the assets, financial standing and earnings position of the Generali Deutschland Group are noticeably influenced by the adverse capital-market development.

Outlook

- The situation of the overall economy will again be substantially marked by the consequences of the financial crisis.
- For the German insurance industry there are little growth opportunities amid recession.
- The Generali Deutschland Group will continue to focus on the sustainable reinforcement of its distribution strength and profitability in operating business

Expectations for 2009 regarding the economic environment

It is assumed that the synchronized economic downturn worldwide and the persistent crisis of financial markets will drive the global economy further into recession. This will also affect the emerging countries previously acting as growth drivers. For the first time since 1982 global trade is expected to contract. This will primarily lead to an economic slowdown in export-oriented countries such as Germany. Amid a deteriorating labour market, consumer sentiment will remain subdued and available incomes will only rise slightly at the most. Against this background the total economic output is likely to witness a decrease in real terms by 1.7 percent in the eurozone and by 3.0 percent in Germany.

The further outlook for 2010 involves substantial uncertainties due to the historic dimensions of the current crisis. We proceed from the assumption that recession will gradually bottom out towards year-end 2009 and that 2010 will see a return to positive growth rates. The persistent lending reluctance of banks is likely to be a major obstacle in the way of economic recovery. After the considerable losses and write-downs in the wake of the financial crisis banks will, in fact, require a longer period of time to rebuild their basis of equity capital. As a whole, we expect growth in real terms to be 0.6 percent for the eurozone and 0.8 percent in Germany in 2010.

Development in financial markets

In the first half of 2009 the development in financial markets will continue to be characterized by a high degree of nervousness. Uncertainties will prevail regarding the further development of the financial market crisis and of the economy. Markets will above all be concerned about a further aggravation of the crisis and a slide into deflation. We therefore consider that it is quite probable for stock markets to plunge to new lows in the short therm. For the further course of the year, however, we anticipate a calmer development followed by a slight recovery. The resolute measures taken by central banks should finally turn out to be effective and revive the money market. In addition, the development is likely to be supported by economic stimulus packages and lower crude oil prices. Amid the persistent crisis of the U.S. housing market and global recession, however, the upward movement is expected to be moderate.

Due to the continuing credit crisis, the flight into safe investments, a decreasing inflation rate and further cuts of bank rates, bond market yields are initially expected to remain at historically low levels in 2009. In the further course of the year, the strain for asset-backed securities should level off. A slight recovery of the yield for 10-year government bonds would therefore appear to be probable. This trend is likely to continue in the year 2010 in the wake of an economic recovery.

Stagnation expected for the insurance industry

In the year 2009 the premium volume of the German insurance industry will remain approximately at the level of the previous year. The German Insurance Association GDV forecasts zero growth. The main reason for the expected stagnation is the difficult situation of the overall economy which will above all have an impact on consumer spending. Amid dimmer economic perspectives it is to be assumed that the widely spread wait-and-see attitude of large sections of the population with regard to private financial investments will become even more pronounced. An additional curbing impact will derive from intensive competition in property and casualty insurance, the high degree of market saturation and, above all, the consequences involved in political reforms.

The financial crisis and the resulting impact on the overall economy will also have negative consequences for life insurance. There are, however, also opportunities involved in the capital-market crisis: the competitive position of life insurance as against other types of investment has changed. As an instrument of old-age provision which is safe and stable in the long term, life insurance has become more attractive in comparison to equity investments, funds or certificates. This will result in growth momentum which will be even reinforced by the final withholding tax that has come into force at the beginning of the year. Another factor supporting growth in the long term will be the growing awareness of the need for funded individual provision for old age as a result of the demographic development.

The premium volume of the German insurance industry will not witness growth in 2009

As a whole, the industry assumes that life insurance premiums will witness a small decrease by 1 percent in 2009. Adjusted for Riester impacts, however, new business is expected to grow slightly by up to 1 percentage point.

The current economic climate is not favourable for private health insurance, either. In addition, the decrease in the younger age groups of the population means a reduction of new customer potential. At the same time the industry will be adversely affected by the rise of the income threshold up to which employees are compulsory members of public health insurance and the fact that under the healthcare reform a changeover of employees from public to private health insurance has become more difficult. As a result, the net new business of private health insurers will remain at a low level. On the other hand, the positive trend regarding supplementary covers will persist. The latter, however, will only have a limited influence on the total premium development because supplementary policies involve a comparatively low premium income. The obligation to offer a basic tariff, which was introduced at the beginning of the year, and the new legal rules regarding the portability of ageing provisions under business in force will hardly involve noticeable momentum for the industry as far as premium growth is concerned.

The market expects a negative premium development in life insurance

-1.0%

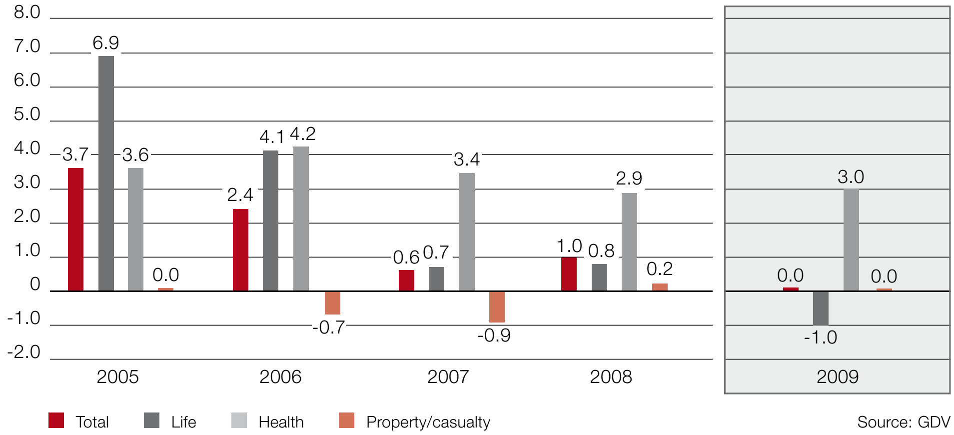
All in all, the GDV forecasts 3 percent growth for 2009, half of which is expected to result from a rise in the number of policyholders and the other half from premium adjustments for portfolio business in the wake of rising healthcare costs.

The high degree of market penetration and relentless price competition, which is extending into more and more lines of business, will continue to dampen premium growth in property and casualty insurance. The difficult economic situation will have an additional curbing impact in this segment. In motor insurance a favourable claims experience will contribute to a rising tendency of slightly cheaper tariffs being offered by many companies. Amid the development expected in the automotive industry, it is assumed that motor insurance will witness a decrease in premium income of about 2 percent in 2009. In property insurance for retail customers (in particular homeowners and householders insurance), where premium development is primarily influenced by adjustments of premiums and sums insured, premium income is expected to grow by 3 percent. All in all, the industry proceeds from the assumption that the premium volume in property and casualty insurance will be approximately in line with the previous year’s level.

The perspectives for the building-society market are good. Building-society contracts provide security with regard to interest rates and are predictable and therefore they are an important element in financing the acquisition and maintenance of residential property. The German type of savings under building-society

Premium growth by lines of business

Figures in %, including pension schemes and pension funds



Source: GDV

Only health insurance will continue to grow in 2009

+3.0%

contracts is tantamount to safe financing. In the wake of the financial crisis people have become increasingly aware of the importance of safety and therefore the market has again been witnessing a growing interest in building-society business.

Focus of the Generali Deutschland Group in 2009

The Generali Deutschland Group is excellently positioned in the German primary insurance market. A vital element for the successful development of our insurance activities is the consistent orientation of our strong brands towards their relevant distribution channels. Our business model creates the basis for stable and sustainably successful structures in the Group. In addition, this model is oriented at giving these structures an efficient shape and at cutting costs. After the restructuring measures in previous years we will benefit from cost reductions in the coming years following the creation of bigger units and the elimination of redundant areas. In the future, we will continue to consolidate our strengths and to sustainably focus on the successful diversity of our distribution channels, which is unique in the German market.

Within the scope of a clear strategic role allocation in our Group comprised under the catchword of “Unity in Diversity”, Generali Deutschland Holding AG will concentrate even more intensively on managing and steering the entire Group. In addition, the integration into the international Generali Group provides for a cross-national transfer of expertise and ensures that the Generali Deutschland Group will continue to benefit from the size and strength of the international Generali Group in the future.

We benefit from economies of scale by creating bigger units and eliminating redundant areas

The consistent enhancement of our proximity to markets and distribution and further developments specific to the business fields, such as those within our product strategy, will remain the central tasks of our Group companies in the year 2009. Furthermore, the orientation towards customers and services will continue to be in our focus. We will use our full distribution capacity in order to expand the strong position in our markets. To achieve this target, the IT support for distribution activities will be sustainably improved and an online platform with a standardized architecture will be established for our fieldstaff.

The business year 2009 will continue to be substantially affected by the financial crisis which has meanwhile amplified and turned into a real economic crisis. This external factor will also have a strong impact on earnings in the insurance industry. We cannot fully avoid the repercussions of market dislocations of an international dimension. The Generali Deutschland Group, however, is a financially sound insurer and this is regularly affirmed by several financial-strength ratings. Therefore we also regard this crisis as an opportunity. Our customers will attach importance to the safety of their retirement provisions and we will benefit from this as a financially strong insurer, the second-largest primary insurer in the German market.

In the current year it will be crucial to make use of the initiated changes to open up further synergies and to further increase our profitability and enhance our distribution strength. We will continuously and critically monitor the repercussions of the financial and economic crisis and adjust our activities accordingly. In this context we will benefit from the fact that we had already started to create future-oriented and stable structures before the crisis.

Growth in life remains above market average

Life insurance accounts for approx. 65% of the total premium income of the Generali Deutschland Group. Therefore the environment and development tendencies in this segment are particularly important for our business success. Life insurance certainly is a long-term growth market due to the demographic situation, the structural financing problems of the state-run retirement schemes and the growing awareness for the necessity of supplementary old-age provision on a private or corporate basis. Thanks to our broad and comprehensive product range and to the quality of our fieldstaff networks we are well prepared to position ourselves successfully in this field.

This applies to all three tiers of old-age provision and the additional coverage of biometric risks.

We use our full sales capacity in order to further expand our strong market position

The basic pension cover of the first tier has become firmly established as a product of supplementary retirement provision in particular for the self-employed, for earners of high incomes and for persons approaching retirement age. We offer a complete product line and expect a further long-term stimulation of demand.

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

The former AMB Generali pension fund will be merged with the Pensor pension fund. The merger is expected to be completed by the end of the second quarter 2009. Thereafter the fund will change its name to Generali Deutschland Pensor Pensionsfonds AG. The synthesis of the two companies and of their core competencies lays the foundations for a successful future in this business segment. Both partners have a longstanding experience and offer attractive solutions, especially in the field of the outsourcing of internal company pension schemes.

We expect a persistent trend towards unit-linked products

Also with regard to the Riester pensions of the second tier we expect demand to rise further as the target group of persons eligible for state incentives has not yet been fully penetrated. As the market leader we will benefit particularly from this development. Since we are an established provider of both unit-linked and traditional Riester covers we expect above-average growth also in this field.

The provision products of the third tier, which comprise endowment life insurance and private pension insurance, continue to be attractive for customers. In the wake of the financial market crisis customers have come to appreciate the safety of the guarantees granted by life insurers. Apart from the benefits guaranteed on a long-term basis, the additional cover of biometric risks is another unique selling proposition of life insurance. The trend towards pension covers will continue in new business, also due to taxation aspects.

The sales season for investment funds expected for the year-end 2008 ahead of the introduction of the final withholding tax on January 1, 2009 did, in fact, not happen due to the financial market crisis. We anticipate, however, that the attractiveness of fund investments will rise again in the medium term. For tax reasons, unit-linked insurance will be more attractive than direct fund investments starting from 2009.

Even though customer interest in unit-linked insurance might temporarily decrease as a result of plunging stock-market prices, we expect that in the medium term there will be a persistent trend towards unit-linked products, with a rising demand especially for innovative covers. As the market leader in unit-linked life insurance we are excellently positioned to offer our customers any requested opportunity-risk profile. Risk-adverse customers have the possibility of taking out traditional products. Mixed types of cover, such as a traditional product with a unit-linked profit bonus and hybrid products with a premium guarantee, provide opportunities while simultaneously offering a basic guarantee. For customers with a long investment horizon the current stock market may be an attractive opportunity to take out unit-linked insurance. For this purpose, we offer a choice of flexible investments in various funds of excellent quality.

We anticipate growth momentum from covers of purely biometric risks

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 in 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.

In the growing senior market we will increasingly position ourselves with products of long-term care insurance. Amid ongoing discussions about possible reforms of the state-run long-term care scheme we are anticipating strong impulses in this segment. The development of objective quality criteria for care services and the competition thus arising between the providers of long-term care services will underline the necessity of private cover.

Apart from stand-alone policies we are also offering a system of supplementary covers and optional modules from which tailor-made product packages can be set up. We will benefit from the growth opportunities opening up in the wake of the demographic development and the gradual restructuring of the social security schemes by making use of our innovative product development oriented at specific target groups and by means of our strong distribution networks. 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 groups.

In the year 2009 and the following years we will again achieve stronger growth than the life insurance market. In doing so we will reinforce and expand our top position in Riester pensions, unit-linked life insurance and term life insurance.

Health insurers excellently positioned in difficult healthcare market

Following the implementation of the latest healthcare reform, the environment for private health insurers has again changed markedly at the beginning of the year 2009. With the introduction of the health pool, general contributions to the public health scheme increased to 15.5 percent with effect from January 1, 2009. All members of public health funds now pay the same contribution. In the light of rising costs in healthcare and a rise in average life expectancy it is nevertheless probable that contributions to the public health scheme will increase further. The future challenges in healthcare, however, can only be managed if people have a greater choice and more individual responsibility. Therefore, private health insurance is an indispensable and supporting pillar in assuring a social, high-quality healthcare system having a sound financing basis.

We are excellently positioned in order to benefit from the healthcare reform

For stimulating the economy, the coalition of Conservatives and Social Democrats agreed on an economic stimulus package in January 2009. Among various measures, the contribution to the public health scheme is to be reduced from currently 15.5 percent to 14.9 percent, both for employees and employers. This decrease is to become applicable on July 1, 2009.

Simultaneously with the introduction of the basic tariff, new rules regarding the changeover to a different private health insurer came into force, too. Starting from 2009, customers concluding a full health cover can take part of their ageing provisions with them when changing over to another private health insurer. Customers who had already taken out a full health cover before the turn of the year have this right only within the first six months of the year and only if they change to the basic tariff. At the moment it is not possible to forecast exactly what will be the response to these new changeover rules.

The health insurers of the Generali Deutschland Group will react flexibly and are well prepared for future market developments influenced by the political environment. Our activities are focussed on a further reinforcement of distribution channels and on targeted measures with regard to winning and retaining customers. Besides, we have a product portfolio offering strong benefits. This portfolio is continuously being expanded and adjusted to the changing needs of consumers. After the extraordinarily successful business year 2008, the health insurers of the Generali Deutschland Group are excellently positioned to remain among the leaders in the private health insurance market in Germany and to benefit from the healthcare reform. On the basis of our very good position in the healthcare market and the measures already initiated successfully 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 2009.

Selective approach in property and casualty insurance continued

Retail business in property and casualty insurance continues to be characterized by two developments. On the one hand, consumers are becoming increasingly price-sensitive not only in the motor business but in the non-motor lines, too. On the other hand, competition among insurers is becoming fiercer as a result of the shrinking potential for new business in the market.

In motor insurance, the rising price sensitivity of customers and the entry of direct-selling insurers in the market led to pronounced competition for new business. The companies of the Generali Deutschland Group respond to this competition by state-of-the-art product strategies and pricing methods in order to avoid intensive price competition at least to some extent while at the same time ensuring risk selection oriented at profitability.

Property and casualty insurance for retail customers has been highly profitable in recent years, with the exception of homeowners insurance. The attractiveness of these lines of business and the shrinking potential for new business in the long term will lead to an intensification of competition. Future success in retail business will primarily depend on a targeted customer approach and an integrated view of customers, taking into account their individual life and risk situation. In this context, the companies of the Generali Deutschland Group are already well positioned today, thanks to their comprehensive product range including assistance modules.

Underwriting in property and casualty business focussed on profitability

In order to avoid volatile risks, the Generali Deutschland Group is deliberately reluctant to underwrite industrial business involving high sums insured and instead concentrates on small and medium-sized commercial business. With harmonized underwriting guidelines across the Group it is ensured, on the one hand, that the underwriting of defined risks is explicitly prohibited. On the other hand, the limits of sums insured are determined in such a way that a flexible response is possible in those cases where applications have to be submitted for approval. In this context it is regularly analysed which growth lines have future perspectives and which lines are particularly profitable. In addition, one of our strong points is cooperation across the Group regarding the regular overhaul of our product range.

The harmonization of the property and casualty products of the merged Generali and Volksfürsorge Versicherungen contributes to a substantial reduction of complexity while leading to an enhancement of our range of products.

Besides the launch of new motor tariffs in all Group companies, AachenMünchener adjusted its successful property cover Vermögenssicherungspolice to the current requirements of sales networks and market developments. Furthermore, Cosmos Sachversicherung is expected to launch a revised and innovative homeowners product starting from the fourth quarter 2009. In addition, we are preparing an enhancement of liability products for corporate customers across the Group. In the spring of 2009 we will introduce a totally overhauled product range which will include a further improvement of insurance cover thus providing an optimum response to the changed market environment.

Against the background of current developments and based on our customer-oriented initiatives in property and casualty insurance we proceed from the assumption that in the business year 2009 our development will again be in line with the market.

Optimistic expectations in building-society business

Due to the advantages involved in the fact that building-society contracts provide security with regard to interest rates and are predictable, they continue to be an important element in financing the acquisition and maintenance of residential property. The German type of savings under building-society contracts is tantamount to safe financing. In the wake of the financial crisis, people are becoming increasingly aware of the importance of safety and therefore interest in building-society contracts is growing again.

Deutsche Bausparkasse Badenia has made investments for the future. Products with strong benefits, good service for customers and fieldstaff, an organization responding to requirements and composed of dedicated employees, swift processes and an adequate profitability will ensure the market position of Badenia.

The enhanced product range which will be further extended in 2009 to include Riester contracts for the financing of residential property, the positive environment for building-society business and the intensified partnership with Deutsche Vermögensberatung speak in favour of further growth for Badenia's new business. Besides, the strong increase in submitted new business in the year 2008 will support the growth of recognized new business in the current year.

The persistent optimization of business processes will lead to a further improvement of services in the handling of phone calls and written documents. In the year under report, Badenia has already markedly extended the hours during which its service centres are available to customers and fieldstaff.

The medium and long-term competitiveness of the company is based on the adequate profitability of its operating business. This profitability will be further increased by Badenia and a sufficient solvency will be maintained. The basis for an adequate contribution to the earnings of the Generali Deutschland Group is a sound and sustainable orientation at earnings and values by means of stringent cost management and the consistent exploitation of cost-cutting potentials.

Prudent approach in investment policy

In the year 2009, the banking crisis will continue to have a crucial impact on markets. Although an escalation in the sense of a default of additional banks of relevance to the banking system is a theoretical possibility, this is improbable in the light of the strong commitment of governments worldwide. Global recession is likely to be as steep as expected by governments and economic institutions at the beginning of the year. The severity of recession hitting the individual markets will vary.

In the light of sustained insecurity and the beginning recession we expect capital markets to remain extraordinarily volatile in 2009. Accordingly we will maintain our conservative investment policy and continue to intensively observe markets in order to be able to respond adequately in the short term. In case adverse developments should persist, we will take further hedging measures and apply various instruments for this purpose. Given the strong volatility of markets and the distortions still existing in many market segments, our new investments in the current year will be deliberately defensive. Risk aspects will have a higher weight than uncertain opportunity profiles. By making use of intelligent hedging instruments we will try to put safety-orientation clearly in the foreground and to underweight high-yield opportunities.

The implementation of this policy with regard to equity investments means that we will tend to benefit from positive developments to further reduce our risk position. A change of this basic attitude would presuppose a sustained improvement of economic expectations. We would respond to negative developments by taking consistent measures to maintain our risk-bearing capacity.

Especially as far as fixed-income securities are concerned we will continue to pursue a persistently conservative policy. In doing so we will maintain our philosophy of investing in securities of high credit standing. In parallel we will keep significant liquidity positions. By cautiously expanding our exposure of first-class issuers in the non-financial corporate field and in eurozone government bonds we will participate in an expansion of spreads.

Earnings expected to improve

The diversity of brands and distribution channels in the Generali Deutschland Group and the intensive exploitation of the advantages inherent to a strong Group are the basis for a successful development of our Group also in the future. Due to our good market position in business with retail customers and small to medium-sized commercial clients, the strong advisory capacity of our fieldstaff networks and distribution partners and the positioning of our brands we expect further market-share gains in insurance business and continued premium growth above the market average.

While expectations regarding our core business activities are optimistic, we will again be faced with the extremely difficult environment of international capital markets in the current year. In 2009 the net profit of the Generali Deutschland Group will to a substantial degree depend on net investment income. Since no sustained recovery of markets is foreseeable for the time being we do not make an earnings forecast for the business year 2009. Neither is it possible for us to make reliable earnings prognoses for the subsequent business years 2010 and 2011. In contrast to the business year 2008 we expect, however, that the earnings situation will be markedly more positive in the coming years. On the basis of our good operating development and our success in insurance business we are therefore looking at the future with confidence.

Provided that there are no extraordinary claims and capital markets are not affected by further adverse impacts of an extremely sustained nature in the current year, we proceed from the assumption that in 2009 we will again achieve markedly higher earnings, the amount of which will, however, not be in line with the levels reached in the years before the financial crisis.

Group targets 2009 through 2011 on the basis of internal management parameters

The following gives an outline of the Group targets for the period 2009 through 2011. We refer to the 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 accounting.

Group targets 2009 through 2011

	Actual 2008	Targets 2009	Outlook 2010/2011
Premium development life	+3.3%	growth above market level	growth above market level
Premium development health	+5.9%	growth above market level	growth above market level
Premium development property/casualty	+0.8%	growth at market level	growth at market level
New business value[1]	€ 199 m	increase without extraordinary items[2]	continuous rise in subsequent years
Combined ratio[3]	94.4%	95–96%	95% against market cycle
Total costs[4]	€ 1,641 m	€ 1,620 m	< € 1,600 m
Group net profit under IFRS	€ 4 m	markedly higher earnings	continuous increase

1 life and health insurance; acc. to McEV, after capital cost
2 mainly Riester step in previous year
3 combined ratio of claims and expenses in property and casualty insurance; without consideration of extraordinary claims
4 without commissions and one-off restructuring costs

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 of 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.

According to the latest information received by us, Assicurazioni Generali S.p.A., Trieste, indirectly held a stake of 93.02 percent in Generali Deutschland on the reporting date. Out of that percentage a direct stake of 80.19 percent and an indirect stake of 5.1 percent in Generali Deutschland are 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. The Board of Management is 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 art. 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 art. 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 finally determined, which should be as close as possible to the moment the shares are placed, that issue price 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 6, 2008 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, 2009. 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 sections 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 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 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 and/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 Act and the Securities 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 and in particular for the following:

1. The shares acquired may be withdrawn without the withdrawal or the withdrawal procedure requiring a further resolution at 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 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 at 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. 150.

Generali Deutschland 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 Generali Deutschland or Assicurazioni Generali S.p.A. Under the other agreement, the exclusiveness agreed in favour of the Generali Deutschland Group may be terminated in the case of a change of control in Generali Deutschland 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 084–172

Consolidated Income Statement for the period January 1–December 31, 2008

	Note			2008	2007
		€'000	€'000	€'000	€'000
1. Gross premiums written				**11,907,586**	**11,771,387**
2. Net premiums earned	6		11,601,603		11,424,328
3. Investment income (net)	7				
a) income from shares in enterprises measured at equity		50,282			45,143
b) other investment income		807,218			3,639,071
			857,500		3,684,214
4. Other income	8		432,057		456,788
				12,891,160	**15,565,330**
5. Net claims and benefits	9				
a) life/health		-7,152,494			-9,906,610
b) property/casualty		-1,930,085			-1,928,455
			-9,082,579		-11,835,065
6. Net operating expenses	10		-2,620,530		-2,101,439
7. Other expenditure	11		-1,191,500		-1,001,813
				-12,894,609	**-14,938,317**
8. Result before goodwill amortization				**-3,449**	**627,013**
9. Goodwill amortization	15			**-800**	**–**
10. Earnings before tax and finance costs				**-4,249**	**627,013**
11. Finance costs				**-16,724**	**-18,006**
12. Tax	12			**25,300**	**-109,640**
13. Net profit				**4,327**	**499,367**
a) of which attributable to the equity holders of the parent				1,933	498,067
b) of which minority interests				2,394	1,300

	Note	2008	2007
		€	€
14. Earnings per share	13		
a) diluted		0.04	9.28
b) undiluted		0.04	9.28

Consolidated Income Statement for the period October 1–December 31, 2008

			2008	2007
	€'000	€'000	€'000	€'000
1. Gross premiums written			**3,035,428**	**3,053,728**
2. Net premiums earned		3,216,388		3,225,752
3. Investment income (net)				
a) income from shares in enterprises measured at equity	9,725			2,312
b) other investment income	-278,228			727,197
		-268,503		729,509
4. Other income		146,293		160,490
			3,094,178	**4,115,751**
5. Net claims and benefits				
a) life/health	-1,361,738			-2,590,727
b) property/casualty	-434,764			-434,277
		-1,796,502		-3,025,004
6. Net operating expenses		-926,077		-619,417
7. Other expenditure		-492,062		-352,473
			-3,214,641	**-3,996,894**
8. Result before goodwill amortization			**-120,463**	**118,857**
9. Goodwill amortization			**-800**	**–**
10. Earnings before tax and finance costs			**-121,263**	**118,857**
11. Finance costs			**-4,114**	**-4,336**
12. Tax			**70,935**	**-7,707**
13. Net profit/loss			**-54,442**	**106,814**
a) of which attributable to the equity holders of the parent			-55,511	106,165
b) of which minority interests			1,069	649
			2008	2007
			€	€
14. Earnings per share				
a) diluted			-1.03	1.98
b) undiluted			-1.03	1.98

Consolidated Balance Sheet as at December 31, 2008 – Assets

	Note		2008	2007
		€'000	€'000	€'000
A. Owner-occupied property/tangible assets	14		**1,039,377**	**959,530**
B. Intangible assets	15			
I. Goodwill		269,389		270,189
II. PVFP of insurance contracts		87,596		104,390
III. Other intangible assets		85,423		96,306
			442,408	**470,885**
C. Deferred acquisition costs	16		**7,834,165**	**7,797,271**
D. Investments				
I. Investment property	17	2,284,853		2,124,082
II. Shares in enterprises measured at equity	18	526,436		317,999
III. Financial assets				
1. loans and receivables	19	41,141,231		37,701,130
2. available for sale	20	31,173,079		36,520,965
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)		776,310		922,511
b) held for trading		286,016		14,267
		73,376,636		75,158,873
			76,187,925	**77,600,954**
E. Investments for the account and at the risk of life insurance policyholders	22		**7,361,720**	**9,627,717**
F. Receivables	23		**2,212,625**	**2,154,445**
G. Tax assets				
I. for current tax		384,145		318,936
II. for deferred tax	33	92,066		98,239
			476,211	**417,175**
H. Reinsurers' shares in underwriting provisions			**1,508,471**	**1,739,144**
I. Other assets			**269,014**	**121,660**
J. Inventories	24		**10,411**	**18,353**
K. Non-current assets held for sale and discontinued operations				
I. Non-current assets held for sale		10,650		74,803
II. Discontinued operations	34	–		49
			10,650	**74,852**
L. Current-account balances with credit institutions, cheques and cash in hand			**669,038**	**535,631**
Total assets			**98,022,015**	**101,517,617**

Consolidated Balance Sheet as at December 31, 2008 – Liabilities

	Note	€'000	2008 €'000	2007 €'000
A. Group equity	25			
I. Subscribed capital		137,421		137,421
II. Capital reserves		1,309,573		1,308,177
III. Revaluation reserve		264,193		426,138
IV. Profit carried forward		1,943,832		1,601,173
V. Reserve from foreign-currency translation		-1,214		-2,951
VI. Net profit attributable to the equity holders of the parent		1,933		498,067
VII. Minority interests		97,082		175,503
			3,752,820	**4,143,528**
B. Underwriting provisions				
I. Unearned premiums	26	480,456		483,438
II. Provision for future policy benefits	27	64,084,147		61,943,221
III. Provision for outstanding claims	28	4,664,791		4,601,451
IV. Provision for premium refunds	29	4,688,887		7,366,164
V. Other underwriting provisions		30,123		28,589
			73,948,404	**74,422,863**
C. Underwriting provisions concerning unit-linked life insurance			**7,305,688**	**9,605,942**
D. Other provisions				
I. Provisions for pensions and similar commitments	30	1,904,448		1,898,656
II. Tax provisions		292,232		346,678
III. Other provisions	31	652,657		366,652
			2,849,337	**2,611,986**
E. Payables	32			
I. Subordinated liabilities		212,597		295,844
II. Bonds and loans		211,670		188,011
III. Other payables		9,156,254		9,504,107
			9,580,521	**9,987,962**
F. Tax liabilities				
I. for current tax		77,051		97,260
II. for deferred tax	33	507,449		647,441
			584,500	**744,701**
G. Other liabilities			**745**	**635**
Total liabilities			**98,022,015**	**101,517,617**

Equity development

	Subscribed capital €'000	Capital reserve €'000	Revaluation reserve €'000	Reserve from foreign-currency translation €'000	Profit carried fw. and net profit[1] €'000	Minority interests €'000	Equity €'000
Balance at Dec. 31, 2007	**137,421**	**1,308,177**	**426,138**	**-2,951**	**2,099,240**	**175,503**	**4,143,528**
Change for:							
Foreign-currency translation	—	—	-125	2,066	3	-185	1,759
Change of consolidation scope	—	—	10,010	-329	261	-76,541	-66,599
Dividend to shareholders	—	—	—	—	-155,672	-2,212	-157,884
Unrealized capital gains and losses							
withdrawal recognized in income	—	—	-211,902	—	—	—	-211,902
allocation not recognized in income	—	—	40,072	—	—	-1,877	38,195
Net profit	—	—	—	—	1,933	2,394	4,327
Other	—	1,396[2]	—	—	—	—	1,396
Balance at Dec. 31, 2008	**137,421**	**1,309,573**	**264,193**	**-1,214**	**1,945,765**	**97,082**	**3,752,820**
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
Other	—	22,427[2]	—	—	—	—	22,427
Balance at Dec. 31, 2007	**137,421**	**1,308,177**	**426,138**	**-2,951**	**2,099,240**	**175,503**	**4,143,528**

1 Group net profit attributable to the equity holders of the parent
2 expenditure under stock options

Cash-flow statement

	2008 €'000	2007 €'000
Net profit	4,327	499,367
Change of underwriting provisions (net)	-1,614,976	4,826,960
Change of deferred acquisition costs	-36,894	-429,983
Change of reinsurance deposits receivable and payable as well as current accounts receivable and payable	-195,147	-63
Change of financial assets held for trading	-215,839	87,899
Change of other amounts receivable and payable	-448,061	-438,614
Realized capital gains/losses from the disposal of investments and of plant and equipment	12,545	-725,693
Change of deferred tax assets/liabilities	-95,493	-66,037
Change of other balance-sheet items	-35,504	10
Profits/losses due to deconsolidation	-13,860	-47,638
Adjustment for investment income and expenditure not involving cash movements	6,239,406	-234,652
Cash flow due to operating activities	**3,600,504**	**3,471,556**
Receipts due to the disposal of affiliated and associated enterprises	4,059	51,491
Payments due to the acquisition of affiliated and associated enterprises	-262,466	-75,592
Receipts due to the disposal of other investments	18,057,298	19,212,318
Payments due to the acquisition of other investments	-19,627,555	-22,099,361
Receipts due to the disposal of investments under unit-linked life insurance	704,958	563,836
Payments due to the acquisition of investments under unit-linked life insurance	-2,016,405	-1,606,398
Other receipts	266,050	139,209
Other payments	-439,390	-90,998
Cash flow due to investing activities	**-3,313,451**	**-3,905,495**
Change of bonds, loans and subordinated liabilities	-6,628	-94,430
Receipts due to capital increase	10,688	-1,569
Dividend payment	-157,884	-125,209
Cash flow due to financing activities	**-153,824**	**-221,208**
Impact of currency translation on cash position	178	-350
Change of the cash position due to the acquisition/disposal of consolidated subsidiaries	—	-138
Cash position at the beginning of the business year	535,631	1,191,266
Change of the cash position	133,229	-655,147
Cash position at the end of the business year	**669,038**	**535,631**

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, € 300,000 thousand (previous year: 267,250 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

	2008 €'000	2007 €'000
Premiums written	11,666,096	11,530,117
Ordinary investment income	3,676,146	3,538,197
Claims payments	-8,346,989	-7,861,997
Commission payments	-1,712,042	-1,563,436
Tax payments	-183,601	-148,858

Notes

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Notes to the Consolidated Financial Statements 2008

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.

The standards published as newly amended by the IASB, i.e. IFRS 2 “Share-based Payment”, IFRS 3 “Business Combinations”, IFRS 8 “Operating Segments”, IAS 1 “Presentation of Financial Statements”, IAS 23 “Borrowing Costs”, IAS 27 “Consolidated and Separate Financial Statements” and IAS 32 “Financial Instruments: Presentation”, have to be applied at the earliest for reporting periods starting on January 1, 2009. No early application of these standards was made.

The reclassification options provided by the modifications of IAS 39 in conjunction with IFRS 7 with retroactive effect from July 1, 2008 for the reclassification of financial assets were not applied in the business year.

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, 2008 comprise Generali Deutschland Holding AG as well as 63 subsidiaries and 24 investment funds. In addition, five companies are measured at equity. These are companies on which the Generali Deutschland Group may exercise a material influence. Furthermore stakes in four joint ventures are measured at equity in compliance with IAS 31. Within the scope of the “New Generali” project Generali Lloyd AG, AMB Generali Lloyd GmbH and Volksfürsorge Holding AG merged into the new Generali Beteiligungs- und Verwaltungs-AG with retroactive effect from January 1, 2008. Equally with retroactive effect from January 1, 2008 Generali Versicherung AG, AMPAS GmbH and Volksfürsorge Deutsche Sachversicherung AG were merged into the new Generali Versicherung AG and Generali Lebensversicherung AG and Volksfürsorge Deutsche Lebensversicherung AG were merged into the new Generali Lebensversicherung AG. Volksfürsorge AG Vertriebsgesellschaft für Vorsorge und Finanzprodukte, which was founded in 2008, was for the first time included in the consolidation scope.

On p. 140 of this Report, a table showing the 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 the Generali Deutschland Group, directly or indirectly, holds a majority of votes. In addition, companies and/or special purpose entities are consolidated in compliance with the rules of SIC 12. A business combination exists if the Generali Deutschland Group obtains control of another enterprise. In compliance with IFRS 3 "Business Combinations", a business combination is accounted for by the purchase method. This method requires that 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.

IFRS 3 does 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 Generali Deutschland. 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 Generali Deutschland 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 Generali Deutschland Group. It is assumed that there is a material influence if the Generali Deutschland 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 Generali Deutschland Group together with an enterprise not included in the Consolidated Financial Statements of Generali Deutschland. 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 released to 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 Generali Deutschland 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 historical 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 consistent basis, either in equity, without recognition in income, or they are recognized in income, depending on the measurement applied to the instrument.

The financial reporting figures of subsidiaries and investment funds establishing their financial statements in a currency different from the functional currency of Generali Deutschland 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 Generali Deutschland 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, at contract inception, mortality, interest and costs are in principle fixed as assumptions for the full duration of the contract. For accounting in compliance with US-GAAP these assumptions as well as the assumptions regarding future lapses are verified at each reporting date and adjusted, as necessary. The resulting impacts are reflected in the true-up values in the balance-sheet line items of the present value of future profits (PVFP-value) of insurance contracts, deferred acquisition costs, terminal bonus reserve (TBT) and unearned revenue reserve (URR).

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 amounts expected 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 Generali Deutschland, 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 Generali Deutschland 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 IFRS 4.13.

If there is no standard or interpretation explicitly applying to a business transaction, the Generali Deutschland Group, in compliance with IAS 8, applies 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. Generali Deutschland 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 has been 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 Generali Deutschland 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 Generali Deutschland 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 Generali Deutschland 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 of 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 categorized by classes having a uniform risk character to the extent disclosures in this detail are required. The classes have been determined on the basis of measurement categories and subcategories.

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 issuer 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 Generali Deutschland 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 by write-downs. Write-ups through profit or loss are made for debt instruments up to the maximum amount of amortized cost only in those cases where 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.

The **reinsurers' shares in underwriting provisions** are determined on the basis of the reinsurance treaties. The conclusion of reinsurance treaties is recognized without affecting income at the moment the treaty is taken out. In the business year 2008 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 Generali Deutschland 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 part of the revaluation reserve under equity. The changes are not recognized in income until the offsetting profit or loss of the host contract is realized and recognized. In cases of partially ineffective hedging, the proportionate share of the 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 discontinued operations** 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 **discontinued operations** comprises company components which were sold or classified as held for sale.

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 Generali Deutschland Group has 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 Generali Deutschland 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 used. Under the applied 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.

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 remaining average 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 Generali Deutschland 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 capital amount and the change of the investment position financed by profit bonuses.

Leases

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

Share-based payment

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. The cost of the options is spread over the vesting period and recognized as personnel expenditure with the offsetting entry in equity.

Classes of insurance

The Generali Deutschland 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 January 1–December 31, 2008

	Life/health		Property/casualty	
	2008 €'000	2007 €'000	2008 €'000	2007 €'000
1. Gross premiums written				
from insurance business with other segments	29,903	78,440	—	—
from insurance business with external third parties	8,844,904	8,732,786	3,062,682	3,038,601
	8,874,807	**8,811,226**	**3,062,682**	**3,038,601**
2. Net premiums earned	8,641,746	8,541,876	2,989,760	2,960,892
3. Investment income (net)	646,394	3,140,689	29,251	374,753
4. Other income	489,145	494,237	450,845	466,046
5. Net claims and benefits	-7,179,449	-9,986,114	-1,930,046	-1,928,455
6. Net operating expenses	-1,742,515	-1,233,330	-899,288	-902,254
7. Other expenditure	-874,571	-688,806	-658,995	-647,775
8. Result before goodwill amortization	-19,250	268,552	-18,473	323,207
9. Goodwill amortization	—	—	—	—
10. Earnings before tax and finance costs	-19,250	268,552	-18,473	323,207
11. Finance costs	-16,457	-16,461	—	—
12. Tax	30,497	-74,002	8,183	-14,694
13. Net profit/loss	**-5,210**	**178,089**	**-10,290**	**308,513**

The segment reporting of the Generali Deutschland 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 which cannot be allocated to any other segment. This concerns Generali Deutschland Informatik Services GmbH and Generali Deutschland Services GmbH.

	Financial services		Other/consolidation		Group	
	2008	2007	2008	2007	2008	2007
	€'000	€'000	€'000	€'000	€'000	€'000
	—	—	-29,903	-78,440	—	—
	—	—	—	—	11,907,586	11,771,387
	—	**—**	**-29,903**	**-78,440**	**11,907,586**	**11,771,387**
	—	—	-29,903	-78,440	11,601,603	11,424,328
	207,294	209,602	-25,439	-40,830	857,500	3,684,214
	150,132	176,374	-658,065	-679,869	432,057	456,788
	—	—	26,916	79,504	-9,082,579	-11,835,065
	—	—	21,273	34,145	-2,620,530	-2,101,439
	-328,175	-332,309	670,241	667,077	-1,191,500	-1,001,813
	29,251	53,667	5,023	-18,413	-3,449	627,013
	-800	—	—	—	-800	—
	28,451	53,667	5,023	-18,413	-4,249	627,013
	-267	-1,545	—	—	-16,724	-18,006
	-2,236	-7,678	-11,144	-13,266	25,300	-109,640
	25,948	**44,444**	**-6,121**	**-31,679**	**4,327**	**499,367**

The "financial services" segment comprises those companies operating in the field of managing financial investments. In addition to Deutsche Bausparkasse Badenia, starting from the first quarter 2008 these companies also include Generali Deutschland Immobilien GmbH. That latter company is our asset manager for property investments. Its customers comprise our Group companies as well as external clients. Besides strategic

Segment reporting Consolidated Balance Sheet as at December 31, 2008 – Assets

	Life/health		Property/casualty	
	2008	2007	2008	2007
	€'000	€'000	€'000	€'000
A. Owner-occupied property/tangible assets	586,437	518,380	363,494	348,447
B. Intangible assets	316,595	339,407	107,784	103,466
C. Deferred acquisition costs	7,576,179	7,558,440	257,986	238,831
D. Investments	66,015,484	67,047,551	5,795,588	6,268,587
E. Investments for the account and at the risk of life insurance policyholders	7,361,720	9,627,717	—	—
F. Receivables	1,785,174	1,777,266	622,099	542,946
G. Tax assets	196,514	180,247	251,887	206,989
H. Reinsurers' shares in underwriting provisions	1,173,294	1,372,705	335,177	366,439
I. Other assets	212,936	102,080	32,631	13,901
J. Inventories	4,988	13,700	673	1,098
K. Non-current assets held for sale and discontinued operations	10,586	36,897	64	37,955
L. Current-account balances with credit institutions, cheques and cash in hand	559,910	481,164	50,046	48,273
Total segment assets	**85,799,817**	**89,055,554**	**7,817,429**	**8,176,932**

tasks, the company also ensures tasks of controlling and the coordination of these activities with the overall investment strategy of the Group. Furthermore the company's core business encompasses property transactions and the management of indirect property investments. Following the reclassification from the segment "other" to the "financial services" segment, the previous year's figures were adjusted accordingly.

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.

	Financial services		Other/consolidation			Group
	2008	2007	2008	2007	2008	2007
	€'000	€'000	€'000	€'000	€'000	€'000
	37,050	38,469	52,396	54,234	1,039,377	959,530
	1,492	2,497	16,537	25,515	442,408	470,885
	—	—	—	—	7,834,165	7,797,271
	4,770,619	4,907,439	-393,766	-622,623	76,187,925	77,600,954
	—	—	—	—	7,361,720	9,627,717
	134,730	82,628	-329,378	-248,395	2,212,625	2,154,445
	27,810	29,504	—	435	476,211	417,175
	—	—	—	—	1,508,471	1,739,144
	240	340	23,207	5,339	269,014	121,660
	3,891	2,543	859	1,012	10,411	18,353
	—	—	—	—	10,650	74,852
	58,708	5,833	374	361	669,038	535,631
	5,034,540	**5,069,253**	**-629,771**	**-784,122**	**98,022,015**	**101,517,617**

There are profit-transfer agreements existing between Generali Deutschland 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 December 31, 2008 – Liabilities

	Life/health		Property/casualty	
	2008	2007	2008	2007
	€'000	€'000	€'000	€'000
B. Underwriting provisions	69,973,529	70,320,945	4,244,010	4,256,540
C. Underwriting provisions concerning unit-linked life insurance	7,305,688	9,605,942	—	—
D. Other provisions	1,694,320	1,488,760	868,067	839,034
E. Payables	5,061,599	5,346,314	309,437	276,512
F. Tax liabilities	363,148	454,489	250,113	294,092
G. Other liabilities	744	635	1	—
Total segment liabilities	**84,399,028**	**87,217,085**	**5,671,628**	**5,666,178**

	Financial services		Other/consolidation		Group	
	2008	2007	2008	2007	2008	2007
	€'000	€'000	€'000	€'000	€'000	€'000
	—	—	-269,135	-154,622	73,948,404	74,422,863
	—	—	—	—	7,305,688	9,605,942
	165,541	162,301	121,409	121,891	2,849,337	2,611,986
	4,359,115	4,451,388	-149,630	-86,252	9,580,521	9,987,962
	8,669	9,708	-37,430	-13,588	584,500	744,701
	—	—	—	—	745	635
	4,533,325	**4,623,397**	**-334,786**	**-132,571**	**94,269,195**	**97,374,089**

Equity	3,752,820	4,143,528
Total liabilities	**98,022,015**	**101,517,617**

5 Risk management

The focus of the business activities of the Generali Deutschland Group is the distribution and management of insurance products in all established classes of life, health 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 financial services with a focus on building-society business.

Within the scope of insurance business and the investment activities closely related to that business, the Group assumes in particular specific segment risks or underwriting risks (including the risks of building-society business) as well as market and credit risks. In addition, there may be concentration and liquidity risks.

The Group encounters these risks with a variety of measures.

For the Generali Deutschland Group, the **specific segment risks** can be subdivided into the underwriting risks of the life, health and property and casualty insurance segments, on the one hand, and the building-society risks involved in the financial services segment, on the other hand.

The underwriting risk lies in the possibility that payment flows of material importance 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 uncertain at the time the contract is concluded and therefore involve risks. These risks include the risks of change, error and fortuity:

- The risk of change is based on future changes of risk factors. It involves, for instance, the danger of a difference between the actual experience and the expected and calculated level of claims and benefits.
- The risk of error exists above all for new types of insurance cover when established findings about the risk exposure 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.

Within the Generali Deutschland Group, the building-society risk refers to Deutsche Bausparkasse Badenia and consists primarily of liquidity risks and of the risk of a negative change of the interest margin as a result of adverse changes in customer behaviour.

Market risks are composed of equity risks, interest-rate risks and currency risks and they describe the risk of losses that may occur in capital markets due to adverse changes of market prices or to factors having a price influence.

Credit risks are the risks involved in possible losses attributable to a durable widening of spread or to the total or partial default of an issuer, contracting party or borrower. These risks are primarily involved in investments, including loans to end-customers (among others under building-society business). Furthermore, credit risks also include the default of receivables under insurance business, in particular amounts receivable from policyholders, intermediaries and reinsurers.

Concentration risks are due to an insufficient diversification of the investment portfolio and refer to all individual investments involving a risk and having a default potential that is sufficiently big to jeopardize the solvency or financial standing of the Group and/or of Group companies. Concentration risks in insurance business are dealt with under the specific segment risks.

Liquidity risks describe the risk involved in not being able to fulfil current and future payment obligations, in particular under insurance contracts, in time or for the full amount.

Management of specific segment risks

Underwriting risks in life insurance and sensitivity analysis

The activities of the Generali Deutschland Group in life insurance focus on mixed endowment and pension covers with a guaranteed interest and a discretionary profit bonus, term life insurance and unit-linked insurance products. In pension insurance the Group also sells products giving customers the option of choosing a lump-sum capital payment instead of a pension. Life insurance is based on assuming the individual risks of policyholders and on balancing these risks within the portfolio and over time.

Besides interest assumptions, premium calculation is based on assumptions of future mortalities, disabilities and other biometric probabilities as well as future costs. The specific segment risk in life insurance is composed of the biometric risk, the cost risk and the lapse risk. The risks are attributable to the fact that the claims as well as the future cost and lapse situation may be different from assumptions.

- The moment of payment under term and endowment life covers or the frequency of payments under disability, pension and long-term care contracts is linked to biometric triggers. Depending on the type of insurance, these risks are called death risk, longevity risk, disability risk or long-term care risk.
- A cost risk exists for all life insurance covers, where the development of acquisition costs and administrative expenses included in the premium calculation may differ from assumptions.
- The lapse risk is defined by the deviation of actual lapse ratios from the expected ones.

As a result of the above risks, the calculation bases and our expectations may turn out to be insufficient. The life insurers of the Generali Deutschland Group apply various instruments to counteract these risks.

- Prudent choice of all calculation bases: The Group companies apply prudently measured biometric calculation bases for determining premiums and underwriting provisions. These are regarded as adequate both by the regulatory authority and by the German Actuary Association (DAV). The adequacy of the calculation basis is assured by continuously comparing the claims levels expected under mortality tables with those actually occurring. In addition, the risks of error, fortuity and change are adequately taken into account by appropriate safety margins in the calculation bases.
- Profit bonus of policyholders: The portfolio of life insurance business in force of the Generali Deutschland Group consists primarily of long-term contracts with a discretionary profit bonus. Minor changes with regard to the assumptions on biometrics, interest and costs on which calculation is based, are absorbed by safety margins within the calculation bases. If these safety margins are not needed they generate profits the largest part of which is passed on to the policyholders in compliance with legal rules. Therefore any changes with regard to risk, cost and/or interest expectations only have a limited impact on earnings because they involve an adjustment of the future profit bonus of policyholders.
- By taking out reinsurance protection, specific risks are covered in addition.
- We regularly monitor the lapse behaviour of our policyholders and the development of our insurance portfolio with regard to lapses.

The measures referring to investments are described under market, credit, liquidity and concentration risks.

In order to minimize concentration risks, the insurance portfolio is monitored by actuarial analyses referring to mortality, longevity, disability and long-term care risks. A broad product range for different customer segment reduces the concentration of insurance risks.

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. In the case of policies for which the Generali Deutschland Group bears the investment risk, a decrease of the expected net investment income below the interest level guaranteed could lead to an allocation to provisions and thus to a higher expenditure. This does not apply to unit-linked policies where the investment risk is borne by the policyholder. In this context, the deferred and free provision for premium refunds is used for compensating the impact on earnings in the short term. In the case of a change of future acquisition costs mainly incurred upon the conclusion of the contract, the part of the premium calculated for that purpose would be adjusted accordingly and thus no impact on earnings 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 a material change in earnings because of the relatively short duration of settlement. In this context it is not of significance whether the change of expected future costs is due to inflation or to other factors.

With regard to a change of the expected future lapse behaviour, the impact depends on the product portfolio of business in force with regard to deferred acquisition costs and the outflow of policyholder capital, on the one hand, and on the structure of future lapses (early lapses vs. late lapses), on the other hand. These impacts are already anticipated for the earnings of the business year within the scope of the annual true-up.

At year-end 2008 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 modelling also applied for the amounts actually recognized in the financial statements. If interest assumptions were raised by 100 base points (bp), the total positive earnings impact on the balance-sheet line items indicated above would be € 18,081.93 thousand (previous year: 11,588.69 thousand) or, before allocation to the provision for premium refunds and tax, € 182,918.44 thousand (previous year: 121,383.15 thousand). If, however, interest assumptions were decreased by 100 bp, the adverse earnings impact would be € 117,865.59 thousand (previous year: 72,933.11 thousand) or, before allocation to the provision for premium refunds and tax, € 895,318.81 thousand (previous year: 763,921.42 thousand) referring to the indicated line items of the balance sheet. A reduction of mortality by 10 percent leads to an improvement of earnings by € 4,210.81 thousand (previous year: 5,668.56 thousand) or, before allocation to the provision for premium refunds and tax by € 55,547.04 thousand (previous year: 59,374.07 thousand). The positive result from the decrease of mortality is due to the fact that there is a higher share of death risks than 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 payment as well as granting of the guaranteed interest;
- increase of the benefit insured without an additional health check – mainly on the calculation bases 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 the transfer of fund interests instead of receiving the counter value of the fund interest upon contract termination (option to receive benefit in kind).

A separate recognition in the balance sheet is only done if this is required by IFRS 4 for insurance contracts.

Underwriting risks in health insurance and sensitivity analysis

The health insurance contracts of the Generali Deutschland 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 in a way similar to life insurance as defined by the Insurance Regulatory Act. For health insurance contracts operated in a way similar 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 verify whether there is a difference between the required benefits and the calculated benefits in respect of the individual monitoring units, which consist of groups of tariffs and persons. If this verification shows a difference above the limit defined in the tariff (in our portfolios 5 percent as a general rule) the premiums and calculation bases are checked by the insurer and are adjusted, as necessary, with the approval of an independent trustee and applied to business in force and new business.

The 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 individual tariffs and groups of persons lead to the necessary premium adjustments on a rather timely basis.

The possibility of a 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 have shown that even with a lower investment return of between 3.5 and 4.5 percent it is possible to cover the future benefits and costs by means of the provision for future policy benefits and future premium income.

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 reporting date is adequate. Experience shows that changes already having an impact in the period before the next adjustment can be absorbed by earnings from safety margins, other margins and a change in the profit bonus.

Underwriting risks in property and casualty insurance and sensitivity analysis

The specific segment risk of life and health 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 amount of claims payments is not yet known with certainty when premium levels are fixed (pricing risk). The reserving risk may arise from an insufficient level of provisions for outstanding claims with the ensuing impact on the underwriting result. In addition, the insurer may be affected by an unfavourable concentration of claims at one location. Examples for this are adverse natural events, such as storms or floods, which induce a high claims expenditure.

The property and casualty insurers of our Group encounter these risks by making active use of the instruments of premium differentiation and by their 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 underwriting policy, such risks are written to a limited extent only (e.g. by agreeing deductibles) or the risk may be 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 clauses.

The Group's nation-wide presence in Germany and the various locations of the Group companies reduce the geographical concentration of insurance risks. Besides, the Generali Deutschland Group offers its products in all established classes of insurance and customer segments (retail customers and small to medium-sized commercial clients) in order to achieve a balanced risk portfolio. The front inside cover shows the mix of business lines in the Generali Deutschland Group. We deliberately do not write industrial business involving high sums insured in order to avoid volatile risks. Finally the risks assumed are protected, in addition, by 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 the individual insurance classes involving a different risk exposure and the assumptions regarding future claims payments. In addition, our portfolios are subject to an active claims management. Analyses in respect of the distribution of claims amounts and claims frequencies allow a targeted controlling of risks.

Furthermore our Group companies have a sufficient level of equity capital and fulfil all regulatory requirements in this regard. In addition, the results of the standard model tested within the scope of the Fourth Quantitative Impact Study (QIS 4) of the European Commission and the result of our own internal risk model show that we have a very good level of risk-based capital.

During the period from 2001 through 2008 our net claims ratios developed as follows:

Claims ratios (net)*

2008	2007	2006	2005	2004	2003	2002	2001
64.3	**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*

2008	2007	2006	2005	2004	2003	2002	2001
10.1	**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 decrease of the run-off ratio is primarily attributable to motor liability insurance.

Sensitivity analysis

In property and casualty insurance the monitoring and controlling of the reserve risk is principally done by means of an analysis of the claims reserves using 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 net investment income below the guaranteed interest may lead to allocations to provisions. A corresponding sensitivity analysis at year-end 2008 shows that a rise of interest rates by 100 bp would lead to an expected positive earnings impact of € 2,500 thousand or, before tax, of € 2,980 thousand. If, however, interest is assumed to decrease by 100 bp, a negative impact on earnings of € -3,110 thousand or, before tax, of € -3,710 thousand is to be expected. The calculation of the annuity provision is based on the latest annuity tables as calculation basis.

Besides the reserving risk, the pricing risk may have an influence 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 assumptions used for calculation. By means of internal risk models combined with actuarial controlling these risks are continuously monitored.

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

Risks of building-society business

To control the risks of building-society business – in particular the risks referring to liquidity and interest margins – 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 for the purpose of recognizing risks early and taking countermeasures.

Besides, the safety of the building-society system with its legal environment has proved to be reliable, especially in the financial crisis.

Management of market risks

Equity and interest-rate risks as well as sensitivity analysis

For all lines of business, market risks are a major source of result volatility, and for life insurance companies they can even be regarded as dominant risks. Therefore the controlling and monitoring of these risks, in particular, is a central task of risk management as a whole. 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.

The interest-rate risk is the consequence of the different length of periods over which capital is tied as an asset or 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 regard consists of a mix of instruments applied as appropriate:

1. prolongation of the duration of new investments;
2. forward purchases of fixed-income securities;
3. use of hybrid instruments;
4. hedging transactions by means of derivatives.

At the same time, however, risk controlling has to take into account the possibility of rising interest rates in order to also avoid adverse consequences for our Group under such scenarios.

We assume that in 2009 bond-market yields will initially remain at historically low levels and that the yields of government bonds will recover somewhat in the further course of the year. We also consider that a further drop of share prices is possible in the short term in 2009. For the time being, however, these assumptions involve uncertainties. We limit the prognosis risk by continuously monitoring and analysing capital markets in order to be able to respond early and adequately to a negative development or to an aggravation of the risk position.

For the Generali Deutschland Group, the persistent financial crisis and the ensuing negative market development led to adverse impacts in the course of the year. These are attributable to our extensive investment activities in the German and foreign financial markets, with a focus on Europe, based on our business model. Especially the substantial corrections on stock markets worldwide had repercussions on the risk-bearing capacity of the Generali Deutschland Group. In this context, the negative impact for our Group was limited because of a percentage of equity holdings which is rather low compared to the market and by additional hedging measures.

Sensitivity analysis

Besides 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 curve by +/- 100 bp and +/- 200 bp on earnings 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	
		2008	2007	2008	2007	2008	2007
		€'000	€'000	€'000	€'000	€'000	€'000
Change of share price	-35%	-1,257,860	-2,709,583	-341,783	-199,420	-226,643	-444,288
	-10%	-359,388	-774,167	-76,910	-25,291	-64,755	-126,939
	+10%	359,388	774,167	70,767	999	64,755	126,939
	+35%	1,257,860	2,709,583	222,032	1,081	226,643	444,288
Change of interest rate	-200 bp	7,863,464	7,498,307	24,612	40,603	390,586	451,707
	-100 bp	3,772,784	3,589,649	11,433	18,906	186,346	215,562
	+100 bp	-3,459,608	-3,275,336	-10,159	-16,578	-168,923	-195,440
	+200 bp	-6,608,208	-6,240,187	-19,255	-31,206	-320,635	-371,137

* impact on Group result calculated without taking into account the decree on minimum allocations

The basis were the investment portfolios at year-end 2008. In this context, investments with a share-price sensitivity are all the 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 in the course of the business 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 affect the risk-bearing capacity of the Generali Deutschland Group in a way jeopardizing its existence.

Currency risks

Currency risks are in particular involved in international equity, bond and property investments. In order to limit currency risks, our investments are focussed on products within the eurozone. Investments in foreign currencies, which as a matter of principle are of minor importance within our investment portfolio, are restricted to exposures in U.S. dollar and a few other currencies (in particular British pound, Swiss franc, Japanese yen and Swedish and Norwegian krona). In addition, part of these exposures is hedged against exchange-rate fluctuations. The price developments in foreign-exchange markets are continuously observed in order to enable us to adjust the hedging measures on a timely basis if the necessity arises.

The impact of foreign-exchange fluctuations on earnings and equity are low compared to the equity and interest-rate risk. Due to the minor significance of investments in foreign currencies within our portfolio we do currently not see ourselves subject to any major currency risk.

Management of credit risks

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

Credit risks in general and the default risk under financial assets and receivables from policyholders and intermediaries in particular are regularly monitored within the scope of our risk-management activities. In the period from 2006 through 2008 the average default ratio for receivables from policyholders and intermediaries was 2.2 percent.

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

Credit risks increased substantially in 2008 as a consequence of the financial crisis and the economic downturn. This is illustrated by higher credit spreads, which lead to lower valuations for corporate bonds in comparison to government bonds. Furthermore the default ratio is likely to have increased and for 2009 no recovery in this regard is to be expected.

Securities held by us of issuers with recognizable payment problems or insolvencies as well as subordinated loans, participation rights and silent-partner interests, where in some cases interest payments are conditional, have been written down to a value we consider to be adequately prudent. Apart from this, interest defaults occurred to a minor extent in the business year 2008 with regard to subordinated loans, participation rights and silent-partner interests. Given the economic development of credit institutions, a similar situation could arise in 2009 without this being of material significance for the net investment income of the Generali Deutschland Group. In our opinion the remaining exposure of securities of financial-sector issuers does not represent a particular threat to our risk-bearing capacity in the light of government rescue measures currently to be observed. In the year 2008 there were no defaults of securitized loans. At any rate asset-backed securities (ABS) only represent a very small share of our portfolio; we reduced these investments at an early stage and they are limited to receivables of the highest quality.

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

Since July 1, 2007 Deutsche Bausparkasse Badenia AG has been the central provider of property financing in the Generali Deutschland Group. The company controls borrower default, on the one hand, by establishing limits laid down in its business and risk strategy. On the other hand controlling is, among others, assured by:

- a scoring of applications for loans granted in everyday business;
- an automated dunning procedure;
- a classification of risks under 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. Starting from three instalments in arrears, financing transactions are classified as “problem loans". Within the scope of the handling of problem loans, the causes and weaknesses are regularly analysed.

The necessary risk provision 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 past experience.

The tables on p. 120–123 below give an overview of 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 amounting to € 70,384,889 thousand (previous year: 69,391,401 thousand). In order to guarantee 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.

Management of concentration risks

In order to reduce the portfolio risk, a broad mix and spread of the individual asset classes is observed. The concentration risk is limited by means of investment guidelines. It is also continuously monitored and is comparatively low. 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 single measurement unit.

Management of liquidity risks

We encounter the risk of not being able to fulfil current and future payment obligations in time or for the full amount by foresighted liquidity planning. This enables us to cover the amounts payable by us on the liabilities side of our balance sheet any time by liquid and realizable funds on the assets and liabilities side.

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	
	2008 €'000	2007 €'000	2008 €'000	2007 €'000
Loans and receivables				
Mortgage loans	2,679,919	3,011,998	113,609	121,764
Building loans	2,959,645	2,596,709	—	—
Loans and advance payments on policies	678,956	693,376	—	—
Debt securities and loans	16,800,409	14,401,661	—	—
Registered bonds	13,142,217	12,485,748	—	—
Other loans	1,401,120	1,453,820	—	—
Deposits with credit institutions	2,990,727	2,478,703	—	—
Deposits with ceding companies	15,290	15,596	—	—
Available for sale				
Fixed-income securities				
Government bonds	14,913,585	16,477,610	—	—
Other bonds	9,127,811	9,606,189	—	—
Other securities	9,013	9,013	—	—
Financial assets at fair value through profit or loss (not held for trading)	776,310	625,263	—	—
Total	**65,495,002**	**63,855,686**	**113,609**	**121,764**

Credit quality of financial assets

	Gross carrying amount		Individual write-downs	
	2008 €'000	2007 €'000	2008 €'000	2007 €'000
Receivables under insurance business				
from policyholders	414,995	419,076	-39,150	-32,882
from insurance intermediaries	198,974	193,158	-3,078	-2,737
Accounts receivable	61,697	66,119	—	—
Reinsurers' share in underwriting provisions	1,508,471	1,739,144	—	—
Other receivables (insofar as financial assets)				
Accrued interest and rent	1,267,068	1,297,995	—	—
Receivables under investments	80,061	68,991	-7,110	-6,695
Other receivables	192,838	95,145	-59,317	-29,892
Total	**3,724,104**	**3,879,628**	**-108,655**	**-72,206**

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

Financial assets which are impaired in their individual value		**Lump-sum write-downs**		**Carrying amounts**		**Total impairments through profit or loss**	
2008	2007	2008	2007	2008	2007	2008	2007
€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
29,930	38,415	-7,415	-4,874	2,816,043	3,167,303	-25,816	-13,993
277,052	391,597	-37,728	-9,745	3,198,969	2,978,561	-16,880	-17,052
—	—	—	—	678,956	693,376	-1	—
—	—	—	—	16,800,409	14,401,661	—	—
97,500	—	—	—	13,239,717	12,485,748	-292,500	—
—	26,361	—	—	1,401,120	1,480,181	—	-2,636
—	—	—	—	2,990,727	2,478,703	—	—
—	—	—	—	15,290	15,596	—	—
—	—	—	—	14,913,585	16,477,610	—	—
11,710	—	—	—	9,139,521	9,606,189	-15,200	—
—	—	—	—	9,013	9,013	—	-14,852
—	297,248	—	—	776,310	922,511	—	-73,421
416,192	**753,621**	**-45,143**	**-14,619**	**65,979,660**	**64,716,452**	**-350,397**	**-121,954**

Lump-sum write-downs		**Carrying amounts**		**Total impairments through profit or loss**	
2008	2007	2008	2007	2008	2007
€'000	€'000	€'000	€'000	€'000	€'000
-34,327	-33,686	341,518	352,508	-8,311	-39,671
-11,452	-11,287	184,444	179,134	-8,565	-14,023
—	—	61,697	66,119	-13	—
—	—	1,508,471	1,739,144	—	—
—	—	1,267,068	1,297,995	—	—
—	—	72,951	62,296	-1,682	—
-16,852	—	116,669	65,253	-6,757	—
-62,631	**-44,973**	**3,552,818**	**3,762,449**	**-25,328**	**-53,694**

Age analysis of financial assets which are overdue but not individually impaired

	2008 €'000	2007 €'000
Loans and receivables, mortgage loans		
Up to 90 days	92,795	107,282
90 days – 1 year	13,314	11,903
1 – 2 years	7,500	2,579
More than 2 years	—	—
Total	**113,609**	**121,764**

Rating classes of financial assets neither overdue nor impaired

	AAA €'000	**AA** €'000
Loans and receivables		
Mortgage loans	—	2,679,919
Building loans	—	2,959,645
Loans and advance payments on policies	—	678,956
Debt securities and loans	10,500,967	1,323,164
Registered bonds	10,732,176	977,109
Other loans	—	—
Available for sale		
Fixed-income securities		
Government bonds	10,594,796	2,378,859
Other bonds	3,985,604	882,504
Other securities	—	—
Financial assets at fair value through profit or loss		
Financial assets at fair value through profit or loss (not held for trading)	—	94,653
Trading	—	—
Total	**35,813,543**	**11,974,809**

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

	A	BBB	BB	B and lower	Not rated	Total
	€'000	€'000	€'000	€'000	€'000	€'000
	—	—	—	—	—	2,679,919
	—	—	—	—	—	2,959,645
	—	—	—	—	—	678,956
	4,830,565	29,349	—	—	116,364	16,800,409
	1,432,932	—	—	—	—	13,142,217
	1,401,057	—	—	—	63	1,401,120
	1,939,930	—	—	—	—	14,913,585
	3,684,827	516,864	27,928	26,022	4,062	9,127,811
	—	—	—	—	9,013	9,013
	681,657	—	—	—	—	776,310
	—	—	—	—	286,015	286,015
	13,970,968	**546,213**	**27,928**	**26,022**	**415,517**	**62,775,000**

Supplementary information on the Consolidated Income Statement 2008

6 Earned premiums (net)*

	Life/health		Property/casualty	
	2008	2007	2008	2007
	€'000	€'000	€'000	€'000
Total premiums	11,177,024	10,729,852	3,062,682	3,038,601
less: savings portions (in acc. with FAS 97)	-2,316,077	-1,962,742	—	—
less: premiums of investment contracts (in acc. with IAS 39)	-16,043	-34,324	—	—
Gross premiums written (under Income Statement)	**8,844,904**	**8,732,786**	**3,062,682**	**3,038,601**
Reinsurance premiums ceded	-165,359	-165,476	-76,130	-75,795
Net premiums written	**8,679,545**	**8,567,310**	**2,986,552**	**2,962,806**
Change of gross unearned premiums	-481	-397	3,463	-2,803
Change of premium components carried as a liability	-67,221	-103,477	—	—
Change of the reinsurers' share in gross unearned premiums	—	—	-255	889
Earned premiums (net)	**8,611,843**	**8,463,436**	**2,989,760**	**2,960,892**

* fully consolidated figures

Gross premiums written of direct insurance business

	2008	2007
	€'000	€'000
Life insurance business	**6,999,486**	**6,990,874**
Health insurance business	**1,844,683**	**1,741,310**
Property/casualty insurance business		
Motor insurance	1,156,855	1,185,766
General liability insurance	416,802	416,149
Personal accident insurance	466,050	455,423
Householders insurance	230,716	228,645
Fire insurance	47,803	48,176
Homeowners insurance	255,895	236,156
Legal expenses insurance	189,448	186,171
Other classes	293,247	276,631
Total property/casualty	**3,056,816**	**3,033,117**
Gross premiums written, direct business	**11,900,985**	**11,765,301**

Out of the directly written gross premiums, 0.5 percent (previous year: 0.4 percent) are attributable to foreign countries. The gross premiums written of assumed reinsurance business amount to € 6,601 thousand (previous year: 6,086 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	
	2008	2007	2008	2007
	€'000	€'000	€'000	€'000
I. Investment property	136,604	114,671	20,998	12,003
II. Shares in enterprises measured at equity	2,497	4,980	41,562	40,873
III. Financial assets				
1. loans and receivables	1,241,264	1,266,762	45,888	95,695
2. available for sale				
a) variable yield	-1,638,582	680,748	-200,659	115,977
b) fixed interest	1,021,555	1,150,064	75,447	86,990
3. financial assets at fair value through profit or loss				
a) financial assets at fair value through profit or loss (not held for trading)	-14,820	19,786	-1,167	3,091
b) held for trading	303,130	-136,079	36,596	861
IV. Investments for the account and at the risk of life insurance policyholders	-241,005	180,817	—	—
Expenditure for the management of investments, interest expenditure and other investment expenditure	-165,997	-148,785	-16,032	-16,636
Total	**644,646**	**3,132,964**	**2,633**	**338,854**

* fully consolidated figures

Financial services/other		Group	
2008	2007	2008	2007
€'000	€'000	€'000	€'000
—	—	157,602	126,674
6,223	-710	50,282	45,143
181,714	183,733	1,468,866	1,546,190
613	-78	-1,838,628	796,647
22,481	29,853	1,119,483	1,266,907
—	—	-15,987	22,877
-155	834	339,571	-134,384
—	—	-241,005	180,817
-655	-1,236	-182,684	-166,657
210,221	**212,396**	**857,500**	**3,684,214**

Investment income
(net, by types of income and expenditure)

	Ordinary income		Write-ups and unrealized capital gains[4]	
	2008	2007	2008	2007
	€'000	€'000	€'000	€'000
I. Investment property[1]	164,971	147,474	6,896	10,549
II. Shares in enterprises measured at equity	48,364	45,143	—	—
III. Financial assets				
1. loans and receivables[2]	1,779,077	1,566,406	26,528	15,144
2. available for sale				
a) variable yield	382,036	300,962	—	—
b) fixed interest[2]	1,142,016	1,334,471	—	—
3. financial assets at fair value through profit or loss				
a) financial assets at fair value through profit or loss (not held for trading)	43,154	28,018	5,337	64,883
b) held for trading	—	—	149,774	4,588
IV. Investments for the account and at the risk of life insurance policyholders	145,831	143,675	2,382	24,513
Expenditure for the management of investments, interest expenditure and other investment expenditure[3]	-182,684	-166,657	—	—
Total	**3,522,765**	**3,399,492**	**190,917**	**119,677**

1 The write-downs include impairment write-downs as defined by IFRS 5 of € -31,469 thousand (previous year: -15,060 thousand).
2 The interest income is € 2,921,093 thousand (previous year: 2,900,878 thousand).
3 The expenditure for let property is € -54,718 thousand (previous year: -35,560 thousand); for unlet property it amounts to € -7,999 thousand (previous year: -6,257 thousand).
4 including profits and losses from foreign-currency translation recognized in income

Realized capital gains		**Write-downs and unrealized capital losses**[4]		**Realized capital losses**		**Group**	
2008	2007	2008	2007	2008	2007	2008	2007
€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
61,943	53,995	-76,186	-84,729	-22	-615	157,602	126,674
1,918	—	—	—	—	—	50,282	45,143
126	834	-335,197	-33,681	-1,668	-2,513	1,468,866	1,546,190
271,062	771,803	-2,253,521	-224,266	-238,205	-51,852	-1,838,628	796,647
30,374	33,410	-15,200	—	-37,707	-100,974	1,119,483	1,266,907
—	4,557	-64,478	-73,421	—	-1,160	-15,987	22,877
358,779	111,127	-69,909	-171,429	-99,073	-78,670	339,571	-134,384
341	31,156	-290,254	-16,290	-99,305	-2,237	-241,005	180,817
—	—	—	—	—	—	-182,684	-166,657
724,543	**1,006,882**	**-3,104,745**	**-603,816**	**-475,980**	**-238,021**	**857,500**	**3,684,214**

8 Other income*

	2008 €'000	2007 €'000
Other net underwriting income of life and health insurance	53,194	41,343
Other net underwriting income of property and casualty insurance	13,473	16,435
Income from investment contracts	1,625	912
Income of building-society business	84,977	79,039
Income from capital consolidation	13,671	57,896
Other income		
from services rendered	64,773	53,286
from winding-up non-underwriting provisions	41,684	69,875
interest and similar income	37,078	44,215
foreign exchange profits	4,048	193
other	117,534	93,594
Total	**432,057**	**456,788**

* fully consolidated figures

Within the scope of the concentration of distribution activities, Allfinanz Deutsche Vermögensberatung AG was sold to Deutsche Vermögensberatung on January 9, 2008. In this context, a profit of € 13,550 thousand was realized in the first quarter 2008.

9 Net claims and benefits*

Claims and benefits under life and health insurance

		Gross		Reinsurers' share		Net
	2008 €'000	2007 €'000	2008 €'000	2007 €'000	2008 €'000	2007 €'000
Claims expenditure						
Claims paid	-6,554,494	-6,155,651	112,557	149,816	-6,441,937	-6,005,835
Change of the provision for outstanding claims	-75,386	-32,054	-3,690	964	-79,076	-31,090
Total	**-6,629,880**	**-6,187,705**	**108,867**	**150,780**	**-6,521,013**	**-6,036,925**
Change of the provision for future policy benefits	-892,579	-1,385,953	39,372	-698	-853,207	-1,386,651
Expenditure for profit-related, not profit-related and deferred premium refunds	785,838	-1,865,807	—	—	785,838	-1,865,807
Other profit participation	-564,112	-617,227	—	—	-564,112	-617,227
Total amount of claims and benefits	**-7,300,733**	**-10,056,692**	**148,239**	**150,082**	**-7,152,494**	**-9,906,610**

* fully consolidated figures

Net claims and benefits*

Claims and benefits under property and casualty insurance

	Gross		Reinsurers' share		Net	
	2008 €'000	2007 €'000	2008 €'000	2007 €'000	2008 €'000	2007 €'000
Claims expenditure						
Claims paid	-1,969,266	-1,987,250	64,304	131,088	-1,904,962	-1,856,162
Change of the outstanding claims provision	11,830	-8,805	-30,892	-55,344	-19,062	-64,149
Total	**-1,957,436**	**-1,996,055**	**33,412**	**75,744**	**-1,924,024**	**-1,920,311**
Change of the provision for future policy benefits	-3,069	-2,036	—	—	-3,069	-2,036
Expenditure for premium refunds	-2,992	-6,108	—	—	-2,992	-6,108
Total amount of claims and benefits	**-1,963,497**	**-2,004,199**	**33,412**	**75,744**	**-1,930,085**	**-1,928,455**

* fully consolidated figures

10 Net operating expenses*

	2008 €'000	2007 €'000
Life and health insurance		
Acquisition costs		
Payments	-1,483,304	-1,382,876
Change of deferred acquisition costs	17,739	430,841
Administrative expenses	-301,306	-286,424
less		
Commissions and profit shares received under reinsurance business ceded	36,983	31,241
Total life and health insurance	**-1,729,888**	**-1,207,218**
Property and casualty insurance		
Acquisition costs		
Payments	-316,554	-281,022
Change of deferred acquisition costs	19,155	-858
Administrative expenses	-607,883	-624,629
less		
Commissions and profit shares received under reinsurance business ceded	14,640	12,288
Total property and casualty insurance	**-890,642**	**-894,221**
Total	**-2,620,530**	**-2,101,439**

* fully consolidated figures

11 Other expenditure*

	2008 €'000	2007 €'000
Other net underwriting expenditure of life and health insurance	-59,051	-62,953
Other net underwriting expenditure of property and casualty insurance	-15,565	-12,344
Expenditure from investment contracts	-2,982	-5,081
Expenditure for building-society business	-256,616	-253,877
Other expenditure:		
Expenditure that cannot be allocated to functional areas	-591,707	-356,106
Interest and similar expenditure	-125,861	-144,495
Services, agency, leading and co-insurance business	-61,613	-53,824
Write-downs and portfolio-based value adjustments	-22,318	-16,334
Capital consolidation	-22,247	-15,337
Foreign-exchange losses	-399	-259
Other	-33,141	-81,203
Total	**-1,191,500**	**-1,001,813**

* fully consolidated figures

On October 1, 2007 an agreement was concluded between Generali Deutschland Informatik Services GmbH and IBM Deutschland GmbH (IBM) on making available IT hardware, software and corresponding services. One element of this Open Infrastructure Offering agreement (OIO agreement) is a leasing contract for specific data-centre hardware. The leasing rates of € 5,679 thousand are included in other expenditure.

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. In the year under report, the volume of the agreement was increased to € 168,357 thousand due to subsequent amendments of the agreement.

12 Tax

Tax expenditure

	2008 €'000	2007 €'000
Income tax		
Current tax		
Corporation tax and solidarity charge	1,786	-87,263
Trade income tax	-49,002	-81,108
Corporation tax asset	—	—
Deferred tax		
due to temporary differences	98,835	55,822
due to change of tax losses carried forward	-3,737	11,181
Total	**47,882**	**-101,368**
Other tax	-22,582	-8,272
Aggregate tax amount	**25,300**	**-109,640**

The tax refund claim includes the corporation tax asset as defined by section 37 of the Corporation Tax Act. This leads to a claim for a refund of the corporation tax asset in the years from 2008 to 2017. Starting from 2008, this claim is refunded at equal instalments. According to the rule laid down in the letter of the Federal Ministry of Finance of January 14, 2008 regarding the "Balance-Sheet Recognition of the Corporation Tax Asset", unaccrued interest will be discounted on the tax asset until 2017. In 2008 a corresponding unaccrued interest of € 6,676 thousand was added to the tax asset and recognized as other interest and similar income.

Furthermore, no deferred tax is set up for part of the tax loss carried forward (corporation tax of € 184,822 thousand; trade tax of € 186,403 thousand) as it is not probable that it will be used in the near future.

Reconciliation

	2008 €'000	2007 €'000
Earnings before tax (under Commercial Code balance sheet)	-20,973	609,007
Expected tax expenditure*	6,711	-243,603
Corrected for tax impact due to:		
non-deductible operating expenses	-954	-17,293
tax-free income	-31,873	134,536
tax of preceding years	106,354	63,279
income from tax-rate changes	—	182,959
corporation tax credit	—	—
deductible tax	-8,139	-10,591
difference between tax balance sheet and Commercial Code balance sheet	-15,583	-46,332
other impact	-8,634	-164,323
Income tax expenditure	**47,882**	**-101,368**

* 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.

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 Generali Deutschland Holding AG that was issued and outstanding during the period. The weighted average of the number of shares is 53,679,994 (previous year: 53,679,994). This leads to undiluted earnings per share of approx. € 0.04 (previous year: 9.28).

The conclusion of the pending court procedures in respect of the domination agreements of Generali Deutschland Holding AG with AachenMünchener Versicherung AG, AachenMünchener Lebensversicherung AG and Generali Beteiligungs- und Verwaltungs-AG could lead to a dilution of 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 2008 – Assets

14 Owner-occupied property

	2008 €'000	2007 €'000
Gross carrying amount Jan. 1	1,203,481	1,237,429
Accumulated write-downs by Jan. 1	-370,753	-353,547
Net carrying amount Jan. 1	**832,728**	**883,882**
Additions	148,470	35,364
Change of consolidation scope	—	—
Non-current assets held for sale and other disposals	-14,163	-17
Reallocations	-30,648	-38,553
Write-ups	—	806
Scheduled write-downs	-17,647	-19,020
Impairment losses	-1,406	-29,734
Net carrying amount Dec. 31	**917,334**	**832,728**
Accumulated write-downs by Dec. 31	-355,829	-370,753
Gross carrying amount Dec. 31	1,273,163	1,203,481

Tangible assets*

	Life/health €'000	**Property/ casualty** €'000	**Financial services/other** €'000	2008 €'000	2007 €'000
Gross carrying amount Jan. 1	129,486	77,977	188,973	396,436	501,007
Accumulated write-downs by Jan. 1	-90,339	-49,755	-129,540	-269,634	-333,149
Net carrying amount Jan. 1	**39,147**	**28,222**	**59,433**	**126,802**	**167,858**
Additions	17,734	5,898	19,351	42,983	35,577
Change of the consolidation scope	—	—	—	—	-201
Non-current assets held for sale and other disposals	-9,018	-1,894	-994	-11,906	-26,017
Write-ups	—	—	—	—	1
Write-downs	-10,249	-4,675	-20,912	-35,836	-50,416
Net carrying amount Dec. 31	**37,614**	**27,551**	**56,878**	**122,043**	**126,802**
Accumulated write-downs by Dec. 31	-86,473	-47,907	-145,719	-280,099	-269,634
Gross carrying amount Dec. 31	124,087	75,458	202,597	402,142	396,436

* fully consolidated figures
The column "financial services/other" includes, among others, the tangible assets of Generali Deutschland Informatik Services GmbH.

15 Intangible assets

Composition of intangible assets

	2008 €'000	2007 €'000
Goodwill	269,389	270,189
PVFP of insurance contracts	87,596	104,390
Self-developed software	11,605	4,061
Other intangible assets acquired	73,818	92,245
Total	**442,408**	**470,885**

Goodwill allocation to segments[1]

	Life/health €'000	Property/ casualty €'000	Financial services/ other €'000	2008 €'000	2007 €'000
Carrying amount before impairment amortization Jan. 1	167,540	102,000	2,082	271,622	271,622
Accumulated impairment loss Jan. 1	-973	—	-460	-1,433	-1,433
Balance-sheet amount Jan. 1	**166,567**	**102,000**	**1,622**	**270,189**	**270,189**
Reclassification[2]	-5,163	5,163	—	—	—
Impairment loss	—	—	-800	-800	—
Balance-sheet amount Dec. 31	**161,404**	**107,163**	**822**	**269,389**	**270,189**
Accumulated impairment loss Dec. 31	-973	—	-1,260	-2,233	-1,433
Carrying amount before impairment amortization Dec. 31	162,377	107,163	2,082	271,622	271,622

1 fully consolidated figures

2 reclassification due to the merger of Volksfürsorge Holding AG and Generali Lloyd AG

Under the annual impairment test for goodwill, an impairment loss was identified and recognized in income.

Goodwill allocation to cash-generating units

	2008 €'000	2007 €'000
Generali Beteiligungs- und Verwaltungs-AG*	131,000	131,000
AachenMünchener Lebensversicherung AG	90,200	90,200
AachenMünchener Versicherung AG	34,100	34,100
Other	14,089	14,889
Total	**269,389**	**270,189**

* created by the merger of Volksfürsorge Holding AG and Generali Lloyd AG

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 Generali Deutschland Group, the subsidiaries are identified as the cash-generating units for the purpose 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 Generali Deutschland Group, the carrying amount is the equity capital under IFRS of the subsidiary concerned. As realizable amount determined on the basis of the value in use, the Generali Deutschland Group recognizes the fair value as at December 2008 of each subsidiary. The fair value 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 Generali Deutschland Group for the period from 2009 through 2011. 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 within the scope of a perpetual annuity are within a range of 7.50 to 9.50 percent.

PVFP from insurance contracts*

	Life/health	Property/ casualty	2008	2007
	€'000	€'000	€'000	€'000
Gross carrying amount Jan. 1	187,707	6,976	194,683	183,437
Accumulated amortization by Jan. 1	-84,189	-6,104	-90,293	-86,198
Net carrying amount Jan. 1	**103,518**	**872**	**104,390**	**97,239**
Additions	4,272	—	4,272	11,246
Write-ups	—	—	—	5,067
Scheduled amortization	-6,382	-872	-7,254	-9,162
Impairment loss	-13,812	—	-13,812	—
Net carrying amount Dec. 31	**87,596**	**—**	**87,596**	**104,390**
Accumulated amortization by Dec. 31	-104,383	-6,976	-111,359	-90,293
Gross carrying amount Dec. 31	191,979	6,976	198,955	194,683

* fully consolidated figures

The negative true-up effect for the PVFP of life insurance contracts is € -13,471 thousand (previous year: 5,067 thousand).

Self-developed software*

	Life/ health	Property/ casualty	Financial services	2008	2007
	€'000	€'000	€'000	€'000	€'000
Gross carrying amount Jan. 1	66,613	89,521	6,587	162,721	162,720
Accumulated amortization by Jan. 1	-62,552	-89,521	-6,587	-158,660	-156,427
Net carrying amount Jan. 1	**4,061**	**—**	**—**	**4,061**	**6,293**
Additions	8,294	—	—	8,294	—
Scheduled amortization	-750	—	—	-750	-2,232
Net carrying amount Dec. 31	**11,605**	**—**	**—**	**11,605**	**4,061**
Accumulated amortization by Dec. 31	-63,301	-89,521	-6,587	-159,409	-158,660
Gross carrying amount Dec. 31	74,906	89,521	6,587	171,014	162,721

* fully consolidated figures

Other acquired intangible assets*

	Life/ health €'000	Property/ casualty €'000	Financial services €'000	Other €'000	2008 €'000	2007 €'000
Gross carrying amount Jan. 1	171,412	35,427	7,023	153,751	367,613	358,318
Accumulated amortization by Jan. 1	-106,151	-34,835	-6,153	-128,229	-275,368	-253,847
Net carrying amount Jan. 1	**65,261**	**592**	**870**	**25,522**	**92,245**	**104,471**
Additions	3,035	313	383	8,465	12,196	24,021
Disposals	-89	-49	—	-289	-427	-5,490
Change of consolidation scope	—	—	—	—	—	—
Scheduled amortization	-12,216	-237	-583	-17,160	-30,196	-28,526
Impairment loss	—	—	—	—	—	-2,231
Net carrying amount Dec. 31	**55,991**	**619**	**670**	**16,538**	**73,818**	**92,245**
Accumulated amortization by Dec. 31	-118,350	-35,051	-6,736	-143,116	-303,253	-275,368
Gross carrying amount Dec. 31	174,341	35,670	7,406	159,654	377,071	367,613

* fully consolidated figures

The other acquired intangible assets include an amount of € 5.6 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. 95.

16 Deferred acquisition costs*

	2008 €'000	2007 €'000
Life and health insurance		
As at Jan. 1	7,560,055	7,129,214
Amount deferred	1,062,618	1,051,170
Interest charge	259,853	323,920
Write-downs	-1,304,732	-944,249
As at Dec. 31	**7,577,794**	**7,560,055**
Property and casualty insurance		
As at Jan. 1	237,216	238,074
Amount deferred	156,310	74,569
Write-downs	-137,155	-75,427
As at Dec. 31	**256,371**	**237,216**

* 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, the interest yield on the policyholder funds and the margin remaining for the insurer are taken into account.

As at December 31, 2008 there is a negative true-up effect of € -194,275 thousand (previous year: 35,188 thousand) on deferred acquisition costs.

17 Investments

Investment property*

	Life/health	Property/ casualty	2008	2007
	€'000	€'000	€'000	€'000
Gross carrying amount Jan. 1	2,538,572	238,789	2,777,361	2,435,666
Accumulated write-downs by Jan. 1	-573,724	-79,555	-653,279	-590,757
Net carrying amount Jan. 1	**1,964,848**	**159,234**	**2,124,082**	**1,844,909**
Additions by purchase	185,451	11,624	197,075	407,612
Additions by capitalized supplementary acquisition costs	9,635	1,255	10,890	6,675
Change of consolidation scope	—	—	—	-21,352
Non-current assets held for sale and other disposals	-40,518	-7,305	-47,823	-76,168
Reallocations	30,648	—	30,648	38,553
Write-ups	6,896	—	6,896	10,549
Write-downs	-31,600	-3,767	-35,367	-32,516
Impairment loss	-9,350	—	-9,350	-37,153
Change due to currency translation	7,802	—	7,802	-17,027
Net carrying amount Dec. 31	**2,123,812**	**161,041**	**2,284,853**	**2,124,082**
Accumulated write-downs by Dec. 31	-618,738	-90,258	-708,996	-653,279
Gross carrying amount Dec. 31	2,742,550	251,299	2,993,849	2,777,361
Market value	**2,296,098**	**198,950**	**2,495,048**	**2,342,932**

* fully consolidated figures

18 Shares in enterprises measured at equity

	2008 €'000	2007 €'000
Balance-sheet values Jan. 1	**317,999**	**224,524**
Additions	198,161	69,264
Change of share in equity	31,626	26,872
Disposals	-15,690	-4,772
Write-downs	–	–
Unrealized gains and losses	-5,660	2,111
Balance-sheet values as at Dec. 31	**526,436**	**317,999**

Major subsidiaries and associated enterprises

(interests held directly and indirectly)

December 31, 2008	Country	Equity share 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 Pensionsfonds AG	D	100.0000
5 Central Krankenversicherung AG	D	100.0000
6 Cosmos Lebensversicherungs-AG	D	100.0000
7 Cosmos Versicherung AG	D	100.0000
8 Deutsche Bausparkasse Badenia AG	D	100.0000
9 Deutsche Vermögensberatung Aktiengesellschaft DVAG*	D	49.9998
10 Dialog Lebensversicherungs-AG	D	100.0000
11 Envivas Krankenversicherung AG	D	100.0000
12 Generali Beteiligungs- und Verwaltungs-AG (previously Volksfürsorge Holding AG)	D	98.7843
13 Generali Deutschland Immobilien GmbH	D	100.0000
14 Generali Deutschland Informatik Services GmbH	D	100.0000
15 Generali Deutschland Pensionskasse AG	D	100.0000
16 Generali Deutschland Schadenmanagement GmbH	D	100.0000
17 Generali Deutschland Services GmbH	D	100.0000
18 Generali Investments S.p.A.*	I	30.0000
19 Generali Lebensversicherung AG	D	100.0000
20 Generali Versicherung AG	D	100.0000
21 Pensor Pensionsfonds AG	D	100.0000
22 Volksfürsorge Pensionskasse AG	D	100.0000
23 Volksfürsorge AG Vertriebsgesellschaft für Vorsorge- und Finanzprodukte	D	100.0000

* associated enterprise

Financial instruments

Presentation of the fair value of financial instruments under assets

	Carrying amount		Fair value	
	2008	2007	2008	2007
	€'000	€'000	€'000	€'000
Loans and receivables				
Mortgage loans	2,816,043	3,167,303	2,957,574	3,147,158
Building loans	3,198,969	2,978,561	3,198,969	2,978,561
Loans and advance payments on policies	678,956	693,376	678,956	693,376
Debt securities and loans	16,800,409	14,401,661	17,377,210	13,832,391
Registered bonds	13,239,717	12,485,748	13,161,635	11,885,989
Other loans	1,401,120	1,480,182	1,305,249	1,492,241
Deposits with credit institutions	2,990,727	2,478,703	2,990,727	2,478,703
Deposits with ceding companies	15,290	15,596	15,290	15,596
Available for sale				
Variable-yield securities				
Shares and other equity instruments	5,126,153	8,664,794	5,126,153	8,664,794
Fund units	1,906,784	1,623,410	1,906,784	1,623,410
Other variable-yield securities	78,023	139,949	78,023	139,949
Fixed-income securities				
Government bonds	14,913,585	16,477,610	14,913,585	16,477,610
Other bonds	9,139,521	9,606,189	9,139,521	9,606,189
Other securities	9,013	9,013	9,013	9,013
Financial assets at fair value through profit or loss				
Financial assets at fair value through profit or loss (not held for trading)	776,310	922,511	776,310	922,511
Trading	286,016	14,267	286,016	14,267
Investments for the account and at the risk of life insurance policyholders	7,361,720	9,627,717	7,361,720	9,627,717
Receivables under insurance business				
from policyholders	341,518	352,508	341,518	352,508
from intermediaries	184,444	179,134	184,444	179,134
Accounts receivable	61,697	66,119	61,697	66,119
Reinsurers' share in underwriting provisions	1,508,471	1,739,144	1,508,471	1,739,144
Other receivables (insofar as financial instruments)				
Accrued interest and rent	1,267,068	1,297,995	1,267,068	1,297,995
Receivables under investments	72,952	62,296	72,952	62,296
Other receivables	116,669	65,253	116,669	65,253
Total	**84,291,175**	**88,549,039**	**84,835,554**	**87,371,924**

19 Loans and receivables

	Amortized cost		Fair value	
	2008	2007	2008	2007
	€'000	€'000	€'000	€'000
Mortgage loans	2,816,043	3,167,303	2,957,574	3,147,158
Building loans	3,198,969	2,978,561	3,198,969	2,978,561
Loans and advance payments on policies	678,956	693,376	678,956	693,376
Debt securities and loans	16,800,409	14,401,661	17,377,210	13,832,391
Registered bonds	13,239,717	12,485,748	13,161,635	11,885,989
Other loans	1,401,120	1,480,182	1,305,249	1,492,241
Deposits with credit institutions	2,990,727	2,478,703	2,990,727	2,478,703
Deposits with ceding companies	15,290	15,596	15,290	15,596
Total	**41,141,231**	**37,701,130**	**41,685,610**	**36,524,015**

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 Jan. 1	3,167,303	2,978,561	693,376	14,401,661
Additions	92,213	1,030,634	132,394	4,911,168
Change of consolidation scope	—	—	—	—
Disposals	-431,780	-803,337	-146,813	-2,518,786
Redemption	222	—	—	6,366
Write-ups	13,901	9,991	—	—
Impairments	-25,816	-16,880	-1	—
Change due to currency translation	—	—	—	—
Balance-sheet values as at Dec. 31	**2,816,043**	**3,198,969**	**678,956**	**16,800,409**

Remaining terms to maturity of loans and receivables

	Amortized cost		Fair value	
	2008	2007	2008	2007
	€'000	€'000	€'000	€'000
up to 1 year	4,648,654	4,262,849	4,729,784	4,255,485
between 1 and 2 years	1,913,853	1,652,645	1,962,866	1,641,805
between 2 and 3 years	2,006,177	1,778,751	1,889,440	1,767,005
between 3 and 4 years	3,006,873	1,869,872	3,091,780	1,838,238
between 4 and 5 years	2,867,359	2,802,981	2,869,568	2,753,009
between 5 and 10 years	15,797,568	13,850,241	16,023,958	13,462,328
more than 10 years	10,900,747	11,483,791	11,118,214	10,806,145
Total	**41,141,231**	**37,701,130**	**41,685,610**	**36,524,015**

	Registered bonds	Other loans	Deposits with credit institutions	Deposits with ceding companies	Total
	€'000	€'000	€'000	€'000	€'000
	12,485,748	1,480,182	2,478,703	15,596	37,701,130
	1,513,479	150,000	784,692	153	8,614,733
	—	—	—	—	—
	-566,470	-231,703	-272,864	-459	-4,972,212
	99,460	5	—	—	106,053
	—	2,636	—	—	26,528
	-292,500	—	—	—	-335,197
	—	—	196	—	196
	13,239,717	**1,401,120**	**2,990,727**	**15,290**	**41,141,231**

20 Financial assets

Available for sale

	Balance-sheet values Jan. 1 €'000	Additions €'000	Change of consolidation scope €'000	Redemption €'000
Variable-yield securities				
Shares and other equity instruments	8,664,794	2,808,444	–	–
Fund units				
Equity funds	508,599	1,375,560	–	–
Bond funds	663,847	1,384,169	–	–
Property funds	450,964	646,774	–	–
Other variable-yield securities	139,949	38,212	–	-484
Fixed-income securities				
Government bonds	16,477,610	1,316,146	–	5,908
Other bonds	9,606,189	3,506,003	–	43,404
Other securities	9,013	–	–	–
Total	**36,520,965**	**11,075,308**	**–**	**48,828**

Available for sale

	Amortized cost 2008 €'000	Amortized cost 2007 €'000	Unrealized gains/losses 2008 €'000	Unrealized gains/losses 2007 €'000	Fair value 2008 €'000	Fair value 2007 €'000
Variable-yield securities						
Shares and other equity instruments	4,957,380	6,586,739	168,773	2,078,055	5,126,153	8,664,794
Fund units						
Equity funds	414,056	417,078	1,858	91,521	415,914	508,599
Bond funds	714,263	657,282	15,095	6,565	729,358	663,847
Property funds	763,386	441,725	-1,874	9,239	761,512	450,964
Other variable-yield securities	86,331	144,190	-8,308	-4,241	78,023	139,949
Fixed-income securities						
Government bonds	14,504,867	16,842,235	408,718	-364,625	14,913,585	16,477,610
Other bonds	9,114,354	9,627,857	25,167	-21,668	9,139,521	9,606,189
Other securities	9,013	9,013	–	–	9,013	9,013
Total	**30,563,650**	**34,726,119**	**609,429**	**1,794,846**	**31,173,079**	**36,520,965**

Disposals €'000	Write-ups €'000	Impairment €'000	Unrealized gains and losses €'000	Change due to currency translation €'000	Balance-sheet values Dec. 31 €'000
-2,480,248	—	-2,143,324	-1,723,513	—	5,126,153
-1,325,156	—	-76,036	-67,053	—	415,914
-1,307,955	—	-21,917	11,214	—	729,358
-298,951	—	-7,199	-30,076	—	761,512
-87,754	—	-5,045	-6,855	—	78,023
-3,589,179	—	—	703,100	—	14,913,585
-4,089,007	—	-15,200	85,473	2,659	9,139,521
—	—	—	—	—	9,013
-13,178,250	**—**	**-2,268,721**	**-1,027,710**	**2,659**	**31,173,079**

Remaining terms to maturity of financial assets available for sale

	Amortized cost 2008 €'000	Amortized cost 2007 €'000	Fair value 2008 €'000	Fair value 2007 €'000
up to 1 year	2,541,781	2,954,510	2,635,679	2,953,308
between 1 and 2 years	2,660,694	2,433,091	2,703,371	2,429,612
between 2 and 3 years	2,548,577	2,659,422	2,612,534	2,663,175
between 3 and 4 years	1,310,487	2,253,241	1,323,066	2,281,217
between 4 and 5 years	1,932,895	1,167,601	1,977,778	1,167,503
between 5 and 10 years	6,863,305	7,885,858	6,911,024	7,763,901
more than 10 years	5,761,482	7,116,369	5,889,654	6,825,083
Total	**23,619,221**	**26,470,092**	**24,053,106**	**26,083,799**

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 this item includes loans of an amount of € 94,653 thousand (previous year: 89,317 thousand).

The fair value of hybrid instruments amounts to € 776,310 thousand (previous year: 922,511 thousand). The maximum credit risk of the credit element of hybrid instruments equals the carrying amount of € 776,310 thousand (previous year: 922,511 thousand).

The table below shows the fair values 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 host contracts. The hybrid instruments involving an interest risk are mainly annual-call zero bonds. As at December 31, 2008 they amount to € 178,743 thousand (previous year: 207,932 thousand).

Fair value and contractual terms to maturity of hybrid instruments

Instruments with	**interest risk**	**equity exposure**	**currency risk**	**credit risk**	2008	2007
	€'000	€'000	€'000	€'000	€'000	€'000
up to 1 year	–	–	–	10,414	10,414	98,478
between 1 and 2 years	–	–	–	–	–	10,604
between 2 and 3 years	492,500	–	–	–	492,500	–
between 3 and 4 years	–	–	–	–	–	516,180
between 4 and 5 years	–	–	–	–	–	–
between 5 and 10 years	–	–	–	94,653	94,653	–
more than 10 years	178,743	–	–	–	178,743	297,249
Total	**671,243**	**–**	**–**	**105,067**	**776,310**	**922,511**

Cancellation rights 2009 – 2013 with regard to annual-call zero bonds at the end of the closed business year

		2009	2010	2011	2012	2013
Volume	€ m	239.8	144.0	215.0	883.8	2,416.0
Nominally weighted strike	%	4.17	4.41	5.40	5.33	5.63

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 Generali Deutschland 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	
	2008 €'000	2007 €'000	2008 €'000	2007 €'000	2008 €'000	2007 €'000
Hedging of foreign-currency risks						
Futures	546,449	316,988	17,993	2,698	87,199	304
Hedging of interest risks						
Forward purchases	580,000	1,477,000	444	—	38,177	125,278
Increasing earnings and preparing purchases						
Stock options	299,145	1,450,360	267,578	11,569	134,597	11,447

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

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 disclosed 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

	2008 €'000	2007 €'000
Receivables under insurance business		
from policyholders	341,518	352,508
from insurance intermediaries	184,444	179,134
Accounts receivable under reinsurance operations	61,697	66,119
Other receivables under insurance business	29,080	28,153
Total receivables under insurance business	**616,739**	**625,914**
Other receivables		
Accrued interest and rent	1,267,068	1,297,995
Receivables under investments	72,952	62,296
Other receivables	255,866	168,240
Total of other receivables	**1,595,886**	**1,528,531**
Total	**2,212,625**	**2,154,445**

Remaining terms to maturity of receivables

	Amortized cost 2008 €'000	Amortized cost 2007 €'000
up to 1 year	2,160,922	1,803,129
between 1 and 5 years	17,245	349,848
between 5 and 10 years	28,127	372
more than 10 years	6,331	1,096
Total	**2,212,625**	**2,154,445**

24 Other assets

Inventories amount to € 10,411 thousand (previous year: 18,353 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 € 5,791 thousand (previous year: 11,655 thousand).

Supplementary information on the Consolidated Balance Sheet 2008 – Liabilities

25 Group equity

Equity composition

	2008 €'000	2007 €'000
Subscribed capital	137,421	137,421
Capital reserve	1,309,573	1,308,177
Treasury stock	—	—
Revaluation reserve*	264,193	426,138
Profit carried forward	1,943,832	1,601,173
Reserve from foreign-currency translation	-1,214	-2,951
Net profit attributable to the equity holders of the parent	1,933	498,067
Minority interests	97,082	175,503
Total	**3,752,820**	**4,143,528**

* The revaluation reserve includes unrealized gains of € 6,391 thousand (previous year: 8,118 thousand) from hedge accounting.

The **subscribed capital** equals the share capital of Generali Deutschland 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 Generali Deutschland 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 remained 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, has informed us in compliance with sections 21, 22 Securities Trading Act (WpHG) and section 20 Companies Act that it indirectly holds a majority interest in Generali Deutschland Holding AG.

As at December 31, 2008 the **authorized capital** amounted to € 68,710,392.32. Out of that amount up to € 1,024,000 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 was 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. The conditional capital is shown in the table below.

Conditional capital

for the acquisition of shares of		**Aachen Münchener Lebensversicherung AG**	**Aachen Münchener Versicherung AG**	**Generali Beteiligungs- und Verwaltungs-AG**	**Total**
Generali Deutschland 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**

In the closed business year no use was made of the conditional capital.

Minority interests

	2008 €'000	2007 €'000
in the revaluation reserve	4,625	46,459
in the Group net profit	2,394	1,300
in the other equity	90,063	127,744
Total	**97,082**	**175,503**

26 Unearned premiums*

	Life/health 2008 €'000	Life/health 2007 €'000	Property/casualty 2008 €'000	Property/casualty 2007 €'000	Group 2008 €'000	Group 2007 €'000
Gross	**3,963**	**3,482**	**476,493**	**479,956**	**480,456**	**483,438**
Reinsurers' share	—	—	-7,010	-7,265	-7,010	-7,265
Net	**3,963**	**3,482**	**469,483**	**472,691**	**473,446**	**476,173**

* fully consolidated figures

Development of unearned premiums

	Gross €'000	Reinsurers' share €'000	Net 2008 €'000	Net 2007 €'000
Unearned premiums Jan. 1	**483,438**	**-7,265**	**476,173**	**473,866**
Foreign-currency translation	—	—	—	-4
Total	483,438	-7,265	476,173	473,862
Portfolio changes	—	16,385	16,385	6
Other changes	-2,982	-16,130	-19,112	2,305
Unearned premiums Dec. 31	**480,456**	**-7,010**	**473,446**	**476,173**

27 Provision for future policy benefits*

	Life/health 2008 €'000	Life/health 2007 €'000	Property/casualty 2008 €'000	Property/casualty 2007 €'000	Group 2008 €'000	Group 2007 €'000
Gross	**63,994,458**	**61,856,601**	**89,689**	**86,620**	**64,084,147**	**61,943,221**
Reinsurers' share	-1,163,076	-1,358,797	—	—	-1,163,076	-1,358,797
Net	**62,831,382**	**60,497,804**	**89,689**	**86,620**	**62,921,071**	**60,584,424**

* fully consolidated figures

In health insurance an interest rate of 3.5–4.5 percent (previous year: 3.5–4.5 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 4.25 and 4.4 percent (previous year: between 4.1 and 4.3 percent). The true-up effect for the premium components carried as a liability (unearned revenue reserve) is € 16,324 thousand (previous year: 14,683 thousand) and for the reassessed terminal bonus reserve it is € -38,246 thousand (previous year: 128,355 thousand).

Development of the provision for future policy benefits

	2008 €'000	2007 €'000
Gross provision for future policy benefits Jan. 1	**61,943,221**	**59,755,638**
Payments for traditional life insurance policies	4,405,849	3,582,687
Other changes	-2,264,923	-1,395,104
Gross provision for future policy benefits Dec. 31	64,084,147	61,943,221
Reinsurers' share	-1,163,076	-1,358,797
Net	**62,921,071**	**60,584,424**

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

	2008 €'000	2007 €'000
up to 1 year	3,156,330	3,125,787
between 1 and 5 years	12,560,290	11,642,319
between 5 and 10 years	10,881,712	10,548,282
between 10 and 15 years	9,714,903	9,681,313
between 15 and 20 years	14,284,806	6,991,323
more than 20 years	13,486,106	19,954,197
Total	**64,084,147**	**61,943,221**

28 Provision for outstanding claims*

	Life/health		Property/casualty		Group	
	2008 €'000	2007 €'000	2008 €'000	2007 €'000	2008 €'000	2007 €'000
Gross	**1,034,997**	**959,890**	**3,629,794**	**3,641,561**	**4,664,791**	**4,601,451**
Reinsurers' share	-10,218	-13,908	-327,812	-358,784	-338,030	-372,692
Net	**1,024,779**	**945,982**	**3,301,982**	**3,282,777**	**4,326,761**	**4,228,759**

* 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 € 23,642 thousand (previous year: € 23,716 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 € 172,129 thousand (previous year: 160,604 thousand).

Development of the provision for outstanding claims

	Gross	Reinsurers' share	Net	Net
			2008	2007
	€'000	€'000	€'000	€'000
Outstanding claims provision Jan. 1	**4,601,451**	**-372,692**	**4,228,759**	**4,134,046**
Foreign-currency translation	81	80	161	-457
Total	**4,601,532**	**-372,612**	**4,228,920**	**4,133,589**
Use of provision for payments	-1,197,009	51,955	-1,145,054	-1,019,294
Winding-up of provision for preceding year's claims*	-644,735	13,239	-631,496	-690,621
Allocation to provision for claims of the business year	1,905,003	-30,612	1,874,391	1,805,085
Total	**63,259**	**34,582**	**97,841**	**95,170**
Outstanding claims provision as at Dec. 31	**4,664,791**	**-338,030**	**4,326,761**	**4,228,759**

* 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)

	2008	2007
	€'000	€'000
up to 1 year	1,775,476	1,796,479
between 1 and 5 years	985,516	944,696
between 5 and 10 years	179,675	164,016
more than 10 years	229,667	206,491

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 €'000	2nd year €'000	3rd year €'000	4th year €'000	5th year €'000	6th year €'000	7th year €'000	Total €'000
2002	2,474,946	2,367,807	2,308,267	2,290,104	2,283,758	2,265,943	2,258,312	
2003	2,182,149	2,083,554	2,016,162	1,997,593	1,981,370	1,973,951	–	
2004	2,056,458	1,921,461	1,840,771	1,813,849	1,784,010	–	–	
2005	2,003,527	1,863,701	1,810,106	1,767,389	–	–	–	
2006	2,009,244	1,866,198	1,816,851	–	–	–	–	
2007	2,160,853	2,060,692	–	–	–	–	–	
2008	2,123,269	–	–	–	–	–	–	
Claims expenditure	2,123,269	2,060,692	1,816,851	1,767,389	1,784,010	1,973,951	2,258,312	**13,784,474**
Accumulated payments	1,129,416	1,573,706	1,528,450	1,579,031	1,630,433	1,804,523	2,116,333	**11,361,892**
Provisions for outstanding claims	993,853	486,986	288,401	188,358	153,577	169,428	141,979	**2,422,582**
Before the period under review								**671,878**
From remaining classes								**178,897**
Annuity provision and other provisions								**172,335**
Gross direct business (acc. to balance sheet)								**3,445,692**

Net claims triangle

	1st year €'000	2nd year €'000	3rd year €'000	4th year €'000	5th year €'000	6th year €'000	7th year €'000	Total €'000
2002	2,273,400	2,127,128	2,071,281	2,051,602	2,045,359	2,029,941	2,053,016	
2003	1,997,948	1,911,209	1,846,753	1,830,402	1,814,879	1,800,654	–	
2004	1,980,861	1,854,068	1,776,687	1,749,848	1,706,114	–	–	
2005	1,980,595	1,841,900	1,789,007	1,731,055	–	–	–	
2006	1,997,326	1,853,708	1,790,607	–	–	–	–	
2007	2,110,511	2,000,266	–	–	–	–	–	
2008	2,080,654	–	–	–	–	–	–	
Claims expenditure	2,080,654	2,000,266	1,790,607	1,731,055	1,706,114	1,800,654	2,053,016	**13,162,366**
Accumulated payments	1,115,099	1,534,019	1,519,444	1,559,995	1,565,844	1,643,053	1,913,223	**10,850,677**
Net provision for outstanding claims								**2,311,689**
Before the period under review; from remaining classes								**858,646**
Net direct business (acc. to balance sheet)								**3,170,335**

29 Provision for premium refunds*

	Life/health		Property/casualty		Group	
	2008	2007	2008	2007	2008	2007
	€'000	€'000	€'000	€'000	€'000	€'000
Gross	**4,669,654**	**7,345,445**	**19,233**	**20,719**	**4,688,887**	**7,366,164**
Reinsurers' share	—	—	—	—	—	—
Net	**4,669,654**	**7,345,445**	**19,233**	**20,719**	**4,688,887**	**7,366,164**

* fully consolidated figures

Provision for premium refunds (gross)

	2008	2007
	€'000	€'000
Provision for profit-related and not profit-related premium refunds		
profit-related	2,564,358	3,318,897
not profit-related	536,941	560,453
Provision for deferred premium refunds	1,587,588	3,486,814
Total	**4,688,887**	**7,366,164**

Provision for premium refunds (net)

	2008 €'000	2007 €'000
Provision for profit-related and not profit-related premium refunds		
As at Jan. 1	3,879,350	3,303,714
Change of consolidation scope	—	—
Allocation	441,741	1,452,507
Wind-up	-773,610	-501,375
Payments	-365,235	-374,581
Other changes	-80,947	-915
As at Dec. 31	**3,101,299**	**3,879,350**
Provision for deferred premium refunds		
As at Jan. 1	3,486,814	3,790,020
Foreign-currency translation	-846	-426
Total	**3,485,968**	**3,789,594**
Change of consolidation scope	9	9,811
Fair-value fluctuations	-978,474	-856,497
Revaluations recognized in income	-919,915	543,906
As at Dec. 31	**1,587,588**	**3,486,814**

30 Provisions for pensions and similar commitments

	2008 €'000	2007 €'000
Pension commitments	1,706,930	1,686,310
Provisions for commitments similar to pensions	197,518	212,346
Total	**1,904,448**	**1,898,656**

Enterprises of the Generali Deutschland 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. After 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

	2008 €'000	2007 €'000
Balance-sheet value as at Jan. 1	1,686,310	1,637,791
Change of consolidation scope	—	-1,084
Paid benefits	-98,131	-93,968
Expenditure of the business year	120,572	128,913
Other	-1,821	14,658
Balance-sheet value as at Dec. 31	**1,706,930**	**1,686,310**

Out of the balance-sheet value, € 102.9 m are due as benefits in the business year 2009.

Development of the extent of obligations and of the plan assets of defined-benefit pension commitments

	2008 €'000	2007 €'000
Present value of promised pension benefits Jan. 1	**1,972,857**	**2,165,883**
Change of consolidation scope	—	-1,084
Current service cost	31,438	39,936
Interest cost	101,308	90,001
Employee contributions	550	752
Actuarial gains and losses*	-176,034	-228,665
Paid benefits	-98,131	-93,966
Present value of promised pension benefits Dec. 31	**1,831,988**	**1,972,857**
Fair value of plan assets Jan. 1	-349,946	-361,495
Transferred assets	—	-1,528
Expected income from plan assets	-16,124	-15,313
Actuarial gains and losses	-5,590	13,731
Employer contributions	-20,311	-2,922
Employee contributions	-579	-763
Paid benefits	18,702	18,344
Fair value of plan assets Dec. 31	**-373,848**	**-349,946**
Sub-total	**1,458,140**	**1,622,911**
Unrecognized actuarial profits and losses	248,790	63,468
Unrecognized past service cost	—	-69
Balance-sheet value as at Dec. 31	**1,706,930**	**1,686,310**

* including past service cost in 2008

The necessity of taking into account actuarial gains or losses is verified by the corridor procedure.

Funding status

	2008 €'000	2007 €'000	2006 €'000	2005 €'000	2004 €'000
Present value of promised pension benefits	1,831,988	1,972,857	2,165,883	2,193,773	1,648,425
Plan assets	-373,848	-349,946	-361,495	-363,974	-32,979
Total	**1,458,140**	**1,622,911**	**1,804,388**	**1,829,799**	**1,615,446**

The present values of promised pension benefits that are covered fully or in part by external carriers amount to € 1,337,357 thousand (previous year: 1,269,739 thousand). Those not covered by external providers amount to € 488,667 thousand (previous year: 700,906 thousand).

Development of actuarial gains and losses

	2008 €'000	2007 €'000
Actuarial gains and losses of the business year (pension obligations)*	**-178,309**	**-228,665**
of which due to adjustments based on experience	-27,663	31,094
of which due to the impact of changes of the actuarial assumptions	-150,646	-259,759
Actuarial gains and losses of the business year (net plan assets)*	**-5,590**	**13,731**
of which due to adjustments based on experience	-5,590	13,731
of which due to the impact of changes of the actuarial assumptions	—	—

* including past service cost

Expenditure of the business year

	2008 €'000	2007 €'000
Current service cost	31,987	41,097
Interest cost	101,308	90,075
Expected return on plan assets	-16,124	-15,313
Recognition of actuarial gains or losses	1,058	4,888
Past service cost	2,343	8,166
Total	**120,572**	**128,913**

The necessity of taking into account actuarial gains or losses is verified by the corridor procedure.

Calculation factors applied

	2008 %	2007 %
Technical interest rate	6.25	5.50
Expected return on plan assets	4.40–4.55	4.63
Rate of salary growth (including career development)	3.00	3.00
Pension growth rate	2.00	1.70–2.00
Adjustment of maximum salary limit for calculation of contributions	2.00	2.00

Classes of plan assets

	Percentage composition		Expected long-term return
	2008 %	2007 %	2008 %
Shares, fund units and other variable-yield securities	0.37	12.16	0.40
Fixed-income securities/debt titles	98.48	84.81	5.10
Property	0.00	-0.06	0.00
Other	1.15	3.09	0.70
Total	**100.00**	**100.00**	**4.40**

The actual return on plan assets amounts to € 21,714 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 € 8,652 thousand (previous year: 8,333 thousand).

The **benefits upon termination of the employment relationship** amount to € 174,559 thousand (previous year: 194,809 thousand).

31 Other provisions

	Restructuring provisions	Other provisions	2008	2007
	€'000	€'000	€'000	€'000
As at Jan. 1	**42,203**	**324,449**	**366,652**	**366,121**
Change of consolidation scope	—	—	—	-2,335
Use of provisions	-3,778	-104,421	-108,199	-104,018
Wind-ups	-4,088	-32,559	-36,647	-67,162
Allocations of the business year	64,207	384,716	448,923	176,750
Other changes	-15,500	-2,572	-18,072	-2,704
As at Dec. 31	**83,044**	**569,613**	**652,657**	**366,652**

Out of the restructuring provisions an amount of € 34,369 thousand and out of the other provisions an amount of € 298,682 thousand is due within one year.

32 Liabilities

	2008	2007
	€'000	€'000
Subordinated liabilities	212,597	295,844
Bonds and loans	211,670	188,011
Liabilities under building-society business	4,225,284	4,341,046
Liabilities under insurance business		
Deposits held under reinsurance business ceded	1,187,992	1,390,965
Liabilities under direct insurance business		
to policyholders	2,794,064	3,032,787
to insurance intermediaries	139,143	132,221
Accounts payable under reinsurance business	11,610	8,512
Other insurance liabilities	34,853	27,952
Investment contracts	104,523	90,873
Liabilities to credit institutions	225	11,921
Liabilities under instruments held for trading	259,973	137,029
Salary-related liabilities	121,053	96,673
Other liabilities	277,534	234,128
of which:		
for social security	135	104
under investments	95,749	105,363
Total	**9,580,521**	**9,987,962**

Within the scope of the optimization of the shareholding structure within the Group, Generali Deutschland Holding AG acquired a 45.9 percent stake in Central Krankenversicherung AG from a subsidiary in 2006. For that purpose, Generali Deutschland Holding 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 swap was taken out. As the required criteria are fulfilled, the Generali Deutschland Group applies the rules of hedge accounting for the recognition of both hedging transactions. In compliance with IAS 39, the derivative financial instruments to which cash-flow hedge accounting is applied, are recognized at fair value. The measurement result has to be separated into an effective and an ineffective portion. The effective portion is the portion of the measurement result which represents an effective hedging against the cash-flow risk. That portion is recognized in the revaluation reserve without impact on income. The ineffective portion of the measurement result, however, is recognized in income. In 2008 the result from the foreign-currency hedging transaction is € -67,089 thousand (previous year: -25,132 thousand). The fair value of the foreign-currency swap as at the reporting date is € -86,085 thousand (previous year: -13,830 thousand). The change in the present value of expected future cash flows from the subordinated loan attributable to the foreign-exchange difference is equal to the change in the swap component in British pound sterling. The change in the fair value of the foreign-currency swap which is no longer needed to compensate foreign-exchange fluctuations of the loan in the income statement is recognized in income (ineffective part). The profit earned from the interest hedging transaction is included in equity in the cash-flow hedge reserve as an element of the revaluation reserve and is released to income over the duration of the loan. In the

Presentation of the fair value of financial instruments under liabilities

	Carrying amount		Fair value	
	2008	2007	2008	2007
	€'000	€'000	€'000	€'000
Liabilities under financial instruments				
Subordinated liabilities	212,597	295,844	212,597	295,880
Loans and receivables	211,670	188,011	211,670	188,011
Liabilities under building society business	4,225,284	4,341,046	4,225,284	4,341,093
Liabilities to credit institutions	225	11,921	225	11,921
Other liabilities	641,894	461,926	641,894	461,926
Liabilities under insurance business				
Deposits held under reinsurance business ceded	1,187,992	1,390,965	1,187,992	1,390,965
to policyholders	2,794,064	3,032,787	2,794,064	3,032,787
to intermediaries	139,143	132,221	139,143	132,221
Accounts payable	11,610	8,512	11,610	8,512
Other liabilities under insurance business	34,853	27,952	34,853	27,952
Total	**9,459,332**	**9,891,185**	**9,459,332**	**9,891,268**

year under report, an amount of € -658 thousand (previous year: -658 thousand) of that reserve was amortized. The cash flows from the host contract are recognized in income on the due date in June of the business year following the year under report.

The effective interest rates of subordinated liabilities is 6.51 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.

Remaining terms to maturity

	Amortized cost	
	2008	2007
	€'000	€'000
up to 1 year	4,592,131	5,369,401
between 1 and 5 years	1,912,585	2,128,343
between 5 and 10 years	2,000,075	1,688,527
more than 10 years	1,075,730	801,691
Total	**9,580,521**	**9,987,962**

As collateral for obligations under reinsurance business there are security deposits in favour of other insurance companies of an amount of € 29,563 thousand (previous year: 30,541 thousand).

33 Deferred tax

	Deferred tax assets		Deferred tax liabilities	
	2008	2007	2008	2007
	€'000	€'000	€'000	€'000
Investments	-13,760	-11,461	401,023	506,349
Underwriting items	115,374	118,055	31,545	76,343
Tax loss carried forward	4,184	2,203	-12,009	-17,727
Other	-13,732	-10,558	86,890	82,476
Total	**92,066**	**98,239**	**507,449**	**647,441**

Out of these amounts a total of € -7,841 thousand (previous year: 1,938 thousand) of deferred tax assets and an amount of € 31,153 thousand (previous year: 80,010 thousand) of deferred tax liabilities is not recognized in 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.

34 Discontinued operations

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 the previous year. 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, a profit of € 13,550 thousand was realized in the first quarter 2008.

35 Additional information

Staff

In the business year 2008, the companies included in the Consolidated Financial Statements have an average number of 15,081 (previous year: 15,994) employees. On an average basis, 10,866 of these persons (previous year: 12,451) are employed with insurance companies, 757 (previous year: 755) with the building society and 3,458 (previous year: 2,788) with other service providers. The number of those employed in administrative services of the Group companies is 11,386 (previous year: 11,719), while the field-staff comprises 3,695 (previous year: 4,275) 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 2008 there are an average of 6,486 women (previous year: 6,667) and 8,595 men (previous year: 9,327) employed with the Generali Deutschland Group.

The Consolidated Income Statement includes a personnel expenditure of € 1,064,521 thousand (previous year: 1,052,671 thousand).

Share-based payment

Selected executives of our group are involved in stock-option plans of our parent. In Germany, top managers of the Generali Deutschland Group are beneficiaries of these plans. The purpose of the plans 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 Generali Deutschland Group has to be fulfilled.

In general, 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.

Under the stock-option plan 2008–2010 newly established in the business year 2008, 735,000 options were allocated to the executives of the Generali Deutschland Group for the total plan period at an exercise price of € 28.84 each. The fair value of the stock options attributable to the year 2008 within the plan 2008–2010 is € 6.28. Like the average fair values of stock options allocated in previous years, this value was determined by Assicurazioni Generali S.p.A. by means of a recognized financial and mathematical option-price model on the basis of market data.

As the targets of the German Generali Group were not reached in 2008, no stock options are issued under the stock-option programme 2008–2010 and no costs are recognized. As costs are spread over the vesting period, there is a personnel expenditure of € 1,396 thousand also in the business year resulting from the stock-option programme 2005–2007.

As at the balance-sheet date, there were still options outstanding from the stock-option plans of previous years.

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	1,577,050	30.85
Allocated options	735,000	28.84
Forfeited options	161,950	26.07
Exercised options	393,900	24.53
Outstanding as at Dec. 31	1,756,200	27.45
Exercisable as at Dec. 31	546,200	22.86

The range of the exercise prices of all options still outstanding at the end of the reporting period is between € 20.24 and 27.08. The average weighted expiry date of the options outstanding at year-end is July 5, 2010.

Other financial commitments and contingent liabilities

Within the scope of domination and profit-transfer agreements concluded with subsidiaries as well as the squeeze-out procedure, 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 offer. 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.

If under an agreement on the conversion of remuneration concluded with an employee an employer directly contributes part of the employee's salary to a life insurance policy with a "zillmerized" tariff, the situation is currently unclear as to whether the employer is liable to the employee for damages in case the surrender value of the policy is below the amount of the converted remuneration in the case of a subsequent termination of the employment contract. Various Regional Labour Courts issued different rulings in this regard. A ruling from the highest court has not yet been issued but currently an appeal is pending with the Federal Labour Court. The rulings pronounced were still based on the previous legal position of the Insurance Contract Act. Starting from January 1, 2009, acquisition costs are spread over a period of five years in our new business tariffs, as required by law. Even though from our point of view "zillmerized" tariffs under agreements on the conversion of remuneration comply with the legal requirements for the conversion of remuneration both on the basis of the previous and the amended version of the Insurance Contract Act, our life insurers AachenMünchener, Generali and Volksfürsorge*, for the purposes of supporting distribution activities, have declared to customers in individual cases that they would be indemnified in respect of claims, as described above, that might be raised against them by employees. Therefore there would be an obligation to pay compensation within the scope of the guaranteed conditions to the extent that an employee successfully asserts such a claim against the employer concerned.

In the Group there are investment obligations of € 2,544 m (December 31, 2007: 3,321 m) as at December 31, 2008. 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 established for life and health insurers 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 € 14 m (December 31, 2007: 23 m) for all life insurers of the Generali Deutschland Group. In addition, the safety-net fund may charge extraordinary contributions amounting to another 1 per mil of the total net underwriting provisions. As at December 31, 2008 this equals a commitment of € 56 m (December 31, 2007: 55 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, 2008 is € 520 m (December 31, 2007: 519 m).

For the health insurers, payment obligations may arise up to a maximum of 2 per mil of the total net underwriting provisions.

Furthermore as at December 31, 2008 there are commitments under guarantees and warranties of € 442 m (December 31, 2007: 459 m) and other financial commitments of € 97 m (December 31, 2007: 155 m).

Within the scope of the measures taken by the Federal Government and the German financial industry for the rescue of the ailing Hypo Real Estate bank, the Generali Deutschland Group participates with a guarantee amounting to € 50.8 m.

Auditor's fees

In the business year an expenditure of € 4,191 thousand (previous year: 3,125 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 € 2,129 thousand (previous year: 1,201 thousand). The increase is primarily attributable to the audits within the scope of the "New Generali" mergers. Furthermore an expenditure of € 69 thousand (previous year: 179 thousand) was recognized for consultancy services rendered by the auditor the same as an amount of € – (previous year: 63 thousand) for other services rendered. Our auditor did not make valuations.

Group holding company

The parent company of the Generali Deutschland Group is Generali Deutschland Holding AG (Generali Deutschland). It was founded in Aachen/Federal Republic of

* merged with Generali at year-turn 2008/2009

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, Generali Deutschland 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. Assicurazioni Generali S.p.A. holds 93.02 percent of the shares of Generali Deutschland. The remaining 6.98 percent are in the market as free float.

Remuneration of the Board of Management and the Supervisory Board

In the year 2008 the members of the Board of Management of Generali Deutschland received a total remuneration of € 2,726 thousand (previous year: 3,016 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 members 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 Generali Deutschland 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

	2008 €'000	2007 €'000
Salaries and other payments due in the short term	1,356	1,022
Not performance-related remuneration elements	84	117
Performance-related remuneration elements	1,286	1,877
Total	**2,726**	**3,016**

The remuneration paid to the members of the Supervisory Board in 2008 is € 1,761 thousand (previous year: 1,949 thousand).

An amount of € 2,460 thousand (previous year: 5,879 thousand) is paid to former members of the Board of Management of Generali Deutschland and their surviving dependants. The provisions for pension commitments towards this group of persons amount to € 36,160 thousand (previous year: 37,136 thousand).

The loans granted to members of the Supervisory Board of Generali Deutschland amount to € 837 thousand (previous year: 1,077 thousand; redemption in 2008: € -49 thousand (previous year: -34 thousand)). The interest rates of these loans are between 4.24 and 6.20 percent. In the year under report no loans were granted to members of the Board of Management.

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	
	2008 €'000	2007 €'000	2008 €'000	2007 €'000
As at Jan. 1	256	–	1,077	1,111
Loans granted in the business year	–	256	–	–
Redemption	–	–	-49	-34
Other	-256	–	-191	–
As at Dec. 31	**–**	**256**	**837**	**1,077**

German Corporate Governance Code

For Generali Deutschland 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.generali-deutschland.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 of this Report. The list on p. 173 ff. shows the mandates held by these persons.

36 Information on related companies and persons

Companies of the Generali Deutschland Group have various business relationships with related companies and persons. In the Generali Deutschland 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 Board of Management of Generali Deutschland Holding AG and of the Boards of Management of the major subsidiaries as well as of the Supervisory Board of Generali Deutschland Holding AG. Furthermore the group of closely related persons comprises all department heads of Generali Deutschland 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 have since then been exclusively sold by the DVAG Group. The distribution competency of AachenMünchener Versicherungen is thus with the DVAG Group, while AachenMünchener Versicherungen exclusively concentrates on the development of products of private provision in the fields of life and property/casualty insurance, commercial 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. The insurance contracts existing with related companies and persons are based on conditions which are common practice in the market and those applied to employees. An amount of € 119,340 thousand (previous year: 109,980 thousand) was paid as reinsurance premiums.

Remuneration for managers in key positions

	2008 €'000	2007 €'000
Salaries and other payments due in the short term	25,363	23,495
Expenditure for pension benefits	4,247	7,949
Other payments due in the long term	362	463
Payments due to termination of employment contract	2,736	1,177
Total	**32,708**	**33,084**

The expenditure for executives in key positions resulting from share-based payment transactions amounts to € 1,396 thousand (previous year: 1,753 thousand).

Turnover from material service and cooperation agreements as well as other agreements with related enterprises and persons

	2008 €'000	2007 €'000
Service and cooperation agreements with		
Assicurazioni Generali	8,845	7,149
enterprises measured at equity	953,564	709,762
related persons	—	—
Other agreements and transactions with		
Assicurazioni Generali	72	—
enterprises measured at equity	13,395	8,917
related persons	378	7,011
Total	**976,254**	**732,839**

The relationships with related enterprises mainly consist of service and cooperation agreements at arm's length conditions.

Insurance contracts with related enterprises and persons

	2008 €'000	2007 €'000
Sums insured under life insurance contracts	22,725	82,627
12 times the annual pension under pension contracts	3,584	4,949
Target contract sums under building-society contracts	684	732

The insurance contracts existing with related persons and enterprises are based on arm's length conditions and on conditions applicable to employees.

Receivables and liabilities with related enterprises

	2008 €'000	2007 €'000
D. III. 1. Financial instruments, loans and receivables	**1,195,115**	**850,437**
of which with other enterprises of the Generali Group	1,195,115	850,437
of which with enterprises of the Generali Deutschland Group measured at equity	—	—
F. Receivables:		
Receivables under insurance business	**2,029**	**8,582**
of which with other enterprises of the Generali Group	2,029	727
of which with enterprises of the Generali Deutschland Group measured at equity	—	7,855
Other receivables	**18,349**	**15,568**
of which with other enterprises of the Generali Group	18,349	15,568
of which with enterprises of the Generali Deutschland Group measured at equity	—	—
E. III. Other liabilities:		
Liabilities under insurance business	**622,952**	**571,819**
of which with other enterprises of the Generali Group	604,233	557,076
of which with enterprises of the Generali Deutschland Group measured at equity	18,719	14,743
Other	**13,156**	**13,634**
of which with other enterprises of the Generali Group	12,978	13,443
of which with enterprises of the Generali Deutschland Group measured at equity	178	191

Loans granted to related enterprises and persons

Development of loans to managers in key positions (and their close relatives)

	2008 €'000	2007 €'000
As at Jan. 1	2,784	2,383
Loans granted	50	—
Redemption	-120	-150
Other changes	—	499
As at Dec. 31	**2,714**	**2,732**

Related enterprises and persons of the Generali Deutschland Group as well as their relatives obtain loans from Group companies at conditions customary in the market. The interest rates applied vary between 2.99 and 8.00 percent.

Responsibility Statement by the Management of Generali Deutschland Holding AG as at December 31, 2008

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 Generali Deutschland Group, and the Management Report of the Group includes a fair review of the development and performance of the business and the position of the Generali Deutschland 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 17, 2009

Generali Deutschland Holding AG

The Board of Management

Dietmar Meister Christoph Schmallenbach Winfried Spies

Auditor's Report*

We have audited the consolidated financial statements prepared by the Generali Deutschland 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 Generali Deutschland Holding AG, Aachen, for the business year from January 1 to December 31, 2008. 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 26, 2009

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Alexander Hofmann Wirtschaftsprüfer German Public Auditor	ppa. Christian Sack Wirtschaftsprüfer 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
- 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, which on December 29, 2008 changed its name to: Generali Lebensversicherung AG, Munich

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
- Future Generali India Life Insurance Co. Ltd., Mumbai/India
- Generali Asia N.V., Diemen/Netherlands
- Generali China Insurance Company Ltd., Bejing/China
- Generali China Life Insurance Co. Ltd., Bejing/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 (Schweiz) Holding, Adliswil/Switzerland
- Generali Holding Vienna AG, Vienna/Austria
- Generali Investments S.p.A., Trieste/Italy
- Generali PPF Holding B.V., Diemen/Netherlands (since February 11, 2008)
- Graafschap Holland Participatie Maatschappij N.V., Diemen/Netherlands
- La Centrale Finanziaria Generale S.p.A., Milano/Italy (since July 1, 2008)
- 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
- Banco Santander Central Hispano, S.A., Milano/Italy
- Bolloré, 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
- Havas, Suresnes/France
- Intesa Sanpaolo S.p.A., Milano/Italy
- LVMH Moët Hennessy Louis Vuitton, Paris/France
- Mediobanca S.p.A., Milano/Italy

Martin Blessing
(until May 6, 2008)
- Commerzbank Auslandsbanken Holding AG, Frankfurt-on-Main (since March 18, 2008, Chairman)
- Commerzbank Inlandsbanken Holding AG, Frankfurt-on-Main (until March 4, 2008)
- Commerz Real AG, Eschborn (until May 26, 2008)
- EVONIK Industries AG, Essen (until September 16, 2008)
- Heidelberger Druckmaschinen AG, Heidelberg (until July 18, 2008)
- ThyssenKrupp Services AG, Düsseldorf (until May 31, 2008)
- BRE Bank SA, Warsaw/Poland (until September 4, 2008)

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

Dr. Alfredo Gysi
(until May 6, 2008)
- B-Source SA, Lugano/Switzerland

Karl-Rupert Hasenkopf
- AachenMünchener Lebensversicherung AG, Aachen

Susanne Hille
(until May 6, 2008)
- AachenMünchener Lebensversicherung AG, Aachen (until March 5, 2008)
- Volksfürsorge Deutsche Lebensversicherung AG, Hamburg, which on December 29, 2008 changed its name to: Generali Lebensversicherung AG, Munich

Brigitte Jakob
(until May 6, 2008)
- AachenMünchener Versicherung AG, Aachen (until March 5, 2008)

Maximilian Michael Jetzlsperger
(since May 6, 2008)
- Generali Versicherung AG, Munich (until February 28, 2008)

Dr. Michael Kalka
(until May 6, 2008)
- Deutsche Bausparkasse Badenia AG, Karlsruhe (until December 31, 2008)
- Deutsche Vermögensberatung Aktiengesellschaft DVAG, Frankfurt-on-Main
- Generali Versicherung AG, Munich (until December 29, 2008)
- Volksfürsorge Deutsche Lebensversicherung AG, Hamburg, which on December 29, 2008 changed its name to: Generali Lebensversicherung AG, Munich (until December 31, 2008)
- Volksfürsorge Holding AG, Hamburg, which on September 16, 2008 changed its name to: Generali Beteiligungs- und Verwaltungs-AG, Munich (until December 31, 2008)

Dr. Achim Kassow
(since May 6, 2008)
- comdirect bank AG, Quickborn (Chairman)
- COMINVEST Asset Management GmbH, Frankfurt-on-Main (Chairman)
- Commerzbank Auslandsbanken Holding AG, Frankfurt-on-Main
- ThyssenKrupp Steel AG, Duisburg
- Volksfürsorge Deutsche Sachversicherung AG, Hamburg, which on December 29, 2008 changed its name to: Generali Versicherung AG, Munich (until December 31, 2008)
- BRE Bank S.A., Warsaw/Poland
- Commerzbank International S.A., Luxembourg/Luxembourg (Chairman)
- COMMERZ PARTNER Beratungsgesellschaft für Vorsorge- und Finanzprodukte mbH, Frankfurt-on-Main
- Commerzbank AG, Zurich/Switzerland

Thomas Körber
(until May 6, 2008)

Dr. Helmut Kohl

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 (until May 31, 2008)

Marlies Pörtner
(since May 6, 2008)
- Central Krankenversicherung AG, Cologne

Prof. Dr. jur.
Dr. h.c. mult. Reinfried Pohl

- AachenMünchener Lebensversicherung AG, Aachen
- AachenMünchener Versicherung AG, Aachen
- Allfinanz Aktiengesellschaft für Finanzdienstleistungen, Frankfurt-on-Main
- Atlas Dienstleistungen für Vermögensberatung GmbH, Frankfurt-on-Main
- DWS Investment GmbH, Frankfurt-on-Main
- Assicurazioni Generali S.p.A., Trieste/Italy
- Deutsche Vermögensberatung Bank AG, Vienna/Austria

Hans-Joachim Schroeder

(from January 1, 2008 to May 6, 2008)

- Volksfürsorge Deutsche Lebensversicherung AG, Hamburg, which on December 29, 2008 changed its name to: Generali Lebensversicherung AG, Munich
- Volksfürsorge Versorgungskasse VVaG, Hamburg

Roland Schwarz

(until May 6, 2008)

- Deutsche Bausparkasse Badenia AG, Karlsruhe

Rolf Stockem

(since May 6, 2008)

- Deutsche Bank Privat- und Geschäftskunden AG, Frankfurt-on-Main

Rudolf Winkelmann

- Versorgungskasse der Volksfürsorge VVaG, Hamburg
- Volksfürsorge Deutsche Lebensversicherung AG, Hamburg (until December 15, 2008)
- Volksfürsorge AG Vertriebsgesellschaft für Vorsorge- und Finanzprodukte, Hamburg (since December 15, 2008)

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
- AachenMünchener Lebensversicherung AG, Aachen (Chairman)
- AachenMünchener Versicherung AG, Aachen (Chairman)
- Central Krankenversicherung AG, Cologne
- Cosmos Lebensversicherungs-AG, Saarbrücken (Chairman)
- Cosmos Versicherung AG, Saarbrücken
- Deutsche Bausparkasse Badenia AG, Karlsruhe (Chairman until November 16, 2008)
- Generali Lebensversicherung AG, Munich (Chairman)
- Generali Versicherung AG, Munich (Chairman)
- Volksfürsorge Deutsche Lebensversicherung AG, Hamburg (Chairman, until December 29, 2008)
- Volksfürsorge Deutsche Sachversicherung AG, Hamburg (Chairman, until December 29, 2008)
- AMB Generali Immobilien GmbH, Cologne, which on December 29, 2008 changed its name to: Generali Deutschland Immobilien GmbH (Chairman)
- AMB Generali Services GmbH, Aachen, which on December 29, 2008 changed its name to: Generali Deutschland Services GmbH (Chairman)
- Generali Investments S.p.A., Trieste/Italy
- GLL Real Estate Partners GmbH, Munich

Christoph Schmallenbach

Member of the Board of Management
- Advocard Rechtsschutzversicherung AG, Hamburg
- AMB Generali Informatik Services GmbH, Aachen, which on December 29, 2008 changed its name to: Generali Deutschland Informatik Services GmbH (Chairman)
- Cosmos Lebensversicherungs-AG, Saarbrücken
- Dialog Lebensversicherungs-AG (since September 1, 2008 Chairman)
- Generali Lloyd AG, Munich (until July 10, 2008)
- Volksfürsorge Deutsche Sachversicherung AG, Hamburg, which on December 29, 2008 changed its name to: Generali Versicherung AG, Munich
- Volksfürsorge Holding AG, Hamburg, which on Sept. 16, 2008 changed its name to: Generali Beteiligungs- und Verwaltungs-AG, Munich (Chairman)
- Volksfürsorge Deutsche Lebensversicherung AG, Hamburg, which on December 29, 2008 changed its name to: Generali Lebensversicherung AG, Munich (from February 15, 2008 to December 31, 2008)

Winfried Spies

Member of the Board of Management
(since July 1, 2008)
- Advocard Rechtsschutzversicherung AG, Hamburg (since August 18, 2008, Chairman)
- AMB Generali Schadenmanagement GmbH, Cologne, which on December 29, 2008 changed its name to: Generali Deutschland Schadenmanagement GmbH (since November 12, 2008 Chairman)
- Central Krankenversicherung AG, Cologne (since October 1, 2008)
- Cosmos Lebensversicherungs-AG, Saarbrücken (since September 9, 2008)
- Dialog Lebensversicherungs-AG, Augsburg (since September 1, 2008)
- Envivas Krankenversicherung AG, Cologne (since October 1, 2008)
- Europ Assistance Versicherungs AG, Munich (since November 7, 2008, Chairman)
- Bank1Saar eG, Saarbrücken

Dott. Lorenzo Kravina

Member of the Board of Management
(until March 31, 2008)
- Advocard Rechtsschutzversicherung AG, Hamburg (Chairman, until July 31, 2008)
- AMB Generali Informatik Services GmbH, Aachen (until February 11, 2008)
- AMB Generali Schadenmanagement GmbH, Cologne (Chairman, until October 31, 2008)
- Central Krankenversicherung AG, Cologne (until September 30, 2008)
- Cosmos Lebensversicherungs-AG, Saarbrücken (until August 31, 2008)
- Cosmos Versicherung AG, Saarbrücken (Chairman)
- Dialog Lebensversicherungs-AG, Augsburg (Chairman, until August 6, 2008)
- Envivas Krankenversicherung AG, Cologne (until September 30, 2008)
- Europ Assistance Versicherungs-AG, Munich (Chairman, until November 7, 2008)
- Generali Lebensversicherung AG, Munich (until December 31, 2008)
- Generali Lloyd AG, Munich (Chairman, until July 10, 2008)
- Generali Versicherung AG, Munich (until December 31, 2008)
- Volksfürsorge Deutsche Lebensversicherung AG, Hamburg (until December 29, 2008)
- Volksfürsorge Deutsche Sachversicherung AG, Hamburg (until December 29, 2008)

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.

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

Currency swap
A 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. 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.

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
The premium deficiency test is applied to determine any impairment of the portfolio of insurance business in force.

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

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

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www.generali-immobilien.de
as from June 2009:
Generali Deutschland Immobilien GmbH
Tunisstr. 19-23
50667 Cologne

Generali Deutschland Informatik
Services GmbH
Anton-Kurze-Allee 16
52064 Aachen
Phone: +49 (0) 241 461-02
Fax: +49 (0) 241 461-1818
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www.generali-pensionskasse.de

Generali Deutschland
Schadenmanagement GmbH
Hansaring 40-50
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Phone: +49 (0) 221 1636-5666
E-mail: info.schaden@generali.de
www.generali-schadenmanagement.de
as from June 2009:
Generali Deutschland
Schadenmanagement GmbH
Gereonswall 68
50670 Cologne

Generali Deutschland Services GmbH
Maria-Theresia-Allee 38
52064 Aachen
Phone: +49 (0) 241 461-01
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as from June 2009:
Generali Deutschland
SicherungsManagement GmbH
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Generali Investments Deutschland
Kapitalanlagegesellschaft mbH
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* until August 2009 AMB Generali Pensionsfonds AG and Pensor Pensionsfonds AG

Imprint

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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 26, 2009	Accounts Press Conference in Cologne
May	
May 14, 2009	Group Report 1st Quarter 2009
May 19, 2009	General Meeting in Aachen
May 20, 2009	Dividend payment*
August	
August 11, 2009	Group Report 1st–2nd Quarters 2009
November	
November 10, 2009	Group Report 1st–3rd Quarters 2009

The updated financial calendar of Generali Deutschland is published on the Internet at: www.generali-deutschland.de

* subject to shareholder resolution at the General Meeting

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