

# INFORMATION MEMORANDUM

## Gerling-Konzern Allgemeine Versicherungs-AG

(a stock corporation incorporated under the laws of the Federal Republic of Germany and limited in its liability in accordance with the German Stock Corporation Act)

### € 250,000,000 7.00 % Subordinated Fixed to Floating Rate Notes due 2024

**Issue Price in respect of a first tranche of Notes in an aggregate principal amount of € 200,000,000 being 99.370 %**

**Issue Price in respect of a second tranche of Notes in an aggregate principal amount of € 50,000,000 being 99.720 %**

Gerling-Konzern Allgemeine Versicherungs-AG, Cologne (the “**Issuer**” or “**GKA**”) will issue on August 12, 2004 (the “**Issue Date**”) subordinated fixed to floating rate notes (the “**Notes**”) due August 12, 2024 in an aggregate principal amount of € 250,000,000. The Notes will be issued in two tranches. The first tranche in a principal amount of € 200,000,000 will be issued at an issue price of 99.370% of such principal amount, the second tranche in a principal amount of € 50,000,000 will be issued at an issue price of 99.720% of such principal amount. The two tranches will be fully fungible and will have the same terms and conditions except for their respective issue price.

The Notes will bear interest from and including August 12, 2004 to but excluding August 12, 2014 at a rate of 7.00% per annum, payable annually in arrear on August 12 in each year (each a “**Fixed Interest Payment Date**”), commencing on August 12, 2005. Thereafter, unless previously redeemed, the Notes will bear interest at a rate of 3.75% per annum above the Euro inter-bank offered rate for three-month deposits, payable quarterly in arrear on the 12th day of November, February, May and August in each year (each a “**Floating Interest Payment Date**”), all as more particularly described in “**THE NOTES – § 3 (Interest)**”. Payments of interest may be deferred as described in “**THE NOTES – § 3(3) (Interest – Arrears of Interest)**”.

The Notes are redeemable in whole, but not in part, at the option of the Issuer at their principal amount together with any interest accrued and Arrears of Interest, if any, on August 12, 2014 or on any Floating Interest Payment Date thereafter. The Issuer may also redeem the Notes in whole but not in part at any time before August 12, 2014 following a Gross-up Event at their Redemption Amount and following a Tax Event or a Regulatory Event at their Early Redemption Amount, all as more particularly described herein. Prior to August 12, 2014, such repayment will be subject to the prior replacement of the amount of the Notes to be redeemed with other, at least equivalent capital (*Eigenmittel*) or if the Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) (or any successor in its capacity) has given its prior consent to the repurchase or redemption of the Notes without such replacement (to the extent such replacement is still required for the recognition as regulatory capital). Unless previously redeemed, cancelled or repurchased, the Notes will be redeemed at their principal amount on August 12, 2024. See “**THE NOTES – § 4 (Redemption and Purchase)**”.

The obligations of the Issuer under the Notes constitute unsecured and subordinated obligations of the Issuer ranking *pari passu* among themselves and at least *pari passu* with all other unsecured and subordinated obligations of the Issuer, save for any obligations required to be preferred by law. In the event of the dissolution, liquidation, insolvency, composition or other proceedings for the avoidance of insolvency of, or against, the Issuer, the obligations of the Issuer under the Notes will be subordinated to the claims of all unsubordinated creditors of the Issuer so that in any such event no amounts shall be payable in respect of the Notes until the claims of all unsubordinated creditors of the Issuer shall have first been satisfied in full.

Application has been made to list the Notes on the Luxembourg Stock Exchange.

The Notes are expected to be rated “**BBB-**” by Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc. (“**S&P**”) and “**bbb**” (outlook negative) by A. M. Best. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating agency.

Deutsche Bank AG London (“**Deutsche Bank**”), Morgan Stanley & Co. International Limited (“**Morgan Stanley**”, and together with Deutsche Bank, the “**Joint Lead Managers**”) and WestLB AG (the “**Co-Lead Manager**”, and together with the Joint Lead Managers, the “**Managers**”) will purchase the Notes from the Issuer on the Issue Date.

**Joint Lead Managers**  
**Deutsche Bank** **Morgan Stanley**  
**Co-Lead Manager**  
**WestLB AG**

The date of this Information Memorandum is August 9, 2004.

Given the complexity of the Terms and Conditions, an investment in the Notes is suitable only for experienced investors who understand and are in a position to evaluate the risks inherent therein.

**For a discussion of certain significant factors affecting investments in the Notes, see “INVESTMENT CONSIDERATIONS”.**

*For the reference to the definitions of capitalised words and phrases appearing herein see “Index of Defined Terms”.*

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U. S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”) AND INCLUDE NOTES IN BEARER FORM THAT ARE SUBJECT TO U. S. TAX LAW REQUIREMENTS. SUBJECT TO CERTAIN EXCEPTIONS, THE NOTES MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES OR TO U. S. PERSONS.

The Notes will be governed by the laws of the Federal Republic of Germany (“**Germany**”).

The Notes will be initially represented by a temporary global note (the “**Temporary Global Note**”) in bearer form without interest coupons attached. The Temporary Global Note will be exchangeable, as described herein (see “THE NOTES – § 1 (*Form and Denomination*)”), for a permanent global note (the “**Permanent Global Note**”, and together with the Temporary Global Note, the “**Global Notes**”) in bearer form representing the Notes without interest coupons attached. The Global Notes will be deposited with a common depositary (the “**Common Depositary**”) for Euroclear Bank S. A./N. V. as operator of the Euroclear System (“**Euroclear**”) and Clearstream Banking, société anonyme, Luxembourg (“**Clearstream Luxembourg**”). The Temporary Global Notes will be deposited with the Common Depositary on or before August 12, 2004.

The Notes may be transferred in book-entry form only. The Notes will be issued in denominations of EUR 1,000. The Global Notes will not be exchangeable for definitive securities.

THE NOTES REPRESENT OBLIGATIONS OF THE ISSUER ONLY, AND DO NOT REPRESENT OBLIGATIONS OF ANY OF THE MANAGERS OR ANY OF THEIR RESPECTIVE AFFILIATES OR ANY AFFILIATE OF THE ISSUER OR ANY OTHER THIRD PERSON OR ENTITY.

The Notes are expected to be rated at closing “BBB-” by Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc. (“**S&P**”) and “bbb” (outlook negative) by A. M. Best.

The Issuer has not requested a rating of the Notes by any rating agency other than S&P. there can be no assurance, however, as to whether any other rating agency will rate the Notes or, if it does, what rating would be assigned by such other rating agency. The rating assigned to the Rated Notes by such other rating agency could be lower than the rating assigned by S&P.

In this Information Memorandum references to “**euro**” or “**EUR**” or “**€**” are to the single unified currency of the members of the European Union, including Germany, which adopted the euro in accordance with the Treaty on European Union, as amended.

This Information Memorandum serves to describe the Notes and the Issuer.

The Issuer accepts responsibility for the information contained in this information memorandum (the “**Information Memorandum**”). To the best of its knowledge and belief the information contained in this Information Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Issuer further confirms that (i) this Information Memorandum contains all information with respect to the Issuer and its consolidated subsidiaries taken as a whole (“**GKA Group**”) and to the Notes which is material in the context of the issue and sale of the Notes, including all information which, according to the particular nature of the Issuer and of the Notes, is necessary to enable investors and their investment advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer and of the rights attached to the Notes; (ii) the statements contained in this Information Memorandum relating to the Issuer, GKA Group and the Notes are in all material respects true and accurate and not misleading; (iii) there are no other facts in relation to the Issuer, GKA Group or the Notes the omission of which would, in the context of the issue and sale of the Notes, make any statement in this Information Memorandum misleading in any material respect and (iv) reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements.

*No person has been authorised to give any information or to make any representation other than those contained in this Information Memorandum and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Issuer or the Managers.*

*Neither the delivery of this Information Memorandum nor any offering, sale or delivery of any Notes made hereunder shall, under any circumstances, create any implication (i) that the information in this Information Memorandum is correct as of any time subsequent to the date hereof or, as the case may be, subsequent to the date on which this*

*Information Memorandum has been most recently amended or supplemented, or (ii) that there has been no adverse change in the financial situation of the Issuer which is material in the context of the issue and sale of the Notes since the date of this Information Memorandum or, as the case may be, the date on which this Information Memorandum has been most recently amended or supplemented, or the balance sheet date of the most recent financial statements which are deemed to be incorporated into this Information Memorandum by reference or (iii) that any other information supplied in connection with the issue of the Notes is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.*

*Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. This Information Memorandum does not constitute an offer of Notes or an invitation by or on behalf of the Issuer or the Managers to purchase any Notes. Neither this Information Memorandum nor any other information supplied in connection with the Notes should be considered as a recommendation by the Issuer or the Managers to a recipient hereof and thereof that such recipient should purchase any Notes. This Information Memorandum may not be used for or in connection with any offer or invitation in any jurisdiction or in any circumstances in which such offer or invitation is unlawful or unauthorized.*

*No action has been taken by the Issuer or the Managers other than as set out in this Information Memorandum that would permit a public offering of the Notes, or possession or distribution of this Information Memorandum or any other offering material in any country or jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Information Memorandum (nor any part hereof) nor any offering circular, prospectus, form of application, advertisement or other offering materials may be issued, distributed or published in any country or jurisdiction except in compliance with applicable laws, orders, rules and regulations, and each of the Managers has represented that all offers and sales by it have been made on such terms.*

*This Information Memorandum does not constitute, and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation.*

*The distribution of this Information Memorandum (or of any part thereof) and the offer, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Information Memorandum (or any part thereof) comes are required by the Issuer and the Managers to inform themselves about and to observe any such restrictions.*

For a further description of certain restrictions on offerings and sales of the Notes and distribution of this Information Memorandum (or of any part thereof) see “SUBSCRIPTION AND SALE”.

**In connection with the issue of the Notes, Deutsche Bank or any person acting for it may conduct activities to support the market price of the Notes in order to balance short-term price movements. Such activities, if any, may be conducted upon announcement of the offer and must be terminated no later than the 30th calendar day after the receipt of the proceeds of the issue by the Issuer, or the 60th calendar day following the allotment of the Notes, whichever is earlier. These activities may result in a price of the Notes higher than that which would otherwise prevail, at the risk that the price might be kept at an artificial level during the period in which these activities are conducted. However, there is no obligation to engage in any stabilising, which, if commenced, may be discontinued at any time. Such stabilising shall be in accord with all laws, regulations and rules of any relevant jurisdiction.**

## **DOCUMENTS INCORPORATED BY REFERENCE**

The 2002 annual report of GKA (including the audited unconsolidated financial statements as of and for the fiscal year ended December 31, 2002 prepared in accordance with HGB), the audited consolidated financial statements as of and for the fiscal year ended December 31, 2002 prepared in accordance with IFRS and the 2003 annual report of GKA (including the audited consolidated financial statements of GKA as of and for the fiscal year ended December 31, 2003 prepared in accordance with IFRS and the audited unconsolidated financial statements of GKA as of and for the fiscal year ended December 31, 2003 prepared in accordance with HGB) are incorporated by reference into this Information Memorandum. Copies of the documents which are incorporated into this Information Memorandum by reference and the financial statements of the Issuer for all subsequent years (such future financial statements not being incorporated into this Information Memorandum by reference) may be inspected and are available free of charge at Deutsche Bank Luxembourg S.A., 2 Boulevard Konrad Adenauer, L-1115 Luxembourg, as long as any Notes are listed on the Luxembourg Stock Exchange and the rules of such stock exchange so require. The Issuer does not publish interim financial statements.

## TABLE OF CONTENTS

<b>SUMMARY</b> .....	6
<b>INVESTMENT CONSIDERATIONS</b> .....	10
<b>THE NOTES</b> .....	15
<b>THE ISSUER</b> .....	24
<b>BUSINESS OF GKA GROUP</b> .....	29
<b>FINANCIAL STATEMENTS OF GKA</b> .....	39
<b>REGULATION OF INSURANCE COMPANIES IN GERMANY</b> .....	45
<b>RATING</b> .....	47
<b>TAXATION</b> .....	48
<b>SUBSCRIPTION AND SALE</b> .....	50
<b>USE OF PROCEEDS</b> .....	52
<b>GENERAL INFORMATION</b> .....	53
<b>INDEX OF DEFINED TERMS</b> .....	55

## SUMMARY

The following summary is qualified in its entirety by reference to the detailed information appearing elsewhere in this Information Memorandum. Terms used and not defined in the summary have the meaning assigned to them in the terms and conditions of the Notes.

**The Issuer** Gerling-Konzern Allgemeine Versicherungs-AG, Von-Werth-Strasse 4–14, 50670 Cologne, Germany.

**The Notes** The Notes will be issued in an aggregate principal amount of € 250,000,000 and are divided into 250,000 bearer notes, each with a principal amount of € 1,000.

**Global Notes and Exchange** The Notes will be initially represented by a Temporary Global Note which will be exchangeable for a Permanent Global Note representing the Notes not earlier than 40 and not later than 180 days after the Issue Date upon certification as to non-U.S. beneficial ownership in accordance with the rules and operating procedures of the Clearing System. Payments on a Temporary Global Note will only be made against presentation of such certification. The Notes may be transferred in book-entry form only. The Global Notes representing the Notes will not be exchangeable for definitive securities. The Global Notes will be held in custody by Deutsche Bank Aktiengesellschaft, Frankfurt am Main, as common depository for Euroclear and Clearstream Luxembourg.

See “THE NOTES – § 1 (*Form and Denomination – Global Notes and Exchange*).”

**Status of the Notes** The obligations under the Notes constitute unsecured and subordinated obligations of the Issuer ranking *pari passu* among themselves and at least *pari passu* with all other unsecured subordinated obligations of the Issuer save for any obligations required to be preferred by mandatory law.

In the event of the liquidation, dissolution, insolvency, composition or other proceedings for the avoidance of insolvency of, or against, the Issuer, the obligations of the Issuer under the Notes will be subordinated to the unsubordinated claims of all other creditors of the Issuer, so that in any such event no amounts shall be payable under such obligations until the claims against the Issuer arising from unsubordinated obligations have been satisfied in full.

No security of whatever kind is, or shall at any time be, provided by the Issuer or any other person securing rights of the Noteholders under the Notes. No subsequent agreement may limit the subordination pursuant to the provisions set out in § 2 of the Terms and Conditions or shorten any applicable notice period (*Kündigungsfrist*) in respect of the Notes. If the Notes are redeemed before the Maturity Date, in circumstances other than as described in § 4(2) through (7) of the Terms and Conditions, the amounts redeemed must be returned to the Issuer irrespective of any agreement to the contrary unless the Issuer has been dissolved or such amounts have been replaced by other, at least equivalent own funds (*Eigenmittel*).

No Noteholder shall have the right to set off its claims for redemption arising under the Notes against any claims of the Issuer. The Issuer may not set off any claims it may have against the Noteholders against any of its obligations under the Notes.

See “THE NOTES – § 2 (*Status*)”.

**Joint Lead Managers** Deutsche Bank AG London, Winchester House, 1 Great Winchester Street, London EC2N 2DB (“**Deutsche Bank**”) and Morgan Stanley & Co. International Limited, 25 Cabot Square, Canary Wharf, London, E14 4QA (“**Morgan Stanley**”).

**Co-Lead Manager** WestLB AG, Herzogstrasse 15, 40217 Düsseldorf, Germany.

**Principal Paying Agent/  
Calculation Agent** Deutsche Bank, Aktiengesellschaft, Frankfurt am Main, Grosse Gallusstrasse 10–14, D-60272 Frankfurt am Main.

<b>Luxembourg Listing Agent and Paying Agent</b>	Deutsche Bank Luxembourg S. A., 2 Boulevard Konrad Adenauer, L-1115 Luxembourg.
<b>Issue Date</b>	August 12, 2004.
<b>Interest</b>	The Notes will bear interest from and including August 12, 2004 to but excluding August 12, 2014 at a rate of 7.00% per annum, payable annually in arrear on August 12 in each year, commencing on August 12, 2005. Thereafter, unless previously redeemed, the Notes will bear interest at a rate of 3.75% per annum above the Euro-zone inter-bank offered rate for three-month deposits, payable quarterly in arrear on the 12th day of November, February, May and August in each year. See “THE NOTES – § 3 ( <i>Interest</i> )”.
<b>Suspension of Interest Payments</b>	<p>The Issuer may elect by giving not less than 10 nor more than 15 Business Days' notice to the Noteholders in accordance with § 10 of the Terms and Conditions (which notice will be irrevocable) before any Fixed Interest Payment Date or any Floating Interest Payment Date (each an “<b>Interest Payment Date</b>”) to suspend a payment of interest if</p> <p>(i) no dividend, distribution or other payment has been declared in respect of any class of shares of the Issuer at the ordinary general meeting (<i>ordentliche Hauptversammlung</i>) of the Issuer immediately preceding such Interest Payment Date or since that ordinary general meeting of the Issuer; and</p> <p>(ii) the unconsolidated financial statements of the Issuer, prepared in accordance with the provisions of the German Commercial Code (<i>Handelsgesetzbuch</i>) for the financial year immediately preceding such Interest Payment Date, have not shown an annual profit (<i>Jahresüberschuss</i>); and</p> <p>(iii) the consolidated financial statements of the Issuer, prepared in accordance with International Financial Reporting Standards (IFRS) for the financial year immediately preceding such Interest Payment Date, have not shown an annual profit.</p> <p>On such Interest Payment Date, the Issuer will not have any obligation to pay interest regarding any payment so suspended (an “<b>Arrear of Interest</b>”). However, the Issuer may not defer a payment of interest if the Management Board (<i>Vorstand</i>) of the Issuer has used an authorisation to buy own shares since the date of the last preceding ordinary general meeting (<i>ordentliche Hauptversammlung</i>) of the Issuer.</p> <p>See “THE NOTES – § 3 (<i>Interest – Arrears of Interest – Suspension of Payment</i>)”.</p>
<b>Payment of Arrears of Interest</b>	<p>The Issuer may pay outstanding Arrears of Interest (in whole or in part) at any time on giving not less than 10 nor more than 15 Business Days' notice to the Noteholders.</p> <p>See “THE NOTES – § 3 (<i>Interest – Arrears of Interest – Optional Payment of Arrears of Interest</i>)”.</p> <p>The Issuer must pay outstanding Arrears of Interest (in whole but not in part) on the earlier of (i) the next Interest Payment Date on which the conditions for the suspension of payments of interest are no longer satisfied, (ii) the Maturity Date, (iii) the date on which an order is made for the winding-up, liquidation or dissolution of the Issuer (other than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent, where the continuing entity assumes substantially all of the assets and obligations of the Issuer), and (iv) the date on which the Issuer makes any payment of interest on any Parity Securities or makes any payment of interest or Deferred Interest on any Junior Securities or repurchases Parity or Junior Securities prior to their maturity.</p> <p>See “THE NOTES – § 3 (<i>Interest – Arrears of Interest – Mandatory Payment of Arrears of Interest</i>)”.</p>
<b>Redemption at Maturity</b>	Unless previously redeemed or repurchased in accordance with the Terms and Conditions, the Notes will be redeemed at their principal amount on August 12, 2024 (the “ <b>Maturity Date</b> ”).

<b>Repurchase</b>	<p>Subject to certain regulatory limitations, the Issuer or any of its subsidiaries may at any time purchase Notes in the open market or otherwise and at any price and may resell those Notes.</p> <p>See “THE NOTES – § 4 (<i>Redemption and Purchase – Repurchase</i>)”.</p>
<b>Early Redemption at the Option of the Issuer</b>	<p>The Issuer may upon giving not less than 30 nor more than 60 days' notice to the Noteholders redeem the Notes (in whole but not in part) on August 12, 2014 or on any Floating Interest Payment Date thereafter at their principal amount plus any interest accrued until such date (exclusive) and all outstanding Arrears of Interest to the date of redemption (the “<b>Redemption Amount</b>”).</p> <p>See “THE NOTES – § 4 (<i>Redemption and Purchase – Early Redemption at the Option of the Issuer</i>)”.</p>
<b>Early Redemption following a Gross-up Event, a Tax Event or a Regulatory Event</b>	<p>Until August 12, 2014 (exclusive) the Issuer may upon giving not less than 30 nor more than 60 days' notice to the Noteholders redeem the Notes (in whole but not in part) following a Gross-up Event at the Redemption Amount and following a Tax Event or a Regulatory Event at the Early Redemption Amount.</p> <p>See “THE NOTES – § 4 (<i>Redemption and Purchase – Early Redemption following a Gross-up Event, a Tax Event or a Regulatory Event</i>)”.</p> <p>The Early Redemption Amount will be the greater of the Redemption Amount and Make-Whole Amount (as determined by the Calculation Agent). The Make-Whole Amount (as calculated by the Calculation Agent) will be equal to the sum of the Present Values on the date of redemption of (i) the principal amount of the Notes and (ii) the remaining scheduled payments of interest on the Notes to August 12, 2014 (exclusive).</p> <p>See “THE NOTES – § 4 (<i>Redemption and Purchase – Early Redemption Amount</i>)”.</p>
<b>Regulatory Limitations on Repurchase and Redemption</b>	<p>Prior to August 12, 2014 the Issuer may only repurchase the Notes or redeem the Notes following a Gross-up Event or a Tax Event if the principal amount of the Notes to be repaid has been replaced by other, at least equivalent own funds (<i>Eigenmittel</i>) or if the Federal Financial Supervisory Authority (<i>Bundesanstalt für Finanzdienstleistungsaufsicht</i>) (or any successor in its capacity) has given its prior consent to the repurchase or redemption of the Notes without such replacement (to the extent this is still required for the recognition as regulatory capital).</p> <p>If the Issuer wishes the principal amount of the Notes to continue to be recognised as regulatory capital by the Federal Financial Supervisory Authority (<i>Bundesanstalt für Finanzdienstleistungsaufsicht</i>) (or any successor in its capacity) on or after August 12, 2014, the Issuer will only repurchase the Notes or redeem the Notes if the principal amount of the Notes to be repaid has been replaced by other, at least equivalent own funds (<i>Eigenmittel</i>) or if the Federal Financial Supervisory Authority (<i>Bundesanstalt für Finanzdienstleistungsaufsicht</i>) (or any successor in its capacity) has given its prior consent to the repurchase or redemption of the Notes without such replacement (to the extent this is still required for the recognition as regulatory capital).</p> <p>See “THE NOTES – § 4 (<i>Redemption and Repurchase – Regulatory Limitations</i>)”.</p>
<b>Use of Proceeds</b>	<p>The net proceeds from the issuance of the Notes will amount to approximately € 247,000,000 and will be used to enhance the Issuer's capitalisation and support future growth.</p>
<b>Selling Restrictions</b>	<p>Subject to certain exceptions, the Notes are not being offered, sold or delivered within the United States or to U. S. persons. For a description of these and other restrictions on sale and transfer see “SUBSCRIPTION AND SALE”.</p>
<b>Listing</b>	<p>Application has been made to list the Notes on the Luxembourg Stock Exchange.</p>
<b>Settlement</b>	<p>It is expected that delivery of the Notes will be made on or about the Issue Date through the book-entry facilities of Euroclear or Clearstream Luxembourg against payment therefor in euro in immediately available funds.</p>

**Governing Law**

The Notes will be governed by the laws of Germany.

**Ratings**

The Notes are expected to be rated at closing “BBB-” by S&P and “bbb” (outlook negative) by A. M. Best. See “RATING”.

## INVESTMENT CONSIDERATIONS

**The following is a summary of certain risk factors which prospective investors should consider before deciding to purchase the Notes. The sequence in which the following risk factors are listed is not an indication of their likelihood to occur or of the extent of their commercial consequences. The following statements are not exhaustive; prospective investors should consider all of the information provided in this Information Memorandum or incorporated by reference into this Information Memorandum and consult with their own professional advisers if they consider it necessary.**

### **Risks Relating to the Notes**

#### ***Deferral of Interest***

The Issuer has the option to defer any payment of interest on the Notes if the requirements for deferral set out in § 3(3) of the Terms and Conditions are satisfied. If the Issuer defers a payment of interest on the Notes on an Interest Payment Date (as defined in § 3(3)(a) of the Terms and Conditions), any payment of Arrears of Interest (as defined in § 3(3)(a) of the Terms and Conditions) may only be made in the circumstances set out in § 3(3)(b) or (c) of the Terms and Conditions.

#### ***Subordination***

The Notes will be subordinated obligations of the Issuer. Upon the occurrence of any winding-up proceedings of the Issuer, payments on the Notes will be subordinated in right of payment to the prior payment in full of all other unsubordinated liabilities of the Issuer, except for liabilities which rank equal or junior to the Notes. In a winding-up proceeding of the Issuer, the Noteholders may recover proportionately less than the holders of unsubordinated liabilities of the Issuer.

Unsubordinated liabilities of the Issuer may also arise from events that are not reflected on the balance sheet of the Issuer, including, without limitation, the issuance of guarantees or the incurrence of other contingent liabilities on an unsubordinated basis. Claims made under such guarantees or such other contingent liabilities will become unsubordinated liabilities of the Issuer that in a winding-up or insolvency proceeding of the Issuer will need to be paid in full before the obligations under the Notes may be satisfied.

#### ***Redemption Risk***

The Notes may be redeemed at the option of the Issuer (in whole but not in part) (i) at the principal amount of the Notes plus accrued interest until the date of redemption (exclusive) and all outstanding Arrears of Interest on August 12, 2014 or on any Floating Interest Payment Date (as defined in § 3(2)(b) of the Terms and Conditions) thereafter or (ii) until August 12, 2014 (exclusive) (x) at the Redemption Amount (as defined in § 4(3) of the Terms and Conditions) upon the occurrence of a Gross-up Event (as defined in § 4(4)(a) of the Terms and Conditions) or (y) at the Early Redemption Amount (as defined in § 4(5) of the Terms and Conditions) upon the occurrence of a Tax Event (as defined in § 4(4)(b) of the Conditions) or upon the occurrence of a Regulatory Event (as defined in § 4(4)(c) of the Conditions), all as more fully described in the Terms and Conditions of the Notes. In the event that the Notes are redeemed prior to the Maturity Date (as defined in § 4(1) of the Conditions) the Noteholders might suffer a lower than expected yield.

#### ***No Limitation on Issuing Debt***

There is no restriction on the amount of debt which the Issuer may issue which ranks senior to the Notes or on the amount of debt which the Issuer may issue which rank equal to the Notes. Such issuance of further debt may reduce the amount recoverable by the Noteholders upon winding-up or insolvency of the Issuer or may increase the likelihood that the Issuer may elect to defer payments of interest under the Notes.

### ***No Express Events of Default***

The Noteholders should be aware that the Terms and Conditions of the Notes do not contain any express events of default.

### ***Notice pursuant to the German Insurance Supervisory Law***

After the Issue Date, the subordination of the Notes as set out in § 2 of the Terms and Conditions may not be limited and the Maturity Date (as defined in § 4(1) of the Terms and Conditions) may not be amended to an earlier date and all notice periods for redemption of the Notes may not be shortened. If the Notes are repaid prior to the Maturity Date, in circumstances other than as described in § 4(2) through (7) of the Terms and Conditions, then, irrespective of any agreement to the contrary, the amount so repaid must be returned to the Issuer unless the Issuer has been dissolved or such amounts have been replaced by other, at least equivalent own funds (*Eigenmittel*).

### ***No Prior Market for the Notes***

There is currently no secondary market for the Notes. Application has been made to list the Notes on the Luxembourg Stock Exchange. However, there can be no assurance that a secondary market for the Notes will develop or, if it develops, that it will continue.

### **Risks Relating to GKA Group's Business**

***The business of GKA Group is dependent on the credit ratings assigned to GKA by various rating agencies. A downgrade in the ratings assigned to GKA may materially adversely affect relationships with customers, negatively impact sales of GKA Group's insurance products and increase GKA Group's cost of borrowing.***

S&P and A. M. Best assign ratings to the senior unsecured long-term debt obligations as well as to the insurer financial strength of GKA. In the past three years the rating developments in respect of GKA has been highly volatile. During the period from September 2001 to February 2003, the S&P cut GKA's credit and insurer financial strength ratings in various steps from "AA-" to "BB+". This was largely due to the performance of Gerling Group as a whole which according to S&P had a direct impact on the rating of GKA at that time. Other factors which were cited by S&P as the factors for the downgrading were GKA's reduced capital base, its reinsurance exposure to GLOBALE Rückversicherungs-AG as well as its weak operating performance. In view of an increase of GKA's share capital and as a result of an improved operating performance in the second half of 2003, S&P raised the credit and insurer financial strength ratings of GKA to "BBB" (outlook positive) on October 27, 2003. On July 8, 2004, S&P raised the credit and insurer financial strength ratings of GKA further to "BBB+" (outlook positive). The rating currently assigned by A. M. Best is "A-" (outlook negative). Rating agencies can be expected to continue to monitor the financial strength of GKA, and no assurance can be given that rating downgrades will not occur, whether due to changes in GKA Group's performance, changes in rating agencies' industry views or ratings methodologies, or a combination of such, or other factors.

Claims paying ability and financial strength ratings are a major factor in establishing the competitive position of insurers. This applies in particular to the industrial insurance market in which GKA Group operates because the risk management guidelines adopted by many large and medium-sized industrial enterprises (particularly in, but not limited to, the U. S. market) require that insurance contracts are only entered into with insurers which have a certain credit rating. An industrial insurance company whose rating is not only temporarily reduced below "BBB" by S&P or an equivalent rating of any other internationally recognized rating agency is generally considered to be incapable of competing successfully in the industrial insurance market and is likely to be forced out of the market. A rating downgrade, or the potential for such downgrade, could, therefore, materially adversely affect GKA Group's ability to compete in its markets and thereby negatively impact sales of its insurance products. Any rating downgrade will also materially adversely affect GKA Group's cost of raising capital, and could, in addition, give rise to additional financial obligations or accelerate existing financial obligations which are dependent on maintaining specified rating levels. This could have a material adverse effect on the financial position or results of operations of GKA Group.

### ***GKA Group has significant counterparty risk exposure.***

GKA Group is subject to a variety of counterparty risks, including in particular vis-à-vis reinsurers. GKA Group transfers its exposure to certain risks in its property and casualty insurance business to others through reinsurance

arrangements. Under these arrangements, other insurers assume a portion of GKA Group's losses and expenses associated with reported and unreported losses in exchange for a portion of policy premiums. The availability, amount and cost of reinsurance depend on general market conditions and may vary significantly. Any decrease in the amount of GKA Group's reinsurance will increase GKA Group's risk of loss. When GKA Group obtains reinsurance, it is still liable for those transferred risks if the reinsurer cannot meet its obligations. Therefore, the inability of GKA Group's reinsurers to meet their financial obligations could materially affect the financial position or results of operations of GKA Group. Although GKA Group conducts periodic reviews of the financial statements and reputation of its reinsurers, the reinsurers may become financially unsound by the time they are called upon to pay amounts due.

GKA has in the past transferred a significant portion of the insurance risks assumed by it in connection with its insurance business to GLOBALE Rückversicherungs-AG (previously, Gerling-Konzern Globale Rückversicherungs-Aktiengesellschaft). GLOBALE Rückversicherungs-AG was a consolidated subsidiary of GKB, GKA's ultimate parent company, when it encountered financial difficulties in 2002. After the sale of GLOBALE Rückversicherungs-AG by GKB to Globale Management GmbH in 2002, GLOBALE Rückversicherungs-AG is no longer a consolidated company within the Gerling Group, irrespective of the fact that the shares and voting rights in GLOBALE Rückversicherungs-AG will remain to be held by GKB until the sale of the company is approved by the New York State Insurance Department. As of December 31, 2002, the loss reserves ceded to GLOBALE Rückversicherungs-AG amounted to approximately € 1,100 mill. In 2002 GKA made on that basis a provision in the amount of € 112 mill. in respect of its reinsurance exposure to GLOBALE Rückversicherungs-AG. From January 1, 2003 no reinsurance contracts with GLOBALE Rückversicherungs-AG have been renewed. In the course of the normal run-off GKA's reinsurance exposure to GLOBALE Rückversicherungs-AG, measured by loss reserves ceded, was reduced to approximately € 793 mill. as of December 31, 2003. The provision made in respect of this reinsurance exposure remained, however, unchanged at € 112 mill. Should GLOBALE Rückversicherungs-AG not be able to meet its payments obligations under the reinsurance arrangements entered into with GKA when they fall due, this would have a material adverse effect on the financial position and results of operations of GKA Group.

***GKA has a significant credit exposure to its ultimate parent company GKB in respect of pension obligations***

With effect from December 11, 1976 and on the basis of an agreement of the same date, the holding company of the Gerling Group, GKB, assumed pension commitments for the active and retired staff and executive board members of the companies of the GKA Group. GKB assumed those pension commitments in exchange for the payment of cash equal to the value of the pension provisions required under the accounting provisions of the German Commercial Code (*Handelsgesetzbuch*). The extent of GKB's commitment corresponds to the value of the cash received plus interest calculated at the rate applied for income tax purposes pursuant to Section 6a of the German Income Tax Act (*Einkommensteuergesetz*). While under the aforementioned agreement GKB is obliged to indemnify the respective company of the GKA Group against such pension commitments (to the extent specified in the agreement dated December 11, 1976), the relevant companies of the GKA Group remain either solely or jointly and severally liable for the fulfilment of such pension commitments in the external relationship with the persons entitled to pensions. As of December 31, 2003, the pension commitments of the companies of the GKA Group amounted to € 205.7 mill., in each case as determined in accordance with the accounting provisions of the German Commercial Code (*Handelsgesetzbuch*). In the event that GKB becomes insolvent or fails for any other reason to meet its payment obligations under the pension commitments assumed by it, the financial position or results of operations of GKA Group could be materially adversely affected. See also "BUSINESS OF GKA GROUP – Relations with Affiliated Companies – General".

***Current audit by BaFin***

The German Financial Supervisory Authority (BaFin) is currently conducting a routine on-site audit of the Issuer. Under the Insurance Supervision Act (*Versicherungsaufsichtsgesetz – "VAG"*), BaFin is entitled, in addition to an ongoing analysis of reports regularly filed by the insurance company's management and its auditors, to conduct an examination of the business on the premises of the insurance company without any specific indication of non-compliance with regulatory rules. The current audit is the first such audit of the Issuer since 1991. Pursuant to the factual review the BaFin has communicated certain objections to selected items in the German GAAP (HGB) accounting of the Issuer. Those objections will be taken into account in the accounts for 2004. The Issuer expects that none of those objections will affect in any respect the historic and expected results of the Issuer or GKA Group established under IAS/IFRS.

BaFin has expressed its view that the allocation of certain activities which the Issuer conducted from 1998 to 2001 (but which are now in run-off) to specific business lines needs to be corrected. In this context, BaFin expects that the Issuer makes a contribution to the equalisation reserve (*Schwankungsrückstellung*) during 2004 in an amount of

approximately EUR 43 million, based on the 2003 German GAAP (HGB) annual financial statements. In view of the fact that IFRS accounting rules do not provide for the formation of an equalisation reserve, the Issuer expects that this contribution to the equalisation reserve will have no effect on the 2004 annual consolidated financial statements of GKA Group pursuant to IFRS. Such contribution to the equalisation reserve also supports the Issuer's current policy of profits accumulation.

Based on the Issuer's actuarial calculations which were last examined by KPMG as part of the audit of the Issuer's financial statements as of and for the year ended December 31, 2003, the Issuer is of the view that its claims reserves (*Schadensrückstellungen*) pursuant to German GAAP (HGB) are more than adequate. However, BaFin expects that the Issuer reattributes, within the aggregate claims reserve established pursuant to German GAAP, the reserves to the various business lines in its accounts during 2004. The Issuer will implement the required reattribution as soon as possible. There can be no assurance that such reattribution will not have an effect on the Issuer's 2004 financial statements pursuant to German GAAP (HGB). The Issuer expects that neither the aforementioned re-allocation to business lines nor the reattribution of reserves will affect the 2004 annual consolidated financial results or equity of GKA Group pursuant to IFRS.

In addition, BaFin has made certain objections to the Issuer's insurance qualified asset calculation (*Bedeckungsrechnung*) pursuant to VAG. The Issuer is of the view that its calculation as well as the methods applied by it are correct. In any event, the Issuer expects that, even if the insurance cover calculation is made on the basis of BaFin's view, the qualified asset test (*Bedeckung*) is passed as of year-end of 2004. This VAG related finding of the BaFin will be without effect on the Issuer's 2004 financial statements. The BaFin's audit with respect to the responsibility of individuals has not yet been completed.

***Loss reserves for the property and casualty insurance policies of GKA Group are based on estimates as to future claim liabilities. Adverse developments relating to insurance claims could necessitate further contributions to the loss reserves and materially adversely impact the financial position or results of operations of GKA Group.***

In accordance with industry practice and accounting and regulatory requirements, GKA Group establishes reserves for loss and loss adjustment expenses related to the various segments of its property and casualty insurance business. Reserves are based on estimates of future payments that will be made in respect of claims, including expenses relating to such claims. Such estimates are made both on a case-by-case basis, based on the facts and circumstances available at the time the reserves are established, as well as in respect of losses that have been incurred but not reported to GKA Group.

Reserves are subject to change due to a number of variables which affect the ultimate cost of claims, such as changes in the legal environment, results of litigation, costs of repairs and risk factors such as inflation. The earnings of GKA Group depend significantly upon the extent to which GKA Group's actual claim experience is consistent with the assumptions GKA Group uses in setting the prices for its insurance products and establishing the loss reserves. To the extent that GKA Group's actual claims experience is less favourable than the underlying assumptions used in establishing such loss reserves, GKA Group may be required to increase its reserves, which may adversely affect its earnings.

Established loss reserves estimates are periodically adjusted in the ordinary course of settlement, using the most current information available to management, and any adjustments resulting from changes in reserve estimates are reflected in the current results of operations. GKA Group also conducts reviews of various lines of business to consider the adequacy of reserve levels. In addition, the Issuer's actuarial calculations as well as the adequacy of reserve levels are reviewed by the Issuer's auditors in connection with the annual audit of the Issuer's financial statements. However, since the establishment of loss reserves is subject to uncertainty, there can be no assurance that ultimate losses will not materially exceed the loss reserves of GKA Group and have a material adverse effect on the financial position or results of operations of GKA Group.

***Fluctuations in the premium income levels could materially adversely affect the financial position or results of operations of GKA Group.***

The results of operations of GKA Group are affected by a variety of market conditions, including economic cycles and insurance industry cycles, particularly with respect to the various segments of industrial property and casualty insurance markets in which GKA Group operates. Market conditions in the industrial property and casualty insurance markets are generally characterized by periods of price competition, fluctuations in underwriting results and the occur-

rence of unpredictable weather-related and other catastrophe-related losses. A decrease of the premium income could materially adversely affect the financial position or results of operations of GKA Group.

***The financial position and the results of operations of GKA Group may be materially adversely affected by the occurrence of catastrophes.***

Portions of GKA Group's property and casualty insurance cover losses from unpredictable events such as hurricanes, windstorms, hailstorms, earthquakes, fires, industrial explosions, freezes, riots, floods and other man-made or natural disasters. The incidence and severity of these catastrophes in any given period are inherently unpredictable. GKA Group generally seeks to reduce its exposure to these events through the purchase of reinsurance, selective underwriting practices and by monitoring risk accumulation. However, such efforts to reduce exposure may not be successful. Claims relating to catastrophes may result in an unusually high level of losses for one single event, thus increasing the risk that one or more reinsurers default on their payment obligations towards GKA Group under existing reinsurance arrangements (see "INVESTMENT CONSIDERATIONS – Risks relating to GKA Group's Business – GKA Group has significant counterparty risk exposure"). An unusually high number of catastrophes might have a material adverse effect on the financial position and results of operations of GKA Group.

***Market risks could impair GKA Group's investment portfolio and adversely impact the financial position and results of operations of GKA Group.***

A significant portion of GKA Group's investment portfolio the value of which amounted to € 2,653.1 mill. as of December 31, 2003 consists of equity securities such as shares, investment certificates and other non-fixed interest securities. The percentage of total investments relating to shares, investment certificates and other non-fixed interest securities decreased from 18.8% to 14.8% in the course of the financial year 2003. Despite this decrease GKA Group's investment portfolio remains significantly exposed to equity securities. Fluctuations in equity markets may affect the market value and liquidity of these equity securities and may have a materially adverse impact on the financial position and results of operations of GKA Group.

## THE NOTES

The following is the text of the terms and conditions (the “**Terms and Conditions**”) applicable to the Notes which will be attached to each Global Note. In case of any overlap or inconsistency in the definition of a term or expression in the Terms and Conditions and elsewhere in this Information Memorandum, the definition in the Terms and Conditions will prevail.

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### TERMS AND CONDITIONS

*The German version of the Terms and Conditions is the only legally binding version. The English translation is for convenience only.*

#### Anleihebedingungen

##### § 1 (Verbriefung und Nennbetrag)

(1) Wahrung, Nennbetrag und Form.

Die Gerling-Konzern Allgemeine Versicherungs-AG, Von-Werth-Strae 4–14, 50670 Koln, Bundesrepublik Deutschland (die „**Emit- tentin**“) begibt am 12. August 2004 (der „**Begebungstag**“) 250.000 auf den Inhaber lautende, nachrangige, fest- bis variabel verzinsliche Schuldverschreibungen (die „**Schuldverschreibungen**“) im Nennbetrag von je  1.000 (der „**Nennbetrag**“) und im Gesamt- nennbetrag von  250.000.000.

(2) Globalurkunden und Austausch.

Die Schuldverschreibungen werden zunachst in einer vorlufigen Globalinhaberschuldverschreibung (die „**Vorlufige Global- urkunde**“) ohne Zinsscheine verbrieft und am oder um den Bege- bungstag bei einer gemeinsamen Verwahrstelle fur Clearstream Banking, societe anonyme, Luxemburg und Euroclear S.A./N.V. als Betreiberin des Euroclear-Systems (beide gemeinsam nachste- hend als „**Clearing-System**“ bezeichnet) hinterlegt. Die Vorlufige Globalurkunde wird nicht vor Ablauf von 40 und spatestens nach Ablauf von 180 Tagen nach dem Begebungstag gegen Vorlage einer Bestatigung ber das Nichtbestehen U.S.-amerikanischen wirtschaftlichen Eigentums (*beneficial ownership*) an den Schuld- verschreibungen gema den Regeln und Betriebsablaufen des Clear- ing-Systems gegen eine endgultige Globalinhaberschuldverschrei- bung (die „**Dauer-Globalurkunde**“) ohne Zinsscheine ausget- auscht. Zahlungen auf eine Vorlufige Globalurkunde erfolgen nur gegen Vorlage einer solchen Bestatigung. Einzelurkunden oder Zinsscheine werden nicht ausgegeben.

##### § 2 (Status)

(1) Status der Schuldverschreibungen.

Die Schuldverschreibungen begrunden nicht besicherte, nachran- gige Verbindlichkeiten der Emittentin, die untereinander und mit allen anderen gegenwartigen und zukunftigen nicht besicherten und nachrangigen Verbindlichkeiten der Emittentin zumindest gleich- rangig sind, soweit nicht zwingende gesetzliche Bestimmungen etwas anderes vorschreiben. Im Fall der Auflosung, der Liquidation, der Insolvenz oder eines der Abwendung der Insolvenz der Emitten- tin dienenden Verfahrens stehen solche Verbindlichkeiten nicht nachrangigen Anspruchen aller anderen Glaubiger im Rang nach, so dass Zahlungen auf die Schuldverschreibungen erst erfolgen, wenn alle Anspruche gegen die Emittentin aus nicht nachrangigen Verbindlichkeiten vollstandig befriedigt sind.

#### Terms and Conditions

##### § 1 (Form and Denomination)

(1) Currency, Denomination and Form.

Gerling-Konzern Allgemeine Versicherungs-AG, Von-Werth- Strasse 4–14, 50670 Cologne, Federal Republic of Germany (the “**Issuer**”) issues on August 12, 2004 (the “**Issue Date**”) 250,000 subordinated fixed to floating rate bearer notes (the “**Notes**”) in a denomination of  1,000 each (the “**Denomination**”) in the aggre- gate principal amount of  250,000,000.

(2) Global Notes and Exchange.

The Notes will initially be represented by a temporary global bearer note (the “**Temporary Global Note**”) without coupons which will be deposited with a common depository for Clearstream Banking, societe anonyme, Luxembourg and Euroclear S.A./N.V., as opera- tor of the Euroclear System (together hereinafter referred to as the “**Clearing System**”) on or about the Issue Date. The Temporary Global Note will be exchangeable for a permanent global bearer note (the “**Permanent Global Note**”) without coupons not earlier than 40 and not later than 180 days after the Issue Date upon certifi- cation as to non-U.S. beneficial ownership in accordance with the rules and operating procedures of the Clearing System. Payments on a Temporary Global Note will only be made against presenta- tion of such certification. No definitive Notes or interest coupons will be issued.

##### § 2 (Status)

(1) Status of the Notes.

The obligations under the Notes constitute unsecured and subordi- nated obligations of the Issuer ranking *pari passu* among them- selves and at least *pari passu* with all other present and future un- secured subordinated obligations of the Issuer, save for any obliga- tions required to be preferred by mandatory law. In the event of the dissolution, liquidation, insolvency or any proceeding for the avoid- ance of insolvency of the Issuer, such obligations will be subordi- nated to the unsubordinated claims of all other creditors of the Issuer such that in any such event no amounts shall be payable under the Notes until the claims against the Issuer arising from unsubordinated obligations shall first have been satisfied in full.

(2) Hinweis nach § 53c Absatz 3b Satz 4 Versicherungsaufsichtsgesetz (VAG).

Für die Rechte der Anleihegläubiger aus den Schuldverschreibungen ist diesen keine Sicherheit durch die Emittentin oder durch Dritte gestellt; eine solche Sicherheit wird auch zu keinem Zeitpunkt gestellt werden. Nachträglich können weder der Nachrang gemäß diesem § 2 beschränkt, noch die Laufzeit der Schuldverschreibungen oder die jeweiligen Kündigungsfristen verkürzt werden. Eine vorzeitige Rückerstattung, die nicht unter den nachstehend in § 4(2) bis (7) beschriebenen Voraussetzungen erfolgt, ist der Emittentin ohne Rücksicht auf entgegenstehende Vereinbarungen zurückzugewähren, sofern die Emittentin nicht aufgelöst wurde oder sofern nicht der Betrag durch die Einzahlung anderer, zumindest gleichwertiger Eigenmittel ersetzt worden ist.

(3) Aufrechnungsverbot.

Die Inhaber der Schuldverschreibungen (die „**Anleihegläubiger**“) sind nicht berechtigt, Forderungen aus den Schuldverschreibungen mit möglichen Forderungen der Emittentin gegen sie aufzurechnen und die Emittentin ist nicht berechtigt, Forderungen gegenüber den Anleihegläubigern gegen ihre Verpflichtungen aus den Schuldverschreibungen aufzurechnen.

### § 3 (Zinsen)

(1) Festzinsperiode.

Im Zeitraum ab 12. August 2004 (einschließlich) bis 12. August 2014 (ausschließlich) werden die Schuldverschreibungen bezogen auf den Gesamt-Nennbetrag mit jährlich 7,00% verzinst. Zinsen sind nachträglich am 12. August eines jeden Jahres fällig, erstmals am 12. August 2005 (jeweils ein „**Festzinszahlungstag**“), sofern die Emittentin nicht von ihrem Recht gemäß § 3 (3) Gebrauch macht. Die Berechnung von Zinsen für einen Zeitraum, der kürzer als ein Jahr ist, erfolgt auf der Grundlage der tatsächlichen Anzahl von Tagen in diesem Zeitraum dividiert durch die tatsächliche Anzahl von Tagen (365 oder 366) im jeweiligen Jahr.

(2) Variable Zinsperiode.

(a) Variable Verzinsung.

Im Zeitraum ab dem 12. August 2014 (einschließlich) bis zum Fälligkeitstag (ausschließlich) werden Schuldverschreibungen, bezogen auf ihren Gesamtnennbetrag, zu einem von der Berechnungsstelle bestimmten Zinssatz, der dem Variablen Zinssatz entspricht, verzinst. Zinsen werden jeweils vierteljährlich nachträglich an jedem Variablen Zinszahlungstag fällig, erstmals am 12. November 2014, sofern die Emittentin nicht von ihrem Recht gemäß § 3 (3) Gebrauch macht.

(b) Variable Zinszahlungstage und Variable Zinsperioden.

„**Variabler Zinszahlungstag**“ bezeichnet den 12. Tag im November, Februar, Mai und August eines jeden Jahres. Falls ein Variabler Zinszahlungstag auf einen Tag, der kein Geschäftstag ist, fällt, wird dieser Variable Zinszahlungstag auf den nächstfolgenden Geschäftstag verschoben, es sei denn, jener würde dadurch in den nächsten Kalendermonat fallen; in diesem Fall wird der Variable Zinszahlungstag auf den unmittelbar vorausgehenden Geschäftstag vorgezogen. In diesen Anleihebedingungen bezeichnet „**Geschäftstag**“ einen Tag, an dem alle maßgeblichen Stellen des Trans-European Automated Real-time Gross settlement Express Transfer (TARGET) Systems Geschäfte tätigen. Jeder Zeitraum ab dem 12. August 2014 (einschließlich) bis zum ersten Variablen Zinszahlungstag und nachfolgend ab jedem Variablen Zinszahlungstag (einschließlich) bis zu dem jeweils nächstfolgenden Variablen Zinszahlungstag (ausschließlich) wird als „**Variable Zinsperiode**“ bezeichnet.

(c) Variabler Zinssatz.

Der Zinssatz (der „**Variable Zinssatz**“) für die jeweilige Variable Zinsperiode berechnet sich aus dem Angebotssatz (ausge-

(2) Notification pursuant to § 53c (3b) sentence 4 of the German Insurance Supervisory Act (VAG).

No security of whatever kind is, or shall at any time be, provided by the Issuer or any other person securing rights of the Noteholders under the Notes. No subsequent agreement may limit the subordination pursuant to the provisions set out in this § 2 or shorten any applicable notice period (*Kündigungsfrist*) in respect of the Notes. If the Notes are redeemed before the Maturity Date in circumstances other than as described in § 4(2) through (7) below the amounts redeemed must be returned to the Issuer irrespective of any agreement to the contrary unless the Issuer has been dissolved or such amounts have been replaced by other, at least equivalent own funds (*Eigenmittel*).

(3) No right to set-off.

The holders of the Notes (the „**Noteholders**“) may not set off any claims arising under the Notes against any claims that the Issuer may have against each of them. The Issuer may not set off any claims it may have against any Noteholder against any of its obligations under the Notes.

### § 3 (Interest)

(1) Fixed Interest Period.

For the period from and including August 12, 2004 to but excluding August 12, 2014 the Notes bear interest on their aggregate principal amount at the rate of 7.00% per annum. Interest shall be payable annually in arrear on August 12 of each year commencing on August 12, 2005 (each a „**Fixed Interest Payment Date**“), unless the Issuer exercises its right pursuant to § 3 (3). If interest is to be calculated for a period of less than one year, it shall be calculated on the basis of the actual number of days in such period divided by the actual number of days (365 or 366) in the respective year.

(2) Floating Rate Interest Period.

(a) Floating Rate Interest.

In the period from and including August 12, 2014 to and excluding the Maturity Date the Notes shall bear interest on their aggregate principal amount at a rate determined by the Calculation Agent equal to the Rate of Interest. Interest will be payable quarterly in arrear on each Floating Interest Payment Date, the first such payment to be made on November 12, 2014 unless the Issuer exercises its right pursuant to § 3 (3).

(b) Floating Interest Payment Dates and Floating Interest Periods.

„**Floating Interest Payment Date**“ means the 12th day of November, February, May and August in each year. If any Floating Interest Payment Date would otherwise fall on a day which is not a Business Day, it shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event the Floating Interest Payment Date shall be the immediately preceding Business Day. In these Terms and Conditions, „**Business Day**“ means a day on which all relevant parts of the Trans-European Automated Real-time Gross settlement Express Transfer (TARGET) system are operational. Each period from and including August 12, 2014 to but excluding the first Floating Interest Payment Date and thereafter from and including each Floating Interest Payment Date to but excluding the next following Floating Interest Payment Date is a „**Floating Interest Period**“.

(c) Floating Rate Interest.

The rate of interest (the „**Rate of Interest**“) for each Floating Interest Period will be the offered quotation (expressed as a

drückt als jährlicher Prozentsatz) für Dreimonatseinlagen in Euro für diese Variable Zinsperiode, der am Zinsfestsetzungstag um 11:00 Uhr vormittags (Brüsseler Ortszeit) auf der Bildschirmseite angegeben wird zuzüglich 3,75 % (die „**Marge**“). Der jeweils anwendbare Variable Zinssatz wird durch die Berechnungsstelle ermittelt.

„**Zinsfestsetzungstag**“ bezeichnet den zweiten Geschäftstag, der dem Beginn der maßgeblichen Variablen Zinsperiode vorangeht.

„**Bildschirmseite**“ bezeichnet Moneyline Telerate Page 248, die „EURIBOR Bildschirmseite“ (oder eine Moneyline Telerate Bildschirmseite bzw. andere Bildschirmseite, die zum Zwecke der Anzeige solcher Angebotssätze als Nachfolger von Moneyline Telerate Page 248 eingesetzt wurde).

Sollte die maßgebliche Bildschirmseite nicht zur Verfügung stehen, wird die Berechnungsstelle von jeder der von ihr bestimmten fünf Referenzbanken deren jeweilige Angebotssätze (jeweils als Prozentsatz per annum ausgedrückt) für Dreimonatseinlagen in Euro für die betreffende Variable Zinsperiode gegenüber führenden Banken im Interbanken-Markt der Euro-Zone um ca. 11.00 Uhr (Brüsseler Ortszeit) am Zinsfestsetzungstag anfordern. Falls zwei oder mehr Referenzbanken der Berechnungsstelle solche Angebotssätze nennen, ist der Zinssatz für die betreffende Zinsperiode das arithmetische Mittel (falls erforderlich, auf- oder abgerundet auf das nächste ein Tausendstel Prozent, wobei 0,0005 aufgerundet wird) dieser Angebotssätze zuzüglich der Marge. Falls der Variable Zinssatz nicht gemäß der oben definierten Bestimmungen ermittelt werden kann, ist der Zinssatz der Angebotssatz bzw. das arithmetische Mittel der Angebotssätze auf der Bildschirmseite an dem letzten Tag vor dem Zinsfestsetzungstag, an dem diese Angebotssätze angezeigt wurden, zusätzlich der Marge.

In diesem Absatz bezeichnen „**Referenzbanken**“ diejenigen Banken, deren Angebotssätze zur Ermittlung des maßgeblichen Angebotssatzes zu dem Zeitpunkt benutzt wurden, als solch ein Angebot letztmals auf der maßgeblichen Bildschirmseite angezeigt wurde

Die Berechnungsstelle wird zu oder baldmöglichst nach jedem Zeitpunkt, an dem der Variable Zinssatz zu bestimmen ist, den auf die Schuldverschreibungen fälligen Zinsbetrag (der „**Zinsbetrag**“) für die entsprechende Variable Zinsperiode berechnen. Der Zinsbetrag wird ermittelt, indem der Variable Zinssatz und der Zinstagequotient auf den Gesamtnennbetrag der Schuldverschreibungen angewendet werden, wobei der resultierende Betrag auf den nächstliegenden Cent auf- oder abgerundet wird (wobei 0,5 solcher Einheiten aufgerundet werden). „**Zinstagequotient**“ bezeichnet im Hinblick auf die Berechnung des Zinsbetrages für eine beliebige Variable Zinsperiode oder einen Teil davon (der „**Zinsberechnungszeitraum**“) die tatsächliche Anzahl von Tagen im Zinsberechnungszeitraum dividiert durch 360.

Die Berechnungsstelle wird veranlassen, dass der Variable Zinssatz, der Zinsbetrag für die jeweilige Variable Zinsperiode, die jeweilige Variable Zinsperiode und der relevante Variable Zinszahlungstag der Emittentin und, sofern dies von der Luxemburger Wertpapierbörse oder einer anderen Wertpapierbörse, an der die Schuldverschreibungen notiert sind, vorgesehen ist, der Luxemburger Wertpapierbörse und einer solchen anderen Wertpapierbörse sowie den Anleihegläubigern durch Bekanntmachung gemäß § 10 baldmöglichst nach ihrer Feststellung, aber keinesfalls später als am ersten Tag der maßgeblichen nächstfolgenden Variablen Zinsperiode, bekannt gemacht wird. Im Fall einer Verlängerung oder Verkürzung der Variablen Zinsperiode kann der mitgeteilte Zinsbetrag und Variable Zinszahlungstag ohne Vorankündigung nachträglich angepasst (oder andere geeignete Anpassungsregelungen getroffen) werden. Jede solche Anpassung wird umgehend allen Wertpapierbörsen, an denen die Schuldverschreibungen

percentage rate per annum) for three-month deposits in euro for that Floating Interest Period which appears on the Screen Page as of 11:00 a. m. (Brussels time) on the Interest Determination Date plus 3.75 % (the “**Margin**”). The respective Rate of Interest shall be determined by the Calculation Agent.

“**Interest Determination Date**” means the second Business Day prior to the commencement of the relevant Floating Interest Period.

“**Screen Page**” means Moneyline Telerate Page 248, “EURIBOR Screen Page” (or such other screen page of Moneyline Telerate or such other information service, which has been designated as the successor to Moneyline Telerate Page 248 for the purpose of displaying such rates).

If the Screen Page is not available the Calculation Agent shall request each of the five Reference Banks selected by it to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for three-month deposits in euro for the relevant Floating Interest Period to leading banks in the interbank market of the Euro-Zone at approximately 11.00 a. m. (Brussels time) on the Interest Determination Date. As long as two or more of the selected Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Floating Interest Period shall be the arithmetic mean of such offered quotations (rounded if necessary to the nearest one thousandth of a percentage point, with 0.0005 being rounded upwards) plus the Margin. If the Rate of Interest cannot be determined in accordance with the foregoing provisions, the Rate of Interest shall be the offered quotation or the arithmetic mean of the offered quotations on the Screen Page on the last day preceding the Interest Determination Date on which such quotations were displayed, plus the Margin.

As used herein, “**Reference Banks**” means those banks whose offered rates were used to determine the relevant offered quotation when such quotation last appeared on the Screen Page.

The Calculation Agent will, at or as soon as practicable after each time at which the Rate of Interest is to be determined, calculate the amount of interest (the “**Interest Amount**”) payable on the Notes for the relevant Floating Interest Period. The Interest Amount shall be calculated by applying the Rate of Interest and the Day Count Fraction to the aggregate principal amount of the Notes and rounding the resultant figure to the nearest cent, with 0.5 or more of a cent being rounded upwards. “**Day Count Fraction**” means, in respect of the calculation of the Interest Amount for any Floating Interest Period or part thereof (the “**Calculation Period**”), the actual number of days in the Calculation Period divided by 360.

The Calculation Agent will cause the Rate of Interest, each Interest Amount for each Floating Interest Period, each Floating Interest Period and the relevant Floating Interest Payment Date to be notified to the Issuer and, if required by the rules of the Luxembourg Stock Exchange or any other stock exchange on which the Notes are from time to time listed, to the Luxembourg Stock Exchange and such other stock exchange, and to the Noteholders by notice in accordance with § 10 as soon as possible after their determination, but in no event later than on the first day of the next relevant Floating Interest Period thereafter. Each Interest Amount and Floating Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements may be made by way of adjustment) without prior notice in the event of an extension or shortening of the Floating Interest Period. Any such amendment will be promptly notified to any stock exchange on which the Notes are then listed and to the Noteholders in accordance with § 10.

zu diesem Zeitpunkt notiert sind, sowie den Anleihegläubigern gemäß § 10 bekanntgemacht.

Alle Bescheinigungen, Mitteilungen, Gutachten, Festsetzungen, Berechnungen, Quotierungen und Entscheidungen, die von der Berechnungsstelle für die Zwecke dieses § 4 gemacht, abgegeben, getroffen oder eingeholt werden, sind (sofern nicht ein offensichtlicher Irrtum vorliegt) für die Emittentin, die Hauptzahlstelle, die Zahlstellen und die Anleihegläubiger bindend.

(3) Zinsrückstände.

(a) Aussetzung der Fälligkeit.

Die Emittentin ist berechtigt, die Fälligkeit einer Zinszahlung durch eine unwiderrufliche Bekanntmachung gemäß § 10 innerhalb einer Frist von nicht weniger als 10 und nicht mehr als 15 Geschäftstagen vor dem jeweiligen Festzinszahlungstag oder Variablen Zinszahlungstag (jeweils ein „**Zinszahlungstag**“) auszusetzen, wenn

- (i) weder auf der ordentlichen Hauptversammlung der Emittentin unmittelbar vor diesem Zinszahlungstag noch seit dieser ordentlichen Hauptversammlung der Emittentin für irgendeine Aktiegattung der Emittentin eine Dividende, andere Ausschüttung oder Zahlung festgesetzt wurde; und
- (ii) der nach den Vorschriften des Handelsgesetzbuches (*HGB*) erstellte Einzelabschluss der Emittentin für das unmittelbar vor diesem Zinszahlungstag endende Geschäftsjahr keinen Jahresüberschuss ausgewiesen hat; und
- (iii) der nach internationalen Rechnungslegungsstandards (*International Financial Reporting Standards (IFRS)*) erstellte Konzernabschluss der Emittentin für das unmittelbar vor diesem Zinszahlungstag endende Geschäftsjahr keinen Jahresüberschuss ausgewiesen hat.

Auf eine demgemäß ausgesetzte Zinszahlung (ein „**Zinsrückstand**“) werden keine Zinsen geschuldet. Die Emittentin ist jedoch nicht berechtigt, eine Zinszahlung auszusetzen, sofern der Vorstand der Emittentin seit der letzten ordentlichen Hauptversammlung eine Ermächtigung zum Kauf eigener Aktien ausgenutzt hat.

(b) Fakultative Zahlung von Zinsrückständen.

Die Emittentin kann ausstehende Zinsrückstände jederzeit ganz oder teilweise nach Bekanntmachung an die Anleihegläubiger gemäß § 10 bei Einhaltung einer Frist von nicht weniger als 10 und nicht mehr als 15 Geschäftstagen zahlen (wobei eine solche Bekanntmachung unwiderruflich ist und die Emittentin verpflichtet ist, die jeweiligen Zinsrückstände an dem in dieser Bekanntmachung genannten Zahlungstag zu zahlen).

(c) Obligatorische Zahlung von Zinsrückständen.

Die Emittentin hat ausstehende Zinsrückstände (vollständig, jedoch nicht teilweise) an dem zuerst eintretenden der folgenden Tage zu zahlen:

- (i) am nächsten Zinszahlungstag, an dem eine der in § 3 (3) (a)(i), (ii) und (iii) genannten Voraussetzungen nicht mehr vorliegt;
- (ii) am Fälligkeitstag;
- (iii) an dem Tag, an dem eine Verfügung zur Abwicklung, Liquidation oder Auflösung der Emittentin ergeht (sofern dies nicht für die Zwecke oder als Folge eines Zusammenschlusses, einer Umstrukturierung oder Sanierung geschieht, bei dem bzw. der die Emittentin noch zahlungsfähig sind und bei dem bzw. der die fortführende Gesellschaft im Wesentlichen alle Vermögenswerte und Verpflichtungen der Emittentin übernimmt); und

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this § 4 by the Calculation Agent shall (in the absence of manifest error) be binding on the Issuer, the Principal Paying Agent, the Paying Agents and the Noteholders.

(3) Arrears of Interest.

(a) Suspension of Payment.

The Issuer may elect by giving not less than 10 nor more than 15 Business Days' notice to the Noteholders in accordance with § 10 (which notice will be irrevocable) before any Fixed Interest Payment Date or any Floating Interest Payment Date (each an “**Interest Payment Date**”) to suspend a payment of interest if

- (i) no dividend, distribution or other payment has been declared in respect of any class of shares of the Issuer at the ordinary general meeting (*ordentliche Hauptversammlung*) of the Issuer immediately preceding such Interest Payment Date or since that ordinary general meeting of the Issuer; and
- (ii) the unconsolidated financial statements of the Issuer, prepared in accordance with the provisions of the German Commercial Code (*Handelsgesetzbuch*) for the financial year immediately preceding such Interest Payment Date, have not shown an annual profit (*Jahresüberschuss*); and
- (iii) the consolidated financial statements of the Issuer, prepared in accordance with International Financial Reporting Standards (*IFRS*) for the financial year immediately preceding such Interest Payment Date have not shown an annual profit.

The Issuer shall not have any obligation to pay interest regarding any payment so suspended (an “**Arrear of Interest**”). However, the Issuer may not defer a payment of interest if the Management Board (*Vorstand*) of the Issuer has used an authorisation to buy own shares since the date of the last preceding ordinary general meeting (*ordentliche Hauptversammlung*) of the Issuer.

(b) Optional Payment of Arrears of Interest.

The Issuer may pay outstanding Arrears of Interest (in whole or in part) at any time on giving not less than 10 nor more than 15 Business Days' notice to the Noteholders in accordance with § 10 (which notice will be irrevocable and will oblige the Issuer to pay the relevant Arrears of Interest on the payment date specified in that notice).

(c) Mandatory Payment of Arrears of Interest.

The Issuer must pay outstanding Arrears of Interest (in whole but not in part) on the earlier of:

- (i) the next Interest Payment Date on which any of the conditions set forth in § 3 (3) (a)(i), (ii) and (iii) is no longer satisfied;
- (ii) the Maturity Date;
- (iii) the date on which an order is made for the winding up, liquidation or dissolution of the Issuer (other than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent, where the continuing entity assumes substantially all of the assets and obligations of the Issuer); and

(iv) an dem Tag, an dem entweder die Emittentin Zinsen auf Gleichrangige Wertpapiere oder Zinsen oder Aufgeschobene Zinsen auf Nachrangige Wertpapiere zahlt oder Gleichrangige Wertpapiere oder Nachrangige Wertpapiere vor deren Fälligkeit zurückkauft, wobei:

„**Gleichrangige Wertpapiere**“ eine Wertpapieremission bezeichnet, die die Emittentin oder eine ihrer Tochtergesellschaften begeben hat, die im gleichen Rang mit den Schuldverschreibungen steht;

„**Nachrangige Wertpapiere**“ eine Wertpapieremission bezeichnet, die die Emittentin oder eine ihrer Tochtergesellschaften begeben hat, die im Rang nach den Schuldverschreibungen steht; und

„**Aufgeschobene Zinsen**“ sämtliche Zinsen oder Dividenden sind, die für Gleichrangige Wertpapiere oder Nachrangige Wertpapiere an einem vorgesehenen Zins- bzw. Dividendenzahlungstag solcher Gleichrangigen bzw. Nachrangigen Wertpapiere vertragsgemäß nicht bezahlt worden sind.

(d) Zinszahlungen auf Gleichrangige Wertpapiere.

Wenn die Emittentin Aufgeschobene Zinsen auf Gleichrangige Wertpapiere ganz oder teilweise nachzahlt, hat die Emittentin Zinsrückstände an dem Zinszahlungstag nach einer solchen Nachzahlung ebenfalls nachzuzahlen. Im Fall der Nachzahlung nur eines Teilbetrags solcher Aufgeschobener Zinsen hat die Nachzahlung auf Zinsrückstände zu dem Bruchteil zu erfolgen, der dem Quotienten des gezahlten Teilbetrags und dem ausstehenden Betrag an Aufgeschobenen Zinsen entspricht.

(4) Ende der Verzinsung und Verzugzinsen.

Die Verzinsung der Schuldverschreibungen endet mit Beginn des Tages, an dem sie zur Rückzahlung fällig werden, oder, sollte die Emittentin eine Zahlung aus diesen Schuldverschreibungen bei Fälligkeit nicht leisten, mit Beginn des Tages der tatsächlichen Zahlung. Der jeweils anzuwendende Zinssatz wird gemäß diesem § 3 bestimmt.

#### § 4 (Rückzahlung und Rückkauf)

(1) Rückzahlung bei Endfälligkeit.

Die Schuldverschreibungen werden, sofern keine vorzeitige Rückzahlung gemäß § 4 (3) oder (4) und kein Rückkauf gemäß § 4 (2) erfolgt, am 12. August 2024 (der „**Fälligkeitstag**“) zum Nennbetrag zurückgezahlt.

(2) Rückkauf.

Vorbehaltlich der Regelungen des § 4 (7) können die Emittentin oder jede ihrer Tochtergesellschaften jederzeit Schuldverschreibungen auf dem freien Markt oder anderweitig sowie zu jedem beliebigen Preis kaufen und wieder veräußern.

(3) Vorzeitige Rückzahlung nach Wahl der Emittentin.

Die Emittentin kann die Schuldverschreibungen (insgesamt und nicht nur teilweise) am 12. August 2014 und an jedem Variablen Zinszahlungstag durch Erklärung gemäß § 4 (6) zum Nennbetrag zuzüglich der bis zu diesem Tag (ausschließlich) aufgelaufener Zinsen sowie zuzüglich aller ausstehender Zinsrückstände (der „**Rückzahlungsbetrag**“) zurückzahlen.

(4) Vorzeitige Rückzahlung nach Eintritt eines Gross-up Ereignisses, eines Steuerereignisses oder eines Aufsichtsrechtlichen Ereignisses.

Die Emittentin ist bis zum 12. August 2014 (ausschließlich) berechtigt, durch Erklärung gemäß § 4 (6) und nach Maßgabe von § 4 (7) die Schuldverschreibungen nach Eintritt eines Gross-Up Ereignisses zum Rückzahlungsbetrag und nach Eintritt eines Steuerereignisses oder eines Aufsichtsrechtlichen Ereignisses zum Vorzeitigen Rückzahlungsbetrag (insgesamt und nicht nur teilweise) zurückzuzahlen.

(iv) the date on which the Issuer makes any payment of interest on any Parity Securities or makes any payment of interest or Deferred Interest on any Junior Securities or repurchases Parity Securities or Junior Securities prior to their maturity; where

“**Parity Securities**” means any securities issued by the Issuer or any of its subsidiaries, ranking *pari passu* with the Notes;

“**Junior Securities**” means any securities issued by the Issuer or any of its subsidiaries ranking junior to the Notes; and

“**Deferred Interest**” means any interest or dividends deferred pursuant to its terms on any Parity Securities or Junior Securities on any scheduled interest payment date or dividend payment date, as the case may be, of such Parity Securities or Junior Securities.

(d) Payments on Parity Securities.

If the Issuer makes any full or partial payment of Deferred Interest on any Parity Securities, the Issuer shall on the Interest Payment Date immediately following such payment satisfy any Arrears of Interest. In case of only a partial payment of such Deferred Interest the payment on the Arrears of Interest shall be satisfied at such fractional amount equal to the amount resulting from the division of the amount of Deferred Interest actually paid by the amount of Deferred Interest payable.

(4) End of interest bearing period and default interest.

The Notes shall cease to bear interest from the beginning of the day they are due for redemption, or, in case the Issuer fails to make any payment under the Notes when due, from the beginning of the day on which such payment is made. The respective rate of interest shall be determined pursuant to this § 3.

#### § 4 (Redemption and Purchase)

(1) Redemption at Maturity.

Unless previously redeemed in accordance with § 4 (3) or (4) or repurchased pursuant to § 4 (2) the Notes will be redeemed at their principal amount on August 12, 2024 (the “**Maturity Date**”).

(2) Repurchase.

Subject to § 4 (7), the Issuer or any of its subsidiaries, from time to time, may at any time purchase Notes in the open market or otherwise and at any price and may resell those Notes.

(3) Early Redemption at the Option of the Issuer.

The Issuer may upon giving notice in accordance with § 4 (6) redeem the Notes (in whole but not in part only) on August 12, 2014 and on any Floating Interest Payment Date at their principal amount plus any interest accrued until such date (exclusive) and all outstanding Arrears of Interest to the date of redemption (the “**Redemption Amount**”).

(4) Early Redemption following a Gross-up Event, a Tax Event or a Regulatory Event.

Until August 12, 2014 (exclusive) the Issuer may upon giving notice in accordance with § 4 (6) and subject to § 4 (7) redeem the Notes (in whole but not in part only) following a Gross-Up Event at the Redemption Amount and following a Tax Event or a Regulatory Event at the Early Redemption Amount.

(a) Gross-up-Ereignis.

Ein „**Gross-up-Ereignis**“ liegt vor, wenn die Emittentin aufgrund einer Gesetzesänderung (oder einer Änderung von darunter erlassenen Bestimmungen und Vorschriften) der Bundesrepublik Deutschland oder einer ihrer Gebietskörperschaften oder Behörden oder als Folge einer Änderung der offiziellen Auslegung oder Anwendung dieser Gesetze, Bestimmungen oder Vorschriften durch eine gesetzgebende Körperschaft, ein Gericht oder eine Behörde verpflichtet ist oder verpflichtet sein wird, Zusätzliche Beträge gemäß § 6 zu zahlen, und die Emittentin diese Verpflichtung nicht durch das Ergreifen zumutbarer Maßnahmen abwenden kann.

Die Rückzahlungsbekanntmachung darf nicht früher als 90 Tage vor dem Tag erfolgen, an dem die Emittentin erstmals verpflichtet wäre, Zusätzliche Beträge gemäß § 6 zu zahlen.

(b) Steuerereignis.

Ein „**Steuerereignis**“ liegt vor, wenn aufgrund einer Gesetzesänderung (oder einer Änderung von darunter erlassenen Bestimmungen und Vorschriften) der Bundesrepublik Deutschland oder einer ihrer Gebietskörperschaften oder einer ihrer Steuerbehörden, oder als Folge einer Änderung der offiziellen Auslegung oder Anwendung solcher Gesetze, Bestimmungen oder Vorschriften durch eine gesetzgebende Körperschaft, ein Gericht, eine Regierungsstelle oder eine Aufsichtsbehörde (einschließlich des Erlasses von Gesetzen sowie der Bekanntmachung gerichtlicher oder aufsichtsrechtlicher Entscheidungen), Zinsen, die von der Emittentin auf die Schuldverschreibungen zu zahlen sind, von der Emittentin nicht mehr für die Zwecke der deutschen Ertragsteuer voll abzugsfähig sind und die Emittentin dieses Risiko nicht durch das Ergreifen zumutbarer Maßnahmen abwenden kann.

(c) Aufsichtsrechtlichen Ereignisses.

Ein „**Aufsichtsrechtliches Ereignis**“ liegt vor, wenn die Bundesanstalt für Finanzdienstleistungsaufsicht (oder ein Funktionsnachfolger) schriftlich gegenüber der Emittentin feststellt, dass die Schuldverschreibungen (ganz oder teilweise) nicht länger die Anforderungen an Eigenmittel für Zwecke der Ermittlung der Gruppensolvabilität oder der Einzelsolvabilität der Emittentin oder der Unternehmensgruppe, zu der die Emittentin gehört, erfüllt. Dies gilt nur, wenn die Schuldverschreibungen diese Anforderungen zu einem Zeitpunkt vor dieser Feststellung erfüllt haben.

(5) Vorzeitiger Rückzahlungsbetrag.

Der „**Vorzeitige Rückzahlungsbetrag**“ ist der Aufrechnungsbeitrag, mindestens jedoch der Rückzahlungsbetrag (wie von der Berechnungsstelle bestimmt).

Der „**Aufrechnungsbeitrag**“ wird durch die Berechnungsstelle bestimmt und entspricht der Summe aus den Aktuellen Werten (i) des Nennbetrags der Schuldverschreibungen und (ii) der verbleibenden vorgesehenen Zinszahlungen auf die Schuldverschreibungen bis zum 12. August 2014 (ausschließlich) am Tag der Rückzahlung.

Die Berechnungsstelle ermittelt die „**Aktuellen Werte**“ durch die Abzinsung pro Jahr des Nennbetrags der Schuldverschreibungen und der verbleibenden berechneten Zinszahlungen bis zum 12. August 2014; dabei gilt als Berechnungsgrundlage ein Jahr von 360 Tagen mit zwölf Monaten zu je 30 Tagen unter der Verwendung der Angepassten Vergleichsrendite zuzüglich 0,75 %.

Die „**Angepasste Vergleichsrendite**“ ist die Rendite, die am Tag der Rückzahlung für ein Wertpapier mit Euro-Referenzzinssatz zu zahlen wäre, das die Berechnungsstelle unter Berücksichtigung einer vergleichbaren Laufzeit mit der Restlaufzeit der Schuldverschreibungen bis zum 12. August 2014 bestimmt hat und welches zum Zeitpunkt der Bestimmung als Berechnungsgrundlage für die Preisgebung neuer Anleihen mit vergleichbarer Laufzeit bis 12. August 2014 dienen könnte.

(a) Gross-up Event.

A „**Gross-up Event**“ shall occur if the Issuer has or will become obliged by a legislative body, a court or any authority to pay Additional Amounts pursuant to § 6 as a result of any change in or amendment to the laws (or any rules or regulations thereunder) of the Federal Republic of Germany or any political subdivision or any authority of or in the Federal Republic of Germany, or any change in or amendment to any official interpretation or application of those laws or rules or regulations, and that obligation cannot be avoided by the Issuer taking reasonable measures.

No such notice of redemption may be given earlier than 90 days prior to the earliest date on which the Issuer would be for the first time obliged to pay the Additional Amounts pursuant to § 6

(b) Tax Event.

A „**Tax Event**“ shall occur if as a result of any amendment to, or change in, the laws (or any rules or regulations thereunder) of the Federal Republic of Germany or any political subdivision or any taxing authority thereof or therein, or as a result of any amendment to, or change in, an official interpretation or application of any such laws, rules or regulations by any legislative body, court, governmental agency or regulatory authority (including the enactment of any legislation and the publication of any judicial decision or regulatory determination), interest payable by the Issuer in respect of the Notes is no longer fully deductible by the Issuer for German income tax purposes, and that risk cannot be avoided by the Issuer reasonable measures.

(c) Regulatory Event.

A „**Regulatory Event**“ shall occur if the Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) (or any successor in its capacity) states in writing to the Issuer that the Notes (in whole or in part) no longer fulfil the requirements for own funds for group solvency or solo solvency purposes of the Issuer or the group of companies the Issuer is a member of. This applies only if at any time prior to such statement the Notes did fulfil such requirements.

(5) Early Redemption Amount.

The „**Early Redemption Amount**“ will be the greater of the Redemption Amount and Make-Whole Amount (as determined by the Calculation Agent).

The „**Make-Whole Amount**“ will be calculated by the Calculation Agent, and will equal the sum of the Present Values on the date of redemption of (i) the principal amount of the Notes and (ii) the remaining scheduled payments of interest on the Notes to August 12, 2014 (exclusive).

The „**Present Values**“ will be calculated by the Calculation Agent by discounting the principal amount of the Notes and the remaining interest payments to August 12, 2014 on an annual basis, assuming a 360-day year consisting of twelve 30-day months and using the Adjusted Comparable Yield plus 0.75 %.

The „**Adjusted Comparable Yield**“ will be the yield at the date of redemption on the euro benchmark security selected by the Calculation Agent as having a maturity comparable to the remaining term of the Notes to August 12, 2014 that would be utilised at the time of selection in pricing new issues of corporate debt securities of comparable maturity to August 12, 2014.

(6) Bekanntmachung der Vorzeitigen Rückzahlung.

Die Emittentin kann ein Recht zur vorzeitigen Rückzahlung gemäß § 4 (3) oder (4) durch eine Bekanntmachung an die Anleihegläubiger gemäß § 10 unter Einhaltung einer Frist von nicht weniger als 30 und nicht mehr als 60 Tagen ausüben. Die Emittentin wird die Hauptzahlstelle vor dieser Bekanntmachung von der vorzeitigen Rückzahlung informieren. Die Bekanntmachung und die Information der Hauptzahlstelle sollen in den Fällen des § 4 (4) diejenigen Tatsachen enthalten, auf welche die Emittentin ihr Kündigungsrecht stützt.

(7) Aufsichtsrechtliche Einschränkungen.

(a) Rückkauf und Rückzahlung vor dem 12. August 2014.

Vor dem 12. August 2014 steht der Emittentin das Recht zum Rückkauf gemäß § 4 (2) und zur Rückzahlung nach Eintritt eines Gross-up-Ereignisses oder eines Steuerereignisses gemäß § 4 (4) nur zu, wenn der zurückzuzahlende Nennbetrag durch die Einzahlung anderer, zumindest gleichwertiger Eigenmittel ersetzt worden ist oder die Bundesanstalt für Finanzdienstleistungsaufsicht (oder ein Funktionsnachfolger) dem Rückkauf bzw. der Rückzahlung ohne eine solche Ersetzung zuvor zugestimmt hat (sofern eine solche Ersetzung für die Anerkennung der Schuldverschreibungen als aufsichtsrechtliche Eigenmittel noch erforderlich ist).

(b) Rückkauf und Rückzahlung am oder nach dem 12. August 2014.

Sofern die Emittentin am oder nach dem 12. August 2014 weiterhin eine Anerkennung der Schuldverschreibungen in Höhe ihres Nennbetrags als aufsichtsrechtliche Eigenmittel anstrebt, wird die Emittentin das Recht zum Rückkauf gemäß § 4 (2) oder zur Rückzahlung gemäß § 4 (3) nur ausüben, wenn der zurückzuzahlende Nennbetrag durch die Einzahlung anderer, zumindest gleichwertiger Eigenmittel ersetzt worden ist oder die Bundesanstalt für Finanzdienstleistungsaufsicht (oder ein Funktionsnachfolger) dem Rückkauf bzw. der Rückzahlung ohne eine solche Ersetzung zuvor zugestimmt hat (sofern eine solche Ersetzung für die Anerkennung der Schuldverschreibungen als aufsichtsrechtliche Eigenmittel noch erforderlich ist).

(c) Rückkauf und Rückzahlung durch Tochtergesellschaften.

Die in § 4 (7) (a) und (b) genannten Einschränkungen gelten nicht für Rückkäufe, soweit Tochterunternehmen der Emittentin die Schuldverschreibungen für fremde Rechnung oder für Sondervermögen (im Sinne des § 2 Abs. 2 und § 30 Investmentgesetz) erwerben, es sei denn, Anteile an diesen Sondervermögen werden mehrheitlich von der Emittentin oder einer ihrer Tochtergesellschaften gehalten.

**§ 5  
(Zahlungen)**

(1) Die Emittentin verpflichtet sich, Kapital und Zinsen auf die Schuldverschreibungen bei Fälligkeit in Euro zu zahlen. Die Zahlung von Kapital und Zinsen erfolgt, vorbehaltlich geltender steuerrechtlicher und sonstiger gesetzlicher Regelungen und Vorschriften, über die Hauptzahlstelle zur Weiterleitung an das Clearing-System oder nach dessen Weisung zur Gutschrift für die jeweiligen Kontoinhaber. Die Zahlung an das Clearing-System oder nach dessen Weisung befreit die Emittentin in Höhe der geleisteten Zahlung von ihren entsprechenden Verbindlichkeiten aus den Schuldverschreibungen. Eine Bezugnahme in diesen Anleihebedingungen auf Kapital oder Zinsen der Schuldverschreibungen schließt jegliche Zusätzlichen Beträge gemäß § 6 ein.

(2) Falls ein Fälligkeitstag für die Zahlung von Kapital und/oder Zinsen kein Geschäftstag ist, erfolgt die Zahlung erst am nächstfolgenden Geschäftstag (außer im Fall von § 3 (2) (b)); die Anleihegläubiger sind nicht berechtigt, Zinsen oder eine andere Entschädigung wegen eines solchen Zahlungsaufschubs zu verlangen.

(6) Notification of Early Redemption.

The Issuer shall give not less than 30 nor more than 60 days' notice to the Noteholders in accordance with § 10 of any Early Redemption pursuant to § 4 (3) or (4). The Issuer shall give notice to the Principal Paying Agent about such Early Redemption before notifying the Noteholders. In the case of § 4 (4) such notices shall set forth the underlying facts of the Issuer's right to Early Redemption.

(7) Regulatory Limitations.

(a) Repurchase and Redemption before August 12, 2014.

Prior to August 12, 2014 the Issuer may only repurchase the Notes as set forth in § 4 (2) and may only redeem the Notes following a Gross up Event or a Tax Event as set forth in § 4 (4) if the principal amount of the Notes to be repaid has been replaced by other, at least equivalent own funds (*Eigenmittel*) or if the Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) (or any successor in its capacity) has given its prior consent to the repurchase or redemption of the Notes without such replacement (to the extent this is still required for the recognition as regulatory capital).

(b) Repurchase and Redemption on or after August 12, 2014.

If the Issuer wishes the principal amount of the Notes to continue to be recognised as regulatory capital by the Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) (or any successor in its capacity) on or after August 12, 2014 the Issuer will only repurchase the Notes as set forth in § 4 (2) or redeem the Notes as set forth in § 4 (3) if the principal amount of the Notes to be repaid has been replaced by other, at least equivalent own funds (*Eigenmittel*) or if the Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) (or any successor in its capacity) has given its prior consent to the repurchase or redemption of the Notes without such replacement (to the extent this is still required for the recognition as regulatory capital).

(c) Repurchase and Redemption by Subsidiaries.

This restrictions set forth in § 4 (7) (a) and (b) do not apply for purchases made by subsidiaries of the Issuer for the account of a third party or funds (as defined for the purposes of § 2 para. 2 and § 30 Investment Act (*Investmentgesetz*)), unless the majority of the shares in the relevant fund are held by the Issuer or one of its subsidiaries.

**§ 5  
(Payments)**

(1) The Issuer undertakes to pay, as and when due, principal and interest on the Notes in euro. Payment of principal and interest on the Notes shall be made, subject to applicable fiscal and other laws and regulations, through the Principal Paying Agent for on-payment to the Clearing System or to its order for credit to the respective account holders. Payments to the Clearing System or to its order shall to the extent of amounts so paid constitute the discharge of the Issuer from its corresponding liabilities under the Notes. Any reference in these Terms and Conditions of the Notes to principal or interest will be deemed to include any Additional Amounts as set forth in § 6.

(2) If the due date for any payment of principal and/or interest is not a Business Day, payment shall be effected only on the next Business Day (except as provided in § 3 (2) (b)). The Noteholders shall have no right to claim payment of any interest or other indemnity in respect of such delay in payment.

**§ 6  
(Besteuerung)**

Sämtliche Zahlungen von Kapital und Zinsen in Bezug auf die Schuldverschreibungen werden ohne Einbehalt oder Abzug von Steuern, Abgaben, Festsetzungen oder behördlichen Gebühren jedweder Art („**Steuern**“) geleistet, die von der Bundesrepublik Deutschland oder einer ihrer Gebietskörperschaften oder Behörden mit der Befugnis zur Erhebung von Steuern auferlegt, erhoben, eingezogen, einbehalten oder festgesetzt werden, es sei denn, ein solcher Einbehalt oder Abzug ist gesetzlich vorgeschrieben. In einem solchen Falle wird die Emittentin zusätzliche Beträge zahlen (die „**Zusätzlichen Beträge**“), so dass die Anleihegläubiger die Beträge erhalten, die sie ohne Einbehalt oder Abzug erhalten hätten. Solche Zusätzlichen Beträge sind jedoch nicht zahlbar wegen solcher Steuern:

- (i) denen ein Anleihegläubiger wegen einer anderen Beziehung zu der Bundesrepublik Deutschland unterliegt als der bloßen Tatsache, daß er der Inhaber der betreffenden Schuldverschreibungen ist; oder
- (ii) deren Einbehalt oder Abzug auf eine Zahlung an eine natürliche Person erfolgt und zwar auf der Grundlage der Richtlinie 2003/48/EC der Europäischen Union oder einer anderen Richtlinie der Europäischen Union zur Besteuerung privater Zinserträge, die die Beschlüsse der ECOFIN-Versammlung vom 26. bis 27. November 2000 umsetzt oder aufgrund eines Gesetzes, das aufgrund solcher Richtlinie erlassen wurde, ihr entspricht oder eingeführt wurde, um dieser Richtlinie nachzukommen; oder
- (iii) denen der Anleihegläubiger nicht unterläge, wenn er seine Schuldverschreibungen binnen 30 Tagen nach Fälligkeit bzw., falls die notwendigen Beträge der Hauptzahlstelle bei Fälligkeit nicht zur Verfügung gestellt worden sind, nach dem Tag, an dem diese Mittel der Hauptzahlstelle zur Verfügung gestellt worden sind und dies gemäß § 10 bekannt gemacht wurde, zur Zahlung vorgelegt hätte.

**§ 7  
(Vorlegungsfrist)**

Die Vorlegungsfrist der Schuldverschreibungen wird auf zehn Jahre reduziert.

**§ 8  
(Zahlstellen und Berechnungsstellen)**

(1) Bestellung.

Die Emittentin hat die Deutsche Bank Aktiengesellschaft, Frankfurt am Main, Große Gallusstraße 10–14, D-60272 Frankfurt am Main, als Hauptzahlstelle und Berechnungsstelle (die „**Hauptzahlstelle**“ oder „**Berechnungsstelle**“) und Deutsche Bank Luxembourg S. A., 2 Boulevard Konrad Adenauer, L-1115 Luxemburg, als Zahlstelle (die „**Zahlstelle**“, gemeinsam mit der Hauptzahlstelle, die „**Zahlstellen**“) bestellt.

(2) Änderung oder Beendigung der Bestellung.

Die Emittentin behält sich das Recht vor, jederzeit die Benennung einer Zahlstelle oder Berechnungsstelle zu verändern oder zu beenden und Nachfolger bzw. zusätzliche Zahlstellen zu ernennen. Dabei ist jedoch zu gewährleisten, dass die Emittentin jederzeit eine Zahlstelle (die auch Hauptzahlstelle sein kann) in Luxemburg unterhält. Den Anleihegläubigern werden Änderungen in bezug auf die Zahlstellen, deren angegebene Geschäftsstellen oder die Berechnungsstelle umgehend gemäß § 10 bekannt gemacht.

(3) Status der beauftragten Stellen.

Die Zahlstellen und die Berechnungsstelle handeln ausschließlich als Vertreter der Emittentin und übernehmen keine Verpflichtungen gegenüber den Anleihegläubigern; es wird kein Vertrags-, Auftrags- oder Treuhandverhältnis zwischen ihnen und den Anleihegläubigern begründet. Die Zahlstellen sind von den Beschränkungen des § 181 des Bürgerlichen Gesetzbuchs (BGB) befreit.

**§ 6  
(Taxation)**

All payments of principal and interest in respect of the Notes will be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature (“**Taxes**“) imposed, levied, collected, withheld or assessed by the Federal Republic of Germany (as the case may be) or any political subdivision or any authority of the Federal Republic of Germany (as the case may be) that has power to tax, unless that withholding or deduction is required by law. In that event, the Issuer (as the case may be) will pay such additional amounts (the “**Additional Amounts**“) as will result in receipt by the Noteholders of the same amounts as they would have received if no such withholding or deduction had been required. However, no such Additional Amounts shall be payable with respect to such Taxes:

- (i) to which a Noteholder is liable because of a relationship with the Federal Republic of Germany other than the mere fact of his being the holder of the relevant Notes; or
- (ii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of 26–27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (iii) to which the Noteholder would not be subject if he had presented his Notes for payment within 30 days from the due date for payment, or, if the necessary funds have not been provided to the Principal Paying Agent when due, from the date on which such funds have been provided to the Principal Paying Agent, and a notice to that effect has been published in accordance with § 10.

**§ 7  
(Presentation Period)**

The period for presentation of the Notes will be reduced to ten years.

**§ 8  
(Paying and Calculation Agents)**

(1) Appointment.

The Issuer has appointed Deutsche Bank Aktiengesellschaft, Frankfurt am Main, Grosse Gallusstrasse 10–14, D-60272 Frankfurt am Main, as principal paying agent and calculation agent (the “**Principal Paying Agent**“ or “**Calculation Agent**“) and Deutsche Bank Luxembourg S. A., 2 Boulevard Konrad Adenauer, L-1115 Luxembourg, as paying agent (the “**Paying Agent**“, together with the Principal Paying Agent, the “**Paying Agents**“).

(2) Variation or Termination of Appointment.

The Issuer reserves the right at any time to vary or terminate the appointment of any Paying or Calculation Agent and to appoint successor or additional Paying Agents, provided that the Issuer will at all times maintain a Paying Agent (which may be the Principal Paying Agent) in Luxembourg. Notice of any change in the Paying Agents or in the specified office of any Paying Agent or in the Calculation Agent will promptly be given to the Noteholders pursuant to § 10.

(3) Status of the Agents.

The Paying Agents and Calculation Agent act solely as agents of the Issuer and do not assume any obligations towards or relationship of contract, agency or trust for or with any of the Noteholders. The Paying Agents are exempt from the restrictions of § 181 of the German Civil Code (*Bürgerliches Gesetzbuch*).

**§ 9  
(Weitere Emissionen)**

Die Emittentin kann ohne Zustimmung der Anleihegläubiger weitere Schuldverschreibungen begeben, die in jeder Hinsicht (oder in jeder Hinsicht mit Ausnahme der ersten Zinszahlung) die gleichen Bedingungen wie die Schuldverschreibungen dieser Anleihe haben und die zusammen mit den Schuldverschreibungen dieser Anleihe eine einzige Anleihe bilden.

**§ 10  
(Bekanntmachungen)**

(1) Bekanntmachung in Tageszeitung.

Sämtliche Bekanntmachungen an die Anleihegläubiger gelten als ordnungsgemäß bekannt gemacht, wenn sie in einer führenden Tageszeitung mit allgemeiner Verbreitung in Luxemburg (vorausichtlich das *Tageblatt* (Luxemburg)), veröffentlicht werden. Jede derartige Bekanntmachung gilt mit dem Tage der ersten Veröffentlichung als wirksam erfolgt.

(2) Bekanntmachung an das Clearing System.

Die Emittentin ist berechtigt, eine Zeitungsveröffentlichung nach § 10 (1) durch eine Bekanntmachung an das Clearing System zur Weiterleitung an die Anleihegläubiger zu ersetzen, vorausgesetzt, dass in Fällen, in denen die Schuldverschreibungen an einer Börse notiert sind, die Regeln dieser Börse diese Form der Bekanntmachung zulassen. Jede derartige Bekanntmachung gilt am siebten Tag nach dem Tag der Bekanntmachung an das Clearing System als den Anleihegläubigern mitgeteilt.

**§ 11  
(Schlussbestimmungen)**

(1) Anzuwendendes Recht

Die Schuldverschreibungen unterliegen dem Recht der Bundesrepublik Deutschland.

(2) Gerichtsstand

Ausschließlicher Gerichtsstand für alle Rechtsstreitigkeiten aus den in diesen Anleihebedingungen geregelten Angelegenheiten ist, soweit gesetzlich zulässig, Köln, Bundesrepublik Deutschland. Die Emittentin verzichtet unwiderruflich darauf, gegenwärtig oder zukünftig gegen die Gerichte in Köln als Forum für Rechtsstreitigkeiten Einwände zu erheben, und versichert, keines der Gerichte in Köln als ungelegenes oder unangemessenes Forum zu bezeichnen.

(3) Erfüllungsort

Erfüllungsort ist Köln, Bundesrepublik Deutschland.

(4) Geltendmachung von Rechten

Jeder Anleihegläubiger kann in Rechtsstreitigkeiten gegen die Emittentin im eigenen Namen seine Rechte aus den ihm zustehenden Schuldverschreibungen geltend machen unter Vorlage der folgenden Dokumente: (a) einer Bescheinigung seiner Depotbank, die (i) den vollen Namen und die volle Anschrift des Anleihegläubigers bezeichnet, (ii) den Gesamtnennbetrag der Schuldverschreibungen angibt, die am Ausstellungstag dieser Bescheinigung dem bei dieser Depotbank bestehenden Depot dieses Anleihegläubigers gutgeschrieben sind, und (iii) bestätigt, daß die Depotbank dem Clearing System und der Hauptzahlstelle eine schriftliche Mitteilung zugeleitet hat, die die Angaben gemäß (i) und (ii) enthält und Bestätigungsvermerke des Clearing Systems sowie des jeweiligen Clearing System-Kontoinhabers trägt, sowie (b) einer von einem Vertretungsberechtigten des Clearing Systems oder der Hauptzahlstelle beglaubigten Ablichtung der Globalurkunde.

**§ 12  
(Sprache)**

Diese Anleihebedingungen sind in deutscher Sprache abgefasst und mit einer Übersetzung in die englische Sprache versehen. Der deutsche Wortlaut ist allein rechtsverbindlich. Die englische Übersetzung dient nur zur Information.

**§ 9  
(Further Issues)**

The Issuer may from time to time, without the consent of the Noteholders, create and issue further Notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

**§ 10  
(Notices)**

(1) Notices in Newspaper.

Notices to the Noteholders will be valid if published in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Tageblatt* (Luxembourg)). Any notice so given will be deemed to have been validly given on the date of first such publication.

(2) Notice to the Clearing System.

The Issuer may, in lieu of publication in the newspapers set forth in § 10 (1) above, deliver the relevant notice to the Clearing System, for communication by the Clearing System to the Noteholders, provided that, so long as any Notes are listed on any stock exchange, the rules of such stock exchange permit such form of notice. Any such notice shall be deemed to have been given to the Noteholders on the seventh day after the day on which the said notice was given to the Clearing System.

**§ 11  
(Final Provisions)**

(1) Applicable Law

The Notes are governed by the laws of the Federal Republic of Germany.

(2) Place of Jurisdiction

To the extent legally permissible, exclusive place of jurisdiction for all proceedings arising from matters provided for in these Terms and Conditions shall be Cologne, Federal Republic of Germany. The Issuer irrevocably waives any objection which it might now or hereafter have to the courts of Cologne being nominated as the forum to hear and determine any proceedings and to settle any disputes, and agrees not to claim that any of those courts is not a convenient or appropriate forum.

(3) Place of Performance

Place of performance shall be Cologne, Federal Republic of Germany.

(4) Enforcement of Rights

Any Noteholder may in any proceedings against the Issuer protect and enforce in its own name its rights arising under its Notes by submitting the following documents: (a) a certificate issued by its Depository Bank (i) stating the full name and address of the Noteholder, (ii) specifying the aggregate principal amount of Notes credited on the date of such certificate to such Noteholder's securities account maintained with such Depository Bank and (iii) confirming that the Depository Bank has given a written notice to the Clearing System as well as to the Principal Paying Agent containing the information pursuant to (i) and (ii) and bearing acknowledgements of the Clearing System and the relevant Clearing System account holder as well as (b) a copy of the Global Note certified by a duly authorised officer of the Clearing System or the Principal Paying Agent as being a true copy.

**§ 12  
(Language)**

These Terms and Conditions are written in the German language and provided with an English language translation. The German text shall be the only legally binding version. The English language translation is provided for convenience only.

## THE ISSUER

### **Incorporation**

Gerling-Konzern Allgemeine Versicherungs-AG (“GKA” or the “Issuer”) was incorporated as a stock corporation under the laws of Germany on February 23, 1918 and is recorded in the commercial register of the local court of Cologne under HRB 582.

### **Corporate Seat and Duration**

The Issuer has its corporate seat in Cologne and its office address at Von-Werth-Strasse 4–14, 50670 Cologne, Germany. The duration of the Issuer is for an indefinite period of time.

### **Corporate Purpose**

According to its articles of association (*Satzung*), the corporate purpose of the Issuer is conducting insurance business by offering a wide range of insurance products such as fire and property insurance, accident insurance, liability insurance, motor liability insurance and miscellaneous motor insurance, householders' comprehensive, homeowners' comprehensive insurance, engineering insurance, marine insurance, aviation and aerospace insurance, credit and bond insurance, legal expenses insurance and other consequential loss insurance. Insurance risks may be written by way of direct insurance as well as by way of indirect insurance, provided that life-insurance risks and health insurance risks may only be written by way of indirect insurance.

### **Share Capital**

#### ***Current Share Capital***

The Issuer has an issued share capital of € 224,789,463 divided into 224,789,463 ordinary shares, each with a nominal amount of € 1.00. The shares are registered shares (*Namensaktien*). As of June 30, 2004, contributions to the subscribed share capital in the amount of € 9,984.24 are still unpaid.

#### ***Authorized Capital***

By resolution of the shareholders' meeting on May 30, 2001 the Management Board of the Issuer has been authorized to increase the share capital in one or more tranches by a total amount of up to € 46,800,000 until April 30, 2006. The Management Board is entitled, with the consent of the Supervisory Board, to exclude subscription rights in the case of fractional amounts (*Spitzenbeträge*) and in those instances where convertible bonds or warrant-linked bonds are issued.

Following a subscription rights issue in November 2003, the share capital was increased by use of the authorized capital from € 187,200,000 to € 224,789,463 by issuing a total of 37,589,463 new registered shares with a nominal of € 1.00 each against payment in cash of such nominal amount plus a premium (*Agio*) per share of € 1.22. The new shares are fully paid up.

The remaining authorized capital amounts to € 9,210,537.

## Capitalisation

The following table sets out the capitalization of the Issuer as of December 31, 2002 and 2003 (as derived from the audited financial statements of the Issuer as of and for the fiscal years ended December 31, 2002 and 2003) and, in addition, certain unaudited financial information as of March 31, 2004:

	Subscribed capital	Capital reserve	Revaluation reserve	Currency Translation reserve	Revenue reserve	Total
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
<b>GKA-Group (IFRS)</b>						
<b>Equity on 31 December 2001</b> . . . . .	<b>115,869</b>	<b>354,768</b>	<b>- 32,297</b>	<b>39,787</b>	<b>335,147</b>	<b>813,274</b>
Profits and losses not recognized in the income statement . . . . .	0	0	25,184	- 21,326	5,746	9,604
Change in consolidated group . . . . .	0	0	- 5,290	- 229	2,629	- 2,890
Consolidated net profit/loss for the period . . . . .	0	0	0	0	- 290,730	- 290,730
Dividends . . . . .	0	0	0	0	- 12,386	- 12,386
<b>Equity on 31 December 2002</b> . . . . .	<b>115,869</b>	<b>354,768</b>	<b>- 12,403</b>	<b>18,232</b>	<b>40,406</b>	<b>516,872</b>
Profits and losses not recognized in the income statement . . . . .	0	0	51,649	- 7,418	17,929	62,160
Change in consolidated group . . . . .	0	0	- 3,216	- 4,195	- 19,554	- 26,965
Consolidated net profit/loss for the period . . . . .	0	0	0	0	81,143	81,143
Transfer from capital reserve . . . . .	0	- 310,824	0	0	310,824	0
Dividends . . . . .	0	0	0	0	0	0
Increase in subscribed capital . . . . .	106,083	45,859	0	0	0	151,942
<b>Equity on 31 December 2003</b> . . . . .	<b>221,952<sup>(1)</sup></b>	<b>89,803</b>	<b>36,030</b>	<b>6,619</b>	<b>430,748</b>	<b>785,152</b>
Profits and losses not recognized in the income statement (*) . . . . .	0	0	6,083	273	- 962	5,393
Change in consolidated group (*) . . . . .	0	0	0	13	40	53
Consolidated net profit/loss for the period (*) . . . . .	0	0	0	0	25,151	25,151
Dividends (*) . . . . .	0	0	0	0	- 668	- 668
Increase in subscribed capital (*) . . . . .	2,812	0	0	0	0	2,812
<b>Equity on 31 March 2004 (*)</b> . . . . .	<b>224,764</b>	<b>89,803</b>	<b>42,113</b>	<b>6,905</b>	<b>454,309</b>	<b>817,894</b>

(<sup>1</sup>) Net of unpaid subscriptions on the subscribed capital as of December 31, 2003.

(\*) The financial information as of March 31, 2004 is derived from the internal unaudited accounts of GKA.

Save as disclosed in this Information Memorandum there has been no material change in the capitalisation of the Issuer since March 31, 2004.

## Dividends and Dividend Policy

The Issuer's distributable profits will be distributed to the shareholders as dividend payments, unless the shareholders' meeting decides otherwise.

The following table provides an overview of the earnings per share and annual dividends paid out per fully paid-up share for the fiscal years 2001 to 2003:

	2001	2002	2003
	in €		
Earnings per share ( <sup>1</sup> ) after amortization of goodwill . . . . .	0.17	- 1.55	0.42
Cash dividend per share . . . . .	0.12 <sup>(*)</sup>	0.00	0.00

(<sup>1</sup>) Calculated in accordance with IFRS.

(\*) In 2001 a dividend of € 0.12 was paid on each fully paid-up share with a par value of € 1.00 and a dividend of € 0.06 was paid on each partly paid-up share with a par value of € 1.00. A dividend of € 0.015 was paid on each partly paid-up share with a par value of € 1.00 which was issued in connection with the increase of the Issuer's share capital in 2001.

Future dividend payments will typically depend on the Issuer's earnings situation, its financial condition, its cash needs, the general business condition of the markets in which it operates, and on the overall legal, tax and other environment. Although the Issuer expects to make annual dividend payments, no prediction can be made with respect to the amount of such dividends.

## Corporate Bodies

### *Supervisory Board*

The current members of the supervisory board (*Aufsichtsrat*) (the “**Supervisory Board**”) of the Issuer are as follows:

Björn Jansli (Chairman)	Member and Chairman of the Management Board of Gerling-Konzern Versicherungs-Beteiligungs-AG, Cologne
Dr. rer. pol. Klaus Ridder (Deputy Chairman)	Member of the Management Board of Stinnes AG, Mülheim an der Ruhr
Dr. rer. pol. h. c. Bruno Adelt	Member of the Management Board of Volkswagen AG, Wolfsburg
Wendelin von Boch	Member of the Management Board of Villeroy & Boch AG, Mettlach/Saar
Monika Caspers (*)	Assistant, Cologne
Udo Grub (*)	Insurance Business Economist, Cologne
Dr. jur. Karl-Ludwig Kley	Member of the Management Board of Deutsche Lufthansa AG, Cologne
Birgit Krause-Kolvenbach (*)	Attorney-at-Law, Cologne
Werner Novak (*)	Mathematician, Cologne
Stefan Quandt	Chairman of the Supervisory Board of DELTON AG, Bad Homburg v. d. H.
Bernhard Schreier	Chairman of the Management Board of Heidelberger Druckmaschinen AG, Heidelberg
Prof. Dr. Dr. h. c. Günter Stock	Member of the Management Board of Schering Aktiengesellschaft, Berlin

(\*) Employees' representative

The members of the Supervisory Board may be contacted at Issuer's business address at Von-Werth-Strasse 4–14, 50670 Cologne, Germany.

### *Management Board*

The current members of the management board (*Vorstand*) (the “**Management Board**”) of the Issuer are:

Dr. Wolfgang Breuer (Chairman)  
Wolf-Uwe Dings  
Dr. Hermann Jörissen  
Karl-Gerhard Metzner  
Markus Rohrbasser  
Ulrich Wollschläger  
Leo Zagel

Members of the Management Board may be contacted at the Issuer's business address at Von-Werth-Strasse 4–14, 50670 Cologne, Germany.

### *Shareholders' Meeting*

The general shareholders' meeting of GKA may be convened by the Management Board, the Supervisory Board or shareholders whose aggregate shareholdings equal at least 5% of GKA's share capital. The annual shareholders' meeting which, among other things, formally resolves on the approval of the activities of the members of the Management Board and the Supervisory Board in the preceding fiscal year, and the allocation of net profits, must be held during the first eight months of each fiscal year at the registered office of GKA in Cologne. Each share confers the right to one vote at the shareholders' meeting.

Unless otherwise required by the Company's articles of association or the German Stock Corporation Act, shareholders' resolutions are passed pursuant to the Company's articles of association by a simple majority of the share capital represented. Major corporate actions, such as mergers, the creation of authorized capital or conditional capital, or the conclusion of intercompany agreements, require the affirmative vote of three quarters of the share capital repre-

sent at the shareholders' meeting. Shareholders may grant written proxies. Specific statutory provisions of the Stock Corporation Act govern the exercise of proxies granted to banks.

## Subsidiaries

The companies in which the Issuer held directly or indirectly 10% or more of the shares or interests as of March 31, 2004 are listed in the table below:

Name and seat of Company	Share in capital (in %)	
	direct	indirect
Gerling-Konzern Welt Service GmbH, Cologne (*)		100,00
Gerling Vertrieb Industrie AG, Cologne (**)		100,00
Gerling Vertrieb Industrie Deutschland GmbH, Cologne (***)	100,00	
Gerling Vertrieb Firmen und Privat AG, Cologne	70,00	
Gerling Kundenservice Firmen und Privat GmbH, Cologne (**)	100,00	
Gerling Zentrale Verwaltungs-GmbH, Cologne	70,00	
Gerling Gesellschaft für Informationsmanagement und Organisation mbH, Cologne	70,00	
Gerling Syndicate Holdings Ltd., London	100,00	
Gerling Corporate Capital Ltd., London	100,00	
Gerling UK Ltd., London	100,00	
Gerling Syndicate Services Ltd., London		100,00
Gerling at Lloyd's Ltd., London		100,00
Poistovna Gerling Slovensko a. s., Bratislava		100,00
Gerling General Insurance of South Africa Ltd., Johannesburg	100,00	
Gerling de Mexico Seguros S. A., Mexico		100,00
Gerling America Insurance Company, New York		100,00
Gerling Australia Insurance Company Pty. Ltd., Sydney		100,00
Gerling Polska Towarzystwo Ubezpieczen S. A., Warsaw	100,00	
Gerling Service Nederland N. V., Amsterdam	100,00	
Gerling-Konzern Belgique S. A., Bruxelles	100,00	
Gerling-Konzern Biztosítási, Biztonságtechnikai és Vállalati Tanácsadó KFT., Budapest		100,00
Gerling Insurance Agency Inc., New York		100,00
Gerling Norge A/S, Oslo	100,00	
GERLING SERVICE s. r. o., Prague		99,00
Gerling-Konzern Panamericana Ltda., São Paulo	100,00	
Gerling-Gruppe Versicherungsservice GmbH, Vienna	100,00	
Gerling-Gruppe Versicherungsservice AG, Zurich	100,00	
Gerling Consulting Gruppe GmbH, Cologne	100,00	
GERLING Risiko Consulting GmbH, Cologne		100,00
Gerling Cert Umweltgutachten GmbH, Cologne		100,00
Gerling Consulting Gruppe AG, Zurich		100,00
Gerling Rechtsschutz Schadenregulierungs-GmbH, Cologne (**)	100,00	
ASSUMO Service und Management Organisation GmbH, Dusseldorf		100,00
IVEC Institutional Venture and Equity Capital AG, Cologne	10,00	
GERLING.de GmbH, Cologne	50,00	
Gerling Sul América S. A. Seguros Industriais, Rio de Janeiro		50,00
Société d'Assurance et de Participations GUIAN S. A., Nanterre	10,00	

(\*) Party to a profit and loss transfer agreement (*Ergebnisabführungsvertrag*) with GKA.

(\*\*) Currently planning to enter into a profit and loss transfer agreement (*Ergebnisabführungsvertrag*) with GKA. The profit and loss transfer agreement has not yet been registered in the commercial register (*Handelsregister*) and is thus not yet effective.

(\*\*\*) Currently planning to enter into a profit and loss transfer agreement (*Ergebnisabführungsvertrag*) with Gerling Vertrieb Industrie AG, Cologne. The profit and loss transfer agreement has not yet been registered in the commercial register (*Handelsregister*) and is thus not yet effective.

**Auditors**

The Issuer's statutory auditor for the fiscal year 2003 and in previous fiscal years has been KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Barbarossaplatz 1a, 50674 Cologne, Germany (“**KPMG**”). KPMG has audited the Issuer's annual financial statements as of and for the years ended on December 31, 2002 and 2003, each prepared in accordance with the German Commercial Code (“**HGB**”), providing an unqualified auditor's opinion in each case. KPMG has also audited the Issuer's consolidated financial statements as of and for the years ended on December 31, 2002 and 2003, each prepared in accordance with International Financial Reporting Standards (“**IFRS**”), providing an unqualified auditor's opinion in each case.

**Fiscal Year**

The Issuer's fiscal year is the calendar year.

## BUSINESS OF GKA GROUP

### Overview

The activities of GKA and its consolidated subsidiaries (together “**GKA Group**”) comprise various segments of property and casualty insurance with a focus on industrial insurance. The insurance products offered by GKA include fire and property insurance, accident insurance, liability insurance, motor liability insurance and miscellaneous motor insurance, householders' comprehensive, homeowners' comprehensive insurance, engineering insurance, marine insurance, aviation and aerospace insurance, credit and bond insurance, legal expenses insurance and other consequential loss insurance. Measured by gross premiums written of € 2,480.0 mill. in 2003, GKA Group is one of the three largest industrial property insurers in Germany and among the five largest non-life insurance companies in Germany.

GKA Group is headquartered in Cologne, Germany, and has subsidiaries in the United States, Mexico, Brazil, Australia, South Africa, the United Kingdom, Poland and Slovakia. It maintains branch offices and representative offices in Austria, Belgium, the Czech Republic, Denmark, France, Greece, Italy, Hungary, Norway, Spain, Switzerland, The Netherlands, Hong Kong and Japan.

GKA Group comprises the property and casualty insurance business within the Gerling group of companies (“**Gerling Group**”) consisting of Gerling-Konzern Versicherungs-Beteiligungs-Aktiengesellschaft, Cologne, Germany, (“**GKB**”) and its affiliated companies within the meaning of § 15 of the German Stock Corporation Act (*Aktien-gesetz*). GKB is the central holding company of Gerling Group which is active in the insurance business in more than thirty countries. Gerling Group focuses on insuring industrial and commercial firms and high net worth clients, and its activities comprise property and casualty insurance and life insurance. The foundation of Gerling Group can be traced back to the year 1904 when Robert Gerling founded the “Büro für Versicherungswesen, Robert Gerling & Co. GmbH”. In 1918 Gerling Allgemeine-Versicherungs Aktiengesellschaft was established which developed into the core business unit of Gerling Group.

GKB currently holds through its 100% subsidiary GERLING Beteiligungs GmbH, Cologne, Germany (“**GBG**”) approximately 65.4% of the issued share capital of GKA. Approximately 30.1% of the issued share capital of GKA are held by approximately 30 investors, including certain industrial clients of GKA, who participated in the increase of GKA's share capital in November 2003 (see “THE ISSUER – Share Capital – Authorized Capital”). The remaining approximately 4.5% of the shares in GKA are held by institutional investors or individuals.

In 2003 GKA accounted for about 57.7% of Gerling Group's € 4,296.3 mill. gross premium income as compared to 61.1% in 2002 with total gross premiums of € 4,777.7 mill.

The following table sets out certain key financial data of GKA Group which have been extracted from the audited consolidated financial statements of GKA as and for the financial years ended December 31, 2002 and 2003, each prepared in accordance with IRFS:

	2003		2002	
	€ million	%	€ million	%
Gross premium written	2,480	- 15.1	2,921	- 0.6
Net earned premiums	1,237	- 19.1	1,529	+0.2
Benefit and claim payments	904	- 26.2	1,225	+3.1
Benefit and claim ratio (net)(*)		73.0		80.1
Underwriting expenses	348	- 15.7	412	- 9.6
Cost ratio (net)(*)		28.1		26.9
Net combined ratio(*)		101.1		107.0
Underwriting provisions				
Gross	4,671	- 9.3	5,152	- 6.4
Reinsurance share	2,142	- 12.6	2,451	- 19.5
Net	2,529	- 6.4	2,701	+9.8
Investments (excluding deposits retained by ceding companies)	2,653	+ 11.5	2,379	- 14.1
Net investment income and gains on the disposal of investments (excluding deposits retained by ceding companies)(**)	116	-	- 85	-
Equity	785	+ 51.9	517	- 36.3
Consolidated profit/loss for the period(**)	81	-	- 291	-
Earnings per share (in €)(**)	0.42	-	- 1.55	-
Number of employees (***)	1,575	- 11.8	1,786	- 8.6

(\*) in relation to earned premiums

(\*\*) the preceding year's figures were adjusted in line with the retrospective application of the revised version of IAS 39 "Financial instruments: recognition and measurement". For further details, see "Accounting and valuation principles" (pages 78 f.)

(\*\*\*) effective at 31 December. Taking pro rata account of the companies transferred in the course of the restructuring of the Gerling Group, the number of employees increased by 2,790 to 4,365.

## Description of Business Segments

The insurance business of GKA Group is divided into two strategic business segments, "Industrial Insurance" and "Business and Private Insurance", allowing GKA Group to develop insurance products and tailor-made services based on the specific needs of particular customer segments.

### *Industrial Insurance*

In the industrial insurance segment GKA Group focuses on large industrial clients and seeks to offer such clients insurance solutions tailored to their individual requirements. As a major commercial lines insurer, with access to client and risk information, GKA Group has accumulated strong expertise in industrial risk assessment and claims handling, which is supported by highly developed data processing systems. GKA believes that the offering of risk management and consulting services (which includes, for example, the preparation of a detailed risk analysis, taken into account the specific risks of the relevant industry, as well as the development of structured insurance solutions and programmes which allow the individual client to efficiently manage its risk exposure in various jurisdictions) provides a strong competitive advantage and simultaneously serves to achieve an efficient risk control. GKA Group obtains most of its domestic business through its specialized sales force.

In 2003, industrial lines business accounted for € 1,642.5 mill. or 66.2% of GKA Group's consolidated gross premiums written compared to € 2,070.8 mill. or 70.9% in 2002.

### *Business and Private Insurance*

In the business and private insurance segment GKA Group targets both small and medium-sized companies and high-income individuals. The main focus in the business segment is on professionals such as tax consultants, auditors, lawyers and architects. GKA Group continuously seeks to expand its target groups which, for example, now also include health-care professionals and other members of the technical community. GKA Group offers its core target groups both specific insurance policies such as professional liability insurance, a class of insurance which is compul-

sory for certain professionals in Germany, as well as multi-line products such as “COMPACT” which comprise a complete insurance package providing cover for all sector-specific risks in a single policy. Product and marketing efforts in private insurance business concentrate on standardized product packages which allow for decentralized underwriting and claims management. GKA Group seeks to further improve the profitability of its business and private insurance segment by continuing to systematically restructure its insurance portfolio as well as by tariff adjustments and a stringent cost management.

In 2003, business and private lines business accounted for € 837.6 mill. or 33.8% of GKA Group's consolidated gross premiums written compared to € 850.2 mill. or 29.1 % in 2002.

## **Strategy**

### *Industrial Insurance*

In the industrial insurance segment GKA Group seeks to increase its profitability by, *inter alia*:

- focusing on profitable, expertise-driven segments in which GKA Group's risk management provide it with a competitive advantage;
- increasing the flexibility and performance of its sales network (including by cooperation with professional distribution partners) in its core market in Germany as well as in other European countries;
- optimizing its reinsurance structure and retentions in order to reduce reinsurance costs and to minimize its risk exposure;
- expanding less rating-sensitive business and reducing cycle dependence.

### *Business and Private Insurance*

In the business and private client segment GKA Group intends to improve its operating performance by adopting, *inter alia*, the following measures:

- focusing on commercial and client staff business, the professions and high-income private clients;
- concentrating product and marketing efforts on standardized products packages in profitable segments, while withdrawing systematically from cost-intensive niche business with no cross-selling potential;
- providing risk management expertise and offering first-class claims management together with a range of special services, in particular in respect of its motor fleet business, in order to evade pressure on prices;
- reduction of underwriting and claims management costs and systematic improvement of the efficiency of processes.

## Business Development in 2003

The financial information contained in this section is derived from the consolidated financial statements of GKA as of and for the financial year ended December 31, 2003 prepared in accordance with International Financial Reporting Standards (IFRS).

### General

#### Development of Premium Income of GKA Group

In the fiscal year ended December 31, 2003 the gross premiums written by GKA Group fell by 15.1 % from € 2,921.0 mill. in 2002 to € 2,480.0 mill. The decline is largely due to GKA's low credit rating, particularly in the first half of 2003. Due to stable client relationships that GKA has developed over many years in the German market, the premiums in the domestic German market have nevertheless increased by 4.1 % from € 1,488.6 mill. in 2002 to € 1,549.5 mill. in 2003.

The foreign gross premium income decreased by 35 % to € 930.5 mill. compared to € 1,432.4 mill. in 2002. Markets in Switzerland and particularly in the UK reacted much more sensitively to the downgrading of GKA's rating by S&P which occurred in the first half of 2003. As a consequence, the foreign premium revenues generated in Europe (excluding Germany) fell by 30 % from € 982.7 mill. to 688.0 mill. The gross premiums written in non-European countries fell by 46 % to € 242.5 mill. in 2003 compared to € 449,7 mill. in 2002 and amounted to only 9,8 % of the total gross premiums (15.4 % in 2002) of GKA Group. This was largely due to the sale of the Gerling Canada Insurance Company (GCAN), Toronto, which became effective as of June 30, 2003, and the sale of the contractual renewal rights related to the insurance portfolio of Gerling Australia Insurance Company Pty.Ltd. (GAUS), Sydney. The lower value of the U. S. dollar versus the Euro further contributed to that decline. The following table shows the development of the gross premiums in 2002 and 2003 for the various regions in which GKA Group operates:

#### Gross premiums of the GKA Group by region

	2003		2002		Change
	€ million	%	€ million	%	%
Germany . . . . .	1,549.5	62.5	1,488.6	51.0	+ 4.1
Rest of Europe . . . . .	688.0	27.7	982.7	33.6	- 30.0
NAFTA (USA, Canada, Mexico) . . . . .	197.2	8.0	301.7	10.3	- 34.6
Rest of the world . . . . .	45.3	1.8	148.0	5.1	- 69.4
<b>Total . . . . .</b>	<b>2,480.0</b>	<b>100.0</b>	<b>2,921.0</b>	<b>100.0</b>	<b>- 15.1</b>

Approximately 80 % of the total gross premium income of GKA Group was derived from the segments liability insurance, fire and property insurance and motor liability insurance. In 2003, the gross premium income in these segments amounted to € 1,981.9 mill. compared to € 2,332.4 mill. in 2002. The decrease of the gross premium income in these segments was largely due to the rating-sensitive industrial insurance segment which was affected most by the lower credit rating in 2003. Although the liability insurance segment was affected most by the downgrading of GKA's credit rating – something which was particularly evident in the UK and Swiss liability markets – this class of insurance accounted for 34.5 % of the total gross premiums and thus continued to make the largest contribution to the total premium income. The following table shows the development of the gross premium revenues in 2002 and 2003 for the various insurance classes offered by GKA Group:

## Gross premiums of the GKA Group by insurance class

	2003		2002		Change
	€ million	%	€ million	%	%
Accident . . . . .	117.7	4.8	162.0	5.5	- 27.4
Liability . . . . .	855.2	34.5	1,004.0	34.4	- 14.8
Motor Liability and Miscellaneous Motor . . . . .	400.6	16.2	464.1	15.9	- 13.7
Fire and Property insurance . . . . .	726.1	29.3	864.3	29.6	- 16.0
Marine . . . . .	203.6	8.2	237.0	8.1	- 14.1
Credit and Bond insurance . . . . .	8.9	0.3	18.2	0.6	- 51.1
Legal expenses . . . . .	52.3	2.1	53.0	1.8	- 1.3
Miscellaneous . . . . .	115.6	4.7	118.2	4.0	- 2.2
<b>Total . . . . .</b>	<b>2,480.0</b>	<b>100.0</b>	<b>2,921.0</b>	<b>100.0</b>	<b>- 15.1</b>

(\*) The breakdown of GKA Group premiums by insurance class is not wholly comparable with that shown in the GKA AG financial statements prepared in compliance with the German Commercial Code (HGB).

GKA Group paid a total amount of € 1,372.8 mill. in premiums to reinsurance companies, an increase by 3.3% compared to € 1,328.7 mill. in 2002. The increase of reinsurance costs in contrast to the decrease of the gross premium volume received by GKA Group is partly due to a general increase in the market prices for reinsurance cover but can also be attributed to the fact that GKA Group had bought reinsurance cover in an amount which was, after the rating downgrade in the first half of 2003 and the resulting decrease of the gross premium volume, only partially required. After deduction of reinsurance premiums the remaining net premium volume decreased by 19% to € 1,237.0 mill. compared to € 1,529.1 mill. in 2002. The retention (*Selbstbehaltsquote*) of GKA Group, therefore, amounted to 44.6% in 2003 compared to 54.5% in 2002.

### Development of Losses and Expenses of GKA Group

In 2003 the gross loss expenditure (*Bruttoleistungen aus Versicherungsverträgen*) decreased disproportionately by 18% relative to the gross premiums and amounted to € 1,881.1 mill. compared to € 2,296.4 mill. in 2002. Accordingly, the gross loss ratio (*Bruttoleistungsquote*) fell from 76.1% to 71.3%. This was a result of GKA's systematic underwriting policy, generally higher rates due to a hardening property insurance market and a favourable major loss situation. Compared to 2002 the net loss ratio showed a relatively small decrease from 80.1% to 73.0% because of a reduced protection from reinsurance.

The gross expense ratio (*Bruttokostenquote*) also continued to decrease despite the decrease in gross premium income in 2003, being at a level of 25.6% in 2003 compared to 26.4% in 2002. After deducting the reinsurance commissions received, the expense ratio for own account decreased to 28.1% compared to 26.9% in 2002. The net combined ratio for overall business improved from 107.0% to 101.1%.

### Development of Results of GKA Group

Net investment income and net gains on the disposal of investments amounted to € 116.0 mill. compared to a loss of 85.2 mill. in 2002. This positive development reflected the recovery of the capital markets in 2003 but was also due to an adjustment of the preceding year's figure resulting from an early retrospective application of the December 2003 revision of IAS 39.

In 2003 total profits from operations amounted to € 59.8 mill. compared to a loss of € 283.7 mill. in 2002 when the results were affected by the precautionary depreciation of € 112.4 mill. on receivables from outward reinsurance.

Taking into account extraordinary income of € 77.9 mill., which resulted from the transfer of sales and service companies from GBG, Cologne, to GKA, GKA Group's profit before tax amounted to € 130 mill. compared to a loss of € 290.2 mill. in 2002. After taxes on income of € 48.9 mill. (compared to € 0.5 mill. in 2002), the consolidated net profit for 2003 amounted to € 81.1 mill. (compared to a loss of € 290.7 mill. in 2002).

## ***Development in Individual Business Segments***

### *Industrial Insurance*

In 2003 the gross premiums generated from the industrial insurance segment decreased by 20.7% to € 1,642.5 mill. compared to € 2,070.8 mill. in 2002. This downturn was essentially due to the following three factors: firstly, Gerling Canada Insurance Company (GCAN), Toronto, was sold in 2003 and deconsolidated with effect from June 30, 2003; secondly, the US dollar continued to weaken against the euro and lost nearly 10% of its value in the course of 2003; and, thirdly, the downgrading of GKA's credit rating by S&P at the end of 2002 and the beginning of 2003 led to a considerable loss of insurance business, particularly in the London market.

As a result of lower outgoing unearned premium reserves, earned gross premiums decreased by less than written premiums, falling back by 16.9% to € 1,800.6 mill. Earned net premiums declined to € 748.5 mill. compared to € 923.6 mill. in 2002.

In relation to the downturn in premium revenues, gross benefit and claim payments showed a disproportionate reduction. In 2003 gross payments amounted to € 1,361.4 mill. compared to € 1,678.2 mill. in 2002. Overall, the gross loss ratio decreased from 77.4% in 2002 to 75.6% in 2003, due to consequent pruning of unprofitable business and continued underwriting discipline. In the net account, the result improved even more because of a major loss being mostly covered by reinsurance. Net benefit and claim payments totalled € 588.8 mill. in 2003 compared to € 762.9 mill. in 2002; the net loss ratio decreased from 82.6% in 2002 to 78.7% in 2003.

The projects launched to improve the efficiency of the operations of GKA Group resulted in sustained cost reductions. The gross expenses ratio decreased from 23.4% in 2002 to 21.6% in 2003. The net expenses ratio stood at 23.5% in 2003 compared to 25.6% in 2002.

Gross underwriting business returned to profit in 2003. The gross combined ratio stood at 97.2%, which was 3.6 percentage points better than in 2002. Despite the profits ceded to reinsurers, the net combined ratio of the industrial insurance business segment also showed a significant improvement. It fell to 102.2%, which was 6 percentage points below its 2002 level of 108.2%.

The investment result also improved in 2003. It was, however, influenced by the retrospective application of the revised IAS 39. Net investment income and net gains on the disposal of investments totalled € 79.5 mill. compared to a loss of € 43.0 mill. in 2002.

Profit from operations in the industrial insurance segment thus amounted to € 33.0 mill. compared to a loss of € 193.2 mill. in 2002.

### *Business and Private Insurance*

Written gross premiums from the business and private insurance segment operations decreased by 1.5% to € 837.6 mill. compared to € 850.2 mill. in 2002. Earned gross premiums also declined in 2003 by 1.5% to € 836.3 mill. compared to € 849.0 mill. in 2002. This comparatively small reduction in premium volume reflects the fact that the business and private insurance segment is less sensitive to ratings than the industrial insurance segment. Motor and liability insurance classes continued to account for the largest portion of premium volume.

Earned net premiums decreased by 19.3% to € 488.5 mill. compared to € 605.5 mill. in 2002 and thus decreased much more sharply than gross premiums. The retention rate dropped from 71.3% in 2002 to 58.4% in 2003.

In 2003 the gross benefit and claim expenditure totalled € 519.6 mill. compared to € 618.2 mill. in 2002. The gross loss ratio for 2003 stood at 62.1%, which was 10.7 percentage points lower than the gross loss ratio of 72.8% in 2002. This significant improvement was primarily due to sustained successful restructuring, although further concentration of underwriting capacities and expertise on risks commanding higher premiums also contributed to this positive result. The net expenditure on benefits and claims decreased from € 461.9 mill. in 2002 to € 314.8 mill. in 2003.

The gross expenses ratio remained stable at 34.0%; the net expenses ratio rose from 29.0% in 2002 to 35.1% in 2003 as a result of changes in GKA Group's reinsurance structure.

At 96.2%, the gross combined ratio was in 2003 10.6% lower than in 2002. Although substantial profits were ceded to reinsurers in the business and private insurance segment in 2003, the net combined ratio stood at 99.5% which was 5.8 percentage points better than in 2002.

In 2003 net investment income and net gains on the disposal of investments totalled € 36.5 mill. compared to a loss of € 42.2 mill. in 2002.

Overall, profit from operations in the business and private insurance segment amounted to € 26.8 mill. compared to a loss of € 90.6 mill. in 2002.

## **Risk Management**

### ***Risk Controlling***

To control risks in its insurance business, GKA Group focuses on premium risks, reserve risks, counterparty risks, investment risks and liquidity risks:

*Premium Risks.* Premium risks are controlled primarily by taking advantage of actuarial models used to calculate premiums and monitor claim patterns. In addition, GKA Group has adopted guidelines for concluding insurance contracts and assuming insurance risks. It also focuses on risks that could arise from future policy cancellations.

Natural disasters such as earthquakes, storms and floods represent a special challenge for risk management. Although they happen considerably less frequently than other incidents, the consequences can be far more extensive when, for example, entire regions are devastated. GKA Group uses special modelling techniques to control such risks. They include the collection of data on earthquakes and weather patterns, which are used to simulate natural disaster scenarios and estimate the potential for damage.

*Reserve Risks.* GKA Group must constitute provisions for insurance claims that have been submitted but not yet settled. The amount is estimated on the basis of past experience and statistical methods. GKA Group also seeks to limit risks by constantly monitoring the development of these provisions and using the information it obtains to make forecasts.

*Counterparty Risks.* To limit its liability from insurance business GKA Group transfers part of the risks assumed to the international reinsurance market when necessary. When entering into new reinsurance contracts or when deciding upon the renewal of an existing reinsurance contract, GKA Group's current policy is to consider generally only companies as reinsurance partners the creditworthiness of which is evidenced by a credit rating of at least "A" from an internationally recognized rating agency.

*Investment Risks.* Investments are an integral part of insurance coverage. They ensure the ability of GKA Group to meet the payment commitments it makes in its insurance contracts. The link between insurance obligations and investment of the capital related to these obligations is monitored by using specific models.

GKA Group monitors market risks by means of sensitivity analysis and stress testing. GKA Group seeks to limit credit risks by setting high requirements on the creditworthiness of its debtors and by spreading the risk. It consolidates its exposure according to debtors and across all investment categories, and uses limit lists to monitor its exposure.

In individual cases, GKA Group uses derivative financial instruments such as swaps, options and futures to hedge against changes in prices or interest rates. Market and counterparty risks arising from the use of derivative financial instruments are subject to particularly strict control procedures. Credit risks are assessed by calculating replacement values; market risks are monitored by means of up-to-date value-at-risk calculations and stress tests and limited by specifying stop-loss limits.

*Liquidity Risks.* GKA Group seeks to limit liquidity risks by reconciling its investment portfolio with its insurance commitments. In addition, it plans its cash flow from ordinary activities. Asset structure and diversification are other elements in the management of liquidity risks by GKA Group.

## ***Organizational Risk Controlling***

The risk controlling system is described in the risk charter of the Gerling Group and reflects the continuing trend toward recognising and managing insurance risks. It constitutes the basis for group-wide reorganisation of risk management, and underlines group control, among other things on the basis of Standard & Poor's capital adequacy model, and reference to supervisory requirements. Risk controlling is based on the decentralised group organisation of Gerling Group. The recording, evaluation and control of corporate risks are the core tasks of the management of each company within Gerling Group, and are supported by the risk controller. The group-wide risk management standards are also established by central risk controlling, which controls compliance with these standards in collaboration with the decentralised risk controllers of the individual underwriters and divisions. In addition, the central risk controlling unit reports directly to a general authorised representative of GKB. Throughout Gerling Group risk controlling is supplemented by numerous central and decentralised functions and mechanisms for risk recognition and handling. Like all other processes, risk controlling is also supervised by process-independent bodies. Internal auditing is mainly responsible for internal monitoring and examines risk controlling on an annual basis. Gerling Group is also monitored externally by supervisory authorities.

In November 2003 the board of directors and supervisory board of GKB set up a project for the purpose of introducing dynamic financial analysis as part of the company control structure. Furthermore, the company DFA Capital Management will implement a software solution for the dynamic finance management within Gerling Group. GKB has a share of just under 25% in DFA Capital Management. With Dynamic Financial Analysis (DFA) quantitative control and management information systems are being implemented which give a complete picture of the asset and liability side of an underwriter as well as market impact. GKA develops an individual tailored corporate model of the insurance company as a decision-making basis for tailored solutions to achieve strategic and operative targets. With the implementation of the DFA system and the associated management processes Gerling Group is meeting most of the conditions for achieving the required targets articulated in the Solvency II Concept.

## **Relations with Affiliated Companies**

### ***General***

GKA and its subsidiaries maintain a variety of relationships with affiliated companies within the Gerling Group. GKA and its subsidiaries, for example, use the services rendered by the legal department, tax department and certain other departments (including those for revision and public relations) at GKB. In addition, Gerling-Konzern Gesellschaft für Vermögens-Management mbH (GKVM), a 100% subsidiary of Gerling-Konzern Lebensversicherungs-AG (GKL) renders asset management services for other members of the Gerling Group, including GKA and its subsidiaries. The Management Board of GKA has stated in its report on relations with affiliated companies (*Abhängigkeitsbericht*) pursuant to § 312 of the German Stock Corporation Act (*Aktiengesetz*) for the fiscal year ended December 31, 2003 that, under the circumstances known at the time at which GKA entered into a transaction with an affiliated company, GKA received a fair and reasonable consideration under such transaction.

### ***Reorganization of Gerling Group***

In 2003 the management of Gerling Group has implemented substantial structural and organizational changes within Gerling Group which are aimed at increasing the autonomy of the main operating entities, including GKA. The implementation of these reorganization measures was a prerequisite for the assignment of a separate credit rating to GKA.

The reorganization measures which were implemented with economic effect as of December 31, 2003 included, *inter alia*, the spin-off of certain servicing, distribution and marketing functions from direct subsidiaries of GKB to newly founded companies and the subsequent transfer of all or some the shares in these new companies to GKA or a subsidiary of GKA. In particular, GKA acquired 100% of the shares in Gerling Kundenservice Firmen und Privat GmbH (GK-FP) and Gerling Consulting Gruppe GmbH (GCG). In addition, the shares in Gerling Vertrieb Industrie Deutschland GmbH (GI), comprising in particular the sales force for the industrial segment of Gerling Group's property and casualty insurance business, were transferred to Gerling Vertrieb Industrie AG (GV-I), a newly founded 100% subsidiary of GKA. Furthermore, 70% of the shares in each of Gerling Vertrieb Firmen und Privat AG (GV-FP), comprising in particular the sales force for the business and private segment of Gerling Group's property and casualty insurance business, Gerling Gesellschaft für Informationsmanagement und Organisation mbH (GIM) and Gerling Zentrale Verwaltungs-GmbH (GZ) were acquired by GKA in the course of the reorganization of Gerling Group, whereas the remaining 30% of the shares in each of the aforementioned companies were transferred to Gerling-Konzern Lebens-

versicherungs-AG (GKL). The aforementioned share transfers were accounted for as contributions by GKA's majority shareholder, GBG, to the free capital reserves of GKA which, as a result, increased by € 78 mill.

### **Assumption of Pension Commitments by GKB**

With effect from December 11, 1976 and on the basis of an agreement of the same date, the holding company of the Gerling Group, GKB, assumed pension commitments for the active and retired staff and executive board members of the companies of the GKA Group. GKB assumed those pension commitments in exchange for the payment of cash equal to the value of the pension provisions required under the accounting provisions of the German Commercial Code (*Handelsgesetzbuch*). The extent of GKB's commitment corresponds to the value of the cash received plus interest calculated at the rate applied for income tax purposes pursuant to Section 6a of the German Income Tax Act (*Einkommensteuergesetz*). While under the aforementioned agreement GKB is obliged to indemnify the respective company of the GKA Group against such pension commitments (to the extent specified in the agreement dated December 11, 1976), the relevant companies of the GKA Group remain either solely or jointly liable for the fulfilment of such pension commitments in the external relationship with the persons entitled to pensions. As of December 31, 2003, the pension commitments of the companies of the GKA Group amounted to € 205.7 mill., in each case as determined in accordance with the accounting provisions of the German Commercial Code (*Handelsgesetzbuch*). € 119.9 mill. of those pension obligations can be apportioned to GKA and the remaining € 85.8 mill. to its direct and indirect subsidiaries. The pensions provision required under IFRS totalled € 309.0 mill. as of December 31, 2003. While the annual HGB-based appropriations are transferred in cash to GKB by the respective company of the GKA Group, provisions are formed at the GKA Group companies' themselves for the difference to meet the IFRS requirement. In respect of the before mentioned external (co-)liability GKA anticipates to reflect the full pension liability and a corresponding receivable against GKB in the IFRS consolidated financial statements as at December 31, 2004. Such representational change would neither impact the IFRS equity nor the IFRS profit and loss statement. See also "RISK FACTORS – Risks Relating to GKA Group's Business – GKA has a significant credit exposure to its ultimate parent company GKB in respect of pension obligations".

### **Ratings**

GKA has a rating of two rating agencies: S&P and A.M. Best. As of July 8 2004 the rating assigned by S&P was "BBB+" (outlook positive), and as of March 11, 2004 the rating assigned by A. M. Best was "A-" (outlook negative).

### **Investments**

The following table shows the composition of the investment portfolio of GKA Group as of December 31, 2002 and 2003 according to IFRS:

	2003		2002		Change
	€ million	%	€ million	%	%
Securities held to maturity . . . . .	33.9	1.3	39.0	1.6	- 13.2
Securities available for sale . . . . .	2,102.9	79.3	2,034.7	85.5	+3.3
Securities held for trading . . . . .	51.4	1.9	65.6	2.8	- 21.7
Mortgage loans and other loans . . . . .	89.5	3.4	44.7	1.9	+ 100.5
Real property . . . . .	18.0	0.7	18.6	0.8	- 2.9
Investments in associated companies . . . . .	0.3	0.0	0.1	0.0	+127.4
Deposits with banks . . . . .	357.1	13.5	175.8	7.4	+ 103.1
<b>Total . . . . .</b>	<b>2,653.1</b>	<b>100.0</b>	<b>2,378.5</b>	<b>100.0</b>	<b>+ 11.5</b>

### **Litigation and Arbitration Proceedings**

GKA and its subsidiaries are involved in legal, regulatory and arbitration proceedings in Germany and a number of foreign jurisdictions involving claims by and against them, which arise in the ordinary course of their businesses, including in connection with their activities as insurers, employers, investors and taxpayers. While it is not feasible to predict or determine the ultimate outcome of all pending or threatened proceedings, the management of GKA does not

believe that the outcome of these proceedings will have a material adverse effect on the financial position or results of operations of GKA Group.

### **Recent Developments**

The following financial information in respect of the first quarter of 2004 is derived from the internal unaudited accounts of GKA. In the first quarter of 2004, profit from operations of GKA Group amounted to approximately € 25.2 mill. This profit contributed to an increase of GKA Group's equity from € 785.2 mill. as of December 31, 2003 to approximately € 817.9 mill. as of March 31, 2004. The underwriting provisions also increased from € 4,671.3 mill. as of December 31, 2003 to approximately € 5,269.5 mill. as of March 31, 2004 reflecting higher self-retention levels. Accordingly, the amount of investments of GKA Group increased from € 2,653.1 mill. as of December 31, 2003 to approximately € 2,946.4 mill. as of March 31, 2004.

On July 8, 2004, S&P raised the credit and insurer financial strength ratings of GKA to “BBB+” (outlook positive). S&P cited GKA's improved operating performance, the stabilisation of GKA's capitalization at strong levels and the strong long-term competitive position of GKA as the main factors for the rating upgrade.

GKA is currently examining the possibility of purchasing an insurance portfolio (comprising mainly property and casualty insurance contracts) from Gerling G&A Versicherungs-AG (GG&A), Saarbrücken, a wholly-owned subsidiary of GBG. The consummation of such transaction would be subject to the approval by the BaFin.

## FINANCIAL STATEMENTS OF GKA

### AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF GERLING-KONZERN ALLGEMEINE VERSICHERUNGS-AG 2003 (IFRS)(\*)

#### CONSOLIDATED INCOME STATEMENT

	2003	2002
	€'000	€'000
1. Written gross premiums .....	2,480,039	2,921,015
2. Reinsurance premiums ceded .....	- 1,372,780	- 1,328,671
3. Change in net unearned premiums reserves .....	129,778	- 63,215
<b>4. Net earned premiums .....</b>	<b>1,237,037</b>	<b>1,529,129</b>
5. Net investment income .....	104,290	128,025
6. Net loss/gains on the disposal of investments .....	11,727	- 213,187
7. Other income .....	126,877	114,786
8. Benefit and claim payments .....	- 903,523	- 1,224,896
9. Underwriting expenses .....	- 347,517	- 412,023
10. Change in goodwill .....	- 765	- 856
11. Other expenses .....	- 168,324	- 204,724
<b>12. Profit from operations .....</b>	<b>59,802</b>	<b>- 283,747</b>
13. Finance costs .....	- 7,685	- 6,435
14. Extraordinary income .....	77,890	- 17
<b>15. Profit before tax .....</b>	<b>130,007</b>	<b>- 290,199</b>
16. Income tax .....	- 48,864	- 530
<b>17. Profit after tax .....</b>	<b>81,143</b>	<b>- 290,729</b>
18. Minority interests .....	0	- 1
<b>19. Consolidated net profit/loss for the period .....</b>	<b>81,143</b>	<b>- 290,730</b>

(\*) The notes to the financial statements are not reprinted in this Information Memorandum but are contained in the 2003 annual report of GKA which is incorporated by reference into this Information Memorandum (see "DOCUMENTS INCORPORATED BY REFERENCE")

## CONSOLIDATED BALANCE SHEET

	2003	2002
	€'000	€'000
<b>Assets</b>		
<b>A. Investments</b>	<b>2,653,069</b>	<b>2,378,520</b>
I. Securities held to maturity	33,864	38,993
II. Securities available for sale	2,102,845	2,034,703
III. Securities held for trading	51,405	65,623
IV. Mortgage loans and other loans	89,547	44,657
V. Real property	18,039	18,584
VI. Investments in associated companies	307	135
VII. Deposits with banks	357,062	175,825
<b>B. Other assets</b>	<b>3,794,541</b>	<b>4,361,754</b>
I. Reinsurers' share of underwriting provisions	2,142,026	2,450,713
II. Funds held by others under reinsurance business assumed	48,580	14,275
III. Other accounts receivable on insurance and reinsurance business	796,601	872,031
IV. Deferred acquisition costs	168,704	197,634
V. Bank, current accounts, cheques and petty cash	222,006	451,480
VI. Miscellaneous assets	416,624	375,621
<b>C. Intangible assets</b>	<b>119,205</b>	<b>28,287</b>
I. Goodwill	99,721	10,173
II. Other intangible assets	19,484	18,114
<b>Total assets</b>	<b>6,566,815</b>	<b>6,768,561</b>
<b>Equity and Liabilities</b>		
<b>A. Underwriting provisions</b>	<b>4,761,307</b>	<b>5,151,798</b>
I. Unearned premium reserves	378,651	613,362
II. Premium reserve	53,266	56,805
III. Provision for outstanding claims	4,205,291	4,442,184
IV. Provision for premium refunds	21,239	18,617
V. Other underwriting provision	12,860	20,830
<b>B. Other liabilities</b>	<b>985,355</b>	<b>962,567</b>
I. Deposits retained on reinsurance ceded	60,250	125,359
II. Other accounts payable on insurance and reinsurance business	282,027	396,241
III. Miscellaneous liabilities	643,079	440,967
<b>C. Subordinate capital</b>	<b>125,000</b>	<b>137,321</b>
I. Bonus share capital	0	12,321
II. Subordinate liabilities	125,000	125,000
<b>D. Equity</b>	<b>785,153</b>	<b>516,875</b>
I. Equity – Group equity	785,152	516,872
II. Adjustment item for minority interests	1	3
<b>Total equity and liabilities</b>	<b>6,566,815</b>	<b>6,768,561</b>

## CONSOLIDATED CASH FLOW STATEMENT

	2003	2002
	€'000	€'000
Profit/loss after tax (including minority interests) . . . . .	81,143	– 290,730
Change in underwriting provisions (net) . . . . .	– 49,549	280,232
Change in deferred acquisitions costs . . . . .	26,699	– 44,232
Change in underwriting receivables and payables – insurance and reinsurance . . . . .	– 90,377	60,127
Change in other receivables and payables . . . . .	67,388	– 212,834
Change in securities held for trading . . . . .	21,788	– 8,942
Gains/losses on the disposal of investments . . . . .	– 55,487	9,681
Change in deposits with banks . . . . .	– 188,865	31,636
Changes in other balance sheet items . . . . .	21,295	– 47,302
Other non-cash costs and income as well as adjustments of profit/loss after . . . . .	2,107	181,928
Payments from extraordinary items . . . . .	0	– 17
<b>I. Cash flows from operating activities . . . . .</b>	<b>– 163,857</b>	<b>– 40,453</b>
Inflows on disposal of consolidated companies . . . . .	49,107	587
Outflows on acquisition of consolidated companies . . . . .	0	– 110
Inflows on maturity of securities held to maturity . . . . .	133,035	21,003
Outflows on acquisition of securities held to maturity . . . . .	– 114,103	– 10,827
Inflows on disposal of securities available for sale . . . . .	8,475,448	8,222,856
Outflows on acquisition of securities available for sale . . . . .	– 8,671,239	– 8,132,447
Inflows on disposal of mortgage loans and other loans . . . . .	81,262	6,896
Outflows on disposal of mortgage loans and other loans . . . . .	– 157,802	– 1,561
Inflows on sale of real property . . . . .	0	21,125
Outflows on purchase of real property . . . . .	0	– 869
Inflows on disposal of other investments . . . . .	384	10,987
Outflows on acquisition of other investments . . . . .	2,882	– 25
<b>II. Cash flows from investing activities . . . . .</b>	<b>– 201,026</b>	<b>137,615</b>
Inflows on capital increase . . . . .	151,942	0
Dividends paid . . . . .	0	– 12,642
Changes from other financing activities . . . . .	– 16,925	– 19,126
<b>III. Cash flows from financing activities . . . . .</b>	<b>135,017</b>	<b>– 31,755</b>
<b>Changes in financing funds (I. + II. + III.) . . . . .</b>	<b>– 229,866</b>	<b>65,407</b>
Effect of exchange rate differences on finance funds . . . . .	392	– 80
Finance funds at the end of the preceeding year . . . . .	451,480	386,152
<b>Finance funds at the end of the financial year . . . . .</b>	<b>222,006</b>	<b>451,479</b>

**AUDITED UNCONSOLIDATED FINANCIAL STATEMENTS  
OF GERLING-KONZERN ALLGEMEINE VERSICHERUNGS-AG 2003 (HGB) (\*)**

**UNCONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2003**

	31.12.2003	31.12.2003	31.12.2003	31.12.2002
<b>Assets</b>	€'000	€'000	€'000	€'000
A. Subscribed capital unpaid thereof called in: € 2,837,000 .....			2,837	71,331
B. Intangible assets .....			31	38
C. Investments				
I. Real property, leasehold and buildings including buildings on land not owned .....		42,406		15,136
II. Investments in affiliated companies and participations .....		334,330		320,087
III. Other Investments				
1. Shares, investment certificates and other non-fixed interest securities .....	600,113			695,172
2. Bearer bonds and other fixed-interest securities .....	908,565			542,054
3. Claims for mortgages, land charges and annuities .....	2,957			2,879
4. Other loans .....	370,437			471,940
5. Deposit with banks .....	289,397			99,726
6. Miscellaneous investments .....	33,225			40,753
		<b>2,204,694</b>		<b>1,852,524</b>
IV. Deposits retained on assumed reinsurance business .....		56,083		53,191
			<b>2,637,513</b>	<b>2,240,938</b>
D. Amounts receivable				
I. Amounts receivable on direct written insurance business .....		249,015		361,656
II. Amounts receivable on reinsurance business including € 189,331 thousand from affiliated companies (p.y. € 104,391) .....		435,261		362,928
III. Other amounts receivable including € 23,787 thousand from affiliated companies (p.y. € 22,959) .....		123,146		156,651
			<b>807,422</b>	<b>881,235</b>
E. Other assets				
I. Fixed assets and stocks .....		2,724		3,538
II. Current bank accounts, cheques and cash on hand .....		199,191		436,590
III. Miscellaneous receivables .....		47,113		68,044
			<b>249,028</b>	<b>508,172</b>
F. Prepaid expenses				
I. Interest and rent accrued .....		32,784		25,988
II. Miscellaneous prepaid expenses .....		3,027		381
			<b>35,811</b>	<b>26,369</b>
G. Presumed tax credits in subsequent financial years according to section 274 para. 2 HGB .....			0	19,464
<b>Total assets</b> .....			<b>3,732,642</b>	<b>3,747,547</b>

(\*) The notes to the financial statements are not reprinted in this Information Memorandum but are contained in the 2003 annual report of GKA which is incorporated by reference into this Information Memorandum (see "DOCUMENTS INCORPORATED BY REFERENCE")

	31.12.2003	31.12.2003	31.12.2003	31.12.2002
	€'000	€'000	€'000	€'000
<b>Equity and Liabilities</b>				
A. Capital and reserves				
I. Subscribed capital . . . . .		224,790		187,200
II. Capital reserve . . . . .		89,803		43,944
III. Revenue reserve				
1. Legal reserve . . . . .	358			358
2. Other revenue reserve . . . . .	59,127			59,127
		<b>59,485</b>		<b>59,485</b>
IV. Balance sheet profit . . . . .		558		0
			<b>374,636</b>	<b>290,629</b>
B. Bonus share capital . . . . .			0	12,321
C. Subordinate liabilities . . . . .			125,000	125,000
D. Underwriting funds and provisions				
I. Unearned premiums				
1. Gross amount . . . . .	248,619			388,391
2. Less share for business ceded to reinsurance . . . . .	87,980			110,033
		<b>160,639</b>		<b>278,358</b>
II. Premium funds				
1. Gross amount . . . . .	53,266			56,805
2. Less share for business ceded to reinsurance . . . . .	0			18,745
		<b>53,266</b>		<b>38,060</b>
III. Provisions for outstanding claims				
1. Gross amount . . . . .	4,118,308			4,276,522
2. Less share for business ceded to reinsurance . . . . .	2,007,346			2,194,573
		<b>2,110,962</b>		<b>2,081,949</b>
IV. Provisions for profit-related and not profit-related premiums refunds				
1. Gross amount . . . . .	21,164			18,586
2. Less share for business ceded to reinsurance . . . . .	755			6,984
		<b>20,409</b>		<b>11,602</b>
V. Equalization provision and similar provision . . . . .		228,968		233,815
VI. Other underwriting provisions				
1. Gross amount . . . . .	12,429			17,269
2. Less share for business ceded to reinsurance . . . . .	- 3,738			- 2,397
		<b>16,167</b>		<b>19,666</b>
			<b>2,590,411</b>	<b>2,663,450</b>
E. Other provisions . . . . .			<b>131,954</b>	<b>119,316</b>
F. Deposits retained on business ceded to reinsurance . . . . .			24,863	41,775
G. Other liabilities				
I. Amounts payable on direct written insurance business . . . . . including € 1,538 thousand to affiliated companies (p. y. € 2,519 thousand)		128,429		190,662
II. Amounts payable on reinsurance business . . . . . including € 7,259 thousand to affiliated companies (p. y. € 8,268 thousand)		127,347		131,237
III. Liabilities to banks . . . . .		0		49
IV. Miscellaneous liabilities . . . . . including € 122,208 thousand to affiliated companies (p. y. € 12,348 thousand) including € 23,548 thousand tax liabilities (p. y. € 32,323 thousand)		<b>229,439</b>		<b>172,759</b>
			<b>485,215</b>	<b>494,707</b>
H. Deferred income . . . . .			563	349
<b>Total equity and liabilities . . . . .</b>			<b>3,732,642</b>	<b>3,747,547</b>

**UNCONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE PERIOD JANUARY 1 TO DECEMBER 31, 2003**

	31.12.2003	31.12.2003	31.12.2003	31.12.2002
	€'000	€'000	€'000	€'000
<b>I. Underwriting account</b>				
1. Earned premiums for own account				
a) Written gross premiums	2,263,658			2,559,898
b) Premiums ceded to reinsurance	- 1,334,239			- 1,212,937
		<b>929,419</b>		<b>1,346,961</b>
c) Adjustment of gross unearned premiums	117,274			56,055
d) Adjustment of reinsurers' share in gross unearned premiums	- 11,917			- 111,126
		<b>105,357</b>		<b>- 55,071</b>
			<b>1,034,776</b>	<b>1,291,890</b>
2. Technical interest for own account			4,072	3,943
3. Other underwriting income for own account			416	364
4. Claims incurred for own account				
a) Claims payments				
aa) Gross amount	- 1,516,610			- 1,996,609
bb) Reinsurers' share	<b>829,661</b>			<b>1,168,109</b>
		<b>- 686,949</b>		<b>- 828,500</b>
b) Adjustment of provision for outstanding claims				
aa) Gross amount	- 50,052			- 78,804
bb) Reinsurers' share	- 55,936			- 112,463
		<b>- 105,988</b>		<b>- 191,267</b>
			<b>- 792,937</b>	<b>- 1,019,767</b>
5. Adjustment of other net underwriting provisions				
a) Net premium funds		3,539		977
b) Miscellaneous net underwriting provisions		<b>6,361</b>		<b>- 2,106</b>
			<b>9,900</b>	<b>- 1,129</b>
6. Expenses for profit-related and not profit-related premiums refund of own account			- 14,441	- 7,807
7. Underwriting expenses for own account				
a) Gross underwriting expenses		- 597,332		- 672,703
b) Less commissions and profit shares received from business ceded to reinsurance		300,243		275,860
			<b>- 297,089</b>	<b>- 396,843</b>
8. Other underwriting expenses for own account			- 5,347	- 1,974
9. Subtotal			<b>- 60,650</b>	<b>- 131,323</b>
10. Adjustment of equalization provision and similar provisions			<b>4,847</b>	<b>- 41,192</b>
11. Underwriting result for own account			<b>- 55,803</b>	<b>- 172,515</b>
<b>II. General Account</b>				
1. Investment income including € 3,882 thousand from affiliated companies (p. y. € 8,921 thousand)	167,573			145,328
2. Investment expenses	- 120,609			- 157,004
		<b>46,964</b>		<b>- 11,676</b>
3. Technical Interest		- 5,225		- 5,678
			<b>41,739</b>	<b>- 17,354</b>
4. Other income		87,562		94,679
5. Other expenses		- 127,222		- 215,244
			<b>- 39,660</b>	<b>- 120,565</b>
6. Results from ordinary business activities			- 53,724	- 310,434
7. Extraordinary income		79,286		0
			<b>79,286</b>	<b>0</b>
8. Extraordinary result				
9. Taxes on income		- 24,053		- 1,556
10. Other taxes		- 951		- 417
			<b>- 25,004</b>	<b>- 1,973</b>
11. Net income/deficit for the year			<b>558</b>	<b>- 312,407</b>
12. Retained profit carried forward			0	1,583
13. Withdrawal from capital reserve			0	310,824
14. Balance sheet profit			<b>558</b>	<b>0</b>

## REGULATION OF INSURANCE COMPANIES IN GERMANY

Since 1973, the EU has adopted a series of insurance directives on life insurance and direct insurance other than life insurance. These directives have been implemented in Germany. Under the directives, the regulation of insurance companies, including insurance operations outside their respective home countries (whether direct or through branches), is the responsibility of the home country insurance regulatory authority, which is, in particular, responsible for monitoring compliance with applicable regulations, the solvency and actuarial reserves of insurers and the assets supporting those reserves. The EU insurance directives generally permit an insurance company licensed in any jurisdiction of the EU to conduct insurance activities, directly or through branches, in all other jurisdictions of the EU, without being subject to additional licensing requirements.

Supervision of insurance companies in Germany is governed by the Insurance Supervisory Act (*Versicherungsaufsichtsgesetz* (the “**VAG**”)), of October 13, 1983, which was subsequently amended as a result of the implementation of the various EU insurance directives. Under the VAG, insurance companies are subject to detailed requirements with respect to the administration of their assets and liabilities. In general, the actuarial and claims reserves of each insurer must be adequate to allow the insurer to fulfil its contractual commitments to pay upon receipt of claims.

In order to ensure that their liabilities under insurance contracts can be permanently fulfilled, German insurance companies (except for reinsurance companies) are obliged, by virtue of Section 53c of the VAG, to hold free uncommitted own funds (*freie unbelastete Eigenmittel*) in an amount not less than a prescribed solvency margin (*Solvabilitäts-spanne*), which depends on the total volume of business. Different rules apply for the calculation of the solvency margin to non-life and life insurance companies. One third of the solvency margin is defined as the guarantee fund (*Garantiefonds*).

Regulatory own funds include in particular, (i) the insurance company's share capital less the amount of own shares and less half the amount of not fully paid-in shares, (ii) capital reserves, (iii) profit reserves, (iv) retained profits, and (v) certain hidden reserves (only with regulatory approval). Additionally, payments received by the insurance company as consideration for the issuance of profit participation rights (*Genussscheine*) and the incurrence of subordinated obligations (*nachrangige Verbindlichkeiten*), will count as own funds under certain conditions, provided that the total own funds represented by profit participation rights and subordinated obligations do not exceed 25% of the total of (i) share capital less own shares and half the amount of not fully paid-in shares, (ii) capital reserves, and (iii) profit reserves.

The law limits the proportion of assets which German insurers may invest in certain categories of investments and imposes restrictions with respect to particular investments.

All private primary insurance companies in Germany are subject to the control of the Federal Supervisory Authority for Financial Services (*Bundesanstalt für Finanzdienstleistungsaufsicht* (the “**BaFin**”)). Subsequent to deregulation of the insurance industry in 1994, the principal task of the BaFin has been solvency control and financial monitoring. Insurance companies are required to submit quarterly interim reports, audited annual accounts and statutory annual returns to the BaFin. The BaFin may appoint special agents to protect the interests of policyholders and issue orders relating to the insurers' conduct of business. For insurance companies registered in another EU member state, some exemptions exist.

New insurance products and policies may be offered in Germany without prior approval of the BaFin. Insurers must file a description of new products and policies, and the BaFin may require the modification of terms and conditions or the withdrawal from the market or modification of any contract that does not comply with applicable laws and regulation.

According to the VAG, life and health insurance must be transacted by separate companies from those writing non-life insurance. Composite life and non-life businesses are not allowed in Germany, although this is permitted for different companies within the same group. However, according to the EU Non-Life Insurance Directive, employers are permitted to use the same insurance company for health and other insurance. Insurance companies are not allowed to carry out non-insurance business, but primary insurers may write reinsurance. The terms of all health insurance policies are also subject to German consumer protection and other legislation.

For companies which are exclusively involved in the reinsurance business and which are not a mutual company, these principles do not apply. They are subject to the supervision of the BaFin to a limited extent only and their obligations towards the BaFin are largely reduced to the provision of information.

Insurance companies are also subject to the specific accounting provisions contained in Sections 341 et seq. of the German Commercial Code (*Handelsgesetzbuch*). Generally, an insurance company is obliged to form actuarial reserves (*versicherungstechnische Rückstellungen*) also to the extent that this is necessary, according to reasonable business judgment, in order to ensure lasting performability of obligations arising from the insurance contracts entered into by it.

Actuarial reserves are to be formed pursuant to Section 341 e (2) of the German Commercial Code (*Handelsgesetzbuch*) particularly (i) for that part of the premiums which constitutes yield for a certain time after the execution date (premium carry-forwards), (ii) for success-dependent and success-independent premium returns, to the extent that statutory law, articles of association, declaration according to the business plan or contractual agreement secures exclusive use of the reserve for the purpose (reserve for premium return) and for losses anticipated after the close of the fiscal year out of contracts concluded up to the end of the fiscal year (reserve for threatened losses from insurance business).

In addition, Section 341 g of the German Commercial Code (*Handelsgesetzbuch*) requires insurance companies to form reserves for obligations from insurance cases that have arisen up to the end of the fiscal year from but have not yet been settled; for insurance cases which have arisen by the close of the fiscal year but which have not yet been reported in inventory capture, the reserve is to be assessed as a lump sum, taking into account previous experience in respect of the number of insurance cases reported after the close of the fiscal year and the extent of the expenses associated therewith.

Pursuant to Section 341 h of the German Commercial Code (*Handelsgesetzbuch*) loss equalization reserves (*Schwankungsrückstellungen*) are to be formed to compensate for variations in future loss experience particularly if (i) experience in the relevant insurance branch indicates that considerable variations in annual expenses for insurance cases should be expected, (ii) the respective variations cannot be compensated for by means of premiums, and (iii) the variations are not covered by reinsurances. For risks of the same type in respect of which the balance of performance and counterperformance can due to the high risk of damage in the individual case be found only in a time period as yet unknown on the closing day of the fiscal year rather than during the fiscal year according to actuarial principles, a reserve has to be shown as “similar reserve” among the loss equalization reserves.

## RATING

The Notes are expected to be rated at closing “BBB-” by Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc. (“S&P”) and “bbb” (outlook negative) by A.M. Best.

The rating of the Notes addresses the likelihood of full and timely payments of interest and the ultimate repayment of principal to the holders of the Notes, as described herein. The rating takes into consideration the structural, legal, tax and Issuer-related aspects associated with the Notes. However, the ratings assigned to the Notes do not represent any assessment of the likelihood of principal prepayments. The ratings do not address the possibility that the Noteholders might suffer a lower than expected yield due to prepayments.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating agency.

The Issuer has not requested a rating of the Notes by any rating agency other than S&P; there can be no assurance, however, as to whether any other rating agency will rate the Notes or, if it does, what rating would be assigned by such other rating agency. The rating assigned to the Rated Notes by such other rating agency could be lower than the rating assigned by S&P.

## TAXATION

The information contained in this section “Taxation” is not intended as tax advice and does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser of the Notes. It should be read in conjunction with the section entitled “Investment Considerations”. Potential purchasers of the Notes are urged to satisfy themselves as to the overall tax consequences of purchasing, holding and/or selling the Notes.

### Taxation in Germany

#### *Taxation of Noteholders*

##### *Income Tax / Trade Tax*

Interest paid to a Noteholder resident in Germany is subject to personal or corporate income tax (plus solidarity tax thereon currently at a rate of 5.5%). Such interest is also subject to trade tax if the Notes form part of the property of a German business. Where the Notes are kept in a custodial account maintained with a German financial institution or financial services institution (including a German branch of a non-German financial institution or financial services institution, but excluding a non-German branch of a German financial institution or financial services institution, the “**Institution**”) such Institution is generally required to withhold a tax at a rate of 30% (plus solidarity tax thereon at a rate of 5.5%) of the gross amount of interest paid to a Noteholder resident in Germany. Such withholding tax is credited against the Noteholder's final liability for personal or corporate income tax.

Interest derived by a non-resident Noteholder is subject to German personal or corporate income tax (plus solidarity tax thereon at a rate of 5.5%) if the Notes form part of the business property of a permanent establishment in Germany (in which case such interest is also subject to trade tax) or a fixed base maintained in Germany by the Noteholder or are held by a German permanent representative of the Noteholder. Tax treaties concluded by Germany generally permit Germany to tax the interest income in this situation.

Where the non-resident Noteholder keeps the Notes in a custodial account maintained with a German Institution such Institution is generally required to withhold a tax at a rate of 30% (plus solidarity tax thereon at a rate of 5.5%) of the gross amount of interest paid, provided the interest constitutes income from German sources (for instance, because the Notes form part of the business property of a permanent establishment which the Noteholder maintains in Germany). Such withholding tax is credited against the Noteholder's final liability for personal or corporate income tax.

Gains from the alienation of Notes, including gains derived by a secondary or any subsequent acquirer of the Notes upon redemption of the Notes at maturity (“**capital gains**”) derived by an individual Noteholder resident in Germany not holding the Notes as business assets are subject to personal income tax, regardless of the period between acquisition and alienation of the Notes as the payment of interest on the Notes is contingent on an uncertain event. Capital gains derived by an individual Noteholder resident in Germany holding Notes as a business asset are subject to personal income tax (plus solidarity tax thereon at a rate of 5.5%) and trade tax. Capital gains derived by a corporate Noteholder resident in Germany are subject to corporate income tax (plus solidarity tax thereon at a rate of 5.5%) and trade tax. Capital gains derived by a non-resident Noteholder are subject to personal or corporate income tax (plus solidarity tax thereon at a rate of 5.5%) if the Notes form part of the business property of a permanent establishment (in which case such gains are also subject to trade tax) or fixed base maintained in Germany by the Noteholder or are held by a German permanent representative of the Noteholder. Where the Notes are kept in a custodial account maintained with a German Institution such Institution is generally required to withhold tax at a rate of 30% (plus solidarity tax thereon at a rate of 5.5%) of an amount equal to 30% of the proceeds from the alienation or redemption of the Notes, or, where such Institution has since acquiring or selling the Notes held such Notes in custody, of the excess of the sales or redemption proceeds over the purchase price for the Notes.

Tax treaties concluded by Germany generally do not permit Germany to tax the capital gains derived by a Noteholder resident in the other treaty country, unless the Notes form part of the business property of a permanent establishment or a fixed base maintained in Germany by the Noteholder. Where Germany is allowed to tax the capital gains, any tax withheld by the Institution will give rise to a refundable credit against the Noteholder's assessed liability for personal or corporate tax.

### *EU Savings Tax Directive*

On June 3, 2003 the Council of the European Union (“**Ecofin**”) approved a directive regarding the taxation of interest income. Accordingly, each EU Member State must require paying agents (within the meaning of the directive) established within its territory to provide to the competent authority of this state details of the payment of interest made to any individual resident in another EU Member State as the beneficial owner of the interest. The competent authority of the EU Member State of the paying agent (within the meaning of the directive) is then required to communicate this information to the competent authority of the EU Member State of which the beneficial owner of the interest is a resident.

For a transitional period, Austria, Belgium and Luxembourg may opt instead to withhold tax from interest payments within the meaning of the directive at a rate of 15% presumably starting July 1, 2005, of 20% presumably as from July 1, 2008 and 35% presumably as from July 1, 2011. If the application of the provisions of the directive is delayed these dates will be postponed accordingly.

The member states shall apply the respective provisions presumably as from July 1, 2005 provided that (i) Switzerland, Liechtenstein, San Marino, Monaco and Andorra apply from that same date measures equivalent to those contained in the directive, in accordance with agreements entered into by them with the European Community and (ii) also all the relevant dependent or associated territories (the Channel Islands, the Isle of Man and the dependent or associated territories in the Caribbean) apply from that same date an automatic exchange of information or, during the transitional period described above, apply a withholding tax in the described manner.

By legislative regulations dated January 26, 2004 the Federal Government enacted the provisions for implementing the directive into German law. The entry into force of the legislative regulations depends, however, on a determination by the Council of the European Union that the conditions for the application of the directive have been fulfilled. In view of the conditions mentioned before, it is presently not yet possible to predict when the directive will ultimately be applicable.

### *Gift or Inheritance Tax*

The gratuitous transfer of a Note by a Noteholder as a gift or by reason of the death of the Noteholder is subject to German gift or inheritance tax if the Noteholder or the recipient is resident or deemed to be resident in Germany under German law at the time of the transfer. If neither the Noteholder nor the recipient is resident, or deemed to be resident, in Germany at the time of the transfer no German gift or inheritance tax is levied unless the Notes form part of the business property of a permanent establishment or fixed base maintained in Germany by the Noteholder. Tax treaties concluded by Germany generally permit Germany to tax the transfer in this situation.

## SUBSCRIPTION AND SALE

### Subscription of the Notes

Pursuant to a subscription agreement dated August 9, 2004 (the “**Subscription Agreement**”) between the Issuer and the Managers, the Managers have agreed, subject to certain conditions, to subscribe and pay for the Notes at an issue price of 99.370% in respect of a principal amount of Notes of € 200,000,000 and at an issue price of 99.720% in respect of a principal amount of Notes of € 50,000,000, in both cases less certain management and underwriting commissions. The two tranches will be fully fungible and will have the same terms and conditions except for their respective issue price. The conditions as referred to in the first sentence of this paragraph are customary closing conditions as set out in the Subscription Agreement.

In the Subscription Agreement, the Issuer has made certain representations and warranties in respect of its legal and financial matters. The Subscription Agreement entitles the Managers to terminate its obligations thereunder in certain circumstances prior to payment of the purchase price of the Notes. The Issuer has agreed to indemnify the Managers against certain liabilities in connection with the offer and sale of the Notes. The Issuer has also agreed to reimburse the Managers for certain of their expenses incurred in connection with the management of the issue of the Notes.

The Subscription Agreement is governed by German law.

### Selling Restrictions

*Germany.* Each of the Managers has confirmed that it is aware of the fact that no German sales prospectus (*Verkaufsprospekt*) within the meaning of the German Securities Sales Prospectus Act (*Verkaufsprospektgesetz* – the “**Sales Prospectus Act**”) has been or will be published with respect to the Notes and that it will comply with the Sales Prospectus Act and all other applicable legal and regulatory requirements. In particular, each Manager has represented that it has not engaged and has agreed that it will not engage in a public offering (*Öffentliches Angebot*) within the meaning of the Sales Prospectus Act with respect to any Note otherwise than in accordance with the Sales Prospectus Act. Further each of the Managers has represented and agreed that it has only offered and sold and will only offer and sell the Notes in Germany in accordance with the provisions of the Sales Prospectus Act and any other laws applicable in Germany governing the issue, sale and offering of securities.

*Italy.* The offering of the Notes has not been and will not be registered pursuant to the Italian securities legislation and, accordingly, each of the Managers has represented that it has not offered or sold, and will not offer or sell, any Notes in the Republic of Italy in a solicitation to the public, and that sales of the Notes in the Republic of Italy shall be effected in accordance with all Italian securities, tax, exchange control and other applicable laws and regulations.

Each of the Managers has represented that it will not offer, sell or deliver any Notes or distribute copies of the Offering Circular or any other document relating to the Notes in the Republic of Italy except to “**Professional Investors**”, as defined in Article 31.2 of CONSOB Regulation No. 11522 of 1st July 1998 (“**Regulation No. 11522**”), as amended, pursuant to Articles 30.2 and 100 of Legislative Decree No. 58 of 24th February 1998, as amended (“**Decree No. 58**”), or in any other circumstances where an express exemption from compliance with the solicitation restrictions provided by Decree No. 58 or CONSOB Regulation No. 11971 of 14th May 1999, as amended, applies, provided however, that any such offer, sale or delivery of Notes or distribution of copies of the Offering Circular or any other document relating to the Notes in the Republic of Italy must be:

- (a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 385 of 1st September 1993, as amended (“**Decree No. 385**”), Decree No. 58, Regulation No. 11522 and any other applicable laws and regulations;
- (b) in compliance with Article 129 of Decree No. 385 and the implementing instructions of the Bank of Italy (“*Istruzioni di vigilanza della Banca d'Italia*”), pursuant to which the issue, offer or placement of securities in Italy is subject to prior notification to the Bank of Italy, unless an exemption, depending, *inter alia*, on the aggregate amount of the securities issued, offered or placed in Italy and their characteristics, applies; and
- (c) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy.

*United Kingdom.* Each of the Managers has represented, warranted and agreed that: (a) it has not offered or sold and, prior to the expiry of the period of six months from the Issue Date, will not offer or sell any Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing, or dispos-

ing of investments (as principal or agent) for the purpose of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended); (b) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 (“FSMA”) with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom; and (c) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer.

As used herein, “**United Kingdom**” means the United Kingdom of Great Britain and Northern Ireland.

*United States of America and its Territories.* (1) The Notes have not been and will not be registered under the Securities Act and may not be offered, or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act. Each of the Managers has represented and agreed that it has offered and sold the Notes, and will offer and sell the Notes (i) as part of its distribution at any time and (ii) otherwise until 40 days after the completion of the distribution of all the Notes only in accordance with Rule 903 of the Regulation S under the Securities Act. Neither the Managers, their respective affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes, and it and they have complied and will comply with the offering restrictions requirements of Regulation S under the Securities Act. Each of the Managers has also agreed that at or prior to confirmation of sale of Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the restricted period a confirmation or notice to substantially the following effect:

“The Securities covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”) and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Securities as determined and certified by the Managers, except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meaning given to them in Regulation S under the Securities Act.”

Terms used in this clause have the meaning given to them by Regulation S under the Securities Act.

(2) Further, each of the Managers has represented and agreed that:

- (a) except to the extent permitted under U.S. Treas. Reg. Section 1.163-5 (c)(2)(i)(D) (the “**TEFRA D Rules**”), (i) it has not offered or sold, and during the restricted period will not offer or sell, directly or indirectly, Notes in bearer form to a person who is within the United States or its possessions or to a United States person, and (ii) it has not delivered and will not deliver, directly or indirectly, within the United States or its possessions definitive Notes in bearer form that are sold during the restricted period;
- (b) it has and throughout the restricted period will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes in bearer form are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the TEFRA D Rules;
- (c) if it was considered a United States person, that it is acquiring the Notes for purposes of resale in connection with their original issuance and agrees that if it retains Notes in bearer form for its own account, it will only do so in accordance with the requirements of U.S. Treas. Reg. Section 1.63-5 (c)(2)(i)(D)(6); and
- (d) with respect to each affiliate that acquires from it Notes in bearer form for the purpose of offering or selling such Notes during the restricted period that it will either (i) repeat and confirm the representations and agreements contained in sub-clauses (a), (b) and (c); or (ii) obtain from such affiliate for the benefit of the Issuer the representations and agreements contained in sub-clauses (a), (b) and (c).

Terms used in this clause (2) have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder, including the TEFRA D Rules.

*General.* Each of the Managers has agreed that it will not offer, sell or deliver any of the Notes, directly or indirectly, or distribute this Information Memorandum or any other offering material relating to the Notes, in or from any jurisdiction except under circumstances that will to its best knowledge and belief result in compliance with the applicable laws and regulations thereof.

## **USE OF PROCEEDS**

The net proceeds from the issuance of the Notes will amount to approximately € 247,000,000 and will be used to enhance the Issuer's capitalisation and support future growth.

## GENERAL INFORMATION

### Authorisation

The issue of the Notes was authorised by a resolution of the management board (*Vorstand*) of the Issuer on May 17, 2004.

### Litigation

Save as disclosed in this Information Memorandum, there are no litigation or arbitration proceedings against or affecting the Issuer or any of its subsidiaries or any of their respective assets, nor is the Issuer aware of any pending or threatened proceedings, which (in either case) are or might be material in the context of the issue of the Notes.

### Material Change

Save as disclosed in this Information Memorandum, there has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) or general affairs of the Issuer, in each case that is material in the context of the issue of the Notes, since December 31, 2003.

### Payment Information

For as long as any of the Notes are listed on the Luxembourg Stock Exchange, the Luxembourg Stock Exchange will be informed by the Issuer of all notifications regarding payments.

Payments and transfers of the Notes will be settled through Euroclear and Clearstream Luxembourg.

All notices to the Noteholders regarding the Notes will be published in a leading daily newspaper having general circulation in Luxembourg (which is expected to be the *Tageblatt* (Luxembourg)) or in such other publication or manner conforming to the rules of the Luxembourg Stock Exchange.

### Luxembourg Listing

Application has been made to list the Notes on the Luxembourg Stock Exchange. The Issuer has appointed Deutsche Bank Luxembourg S.A., Luxembourg, as the initial listing agent for the Luxembourg Stock Exchange in the City of Luxembourg and as the initial Luxembourg Listing and Paying Agent. The Luxembourg Listing and Paying Agent will act as intermediary between the Issuer and the holders of the Notes listed on the Luxembourg Stock Exchange. For as long as any of the Notes are listed on the Luxembourg Stock Exchange the Issuer will maintain a Luxembourg Listing and Paying Agent in Luxembourg.

Prior to such listing of the Notes the Articles of Association (*Satzung*) of the Issuer and a legal notice relating to the issue of the Notes will be lodged with the Register of Commerce and Companies in Luxembourg (*Registre de Commerce et des Sociétés du Luxembourg*) where such documents may be inspected and copies thereof obtained upon request.

### Clearing Code

The Notes have been accepted for clearing by Euroclear and Clearstream Luxembourg with the following security identification numbers:

ISIN Code:	XS0198106238
Common Code:	019810623
WKN:	A0BVPF

### Availability of Documents

Copies of the following documents may be obtained during customary business hours on any working day from the date hereof (or the date of publication of such document, as relevant) as long as any of the Notes remain outstanding and are listed on the Luxembourg Stock Exchange at the registered office of the Issuer and the head office of the

Principal Paying Agent and as long as any of the Notes are listed on the Luxembourg Stock Exchange they will also be available and may be obtained (free of charge) at the specified offices of the Luxembourg Intermediary:

- (i) the Articles of Association (*Satzung*) of the Issuer;
- (ii) the confirmation of the authorisation of the issue of the Notes by the Issuer;
- (iii) this Information Memorandum;
- (iv) the documents incorporated by reference herein (see “DOCUMENTS INCORPORATED BY REFERENCE”);
- (v) the Subscription Agreement;
- (vi) the Agency Agreement;
- (vii) all future annual financial statements of the Issuer.

## INDEX OF DEFINED TERMS

€	2
Additional Amounts	22
Adjusted Comparable Yield	20
Arrear of Interest	7, 18
BaFin	45
Business Day	16
Calculation Agent	22
Calculation Period	17
capital gains	48
Clearing System	15
Clearstream, Luxembourg	2
Co-Lead Manager	1
Common Depositary	2
Day Count Fraction	17
Decree No. 385	50
Decree No. 58	50
Deferred Interest	19
Denomination	15
Deutsche Bank	1, 6
Early Redemption Amount	20
Ecofin	49
EUR	2
euro	2
Euroclear	2
Fixed Interest Payment Date	1, 16
Floating Interest Payment Date	1, 16
Floating Interest Period	16
FSMA	51
GBG	31
Gerling Group	31
Germany	2
GKA	24
GKA Group	2, 29
GKB	29
Global Notes	2
Gross-up Event	20
HGB	28
IFRS	28
Information Memorandum	2
Institution	48
Interest Amount	17
Interest Determination Date	17
Interest Payment Date	7, 18
Issue Date	15
Issuer	15, 24
Joint Lead Managers	1
Junior Securities	19
KPMG	28
Make-Whole Amount	20
Management Board	26
Managers	1
Margin	17
Maturity Date	7, 19
Morgan Stanley	1, 6
Noteholders	16
Notes	1, 15
Parity Securities	19

Paying Agent .....	22
Paying Agents .....	22
Permanent Global Note .....	2, 15
Present Values .....	20
Principal Paying Agent .....	22
Professional Investors .....	50
Rate of Interest .....	16
Redemption Amount .....	8, 19
Reference Banks .....	17
Regulation No. 11522 .....	50
Regulatory Event .....	20
S&P .....	1, 47
Sales Prospectus Act .....	50
Screen Page .....	17
Securities Act .....	2, 51
Subscription Agreement .....	50
Supervisory Board .....	26
Tax Event .....	20
Taxes .....	22
TEFRA D Rules .....	51
Temporary Global Note .....	2, 15
Terms and Conditions .....	15
United Kingdom .....	51
VAG .....	12, 45

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