

INFORMATION MEMORANDUM



GERLING

Gerling-Konzern Lebensversicherungs-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)

€ 160,000,000 6.75 % Subordinated Perpetual Fixed to Floating Rate Bearer Notes

Issue Price 99.723 %

Gerling-Konzern Lebensversicherungs-AG, Cologne (the “**Issuer**” or “**GKL**”) will issue on 30 June 2005 (the “**Issue Date**”) subordinated perpetual fixed to floating rate bearer notes (the “**Notes**”) in an aggregate principal amount of € 160,000,000. The Notes will be issued at an issue price of 99.723 % of their principal amount.

The Notes will bear interest from and including 30 June 2005 to but excluding 30 June 2015 at a rate of 6.75 % per annum, payable annually in arrear on 30 June in each year (each a “**Fixed Interest Payment Date**”), commencing on 30 June 2006. Thereafter, unless previously redeemed, the Notes will bear interest at a rate of 4.55 % per annum above the Euro inter-bank offered rate for three-month deposits, payable quarterly in arrear on the 30th day of September, December, March and June in each year (each a “**Floating Interest Payment Date**”), all as more particularly described in “THE NOTES – § 3 (*Interest*)”. Under certain circumstances payments of interest may be deferred. The Issuer must pay any outstanding Arrears of Interest (in whole but not in part) if the conditions set forth in § 3(3)(c) of the Terms and Conditions are met. See “The NOTES – § 3(3) (*Interest – Arrears of Interest*)”.

The Notes are perpetual securities and not subject to any mandatory redemption provisions. 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 30 June 2015 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 30 June 2015 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. The redemption or repurchase of the Notes 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 Supervisory Authority for Financial Services (*Bundesanstalt für Finanzdienstleistungsaufsicht*) (the “**BaFin**”) (or any successor in its capacity) has given its prior consent to the repurchase or redemption of the Notes without such replacement. 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.

BNP Paribas, London Branch (“**BNP Paribas**”) and Deutsche Bank AG, London Branch (“**Deutsche Bank**”, and together with BNP Paribas, the “**Joint Lead Managers**”) will purchase the Notes from the Issuer on the Issue Date.

Joint Lead Managers

BNP PARIBAS

Deutsche Bank

The date of this Information Memorandum is 28 June 2005.

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 30 June 2005.

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 JOINT LEAD 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 “Baa3” by Moody’s Investors Service (“**Moody’s**”) and “BB+” by Standard & Poor’s Rating Services, a division of the McGraw-Hill Companies, Inc. (“**S&P**”). 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 and Moody’s; 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 Notes by such other rating agency could be lower than the rating assigned by S&P and Moody’s. On 21 June 2005 Fitch Ratings assigned a preliminary rating of B+ to the Notes. The rating has not been requested by the Issuer and, according to Fitch Ratings, is solely based on publicly available information.

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.

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 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 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 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.

This Information Memorandum contains certain forward-looking statements, including statements using the words “believes”, “anticipates”, “intends”, “expects” or other similar terms. This applies in particular to statements under the caption “Business of GKL” and statements elsewhere in this Information Memorandum relat-

ing to, among other things, the future financial performance, plans and expectations regarding developments in the business of the Issuer. These forward-looking statements are subject to a number of risks, uncertainties, assumptions and other factors that may cause the actual results, including the financial position and profitability of GKL, or those of life insurance companies generally to be materially different from or worse than those expressed or implied by these forward-looking statements. The Issuer does not assume any obligation to update such forward-looking statements and to adapt them to future events or developments.

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 Joint Lead 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 Joint Lead 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 Joint Lead 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 unauthorised.

No action has been taken by the Issuer or the Joint Lead 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 Joint Lead 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 authorised 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 Joint Lead 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, BNP Paribas 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. 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 activities, if any, may begin at any time after the adequate public disclosure of the final terms of the offer of the Notes and, if begun, must be terminated no later than the 30th calendar day after the Issue Date, or the 60th calendar day following the allotment of the Notes, whichever is earlier. Such stabilising shall be in accord with all laws, regulations and rules of any relevant jurisdiction.

DOCUMENTS INCORPORATED BY REFERENCE

The 2003 annual report of GKL (including the audited unconsolidated financial statements as of and for the fiscal year ended December 31, 2003 prepared in accordance with the German Commercial Code (*Handelsgesetzbuch* – “HGB”) and the 2004 annual report of GKL (including the audited unconsolidated financial statements of GKL as of and for the fiscal year ended December 31, 2004 prepared in accordance with the 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 BNP Paribas, Securities Services, Luxembourg Branch, 23 Avenue de la Porte Neuve, L-2085 Luxembourg, Luxembourg, as long as any Notes are listed on the Luxembourg Stock Exchange and the rules of such stock exchange so require. The Issuer publishes annual financial statements on an unconsolidated basis. The Issuer does not publish interim financial statements or consolidated financial statements.

TABLE OF CONTENTS

SUMMARY	6
INVESTMENT CONSIDERATIONS	10
THE NOTES	14
THE ISSUER	24
BUSINESS OF GKL	28
FINANCIAL STATEMENTS OF GKL	41
REGULATION OF INSURANCE COMPANIES IN GERMANY	44
RATING	47
TAXATION	48
SUBSCRIPTION AND SALE	50
USE OF PROCEEDS	53
GENERAL INFORMATION	54
INDEX OF DEFINED TERMS	56

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 Lebensversicherungs-AG, Gereonshof, 50670 Cologne, Germany.
The Notes	The Notes will be issued in an aggregate principal amount of € 160,000,000 and are divided into 160,000 bearer notes, each with a principal amount of € 1,000.
Global Notes and Exchange	<p>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 depositary for Euroclear and Clearstream Luxembourg.</p> <p>See “THE NOTES – § 1 (<i>Form and Denomination – Global Notes and Exchange</i>).”</p>
Status of the Notes	<p>The obligations under the Notes constitute unsecured and subordinated obligations of the Issuer ranking <i>pari passu</i> among themselves and at least <i>pari passu</i> with all other unsecured subordinated obligations of the Issuer save for any obligations required to be preferred by mandatory law.</p> <p>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.</p> <p>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, establish a maturity date or shorten the term of any applicable notice period (<i>Kündigungsfrist</i>) in respect of the Notes. If the Notes are redeemed 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 (<i>Eigenmittel</i>).</p> <p>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.</p> <p>See “THE NOTES – § 2 (<i>Status</i>).”</p>
Joint Lead Managers	BNP Paribas, 10 Harewood Avenue, London NW1 6AA, United Kingdom, and Deutsche Bank AG, London Branch, Winchester House, 1 Great Winchester Street, London EX2N 2DB, United Kingdom.
Principal Paying Agent/Calculation Agent	Deutsche Bank Aktiengesellschaft, Frankfurt am Main, Große Gallusstraße 10-14, D-60272 Frankfurt am Main, Germany.

Luxembourg Listing Agent	BNP Paribas, Securities Services, Luxembourg Branch, 23 Avenue de la Porte Neuve, L-2085 Luxembourg, Luxembourg.
Luxembourg Paying Agent	Deutsche Bank Luxembourg S.A., 2 Boulevard Konrad Adenauer, L-1115 Luxembourg, Luxembourg.
Issue Date	30 June 2005.
Interest	<p>The Notes will bear interest from and including 30 June 2005 to but excluding 30 June 2015 at a rate of 6.75% per annum, payable annually in arrear on 30 June in each year, commencing on 30 June 2006. Thereafter, unless previously redeemed, the Notes will bear interest at a rate of 4.55% per annum above the Euro-zone inter-bank offered rate for three-month deposits, payable quarterly in arrear on the 30th day of September, December, March and June in each year. See “THE NOTES – § 3 (<i>Interest</i>)”.</p>
Suspension of Interest Payments	<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 “Interest Payment Date”) to suspend a payment of interest if</p> <ul style="list-style-type: none"> (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 (ii) the unconsolidated financial statements of the Issuer, prepared in accordance with the provisions of the HGB for the financial year immediately preceding such Interest Payment Date, have not shown an annual profit (<i>Jahresüberschuss</i>). <p>On such Interest Payment Date, the Issuer will 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 (<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>
Payment of Arrears of Interest	<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 date on which the Notes are redeemed, (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>

Repurchase	<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>
Perpetual Notes	<p>The Notes are perpetual securities and not subject to any mandatory redemption provision. The Notes may only be redeemed at the option of the Issuer in accordance with § 4(3) or (4) of the Terms and Conditions of the Notes.</p> <p>See “THE NOTES – § 4 (<i>Redemption and Purchase – Repurchase</i>)”.</p>
Early Redemption at the Option of the Issuer	<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 30 June 2015 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 “Redemption Amount”).</p> <p>See “THE NOTES – § 4 (<i>Redemption and Purchase – Early Redemption at the Option of the Issuer</i>)”.</p>
Early Redemption following a Gross-up Event, a Tax Event or a Regulatory Event	<p>Until 30 June 2015 (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 30 June 2015 (exclusive).</p> <p>See “THE NOTES – § 4 (<i>Redemption and Purchase – Early Redemption Amount</i>)”.</p>
Regulatory Limitations on Repurchase and Redemption	<p>The Issuer may 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 BaFin (or any successor in its capacity) has given its prior consent to the repurchase or redemption of the Notes without such replacement. Following a Regulatory Event due to the BaFin (or any successor in its capacity) having determined that the Notes in whole or in part no longer fulfil the requirements for own funds (<i>Eigenmittel</i>) for solo solvency purposes of the Issuer or for group solvency purposes of the group of companies the Issuer is a member of, the Issuer may only redeem the Notes if such portion of the principal amount of the Notes which continues to fulfil such requirements for solo solvency purposes or for group solvency purposes after such determination, has been replaced by other, at least equivalent own funds (<i>Eigenmittel</i>) or if the BaFin (or any successor in its capacity) has given its prior consent to the redemption of the Notes without such replacement.</p> <p>See “THE NOTES – § 4 (<i>Redemption and Purchase – Regulatory Limitations</i>)”.</p>
Use of Proceeds	<p>The net proceeds from the issuance of the Notes will amount to approximately € 158,356,800 and are intended to be used for general corporate purposes and to enhance GKL’s capitalisation and support future growth.</p>

Selling Restrictions	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”.
Listing	Application has been made to list the Notes on the Luxembourg Stock Exchange.
Settlement	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.
Governing Law	The Notes will be governed by the laws of Germany.
Ratings	The Notes are expected to be rated at closing “Baa3” by Moody’s and “BB+” by S&P. 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 by giving not less than 10 nor more than 15 business days' notice to the Noteholders before any Interest Payment Date (as defined in § 3(3)(a) of the Terms and Conditions) 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 HGB for the financial year immediately preceding such Interest Payment Date, have not shown an annual profit (*Jahresüberschuss*). If the Issuer defers a payment of interest on the Notes on an Interest Payment Date, 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. Noteholders will not receive any additional interest or compensation for the deferral of payment of interest on the Notes.

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.

Perpetual Securities

The Notes are perpetual securities. The Terms and Conditions do not provide for a maturity date or for a right of termination of the Noteholders and are not subject to any mandatory redemption provisions. The Notes may only be redeemed at the option of the Issuer in accordance with § 4(3) or (4) of the Terms and Conditions. There is, therefore, no guarantee that the principal amount of the notes or a portion thereof will be repaid at all or within a certain period of time. The interest on the Notes (if not deferred) may thus be the only payments the Noteholders receive in respect of the Notes.

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 (as defined in § 3(3)(a) of the Terms and Conditions) on 30 June 2015 or on any Floating Interest Payment Date (as defined in § 3(2)(b) of the Terms and Conditions) thereafter or (ii) until 30 June 2015 (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 Terms and Conditions) or upon the occurrence of a Regulatory Event (as defined in § 4(4)(c) of the Terms and Conditions), all as more fully described in the Terms and Conditions of the Notes. In the event that the Issuer exercises the option to redeem the Notes, the Noteholders might suffer a lower than expected yield.

No Limitation on Issuing Debt

The Issuer may issue debt which ranks senior to the Notes and there is no restriction on the amount of debt which the Issuer may issue which ranks 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, a maturity date may not be established and the term or any notice periods for redemption of the Notes may not be shortened. If the Notes are repaid 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 GKL's Business

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

S&P and Moody's assign ratings to the financial strength of GKL. In the past three years the rating developments in respect of GKL have been highly volatile.

During the period from the beginning of 2002 to February 2003, the S&P cut GKL's financial strength rating in various steps from "A+" to "BB+". This downgrade was, among other things, due to GKL's restructuring measures, its weakened financial position, the then prevailing uncertainty about the future shareholder structure of the Gerling Group as well as the initial refusal of the BaFin to approve the sale of the reinsurance division of the Gerling Group which had encountered financial difficulties in 2002. However, in view of the improved financial position and positive economic performance of GKL during the period from February 2003 to August 2003 S&P raised the financial strength rating of GKL to an investment-grade "BBB-" (outlook developing) in August 2003. After S&P confirmed the "BBB-"(outlook positive) rating of GKL in July 2004, S&P raised the financial strength rating of GKL to "BBB" (outlook stable) in May 2005.

During the period from October 2002 to January 2003 the insurance financial strength rating assigned to GKL by Moody's was reduced in various steps from "Aa3" to "A2". In February 2003 Moody's rating of GKL was further reduced from "A2" to "Baa1". There has been no further change to the rating assigned by Moody's since February 2003. Moody's confirmed the rating "Baa1" in June 2005.

Rating agencies can be expected to continue to monitor the financial strength of GKL, and no assurance can be given that rating downgrades will not occur, whether due to changes in GKL's performance, changes in rating agencies' industry views or ratings methodologies, the occurrence of a change of control at the level of any of GKL's direct or indirect parent companies, or a combination of such, or other factors. Claims paying ability and financial strength rating are a major factor in establishing the competitive position of insurers. A rating downgrade, or the potential for such downgrade, could, therefore, materially adversely affect GKL's ability to compete in its markets, such as the corporate pension schemes business, and thereby negatively impact sales of its insurance products. Any rating downgrade could also materially adversely affect GKL'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 GKL.

Interest rate volatility may adversely affect the financial position and results of operations of GKL.

Changes in prevailing interest rates (including changes in the difference between the levels of prevailing short- and long term rates) can affect GKL's insurance results. Over the past several years, movements in both short- and long-term interest rates have affected the level of gains and losses on securities held by GKL in its investment portfolio. GKL's investment portfolio is heavily weighted towards euro-denominated fixed-income investments. As of 31 December 2004 fixed income investments amounted to € 10,177 million which represented approximately 58% of GKL's entire investment portfolio. Accordingly, interest rate movement in the euro zone will significantly affect the value of GKL's investment portfolio. A sustained low level of interest rates or a further decrease in interest rates may result in a decline in current income from new investments in fixed income securities as higher yielding investments mature. An increase in interest rates could substantially decrease the value of the fixed income portfolio, and any unexpected change in interest rates could materially adversely affect GKL's bond and interest rate derivative positions. At the same time GKL's expenses for payment of surrender values could increase if policyholders increasingly cancel their policies in order to reinvest their monies at higher interest rates, in which case GKL could be forced to sell its investments at prices which are below the then prevailing market rates.

The short-term impact of interest rate fluctuations on GKL's life insurance business may be reduced in part by products such as unit-linked life insurance products designed to partly or entirely transfer GKL's exposure to interest rate movements to the policyholders. While product design can also reduce GKL's exposure to interest rate volatility, reductions in the investment income below the rates assumed in product pricing, or below the guaranteed rates, would reduce or eliminate the profit margins on GKL's life insurance business.

GKL's investment portfolio is significantly exposed to equity securities and other non-fixed income securities. Market risks could adversely impact the financial position and results of operations of GKL.

As of 31 December 2004 a significant portion of GKL's investment portfolio consisted of equity securities, investment fund units and other non-fixed interest securities. The share of investments relating to equity securities, investment fund units (other than investment fund units representing shares in a real estate investment fund) and other non-fixed interest securities in GKL's investment portfolio decreased from 32.2% (€ 5,745 million) as of 31 December 2003 to 27.8% (€ 4,993 million) as of 31 December 2004. At the same time the share of investments relating to equity securities in GKL's investment portfolio decreased from 13.1% as of 31 December 2003 to 6.9% as of 31 December 2004, in each case on a market value basis. Despite this decrease GKL's investment portfolio remains significantly exposed to equity securities and other non-fixed interest securities. Fluctuations in equity markets may affect the market value and liquidity of such equity securities and other non-fixed interest securities and may have a material adverse impact on the financial position and results of operations of GKL.

Actuarial experience and other factors could differ from that assumed in the calculation of life actuarial reserves.

The assumptions GKL makes in assessing its life insurance reserves may differ from the actual developments which GKL may experience in the future. GKL derives its life insurance reserves using well established actuarial practices and prudent assumptions in accordance with the accounting provisions of the HGB. These assumptions include the assessment of the long term development of interest rates, investment returns, the allocation of investments between equity, fixed income and other categories, already credited policyholder bonus rates (most of which are guaranteed), mortality and morbidity rates, policyholder cancellations and future expense levels. GKL monitors its actual experience of these assumptions and to the extent that GKL considers that this experi-

ence will continue in the longer term GKL refines its long-term assumptions. However, changes in any such assumptions may lead to changes in the estimates of life insurance reserves, which could in turn have a material adverse effect on the financial position or results of operations of GKL.

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

Pursuant to an agreement dated, and with effect from, 31 December 1976, the holding company of the Gerling Group, GKB, assumed pension commitments for the active and retired staff and executives of GKL. GKB assumed these pension commitments in exchange for a payment in cash equal to the value of the pension provisions required under the accounting provisions of the HGB. The extent of GKB's commitment corresponds to the value of 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 GKL against such pension commitments (to the extent specified in such agreement), GKL remains either solely or jointly liable for such pension commitments vis-à-vis the persons entitled to the pensions. As of 31 December 2004, the pension commitments of GKL amounted to € 79 million, as determined in accordance with the accounting provisions of the HGB. Such pension commitments were reflected in the notes to GKL's financial statements for 2004 as contingent liabilities. 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 GKL could be materially adversely affected.

Changes in tax legislation could adversely affect GKL's business.

Changes to tax laws may affect the attractiveness of certain of GKL's products that until recently have received or currently receive favourable tax treatment. In 2004, for example, the *Gesetz zur Neuordnung der einkommensteuerlichen Behandlung von Altersvorsorgeaufwendungen und Altersbezügen* (*Alterseinkünftegesetz* – “**Retirement Income Act**”) of 5 July 2004 significantly reduced the favourable tax treatment both in respect of premiums and benefit payouts for life insurance policies issued after 1 January 2005. Under the previous tax regime, payments received at the maturity of a life insurance policy with a term of at least 12 years and on which premiums had been paid for at least five years were not taxable, and the life insurance premiums were deductible from the policyholder's income in the year they were paid, subject to certain limitations. The enactment of the Retirement Income Act in 2004 removing most of the tax benefits associated with certain life insurance products (including in particular endowment policies) as of 1 January 2005 led to a significant increase in the demand for GKL's life insurance products in 2004 as the entering into of life insurance contracts prior to 1 January 2005 enabled customers to continue to benefit from the previous more favourable tax regime applicable to life insurance policies. However, the enactment of the Retirement Income Act could in the long-term significantly reduce the attractiveness of certain life insurance products currently offered by GKL. Further changes in tax legislation could have similar effects on GKL's insurance products. If GKL fails to adapt to these changes by developing new life insurance products which meet the specific need of potential customers, this could have a material adverse effect on the financial position and results of operation of GKL.

Changes in existing, or new, government regulations in Germany or other countries in which GKL operates may materially impact GKL's business.

GKL's insurance business is subject to detailed comprehensive regulation and supervision in Germany and in all other countries in which GKL operates. Changes in existing laws and regulations, or changes in the interpretation of such laws and regulations by the courts or the competent authorities, may affect the way in which GKL conducts its business and the products it may offer. Changes in regulations relating to pensions and employment, social security, insurance products and taxation may materially adversely affect GKL's insurance business by restructuring its activities, imposing increased costs or otherwise.

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.

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) Währung, Nennbetrag und Form.

Die Gerling-Konzern Lebensversicherungs-AG, Gereonshof, 50670 Köln, Bundesrepublik Deutschland (die „**Emittentin**“) begibt am 30. Juni 2005 (der „**Begebungstag**“) 160.000 auf den Inhaber lautende, nachrangige, fest- bis variabel verzinsliche Schuldverschreibungen (die „**Schuldverschreibungen**“) im Nennbetrag von je € 1.000 (der „**Nennbetrag**“) und im Gesamtnennbetrag von € 160.000.000.

(2) Globalurkunden und Austausch.

Die Schuldverschreibungen werden zunächst in einer vorläufigen Globalinhaberschuldverschreibung (die „**Vorläufige Globalurkunde**“) ohne Zinsscheine verbrieft und am oder um den Begebungstag bei einer gemeinsamen Verwahrstelle für Clearstream Banking, société anonyme, Luxembourg und Euroclear S.A./N.V. als Betreiberin des Euroclear-Systems (beide gemeinsam nachstehend als „**Clearing-System**“ bezeichnet) hinterlegt. Die Vorläufige Globalurkunde wird nicht vor Ablauf von 40 und spätestens nach Ablauf von 180 Tagen nach dem Begebungstag gegen Vorlage einer Bestätigung über das Nichtbestehen U.S.-amerikanischen wirtschaftlichen Eigentums („*beneficial ownership*“) an den Schuldverschreibungen gemäß den Regeln und Betriebsabläufen des Clearing-Systems gegen eine endgültige Globalinhaberschuldverschreibung (die „**Dauer-Globalurkunde**“) ohne Zinsscheine ausgetauscht. Zahlungen auf eine Vorläufige Globalurkunde erfolgen nur gegen Vorlage einer solchen Bestätigung. Einzelurkunden oder Zinsscheine werden nicht ausgegeben.

§ 2 (Status)

(1) Status der Schuldverschreibungen.

Die Schuldverschreibungen begründen nicht besicherte, nachrangige Verbindlichkeiten der Emittentin, die untereinander und mit allen anderen gegenwärtigen und zukünftigen nicht besicherten und nachrangigen Verbindlichkeiten der Emittentin zumindest gleichrangig sind, soweit nicht zwingende gesetzliche Bestimmungen etwas anderes vorschreiben. Im Fall der Auflösung, der Liquidation, der Insolvenz oder eines der Abwendung der Insolvenz der Emittentin dienenden Verfahrens stehen solche Verbindlichkeiten nicht nachrangigen Ansprüchen aller anderen Gläubiger im Rang nach, so dass Zahlungen auf die Schuldverschreibungen erst erfolgen, wenn alle Ansprüche gegen die Emittentin aus nicht nachrangigen Verbindlichkeiten vollständig befriedigt sind.

Terms and Conditions

§ 1 (Form and Denomination)

(1) Currency, Denomination and Form.

Gerling-Konzern Lebensversicherungs-AG, Gereonshof, 50670 Cologne, Federal Republic of Germany (the “**Issuer**”) issues on 30 June 2005 (the “**Issue Date**”) 160,000 subordinated fixed to floating rate bearer notes (the “**Notes**”) in a denomination of € 1,000 each (the “**Denomination**”) in the aggregate principal amount of € 160,000,000.

(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 depositary for Clearstream Banking, société anonyme, Luxembourg and Euroclear S.A./N.V., as operator 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 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. No definitive Notes or interest coupons will be issued.

§ 2 (Status)

(1) 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 present and future unsecured subordinated obligations of the Issuer, save for any obligations required to be preferred by mandatory law. In the event of the dissolution, liquidation, insolvency or any proceeding for the avoidance of insolvency of the Issuer, such obligations will be subordinated 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 eine Endfälligkeit der Schuldverschreibungen begründet noch die Laufzeit der Schuldverschreibungen oder die jeweiligen Kündigungsfristen verkürzt werden. Eine Rückzahlung der Schuldverschreibungen, 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 30. Juni 2005 (einschließlich) bis 30. Juni 2015 (ausschließlich) werden die Schuldverschreibungen bezogen auf den Gesamt-Nennbetrag mit jährlich 6,75% verzinst. Zinsen sind nachträglich am 30. Juni eines jeden Jahres fällig, erstmals am 30. Juni 2006 (jeweils ein „**Festzinzahlungstag**“), 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.

Ab dem 30. Juni 2015 (einschließlich) werden die 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 30. September 2015, sofern die Emittentin nicht von ihrem Recht gemäß § 3 (3) Gebrauch macht.

(b) Variable Zinszahlungstage und Variable Zinsperioden.

„**Variabler Zinszahlungstag**“ bezeichnet den 30. Tag im September, Dezember, März und Juni 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 30. Juni 2015 (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.

(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, establish a maturity date or shorten the term or any applicable notice period (*Kündigungsfrist*) in respect of the Notes. If the Notes are redeemed 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 30 June 2005 to but excluding 30 June 2015 the Notes bear interest on their aggregate principal amount at the rate of 6.75% per annum. Interest shall be payable annually in arrear on 30 June of each year commencing on 30 June 2006 (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.

From and including 30 June 2015 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 30 September 2015, 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 30th day of September, December, March and June 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 30 June 2015 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) Variabler Zinssatz.

Der Zinssatz (der „**Variable Zinssatz**“) für die jeweilige Variable Zinsperiode berechnet sich aus dem Angebotssatz (ausgedrückt 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 4,55% (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

(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 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 4.55% (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

Vorankündigung nachträglich angepasst (oder andere geeignete Anpassungsregelungen getroffen) werden. Jede solche Anpassung wird umgehend allen Wertpapierbörsen, an denen die Schuldverschreibungen zu diesem Zeitpunkt notiert sind, sowie den Anleihegläubigern gemäß § 10 bekannt gemacht.

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 Aktiengattung 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.

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) und (ii) genannten Voraussetzungen nicht mehr vorliegt;
- (ii) am Tag der Rückzahlung der Schuldverschreibungen;
- (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

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.

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*).

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) and (ii) is no longer satisfied;
- (ii) the date on which the Notes are redeemed;
- (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 Verzugszinsen.

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) Schuldverschreibungen ohne Endfälligkeit.

Die Schuldverschreibungen haben keine Endfälligkeit. Die Emittentin ist nicht zur Rückzahlung der Schuldverschreibungen verpflichtet. Die Schuldverschreibungen können nur gemäß § 4 (3) oder (4) zurückgezahlt oder gemäß § 4 (2) zurückgekauft werden.

- (2) Rückkauf.

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

- (3) Rückzahlung nach Wahl der Emittentin.

Die Emittentin kann die Schuldverschreibungen (insgesamt und nicht nur teilweise) am 30. Juni 2015 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) Rückzahlung nach Eintritt eines Gross-up Ereignisses, eines Steuerereignisses oder eines Aufsichtsrechtlichen Ereignisses.

Die Emittentin ist bis zum 30. Juni 2015 (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) Perpetual Bonds.

The Notes are perpetual securities and not subject to any mandatory redemption provisions. The Notes may only be redeemed in accordance with § 4 (3) or (4) or repurchased pursuant to § 4 (2) below.

- (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) 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 30 June 2015 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) Redemption following a Gross-up Event, a Tax Event or a Regulatory Event.

Until 30 June 2015 (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 Aufrechnungsbetrag, mindestens jedoch der Rückzahlungsbetrag (wie von der Berechnungsstelle bestimmt).

Der „**Aufrechnungsbetrag**“ 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 30. Juni 2015 (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 30. Juni 2015; 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 30. Juni 2015 bestimmt hat und welches zum Zeitpunkt der Bestimmung als Berechnungsgrundlage für die Preisgebung neuer Anleihen mit vergleichbarer Laufzeit bis 30. Juni 2015 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 Supervisory Authority for Financial Services (*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 (*Eigenmittel*) 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 30 June 2015 (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 30 June 2015 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 30 June 2015 that would be utilised at the time of selection in pricing new issues of corporate debt securities of comparable maturity to 30 June 2015.

(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 durch die Emittentin.

Die Emittentin darf das Recht zum Rückkauf gemäß § 4 (2) und zur Rückzahlung gemäß § 4 (3) oder nach Eintritt eines Gross-up-Ereignisses oder eines Steuerereignisses gemäß § 4 (4) 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. Nach Eintritt eines aufsichtsrechtlichen Ereignisses aufgrund einer Feststellung der Bundesanstalt für Finanzdienstleistungsaufsicht (oder eines Funktionsnachfolgers), dass die Schuldverschreibungen ganz oder teilweise nicht länger die Anforderungen an Eigenmittel für Zwecke der Ermittlung der Einzelsolvabilität der Emittentin oder der Gruppensolvabilität der Unternehmensgruppe, zu der die Emittentin gehört, erfüllen, darf die Emittentin das Recht zur Rückzahlung gemäß § 4 (4) nur ausüben, wenn derjenige Teil der Schuldverschreibungen, der diese Anforderungen nach wie vor für die Zwecke der Ermittlung der Einzelsolvabilität oder der Gruppensolvabilität erfüllt, durch die Einzahlung anderer, zumindest gleichwertiger Eigenmittel ersetzt worden ist oder die Bundesanstalt für Finanzdienstleistungsaufsicht (oder ein Funktionsnachfolger) der Rückzahlung ohne eine solche Ersetzung zuvor zugestimmt hat.

(b) Rückkauf und Rückzahlung durch Tochtergesellschaften.

Die in § 4 (7) (a) 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 by the Issuer.

The Issuer may only repurchase the Notes as set forth in § 4 (2) and may only redeem the Notes as set forth in § 4(3) or 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 Supervisory Authority for Financial Services (*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. Following a Regulatory Event due to the Federal Supervisory Authority for Financial Services (*Bundesanstalt für Finanzdienstleistungsaufsicht*) (or any successor in its capacity) having determined that the Notes in whole or in part no longer fulfil the requirements for own funds (*Eigenmittel*) for solo solvency purposes of the Issuer or for group solvency purposes of the group of companies the Issuer is a member of, the Issuer may only redeem the Notes as set forth in § 4(4) if such portion of the principal amount of the Notes which continues to fulfil such requirements for solo solvency purposes or for group solvency purposes after such determination, has been replaced by other, at least equivalent own funds (*Eigenmittel*) or if the Federal Supervisory Authority for Financial Services (*Bundesanstalt für Finanzdienstleistungsaufsicht*) has given its prior written consent to the redemption of the Notes without such replacement.

(b) Repurchase and Redemption by Subsidiaries.

This restrictions set forth in § 4 (7) (a) 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, 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 Ver-

§ 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 10 years.

§ 8 (Paying and Calculation Agents)

(1) Appointment.

The Issuer has appointed Deutsche Bank Aktiengesellschaft, 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 Note-

trags-, Auftrags- oder Treuhandverhältnis zwischen ihnen und den Anleihegläubigern begründet. Die Zahlstellen sind von den Beschränkungen des § 181 des Bürgerlichen Gesetzbuchs (BGB) befreit.

§ 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 (voraussichtlich 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

holders. The Paying Agents are exempt from the restrictions of § 181 of the German Civil Code (*Bürgerliches Gesetzbuch*).

§ 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 Köln, 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 Depositary 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 Depositary Bank and (iii) confirming that the Depositary 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 accountholder 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.

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.

§ 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 Lebensversicherungs-AG (“GKL” or the “Issuer”) was incorporated as a stock corporation under the laws of Germany on 4 August 1922 and is recorded in the commercial register of the local court of Cologne under HRB 603.

Corporate Seat and Duration

The Issuer has its corporate seat in Cologne and its office address at Gereonshof, 50670 Cologne. 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 life insurance business by offering all types of life insurance, including endowment policies (*Kapitallebensversicherungen*) and administration of pension trusts, brokerage of insurance contracts, savings contracts (*Sparverträgen*) and building savings contracts (*Bausparverträgen*), brokerage activities in respect of investment fund units and conducting all other activities which are closely connected with its insurance business.

Share Capital

The Issuer has an issued share capital of € 43,235,000 divided into 864,700 ordinary shares, each with a nominal amount of € 50.00. The shares are registered shares with restricted transferability (*vinkulierte Namensaktien*). All shares are fully paid.

Capitalisation

The following table sets out the capitalization and indebtedness of the Issuer as of December 31, 2003 and 2004 (as derived from the audited financial statements of the Issuer as of and for the fiscal years ended December 31, 2003 and 2004) and in addition, certain unaudited financial information as of March 31, 2005:

	Sub- scribed capital	Capital reserve	Revenue reserves		Sub- total	Net income/ Balance sheet profit	Equity	Subor- dinated liabil- ities	Total
			Statu- tory reserve	other revenue reserves					
					(in € '000)				
31 December 2002	<u>43,235</u>	<u>94,092</u>	<u>1,623</u>	<u>5,879</u>	<u>144,829</u>	<u>3,000</u>	<u>147,829</u>		<u>147,829</u>
Transfer to revenue reserves from net income of preceding year				1,270					
from balance sheet profit . .				3,500					
Balance sheet profit						36,500			
31 December 2003	<u>43,235</u>	<u>94,092</u>	<u>1,623</u>	<u>10,649</u>	<u>149,599</u>	<u>36,500</u>	<u>186,099</u>		<u>186,099</u>
Balance sheet profit						15,700			
Subordinated liabilities								36,500	
31 December 2004	<u>43,235</u>	<u>94,092</u>	<u>1,623</u>	<u>10,649</u>	<u>149,599</u>	<u>15,700</u>	<u>165,299</u>	<u>36,500</u>	<u>201,799</u>
31 March 2005 (*)	<u>43,235</u>	<u>94,092</u>	<u>1,623</u>	<u>10,649</u>	<u>149,599</u>		<u>149,599</u>	<u>36,500</u>	<u>186,099</u>

(*) The financial information as of 31 March 2005 is derived from the internal unaudited accounts of GKL.

Save as disclosed in this Information Memorandum there has been no material change in the capitalisation of the Issuer since March 31, 2005.

Net Income, 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 net income (*Jahresüberschuss*), earnings per share and annual dividends paid out per fully paid-up share for the fiscal years 2002 to 2004 (in each case calculated in accordance with the HGB).

	2002	2003	2004
Net Income (in € '000)	3,000	40,000 (*)	15,700
Earnings per share after amortization of goodwill (in €)	3.47	46.26	18.16
Cash dividend per share (in €)	2.00	42.21	18.16

(*) After taking into account a profit transfer in the amount of € 5 million by GKL to GKB in connection with the termination of a domination and profit transfer agreement (*Beherrschungs- und Gewinnabführungsvertrag*) between GKL and GKB as of 30 April 2003.

Future dividend payments will typically depend on the Issuer's earnings, 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)	Chairman of the Management Board of Gerling-Konzern Versicherungs-Beteiligungs-AG, Cologne
Dr. Eckart John von Freyend (Deputy Chairman)	Chairman of the Management Board of IVG Immobilien AG, Bonn
Wilfried Breit (*)	Insurance Clerk, Cologne
Dr. Michael E. Crüsemann	Member of the Management Board of OTTO (GmbH & Co. KG), Hamburg
Christian Ehlers	Director General of DEHOGA Deutscher Hotel- und Gaststättenverband, Berlin
Jutta Hammer (*)	Insurance Clerk, Cologne
Hans-Ulrich Hanke (*)	Insurance Clerk, Cologne
Dieter Kempf	Chairman of the Management Board of DATEV Datenverarbeitung und Dienstleistung für den steuerberatenden Beruf eG, Nürnberg
Gerhard Laskowski	Former member of the Management Board of the Gerling Group, Tegernsee

(*) Employees' representative.

The members of the Supervisory Board may be contacted at Issuer's business address at Gereonshof, 50670 Cologne.

Management Board

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

Norbert Heinen (Chairman)

Dr. Walter Botermann

Lüder Mehren

Thomas Schulz

Members of the Management Board may be contacted at the Issuer’s business address at Gereonshof, 50670 Cologne, Germany.

Shareholders’ Meeting

A general shareholders’ meeting of GKL may be convened by the Management Board, the Supervisory Board or shareholders whose aggregate shareholdings equal at least 5% of GKL’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 GKL in Cologne. Each share confers the right to one vote at the shareholders’ meeting.

Unless otherwise required by the Issuer’s articles of association or mandatory statutory provisions, shareholders’ resolutions are passed pursuant to the Issuer’s articles of association by a simple majority of votes cast and, if the majority of the share capital represented is required, by a simple majority of the share capital represented. Any changes relating to the registered name of the Issuer require the affirmative vote of two thirds of the share capital represented 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, 2005 are listed in the table below:

Name and seat of Company	Share in capital (in %)	
	Direct	Indirect
GERLING FRIEDRICH WILHELM Rückversicherungs-AG, Cologne	100.00	
Gerling Pensionskasse AG, Cologne	100.00	
Gerling Pensionsfonds für die Wirtschaft AG, Cologne	100.00	
Gerling Polska Towarzystwo Ubezpieczeń na Życie S.A., Warsaw	100.00	
Gerling Finanz- und Vorsorgemanagement GmbH, Cologne	100.00	
GERLING Financial Services GmbH, Vienna	100.00	
Gerling-Konzern Gesellschaft für Vermögens-Management mbH, Cologne	100.00	
Gerling Investment Kapitalanlagegesellschaft mbH, Cologne	5.10	94.90
GERLING Pensionsmanagement GmbH, Cologne	100.00	
GERLING Pensionsenthaftungs- und Rentenmanagement GmbH, Cologne		100.00
IVEC Institutional Venture and Equity Capital AG, Cologne	76.20	
THV Versicherungsmakler GmbH		75.43
THRe Versicherungsmakler GmbH		75.43
Paetau Sports Versicherungsmakler GmbH		38.46
Gerling Gesellschaft für IT-Dienstleistungen mbH, Cologne	50.00	
Gerling-Gesellschaft für Informationsmanagement und Organisation mbH, Cologne	30.00	
Gerling Zentrale Verwaltungs GmbH, Cologne	30.00	
Gerling Vertrieb Firmen und Privat AG, Cologne	30.00	
INVIVA Inc., New York	19.43	
Gerling Zentrale GmbH BG Objekt Köln City KG, Cologne	100.00	
Gerling Zentrale GmbH BG Objekt Köln Friesenviertel eins KG, Cologne	100.00	
Gerling Zentrale GmbH BG Objekt Köln Friesenviertel vier KG, Cologne	100.00	
Gerling Zentrale GmbH BG Objekt München City KG, Cologne	100.00	
Gerling Immobilien 1. GmbH & Co. KG, Cologne	100.00	
Gerling Immobilien 2. GmbH & Co. KG, Cologne	100.00	
Gerling Immobilien 3. GmbH & Co. KG, Cologne	100.00	
Gerling Immobilien 4. GmbH & Co. KG, Cologne	100.00	
Gerling Immobilien 5. GmbH & Co. KG, Cologne	100.00	
Gerling Immobilien 6. GmbH & Co. KG, Cologne	100.00	

Auditors

The Issuer's statutory auditor for the fiscal year 2004 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, 2003 and 2004, each prepared in accordance with the HGB, providing an unqualified auditor's opinion in each case.

Fiscal Year

The Issuer's fiscal year is the calendar year.

BUSINESS OF GKL

Overview

The activities of GKL and its subsidiaries (together “**GKL Group**”) comprise various segments of life insurance. The insurance products offered by GKL include endowment insurance, annuity insurance, unit-linked life insurance, index-linked life insurance, term life insurance, occupational disability insurance, invalidity insurance, foreign travel insurance and other additional insurance related products. With new business premiums (*Neugeschäftsbeiträge*) amounting to € 584 million in 2004 which corresponds to an increase by 29.2% compared to € 452 million in 2003, GKL has further improved its position among the top ten German life insurers. In the segment of company pension schemes GKL is among the three leading providers in Germany based on new business premiums (*Neugeschäftsbeiträge*).

GKL is headquartered in Cologne, Germany, and has a subsidiary in Poland as well as a branch in Austria.

GKL comprises the life 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 (*Aktiengesetz*). GKB is the central holding company of the Gerling Group which is active in the insurance business in more than thirty countries. The activities of the Gerling Group comprise property and casualty insurance and life insurance, related asset management activities as well as consulting services. The foundation of the Gerling Group can be traced back to the year 1904 when Robert Gerling founded the “Bureau für Versicherungswesen, Robert Gerling & Co. GmbH”. In 1918 Gerling-Konzern Allgemeine-Versicherungs Aktiengesellschaft was established which developed into a core business unit of the Gerling Group.

GKB currently holds through its 100% subsidiary GERLING Beteiligungs GmbH, Cologne, Germany (“**GBG**”) 821,464 shares which corresponds to approximately 94.99% of the issued share capital of GKL. The remaining 43,236 shares (corresponding to approximately 5.01% of the issued share capital of GKL) are held directly by GKB (see “THE ISSUER – Share Capital – Authorised Capital”). It is currently intended to change the shareholder structure by transferring GBG’s shareholding in GKL to a newly established holding company (see also “BUSINESS OF GKL – Recent Developments”).

The following table sets out certain key financial data of GKL which have been extracted from the audited unconsolidated financial statements of GKL as and for the financial years ended December 31, 2003 and 2004, each prepared in accordance with HGB:

	2004		2003	
	(in € million)	(in %)	(in € million)	(in %)
Premium income	1,836	– 2.1	1,875	– 2.3
New business Premiums	584	+ 29.2	452	– 15.7
Claim and benefit expenses	2,343	– 2.9	2,413 ⁽¹⁾	+ 24.2
of which				
Claims and benefits paid	1,887	– 8.8	2,069 ⁽¹⁾	+ 18.2
Increase in claim and benefit liabilities	456	+ 32.9	343 ⁽¹⁾	+ 80.1
Current investment income	754	– 12.5	861	– 0.7
Investments	17,987	+ 0.8	17,852	+ 1.5
Allocation to provision for premium refunds	141		455	
Provision for pre premium refunds after allocation	1,083		1,200	
Income before tax	39		72	
Income after tax	16		45 ⁽⁴⁾	
Capital and reserves ⁽²⁾	194		186	
Financial ratios				
Net interest return in %		4.2		4.2
Net interest return of the last 3 years in %		4.0		4.9
Administration costs rate in %		3.1		3.1
Acquisition costs rate in %		5.5		6.1
Cancellation rate in %		4.8		4.9 ⁽¹⁾
Employees				
Contracts	1,376		1,104	
Actual ⁽³⁾	1,191		967	

⁽¹⁾ Disregarding the extraordinary expenses in connection with the surrender of a major syndicated contract. If such extraordinary expenses were taken into account, the claim and benefit expenses would amount to € 2,378 million

⁽²⁾ Including subordinated liabilities.

⁽³⁾ Taking into account the full-time equivalents of part-time employees.

⁽⁴⁾ Before deduction a profit transfer in the amount of € 5 million by GKL to GKB in connection with the termination of a domination and profit transfer agreement (*Beherrschungs- und Gewinnabführungsvertrag*) between GKL and GKB as of 30 April 2003.

Description of Business Segments and Products

GKL offers a comprehensive range of life insurance and life insurance-related products for both private as well as corporate clients.

Life Insurance and Private Pension Provision

The main insurance classes which GKL offers to its customers are the following:

- endowment insurance (*Kapitalversicherung*)
- annuity insurance (*Rentenversicherung*)
- unit-linked life insurance (*fondsgebundene Lebensversicherung*)
- index-linked life insurance (*indexgebundene Lebensversicherung*)
- term life insurance (*Risikoversicherung*)
- occupational disability insurance (*Berufsunfähigkeitsversicherung*)
- invalidity insurance (*Erwerbsunfähigkeitsversicherung*)
- foreign travel insurance (*Auslandreiseversicherung*)
- additional insurance (riders) (*Zusatzversicherungen*) including, for example, dread disease rider, death through accident rider, disability or invalidity rider, term rider, nursing care annuity rider and annuity rider

In the area of private pension provision, the products offered by GKL include tailor made and market-g geared standard annuity and endowment policies, a range of unit-linked policies, attractive term policies and occupational disability policies. At the beginning of 2004 GKL introduced a new unit-linked range of policies (traditional unit-linked life insurance, unit-linked annuity insurance and variable unit-linked policy), thus placing an important business segment on a new extended platform. The new business premium income of GKL in the private pension provision sector increased by 55.9% and amounted to € 401 million in 2004. One of the factors which contributed to this significant increase in new business premium income in 2004 was a change in the tax treatment in Germany of both premiums and benefit payouts for certain life insurance policies (including in particular endowment policies) which came into effect as of 1 January 2005. Pursuant to the Retirement Income Act certain tax benefits will no longer be available for life insurance policies issued after 1 January 2005 (see also “Investment Considerations – Changes in tax legislation could adversely affect GKL’s business”). This caused many customers in Germany to enter into life insurance contracts before the end of 2004 in order to take advantage of the more favourable tax treatment under the tax regime applicable to life insurance policies issued prior to 1 January 2005.

GKL offers to the clients whose endowment policies mature, where such policies meet the required criteria, the option of investing their endowment benefit in a GKL annuity policy or one of GKL’s investment funds. The reinvestment rate, despite being already at a high level, increased further from 20.67% in 2003 to 23.94% in 2004.

Company Pension Schemes

As a leading supplier of company pension scheme products, GKL is one of the few life insurers in Germany which is able to offer all five employee benefit options:

- pension commitment (*rückgedeckte Pensionszusage*)
- employer-purchased life insurance (*Direktversicherung*)
- support fund (*Unterstützungskasse*)
- pension fund (*Pensionsfonds*)
- pension trust (*Pensionskasse*)

This extensive and flexible range of products enables GKL to offer clients a company-specific customised pension scheme as well as its management by GKL. The activities as pension fund and pension trust are conducted through Gerling Pensionsfond für die Wirtschaft AG and Gerling Pensionskasse AG, respectively, which are both wholly owned subsidiaries of GKL but otherwise independent providers of company pension schemes (*rechtlich selbständige Versorgungseinrichtungen*) subject to the specific provision of the Insurance Supervisory Act (*Versicherungsaufsichtsgesetz*) applicable to pension funds (*Pensionsfonds*) and pension trusts (*Pensionskassen*).

Business Strategy

In the life insurance segment GKL seeks to increase its profitability by, *inter alia*:

- focusing on the development and marketing of profitable insurance products, particularly in the potential growth area of unit-linked products which, in addition, entail less investment risks for GKL than more traditional endowment and annuity policies;
- expanding its position as leading supplier of company pension schemes in Germany, in particular by taking advantage of its widely recognised specialist expertise in this area, in order to benefit from the significantly growing demand for private and occupational pension schemes resulting from the continuing strains on the state pension system;
- increasing the performance of its multi-channel sales organisation, in particular by expanding the distribution of its insurance products through smaller brokers and independent intermediaries;
- improving both profit margins as well as absolute profit by the implementation of further cost-controlling measures.

Business Development in 2004

The financial information contained in this section is derived from the unconsolidated financial statements of GKL as of and for the financial year ended December 31, 2004 prepared in accordance with the HGB.

Development of Total Premium Income of GKL

In 2004 the total amount of premiums paid by clients decreased by 2.1 % to € 1,836 million (compared to € 1,875 million in 2003) despite a significant increase in premium income from new business (see “- Development of New Business Premium Income” below). In 2004 revolving premium income decreased by 0.7 % to € 1,640 million while the income from single premiums decreased to € 196 million (compared to € 223 million in 2003).

The decrease in total premium income can be attributed to a significant amount of policies maturing in 2004 as well as to the fact that most premium income under policies entered into recently will largely be generated only in 2005. In addition, due to the continuously low level of interest rates in the capital markets, the trend whereby customers increasingly prefer GKL's investment fund products to the more traditional annuity policies continued in 2004 which contributed to the lower single premium income.

Development of New Business Premiums (Neugeschäftsbeiträge)

The total new business premium income from GKL's insurance business in 2004 amounted to € 584 million which corresponds to an increase by 29.2 % compared to a new business premium income of € 452 million in 2003. Taking into account the new business premium generated by GKL's wholly-owned subsidiary Gerling Pensionskasse AG, the total new business premium income amounted to € 615 million in 2004 which corresponded to an increase by 27.7 % compared to new business premium income of € 481 million in 2003.

New business premium income from insurance products forming part of the private pension business increased from € 257 million in 2003 by 55.9 % to € 401 million in 2004. New business premium income from the private pension business thus accounted for 65 % of the total new business premium income of GKL (including Gerling Pensionskasse AG). This increase in new business premium income from the private pension business can mainly be attributed to the premium increase from unit-linked life insurance products (*fondsgebundene Lebensversicherungsprodukte*) which accounted for € 226 million (37 %) of the total new business premium income of GKL (including Gerling Pensionskasse AG). This corresponds to an increase of 382 % compared to new business income from unit-linked life insurance products of € 47 million in 2003. The following table shows the breakdown of new business premiums by area of operation within the private pension provision segment in 2004:

	Share in new business premium within the private pension provision segment in 2004
Unit linked life insurance	54.9 %
Annuity Insurance	29.7 %
Endowment insurance	9.4 %
Term and occupational disability insurance	5.9 %

In 2004 the new business premium income of GKL from company pension schemes decreased by 6.0 % from € 195 million in 2003 to € 183 million in 2004. Taking into account the new business premium generated by GKL's wholly owned subsidiary Gerling Pensionskasse AG, the total new business premium amounted to € 214 million in 2004 (compared to € 224 million in 2003) and accounted for 35 % of the total new business income of GKL (including Gerling Pensionskasse AG). The following table shows the breakdown of new business premiums by area of operation within the company pension schemes segment:

	Share in new business premium within the company pension schemes segment 2004
Direct insurance (<i>Direktversicherung</i>)	53.3%
Back-up Life Insurance (<i>Rückdeckungsversicherungen</i>)	21.9%
Gerling Pension Trust (<i>Pensionskasse</i>)	14.6%
Gerling Support Fund (<i>Unterstützungskasse</i>)	6.9%
Managing directors benefit plan	3.3%

Development of Administration and Underwriting Expenses of GKL

In 2004, in spite of a lower level of premium income as a measurement basis, the administrative cost ratio, thanks to high cost discipline and the systematic harnessing of other synergies, remained unchanged, as against the previous year, at a level of 3.1 %. Because of the sharp increase in new business in 2004 and the sustained successful sales channel and cost management, the acquisition cost ratio of GKL decreased further from 6.1 % to 5.5% of the total premium income from new business.

Development of Benefit Expenditure and Surrenders of GKL

In 2004, benefit expenditure decreased by 7.3% to € 1,404 million. As in the preceding years, 75% of payments resulted from policies maturing. Maturing policies do not depress results for the period in question because the amounts payable are available at maturity as premium reserves.

At first glance, surrender expenses seem to have significantly decreased in 2004 to € 237 million (from € 778 million in the previous year). This was due, however, to the fact that in 2003 a major syndicated policy in which GKL participated as syndicate member together with other insurance companies was transferred to a different provider of company pension schemes and was terminated as a result thereof.

Excluding extraordinary circumstances, surrenders in 2004 increased slightly by 1.8% and amounted to 1.5% of premium reserves (compared to an industrial average 2.3% as derived from publications of the German Insurance Association (*Gesamtverband der Deutschen Versicherungswirtschaft e. V.*)).

In 2004, the already low lapse rate of GKL decreased further to 4.8% (compared to 4.9% in 2003) against the current trend in the industry.

Development of Investment Income of GKL

Current investment income decreased from € 861 million in 2003 by 12.5% to € 754 million in 2004. The main reason for this decrease in income was the sustained low level of interest rates prevailing in the bond markets and the resulting low level of interest coupons available for reinvestment in fixed-interest securities. Total investment income amounted to € 982 million in 2004 (compared to € 1,190 million in 2003). In 2004 the current average yield calculated by the insurance association's formula after deduction of current investment expenses was 3.9% (compared to 4.5% in 2003). This reduction of the current average yield is primarily due to the sale of certain investments in equity investment funds in 2004. Unlike dividend distributions which would have been received by GKL had such sales not been effected, the profit generated by such sales was not accounted for as current investment income. In addition, the reduction of the current average yield can be attributed to the effects of the sale of certain future interest claims to GEREON Forderungsmanagement GmbH in 2003 (see "– Relations with Affiliated Companies – Sale and Transfer of Future Interest Claims"). As in the previous year, the net yield, which also reflects the results of sales, write-ups and non-scheduled depreciation, amounted to 4.2% in 2004. The average net yield during the last three years was 4.0%.

Development of Surplus Bonuses for Policyholders

GKL registered a surplus (*Rohüberschuss*) of € 157 million in 2004. The surplus comprises profits generated in excess of the guaranteed minimum return on participating policyholders' funds and before deduction of any direct credits. The significant decrease in the amount of surplus compared to 2003 when the surplus (before deduction of any direct credits) amounted to € 613 million can be primarily attributed to the fact that the result in 2003 was significantly influenced by the extraordinary income from the purchase price received from GEREON Forderungsmanagement GmbH for the transfer of the excess spread in relation to certain fixed income securities as well as from the one-off acquisition commission for a risk-based quota share insurance contract entered into with GERLING Friedrich Wilhelm Rückversicherungs-AG (GFW) in 2003 (see “– Relations with Affiliated Companies”).

€ 141 million of the surplus generated in 2004 was credited to the provision of premium refunds. In addition, policyholders received a bonus share payment in the amount of € 258 million from the provision for premium refunds. This payment also included the direct credits normally accounted for in the operating result. A direct credit (*Direktgutschrift*) is a direct interest credit generally amounting – together with any guaranteed interest – to 4% of the participating policyholder's funds as well as a direct risk and cost credit of 80% of the surplus bonuses for the relevant tariffs.

Provision for Premium Refunds

After allocation and withdrawal of funds, the provision for premium refunds (*Rückstellung für Beitragsrück-erstattung*) totalled € 1,083 million as of 31 December 2004. The provision for premium refunds includes the fixed amounts set for surplus bonuses to policyholders for 2005 as well as a provision for terminal bonuses (*Schlussgewinnanteile*) after 2005. The latter is used to finance commitments relating to the term of the policies and is calculated in accordance with principles set out in the business plan. The fixed provision is computed net of direct interest generally at 4% of the participating policyholders' funds less actuarial interest as well as direct risk and cost credits of 80% of the surplus bonuses for unit-linked and term policies. The funds in the provision for premium refunds in excess of those relating to fixed and earmarked surplus bonuses are intended for bonus share payments in and beyond 2006. This so-called free revenue reserve (*freie Gewinnreserve*) accounted for 1.5% of the premium reserve funds (*Deckungsrückstellung*) in 2004, for 2.4% in 2003 and for 1.3% in 2002.

Like investment valuation reserves (*Bewertungsreserven der Kapitalanlagen*) the free provision for premium refunds basically serves the purpose of securing policyholders' surplus bonuses when capital markets are weak. Despite the realization of high investment valuation reserves in recent years, additional funds from the free provision for premium refunds repeatedly needed to be allocated to fixed and earmarked surplus bonuses. In 2003 the management of GKL took the decision to reduce surplus bonuses from 2004 onwards in order to strengthen GKL's capital position going forward.

Business Development in the First Quarter of 2005

The following financial information in respect of the first quarter of 2005 is derived from the internal unaudited accounts of GKL prepared in accordance with the HGB.

In the first quarter of 2005 the total premium income amounted to € 407.6 million. The premium income from new business amounted to € 37.7 mill (compared to € 79.0 million in the first quarter of 2004). The fact that new business premium income in the first quarter of 2004 was significantly higher than in the first quarter of 2005 reflects the extraordinary demand for life insurance products throughout 2004 which can mainly be attributed to the fact that following the enactment of the Retirement Income Act certain tax benefits are no longer be available for life insurance policies issued after 1 January 2005 (see also “Investment Considerations – Risks Relating to GKL's Business – Changes in tax legislation could adversely affect GKL's business” and “– Description of Business Segments and Products – Life Insurance and Private Pension Provision”). New business premium income from the private insurance business amounted to € 26.2 million in the first quarter of 2005 (compared to € 51.1 million in the first quarter of 2004) and accounted for 69.5% of the new business premium income in the first quarter of 2005. New business premium income for the company pension schemes business amounted to € 11.5 million in the first quarter of 2005 (compared to € 27.9 million in the first quarter of 2004) and accounted for 30.5% of the new business premium income in the first quarter of 2005.

Risk Management

Risk Management

The Gerling risk charter reflects the Gerling Group's fundamental attitude towards the identification and management of risks. It is the basis for the implementation of risk controlling and risk management measures throughout the Gerling Group and reflects, among other things, the applicable regulatory requirements as well as Standard & Poor's "Capital Adequacy-Models".

Risk controlling mirrors the decentralised organisation of the Gerling Group. Identification, assessment and management of entrepreneurial risks are core responsibilities of the management of each company. They are performed with the assistance of risk controllers. In addition, the Gerling Group-wide standards of risk management are defined by the corporate risk controlling division, which monitors the observance of those standards in conjunction with the decentralised risk controllers of the individual insurance companies and divisions. Corporate Risk Controlling also reports directly to the chief executive officer of the holding company of the Gerling Group. Within the Gerling Group, risk controlling is supplemented by numerous centralised and decentralised functions and mechanisms for identifying and managing risks. Like all other processes, risk controlling is monitored internally. The task of internal monitoring is performed mainly by the Group's internal auditors, who run an annual check on risk controlling. The Gerling Group is also monitored externally by the BaFin.

In November 2003 a group-wide project was initiated which is designed to introduce by 2008 dynamic financial analysis as a tool of corporate management. To this end DFA Capital Management, Inc. ("**DFA Capital Management**") has been engaged to develop, in active preparation of the more risk-based regulatory capital regime contemplated by Solvency II, a software solution for dynamic financial management within the Gerling Group. Gerling Beteiligungs-GmbH (GBG) holds a stake of just under 25% in DFA Capital Management.

Dynamic Financial Analysis (DFA) is designed to permit the implementation of quantitative monitoring and management information systems which take account of all the assets and liabilities of an insurer and the ways in which the market impacts on them. At the heart of the system will be a customised model of the insurer being jointly developed by GKL and DFA to provide a basis for decisions on tailored solutions for attaining strategic and operational objectives. In particular, this will allow GKL to assess more correctly the implication of the liabilities on the balance sheet, including all options and guarantees in the policies, and to adjust its asset liability management accordingly. Upon the implementation of the DFA system and the management processes it entails, the Gerling Group intends to meet the core requirements for achieving the objectives set out in Solvency II.

Risk Categories

In compliance with German Accounting Standard DRS 5-20, an insurance company's risks can be categorised as follows:

Underwriting risks. The so-called reserve risk (*Reserverisiko*) relates to underwriting provisions (*versicherungstechnische Rückstellungen*). Provision is made to meet liabilities which exist but the magnitude of which and date of accrual is unknown. The reserve risk materializes if the underwriting provisions prove to be insufficient to meet the liabilities of the insurance company. In order to avoid this, the underwriting provisions are constantly monitored by actuarial methods and adjusted as required. Conservative methods of forming provisions provide a reliable basis for meeting contractual guarantees throughout the term of a policy.

Premium/benefit risk in life insurance is defined as the risk of having to pay insurance benefits over a long period of time from a constant level premium set in advance whereby it must be taken into account that the amount of the insurance benefits may be influenced by future developments. This is why insurance premiums are calculated on the basis of conservative assumptions.

As in other primary life insurance companies, the calculation of the underwriting provisions and premiums for the life insurance business is monitored by the responsible actuary, whose actuarial confirmation certifies that premium reserves have been calculated in line with statutory requirements. In an accompanying report, the responsible actuary delivers an opinion on whether the premium reserve and the accounting bases on which it was calculated – for interest, biometric and cost risks – were assessed with sufficient caution to ensure that all future benefits arising from the policies are covered, taking into account agreed guarantees. The safety margins

built into the accounting assumptions are also appraised and an opinion is delivered on their future development and investment risks. The responsible actuary's report is presented to the executive board and the BaFin.

As regards insurance products with guaranteed interest payments, there is an interest guarantee risk. European solvency regulations for life insurance companies, which, among other things, set out minimum requirements for interest guarantees and cost risk provisions, are generally observed. As explained above, it is the actuary's responsibility to ensure that the commitments resulting from interest guarantees can be met in the long term.

The interest rate change risk pertaining to fixed-interest securities is controlled not only by the GKL exercising statutory accounting options available under Section 341 b HGB but also by economic monitoring. GKL is one of the few insurers that has had the option of adjusting the surrender values (*Rückkaufwerte*) of a growing number of portfolio policies since 1994 in response to changing conditions in the capital markets.

Loss of receivables. In life insurance, the risk is essentially one of non-payment of receivables from insurance intermediaries. The exposure to the insurance intermediaries results from the fact that, in accordance with market practice, GKL pays its intermediaries commission fees which have to be repaid if the insurance contract mediated by the relevant intermediary lapses within a certain period of time. The solvency of the intermediaries is constantly monitored through monitoring systems specifically designed to identify changes in this risk.

Investment risks. The investments are centrally managed and monitored with the aim of ensuring optimised profitability and to limit the related investment risks. In order to protect itself against increasing volatility risks due to market fluctuations, the Gerling Group implemented security mechanisms and strategies for different types of investments in 2004.

GKL has successively reduced the share of equity securities in its investment portfolio during recent years. This reduction has significantly reduced the risk of potential losses resulting from the volatility of this type of investment. The investment risk in relation to the remaining share portfolio (as a part of trading portfolio) has been hedged through put options. GKL aims to ensure a sufficient diversification of its portfolio both geographically and in terms of type of investment.

In order to monitor insolvency risks, rating categories and security mechanisms have been introduced into the original assessment system. The monitoring of the solvency of debtors is a continuous process. One important aspect considered by portfolio managers making investment decisions is the rating accorded by external rating agencies, such as Standard & Poor's or Moody's. New investments will only be made if the relevant debt instrument has been assigned an investment grade rating from a leading rating agency.

Derivative financial instruments, structured products, asset-backed securities and credit linked notes are used only as part of an overall investment strategy, subject to § 7(2) VAG and in line with the principles set out by the BaFin in circulars R3/1999, R3/2000 and R1/2002. To reduce further the investment risks in such instruments, other company-specific requirements, such as investment limits per counterparty and risk budgets defined by internal risk controllers, are also observed.

Liquidity risks. Liquidity risk is the risk of not being able to meet payment obligations – especially obligations arising from insurance policies because of time lags between incoming and outgoing cash flows. The operative and strategic cash management system calls for liquidity plans to be drawn up at regular intervals for all the companies of the Gerling Group as a means of monitoring current liquidity. These plans are updated daily and adjusted on a monthly basis.

Operational risks. Operational risks occur in connection with business systems or processes, predominantly as business process risks or legal risks. Business process risks may be rooted in human error, technical failure or external factors; legal risks result from contracts or underlying legal conditions. For all processes, mandatory security standards are in place to reduce business process risks. These standards are considered a minimum requirement for ensuring smooth business operations. One important element of security is the internal monitoring system, comprising the whole catalogue of finely tuned checks, measures and rules. Efficient and secure data processing is a matter of particular importance for the operational processes. Legal risks which extend beyond the day-to-day business of the individual insurance companies are managed under a service agreement by a central staff unit which directly advises the executive board chairman of the relevant company.

Distribution

The most important sales channel for GKL's products both in Germany and Austria are independent intermediaries. Independent intermediaries accounted for approximately 47% of GKL's new business premium. Independent intermediaries comprise numerous brokers (*Handelsmakler*) and agents (*Handelsvertreter*), larger distribution and broker organisations as well as banks and financial institutions. Within GKL the biggest distribution division is the so-called "Smaller Brokers and Other Independent Intermediaries – Directorate (*Maklervertrieb-Direktionen*)" which consists of eleven regional offices with a total number of approximately 100 GKL employees. These regional distribution offices are assigned the task of dealing locally with smaller brokers and agents and to meet their specific needs. GKL expects to continue to put strong emphasis on establishing and maintaining a strong relationship with small and medium-sized brokers and agents. To this end GKL intends to increase the number of employees working within the "Smaller Brokers and Other Independent Intermediaries – Directorate (*Maklervertrieb-Direktionen*)". The "Key Accounts Life" division is located at two offices in Cologne and Frankfurt. It primarily deals with large distribution and broker organisations which are active throughout Germany. In addition, GKL's wholly owned subsidiary Gerling Finanz- und Vorsorgemanagement GmbH deals with banks and financial institutions which offer GKL's innovative finance products, focusing in particular on GKL's unit-linked products.

The so-called "direct business", which comprises the participation in syndicated insurance contracts (primarily in the area of company pension schemes), accounted for approximately 18.9% in GKL's new premium income in 2004. The customers within this business segment are primarily larger industrial clients.

The direct distribution (*Direktvertrieb*) of GKL's products is conducted through Gerling Vertrieb Firmen und Privat AG ("**GV-FP**"). Its employees are assigned the tasks of acquiring new business and managing portfolios exclusively for GKL. GV-FP accounted for nearly one third of GKL's new premium income in 2004. GKL holds 30% of the shares in GV-FP while the remaining 70% of the shares in GV-FP are held by GKL's sister company Gerling-Konzern Allgemeine Versicherungs-AG ("**GKA**").

Employees

As of 31 December 2004 GKL had 1,376 employees (including employees with part time arrangements) compared to 1,104 as of 31 December 2004. This increase was largely due to the integration of 225 employees of the brokerage business unit of Gerling Firmen- und Privat AG (formerly Gerling Firmen- und Privat Service AG) into GKL. At group level, the total number of employees employed by the Gerling Group decreased from 7,997 in 2003 to 7,688 in 2004.

In connection with the restructuring and re-organization of the Gerling Group, GKB's management and the Gerling Group's workers' council (*Konzernbetriebsrat*) entered into an arrangement in respect of 2004. Pursuant to this arrangement the group's works council agreed to the salaries of the employees not being adjusted to the wages provided for in the applicable collective wage agreement (*Tarifvertrag*). At the same time the regular number of working hours per week was reduced accordingly for in-house staff. In return, it was agreed that staff reductions would not take place in 2004 for operational reasons. Since January 1, 2005 employees have received salaries which they would have received had the employment arrangement not been reached in respect of 2004, as increased in accordance with the collective wage agreement (*Tarifvertrag*) for 2005.

Relations with Affiliated Companies

General

GKL and its subsidiaries maintain a variety of relationships with affiliated companies within the Gerling Group. GKL 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 GBG. Conversely, Gerling-Konzern für Vermögens-Management mbH ("**GKVM**"), a 100% subsidiary of GKL, renders asset management services for other members of the Gerling Group. Following the envisaged sale and transfer of GKVM to a newly established holding company (see "– Recent Developments" below), GKVM is expected to render similar services to GKL and its subsidiaries. The Management Board of GKL has stated in its report on relations with affiliated companies (*Abhängigkeitsbericht*) pursuant to § 312 of the German Stock Corporation Act (*Aktienge-*

setz) for the fiscal years ended 31 December 2003 and 2004 that, under the circumstances known at the time at which GKL entered into a transaction with an affiliated company, GKL received a fair and reasonable consideration under such transaction.

Assumption of Pension Commitments by GKB

Pursuant to an agreement dated, and with effect from, 31 December 1976, the holding company of the Gerling Group, GKB, assumed pension commitments for the active and retired staff and executives of GKL. GKB assumed these pension commitments in exchange for a payment in cash equal to the value of the pension provisions required under the accounting provisions of the HGB. The extent of GKB's commitment corresponds to the value in 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 GKL against such pension commitments (to the extent specified in such agreement), GKL remains either solely or jointly liable for such pension commitments vis-à-vis the persons entitled to the pensions. As of 31 December 2004, the pension commitments of GKL amounted to € 79 million, as determined in accordance with the accounting provisions of the HGB. Such pension commitments were reflected in the notes to GKL's financial statements for 2004 as contingent liabilities. See also "Investment Considerations – Risks Relating to GKL's Business – GKL has a significant credit exposure to its ultimate parent company GKB in respect of pension obligations."

Subordinated Loan from GKB

Pursuant to an agreement dated 10 May 2004, GKB granted a subordinated loan amounting to € 36.5 million to GKL. The principal amount of such subordinated loan corresponded to the amount of net profit distributed by GKL as dividend to GBG and GKB in respect of the financial year 2003. A portion of the net profit distributed by GKL as dividend to GBG and GKB in respect of the financial year 2004 was used to make available to GKL a further advance in the amount of € 7.85 million under such subordinated loan agreement. The outstanding loan amount under such subordinated loan agreement thus amounts to € 44.35 million. GKL is obliged to pay interest on the principal amount of such subordinated loan at a rate of 7.495% per annum. The subordinated loan becomes due for repayment in May 2019. The term of the subordinated loan may be extended at the option of GKL by a further period of 10 years. GKL intends to agree with GKB on an amendment to the terms of the subordinated loan which would allow GKL to use parts of the net proceeds from the issue of the Notes to repay the subordinated loan in full.

Sale and Transfer of Future Interest Claims

In 2003 GKL sold and assigned to GEREON Forderungsmanagement GmbH ("GFM"), a wholly-owned subsidiary of GKL's sister company Gerling GFP Verwaltungs AG, portions of the interest coupon on its investments in registered bonds (*Namensschuldverschreibungen*), mortgage loans, certificated loans and other loans against payment by GFM of a purchase price of approximately € 197 million. The future interest claims which were sold and assigned to GFM correspond to such portion of the relevant interest coupons which exceed the interest coupon available for the relevant investment on the capital markets at a given time. While the gains from the sale of such future interest claims were realised by GKL in 2003, the current investment income in future years will be reduced accordingly. Pursuant to the underlying sale and assignment agreement the purchase price payable by GFM was deferred and bears interest at a rate of 3.12% per annum. After GKL acquired GERLING Friedrich Wilhelm Rückversicherungs-GmbH from GLOBALE Rückversicherungs-AG, GKL's claim for payment of the purchase price for the assigned excess spread was subsequently contributed to the capital reserves of GERLING Friedrich Wilhelm Rückversicherungs-GmbH.

Reinsurance Agreement with GERLING Friedrich Wilhelm Rückversicherungs-AG

On 24 April 2003 GKL entered into a risk-based quota share reinsurance contract with GERLING Friedrich Wilhelm Rückversicherungs-AG ("GFW"). Pursuant to this reinsurance agreement GFW assumed 40% of GKL's insurance liabilities arising in respect of endowment and term life insurance policies issued by GKL before or after 1 January 2003 in the event of the insured person's death (excluding, however, any obligations arising under any additional insurance riders connected therewith). GFW participates in the future premium income from those insurance contracts which are the object of the aforementioned quota share reinsurance con-

tract. As consideration, GFW credited to GKL a one-off acquisition commission amounting to approximately € 300 million. The quota share reinsurance contract with GFW has an unlimited term but may be terminated by either party upon three months notice on 31 December of each year. In the event that the quota share reinsurance contract is terminated by either party, GKL is under an obligation to repay to GFW the acquisition commission received by it to the extent that it has not yet been amortized as of the date when the termination becomes effective. The quota share reinsurance contract was notified to the BaFin which did not raise any objections to GKL entering into such contract.

Ratings

GKL has a rating of two rating agencies: S&P and Moody's. As of May 2005 the rating assigned by S&P was "BBB" (outlook stable). As of February 2003 the rating assigned by Moody's was "Baa1" (as of August 2003, with "outlook stable") and has remained unchanged since then.

Investments

The following table shows the composition of the investment portfolio of GKL as of December 31, 2003 and 2004 according to HGB:

	31 December 2004		31 December 2003		Change
	(in € '000)	(in %)	(in € '000)	(in %)	(in € '000)
Real property, leasehold rights and buildings, including buildings on land now owned (*)	1,544,824 (*)	8.6	1,575,879 (*)	8.8	– 31,056
Investments in affiliated companies (*)	570,927 (*)	3.2	508,687	2.8	+ 62,241
Loans to affiliated companies	47,395	0.3	54,502	0.3	– 7,107
Participants	29,437	0.2	52,373	0.3	– 22,936
Loans to companies in which a participation is held	3,420	0.0	3,420	0.0	
Shares, investment fund units and other non-fixed-interest securities	4,993,790	27.8	5,745,692	32.2	– 751,902
Bearer bonds and other fixed-interest securities	1,208,134	6.7	2,380,970	13.3	– 1,172,836
Claims from mortgages, land charges and annuities	1,451,611	8.1	1,532,542	8.6	– 80,931
Miscellaneous loans	7,517,322	41.8	5,166,818	28.9	+ 2,350,504
Deposits with banks	5,282	0.0	160,749	0.9	– 155,467
Other investments	100,651	0.6	274,263	1.5	– 173,612
Subtotal	17,472,793	97.1	17,455,895	97.8	+ 16,898
Investments made for the account and risk of holders of life policies	514,186	2.9	396,456	2.2	+ 117,730
Total	17,986,979	100.0	17,852,351	100.0	+ 134,628

(*) Unlike in the balance sheet, property limited partnerships here are assigned to real property.

Litigation and Arbitration Proceedings

In connection with the restructuring and re-organization of the Gerling Group in 2003, GKB's management agreed with the Gerling Group's workers' council (*Konzernbetriebsrat*) by way of a works agreement (*Betriebsvereinbarung*) a new pension plan which superseded the then existing pension plan and led to a reduction of pension benefits of Gerling Group's employees. One of the employees challenged the new pension plan and the reduction of his pension benefits before the competent labour court (*Arbeitsgericht*). The labour court dismissed the claim of the employee and fully upheld the provisions of the new pension plan. However, the employee filed an appeal with the competent Higher Labour Court (*Landesarbeitsgericht*) in June 2005 which is still pending. There are no

other court proceedings pending where the reduction of the pension benefits contemplated by the new pension plan is in dispute.

In addition, GKL 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 GKL does not believe that the outcome of these proceedings will have a material adverse effect on the financial position or results of operations of GKL.

Recent Developments

As of 1 April 2005, GKL sold and transferred its shareholding in Gerling-Gesellschaft für Informationsmanagement und Organisation mbH (GIM) to Siemens Business Services GmbH & Co. OHG against payment of a purchase price of € 1.41 million.

It is currently envisaged to establish a new holding company, Gerling Leben Holding GmbH (“GLH”), which will be a wholly owned subsidiary of GBG. GBG’s shareholding in GKL will be transferred to GLH which will ultimately hold approximately 94.99% of the shares in GKL. After the restructuring GLH will purchase certain subsidiaries of GKL. These subsidiaries include GKVM (together with GKVM’s shareholding in GERLING INVESTMENT Kapitalanlagegesellschaft mbH (GIK)) and GERLING Pensions-Management GmbH (“GPM”). It is expected that the shares in GKVM and GPM will be sold by GKL to GLH at their respective fair value. The cash generated by the sale of such shares will enable GKL to enhance its solvency position and ensure compliance with forthcoming insurance supervisory regulations. Under these regulations German life insurance companies will be required to hold admissible assets not only to cover their premium reserve funds (*Deckungsrückstellungen*) and their statutory provisions for premium refunds (*gebundene Rückstellung für Beitragsrückerstattung*) but also to cover their free provisions for premium refunds (*freie Rückstellung für Beitragsrückerstattung*) and terminal bonus funds (*Schlussgewinnanteilsfonds*). While the shares in GKVM and GPM would not have qualified as admissible assets for such purposes, GKL will be able to use the cash generated by the sale of such shares to invest in admissible assets in order to meet the requirements under the new insurance supervisory regulations.

According to recent press reports the shareholder(s) of GKB and GBG, respectively, are considering the option to sell their shares in GKB or GBG, respectively, and are said to have commenced talks with potential investors about the possibility of such a sale. It is currently not possible to predict the outcome of these considerations and talks.

FINANCIAL STATEMENTS OF GKL

AUDITED UNCONSOLIDATED FINANCIAL STATEMENTS OF GERLING-KONZERN LEBENSVERSICHERUNGS-AG 2004 (HGB)(*)

Unconsolidated Profit and Loss Account for the Period January 1 to December 31, 2004

	31 Decem- ber 2004	31 Decem- ber 2004	31 Decem- ber 2004	31 Decem- ber 2003
		(in € '000)		
I. Underwriting account				
1. Earned premiums for own account				
a) Written gross premiums	1,836,357			1,874,883
b) Premiums ceded to reinsurance	- 121,604			- 128,201
		1,714,753		1,746,682
c) Adjustment of gross unearned premiums	12,128			688
d) Adjustment of reinsurers' share in gross unearned premiums	- 3,751			- 9,478
		8,377		- 8,790
			1,723,130	1,737,892
2. Premiums from gross provision for premium refunds			73,382	95,814
3. Income from investments			981,573	1,189,880
4. Non-realised gains from investments			22,291	46,414
5. Other underwriting income for own account			198,266	28,284
6. Claims expenditure for own account				
a) Claims paid				
aa) Gross amount	- 1,629,235			- 2,293,473
bb) Reinsurers' share	94,721			132,036
		- 1,534,514		- 2,161,437
b) Adjustment of provision for outstanding claims				
aa) Gross amount	- 11,695			872
bb) Reinsurers' share	153			- 1,782
		- 11,542		- 909
			- 1,546,056	- 2,162,347
7. Adjustment of other net underwriting provisions				
Premium reserves				
a) Gross amount		- 449,371		306,828
b) Reinsurers' share		10,406		- 16,940
			- 438,965	289,887
8. Expenses for profit-related and not profit-related premium refunds for own account			- 141,227	- 454,741
9. Underwriting expenses for own account			- 524,482	26,611
10. Investment expenses			- 242,651	- 455,458
11. Non-realised losses from investments			- 524	- 785
12. Other underwriting expenses for own account			- 57,133	- 252,112
13. Underwriting result for own account			47,603	89,342
II. General account				
1. Other income		57,428		31,638
2. Other expenses		- 66,107		- 44,818
			- 8,679	- 13,180
3. Result from ordinary business activities			38,924	76,162
4. Extraordinary expenses (= extraordinary result)				- 4,156
5. Taxes on income		- 20,209		- 23,870
6. Other taxes		- 3,014		- 3,137
			- 23,224	- 27,007
7. Profits transferred under profit transfer agreements				- 5,000
8. Net income for the year			15,700	40,000
9. Transfer to revenue reserves: to other revenue reserves				- 3,500
10. Balance sheet profit			15,700	36,500

(*) The notes to the financial statements are not reprinted in this Information Memorandum but are contained in the 2004 annual report of GKL which is incorporated by reference into this Information Memorandum (see "DOCUMENTS INCORPORATED BY REFERENCE").

Unconsolidated Balance Sheet as of 31 December 2004

Assets	31 Decem- ber 2004	31 Decem- ber 2004	31 Decem- ber 2004	31 Decem- ber 2003
		(in € '000)		
A. Intangible assets			2,800	3,000
B. Investments				
I. Real property, leasehold rights and buildings, including buildings on land not owned		1,300,122		1,331,158
II. Investments in affiliated companies and participations		895,881		863,703
III. Other investments				
1. Shares, investment certificates and other non-fixed interest securities . . .	4,993,790			5,745,692
2. Bearer bonds and other fixed-interest securities	1,208,134			2,380,970
3. Claims from mortgages, land charges and annuities	1,451,611			1,532,542
4. Other loans	7,517,322			5,166,818
5. Deposits with banks	5,282			160,749
6. Miscellaneous investments	100,651			274,263
		<u>15,276,790</u>		<u>15,261,034</u>
			17,472,793	17,455,895
C. Investments made for the account and risk of holders of life policies			514,186	396,456
D. Amounts receivable				
I. Amounts receivable on direct written insurance business including from affiliated companies: € 4,081 thousand (p. y. € 2,613 thousand)		427,623		235,317
II. Amounts receivable on reinsurance business including from affiliated companies: € 90,204 thousand (p. y. € 303,401 thousand)		90,279		303,475
III. Other amounts receivable including from affiliated companies: € 59,118 thousand (p. y. 27,582 thousand)		<u>112,487</u>		<u>88,224</u>
			630,389	627,016
E. Other assets				
I. Fixed assets and stocks		248		184
II. Current bank accounts, cheques and cash on hand		383,387		24,556
III. Miscellaneous assets		<u>31,808</u>		<u>38,200</u>
			415,443	62,940
F. Prepaid expenses				
I. Interest and rent accrued		174,832		210,003
II. Miscellaneous prepaid expenses		<u>18,390</u>		<u>12,142</u>
			193,221	222,145
Total assets			<u><u>19,228,832</u></u>	<u><u>18,767,452</u></u>

The assets required under Section 73 of the German Insurance Supervision Act (VAG) to cover the premium funds recorded in the balance sheet are invested and deposited in accordance with the regulations.

Cologne, 11 April 2005

The Trustee: Peter Meyer-Heinsohn

Equity and Liabilities	31 Decem- ber 2004	31 Decem- ber 2004	31 Decem- ber 2004	31 Decem- ber 2003
		(in € '000)		
A. Capital and reserves				
I. Subscribed capital		43,235		43,235
II. Capital reserve		94,092		94,092
III. Revenue reserves				
1. Legal reserve	1,623			1,623
2. Other revenue reserves	10,649			10,649
		12,273		12,273
IV. Balance sheet profit		15,700		36,500
			165,299	186,099
B. Subordinate liabilities			36,500	–
C. Underwriting funds and provisions				
I. Unearned premiums				
1. Gross amount	304,453			316,581
2. Less share for business ceded to reinsurance	40,003			43,754
		264,450		272,827
II. Premium reserves				
1. Gross amount	15,810,825			15,479,184
2. Less share for business ceded to reinsurance	759,828			760,963
		15,050,997		14,718,221
III. Provision for outstanding claims				
1. Gross amount	133,895			122,200
2. Less share for business ceded to reinsurance	3,927			3,774
		129,968		118,425
IV. Reserve for profit-related and not profit-related premium refunds				
1. Gross amount	1,083,123			1,199,640
2. Less share for business ceded to reinsurance	–			–
		1,083,123		1,199,640
			16,528,537	16,309,113
D. Underwriting provisions for life insurance policies where investment risk is borne by policyholders				
Premium reserves				
1. Gross amount		514,186		396,456
2. Less share for business ceded to reinsurance		–		–
			514,186	396,456
E. Other provisions			89,615	62,685
F. Deposits retained on business ceded to reinsurance			801,698	806,879
G. Other liabilities				
I. Amounts payable on direct written insurance business including to affiliated companies: € 2,791 thousand (p.y. € 2,299 thousand)		933,311		849,050
II. Amounts payable on reinsurance business including to affiliated companies: € 5,833 thousand (p.y. € 7,416 thousand)		5,921		7,828
III. Liabilities to banks		12,317		–
IV. Miscellaneous liabilities including: tax liabilities: € 1,659 thousand (p.y. € 2,222 thousand) to affiliated companies: € 99,124 thousand (p.y. € 105,407 thousand)		132,186		140,756
			1,083,736	997,634
H. Deferred income			9,261	8,586
Total equity and liabilities			19,228,832	18,767,452

This is to certify that the premium reserves shown in items C.II and D. on the liabilities side of the balance sheet were calculated in accordance with Sec. 341f of the German Commercial Code (HGB) and the regulations based on Sec. 65 Par. 1 VAG; premium reserves for existing policies, as defined in Sec. 11c VAG and Sec. 16 Para. 2 Sent. 2 of the Third Executive Law/EEC to VAG were calculated on the basis of the latest business plan, which was approved on 26 January 2005.

Cologne, 22 April 2005

The Actuary Responsible: Dr. Bodo Schmithals

REGULATION OF INSURANCE COMPANIES IN GERMANY

General

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 primary 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.

The supervision of insurance companies in Germany is governed by the Insurance Supervisory Act (*Versicherungsaufsichtsgesetz* (the “VAG”)), newly adopted on 17 December 1992 and subsequently amended, *inter alia*, 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 (*Solvabilitätsspanne*), 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, (ii) capital reserves, (iii) profit reserves, (iv) retained profits, and (v) with approval of the BaFin, 50% of the not yet paid-in share capital and certain hidden reserves. 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) the insurance company's paid in share capital less own shares, (ii) capital reserves, and (iii) profit reserves and 50% of the required solvency margin (*Solvabilitätsspanne*). In February 2004 the German Federal Government (*Bundesregierung*) has published the draft of the 7th Act relating to the amendment of the VAG (*Entwurf eines Siebten Gesetzes zur Änderung des Versicherungsaufsichtsgesetzes*) which, *inter alia*, provides that up to 50% of the company's own funds (*Eigenmittel*) and 50% of the prescribed solvency margin (*Solvabilitätsspanne*) may consist of proceeds from the issuance of profit participation rights and subordinated obligations provided that subordinated loans with a fixed term may only account for 25% of such own funds or such prescribed solvency margin, as the case may be. It is currently expected that these changes will come into force in the second half of 2005.

Since 2001, solvency requirements have to be met not only on a single insurance company basis but also on a group basis. In case an insurance company is a subsidiary of a parent insurance holding company (or reinsurance company), the parent insurance holding company (or reinsurance company) is, for purposes of calculating the group solvency, treated as if it were an insurance company.

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 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. The terms of, *inter alia*, all health and life insurance policies are also subject to German consumer protection legislation.

According to the VAG, life and health insurance must be transacted by separate companies from those writing non-life insurance. The combination of composite and life business in one company is not allowed in Germany, although this is permitted for different companies within the same group. Insurance companies are not allowed to carry out non-insurance business, but primary insurers may write reinsurance subject to the respective regulations concerning reinsurance.

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.

Life Insurance

Under German law, German life insurance companies are required, after receiving the authorization to conduct a life insurance business, to notify the BaFin of the principles they use to set premium rates and establish actuarial provisions, and of any intention to alter or amend these principles. German life insurance companies are also required to appoint a chief actuary responsible for reviewing and ensuring appropriateness of actuarial calculation methods. Prior to the appointment, the insurer must provide the BaFin with the name and the facts required to determine the professional qualification and the reliability of the envisaged actuary. Before and after the appointment, the BaFin is entitled to request that the insurer appoints another actuary if the BaFin has doubts as to the professional qualifications of the appointed actuary. In case the second appointee does not meet the professional requirements expected, or the insurer does not appoint another actuary, the BaFin may appoint an appropriate actuary.

Additional restrictions apply to the investment of German life insurance company assets. The BaFin closely monitors the calculation of actuarial reserves and the allocation of assets covering actuarial reserves. Assets covering actuarial reserves are also monitored by an independent trustee (*Treuhänder*). The rules governing the appointment of the trustee are similar to those governing the appointment of the actuary. The BaFin may issue supplemental instructions to an insurer if deemed necessary to safeguard the interests of policyholders.

For policies issued until 1994, German life insurance companies are obliged by the relevant regulations to allocate at least 90% of their annual surplus for the benefit of policyholders. In 1994 and 1996, the laws and regulations were modified, and for policies written since 30 June 1994, German life insurance companies are obliged by the modified regulations to allocate at least 90% of their net interest yield on assets corresponding to technical reserves for the benefit of the policyholders. In addition, holders of policies written after 30 June 1994 are entitled to participate in “appropriate amounts” of profit from sources other than assets, mainly from earnings related to risk management and cost management. The amount required to be allocated to policyholders may be used to increase directly a policyholder’s profit participation or to contribute to the reserves for premium refunds (*Rückstellung für Beitragsrückerstattung*). In general, the amount contributed to the reserves for premium refunds may be used only for the policyholders’ profit participation. In the event of an overall loss and to avoid an emergency situation, the insurer may use parts of the reserves for premium refunds to cover the loss with the approval of the BaFin if doing so is in the interest of the policyholders. The reserves for premium refunds are accordingly included in the calculation of the life insurer’s solvency margin. The respective determinations and calculations are based on German statutory accounting principles. These statutory accounting principles were amended in March 2002 with respect to impairment charges for equity, investment funds and other fixed-interest rate and non-fixed-interest rate securities. This amendment had a stabilizing effect on statutory profits and profit participation.

Accounting Provisions

Insurance companies are also subject to the specific accounting provisions contained in Sections 341 et seq. of the HGB. Generally, an insurance company is obliged to form actuarial reserves (*versicherungstechnische Rück-*

stellungen) 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) HGB 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 (iii) 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). Pursuant to § 341 f HGB premium reserve funds (*Deckungsrückstellungen*) must be created for the obligations arising from life insurance business and insurance business operated as life insurance in the amount of their actuarially calculated value including surplus bonuses already assigned (excluding interest-bearing accumulated surplus bonuses) and after deduction of the actuarially calculated cash value of future premiums (prospective method). If calculating the value of future obligations and of future premiums is not possible, the calculation is to be performed on the basis of accrued interest receipts and outlays of the previous fiscal years (retrospective method). In forming the premium reserve funds (*Deckungsrückstellungen*), the interest rate obligations incurred in respect of the policyholders are also to be considered to the extent that current or expected asset yields of the insurance company are not sufficient to cover such obligations. In addition, Section 341 g HGB 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.

RATING

The Notes are expected to be rated at closing “Baa3” by Moody’s Investors Service (“**Moody’s**”) and “BB+” by Standard & Poor’s Rating Services, a division of the McGraw-Hill Companies, Inc. (“**S&P**”).

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 and Moody’s; 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 Notes by such other rating agency could be lower than the rating assigned by S&P and Moody’s.

On 21 June 2005 Fitch Ratings assigned a preliminary rating of B+ to the Notes. The rating has not been requested by the Issuer and, according to Fitch Ratings, is solely based on publicly available information.

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. They will enter into force at that point in time, from which the provisions of the directive have to be applied by the EU Member States according to a resolution of the Council of the European Union. In a meeting of April 12, 2005 the Council of the European Union (ECOFIN) has confirmed its will to introduce the taxation of interest income as from July 1, 2005, subject to the conditions mentioned above. It is presently not yet possible to predict whether all of these conditions will be fulfilled until such date.

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 28 June 2005 (the “**Subscription Agreement**”) between the Issuer and the Joint Lead Managers, the Joint Lead Managers have agreed, subject to certain conditions, to subscribe and pay for the Notes at an issue price of 99.723% less certain management and underwriting commissions. 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 Joint Lead 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 Joint Lead Managers against certain liabilities in connection with the offer and sale of the Notes. The Issuer has also agreed to reimburse the Joint Lead 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 Joint Lead 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, including any act or regulation implementing Directive 2003/71/EC of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC. In particular, each Joint Lead 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 Joint Lead 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 Joint Lead 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 Joint Lead Managers has represented that it will not offer, sell or deliver either in the primary or secondary market 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 Joint Lead 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 disposing 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; (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 Joint Lead 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 Joint Lead 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 Joint Lead 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 Joint Lead 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 Joint Lead 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 Joint Lead 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 € 158,356,800 and are intended to be used for general corporate purposes and 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 21 June 2005.

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, 2004.

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 BNP Paribas Securities Services, Luxembourg Branch, 23 Avenue de la Porte Neuve, L-2085 Luxembourg, Luxembourg, as the initial listing agent for the Luxembourg Stock Exchange and Deutsche Bank Luxembourg S.A., 2 Boulevard Konrad Adenauer, L-1115 Luxembourg as initial Luxembourg paying agent in the City of Luxembourg. 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: XS0223589440

Common Code: 022358944

WKN: A0E87R

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	21
Adjusted Comparable Yield	19
Arrear of Interest	7, 17
BaFin	1
BNP Paribas	1
Business Day	15
Calculation Agent	21
Calculation Period	16
capital gains	48
Clearing System	14
Clearstream Luxembourg	2
Common Depositary	2
Day Count Fraction	16
Decree No. 385	50
Decree No. 58	50
Deferred Interest	18
Denomination	14
Deutsche Bank	1
DFA Capital Management	34
Early Redemption Amount	19
Ecofin	49
EUR	2
euro	2
Euroclear	2
Fixed Interest Payment Date	1, 15
Floating Interest Payment Date	1, 15
Floating Interest Period	15
FSMA	51
GBG	28
Gerling Group	28
Germany	2
GFM	37
GFW	37
GKA	36
GKB	28
GKL	1, 24
GKL Group	28
GKVM	36
GLH	39
Global Notes	2
GPM	39
Gross-up Event	19
GV-FP	36
HGB	4
Information Memorandum	2
Institution	48
Interest Amount	16
Interest Determination Date	16
Interest Payment Date	7, 14
Issue Date	1, 14
Issuer	1, 14, 24
Joint Lead Managers	1
Junior Securities	18
KPMG	27
Make-Whole Amount	19
Management Board	26
Margin	16
Moody's	2, 47
Noteholders	15

Notes	1
Parity Securities	18
Paying Agent	21
Paying Agents	21
Permanent Global Note	2, 14
Present Values	19
Principal Paying Agent	21
Professional Investors	50
Rate of Interest	16
Redemption Amount	8, 18
Reference Banks	16
Regulation No. 11522	50
Regulatory Event	19
Retirement Income Act	13
S&P	2, 47
Sales Prospectus Act	50
Securities Act	2, 51
Screen Page	16
Subscription Agreement	50
Supervisory Board	25
Tax Event	19
Taxes	21
TEFRA D Rules	51
Temporary Global Note	2, 14
Terms and Conditions	14
United Kingdom	51
VAG	44

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