

Dr. Hans-Jürgen Schinzler

Chairman of the Board of Management

I. Welcome

Ladies and gentlemen,

I too bid you a cordial welcome to the 2003 Annual General Meeting of the Munich Reinsurance Company. My welcome extends to all shareholders, proxies or representatives of the media who have accepted our invitation to join us at the ICM today, and of course to all the “virtual” participants who are taking advantage of the possibility to follow our 2003 Annual General Meeting (in its entirety, if you so wish) via the internet and to issue their voting instructions by electronic means.

Again this year the response to the invitation to our Annual General Meeting was excellent.

We are very pleased about this. 7,796 shareholders have registered to take part: that is a new record. This figure also reflects the fact that our free float is becoming more widespread. At the same time, I view this increase in the free float as a vote of confidence by investors in our – in your – company, and this despite the unsatisfactory performance of Munich Re shares during the slump in the international stock markets.

Some of you are perhaps taking part in today’s Annual General Meeting because you are deeply concerned that your investment has fallen in value and wish to obtain first-hand information about the situation of Munich Re. Believe me, no one on the Board of Management of Munich Re or on the Boards of our subsidiaries has for even one moment taken lightly their responsibility for the Group and its over 40,000 employees. Like you, we were and still are highly dissatisfied with the performance of our share price. As one of the big investors in the stock market, Munich Re was of course very severely affected by the extreme share price losses. Following a careful analysis of the prevailing circumstances, we took whatever countermeasures we possibly could, above all in our operative reinsurance business and also with regard to the structure of our investments. I will report on this later on. Your interest in the development of Munich Re, which seems to grow from year to year, is an additional incentive for us to do our utmost to ensure that Munich Re can meet your expectations as shareholders even in times when the economic climate and political environment are extremely difficult.

For me this year is the eleventh and also the last time I will attend the Annual General Meeting in my capacity as Chairman of the Board of Management of Munich Re. The past ten years appear on reflection to have been a particularly turbulent period.

The political, legal and economic framework is totally different to that in 1993. Clearly we cannot apply past recipes to remedy present-day problems.

For this reason, Munich Re is also no longer the same company it was a decade ago. I not only mean that since business year 1992/93 to 2002 our Group premium income rose from approximately €13bn to €40bn now and our profit for the year from the equivalent of €87m to €1.1bn. This was only possible because we faced up to the new challenges and actually succeeded by and large in overcoming them. Of course, disappointments occurred along the way, but

Report of the Chairman of the Board of Management



AGM 2003 Munich Re
Number of shareholders and registrations for the Annual General Meeting up again



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Identity retained

Despite the many changes, we still managed to maintain our values and retain our identity.

- Professionalism
- Expertise
- Reliability
- Continuity

essentially we tackled many areas and introduced new reforms. One thing that is very important to me in all of this: despite the many changes, we still managed to maintain our values and retain our identity. Professionalism, expertise, reliability and continuity are now – as then – the key hallmarks of Munich Re. Together with our highly qualified and skilled staff and our financial strength, they form the solid foundation on which this Group is built. In this respect, ladies and gentlemen, Munich Re is still recognisably the same company: to you, the shareholders, to our clients and to our employees, and that in spite of the many changes. What had to alter and what has altered are the ways and means by which we translate our values into sustainable economic success.

II. Premium income and result in 2002

Ladies and gentlemen, please let me briefly review the business year 2002 once again:

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Group premium income increased by 10.8%

Group premium income in €bn	2002	2001
Reinsurance	25.4	22.2
Primary insurance	16.6	15.7
Consolidation	-2.0	-1.8
Total	40.0	36.1

The Munich Re Group – i.e. reinsurance and primary insurance together – was able to increase its premium income in the past business year by 10.8% to €40.0bn. Of this, 59% was attributable to reinsurance and 41% to primary insurance. Therefore, the balance shifted slightly last year in favour of reinsurance. There were two main reasons for this: firstly, reinsurance premiums went up significantly following the terrorist attack on the World Trade Center in New York on 11 September 2001; secondly, we were also able to capitalise on our standing as top-quality reinsurers in order to acquire substantial new business and thus grow organically.

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Group result: €1.1bn profit for the year

Group result in €m	2002	2001
Result before amortisation of goodwill	809	-415
Operating result before tax	438	-645
Profit for the year	1,081	250

Our profit for the year of €1.1bn corresponds to a four-fold increase over 2001. However, the result for 2001 was burdened to an extraordinary degree by the World Trade Center loss. Therefore, given the exceptional negative situation on the capital markets, we can be satisfied with the profit for the year in 2002, which appears at first glance to be quite respectable.

In economic terms, 2002 was one of the most difficult years in recent history. For the first time since the Second World War, Germany and the US experienced declining share prices for a third consecutive year. One has to go back to the Great Depression in the 1930s to find a similar situation on a global scale. Especially the third quarter of 2002 stood out because of its negative performance. For the DAX this was the worst quarter in its history.

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Investment result impacted by weak capital markets

In €bn	2002	2001
Investments	156.3	162.0
Result	5.6	10.4
Return on investment* in%	3.5	6.5

* Based on average book values.

In Germany the situation was and still is particularly worrying. The domestic economy is teetering on the edge of recession, and in the European Union we have gone from being the motor to bringing up the rear. The fact that Germany's woes go far beyond the purely economic sphere gives particular grounds for concern. In Germany the lack of will as well as the lack of ability to initiate reforms poses a major threat. The encrusted situation has been clearly perceived for some time by other countries and international organisations like the OECD. It is not least for this reason that, since reaching its highest level, the DAX slumped more than any other of the key indices.

We too were unable to avoid the consequences of this downward spiral on the stock markets. Our result from investments was almost half that of the previous year, falling by 46% to €5.6bn. Due to the drastic deterioration of share prices, we were forced to write down €6.3bn. These massive losses would have had an even greater impact on our annual financial statements if we had not made a profit of €4.7bn from restructuring our shareholdings with Allianz in the first half of 2002. We benefited from the fact that we had agreed the sales of our shareholdings well before share prices started to plunge since the summer of 2002. Ladies and gentlemen, this profit did not fall into our lap by mere chance;

rather, it is the consequence of a conscious strategic reorientation in the area of participating interests we decided on several years ago and which we have since been consistently implementing step for step. I will return to this point later.

The result of reinsurance business fell below our expectations. Given the performance of renewal negotiations on our treaties for 2002 and also after the first quarter 2002, we were confident that reinsurance would close with a positive underwriting result. This hope was dashed, despite premium income growth of 14.6% to €25.4bn. The so-called combined ratio – i.e. the sum total of all claims and other costs in relation to premium income – still stood at 122.4% despite going down by around 13 percentage points against the previous year. And even if I were to disregard negative factors stemming from earlier business years and not relevant to 2002, the combined ratio would still be too high at 106.5%.

The process of “coming to terms with the past” for earlier business years meant that we again had to top up the reserves for the World Trade Center loss by US\$ 500m, just to be on the safe side. In addition, we strengthened American Re’s IBNR reserves – these are reserves for losses incurred some time ago but which have not yet been fully reported – by US\$ 2bn.

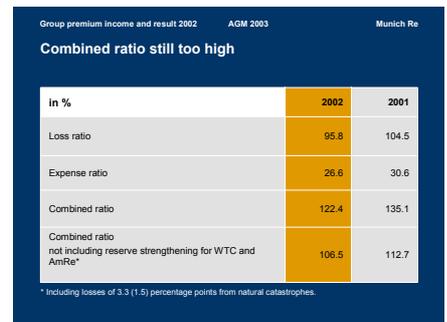
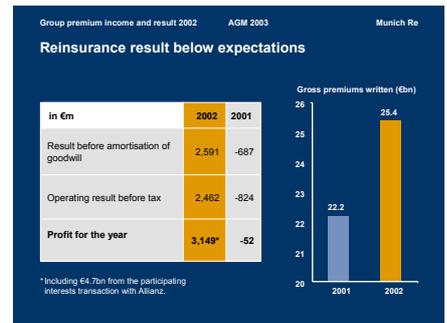
American Re is our largest reinsurance subsidiary. Last year, I outlined to you in detail the far-reaching personnel, organisational and financial measures we took to rehabilitate American Re: the management of the company was placed in the hands of John Phelan, who at the same time was appointed to the Board of Management of Munich Re. American Re’s international activities were discontinued and transferred to other Munich Re units, thus allowing it to concentrate solely on business within the US. The whole company was reorganised and realigned.

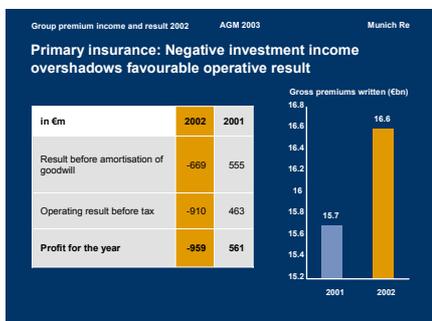
These measures have made themselves felt and the first promising successes are visible. American Re is back on track. Treaty renewals for 2003, based on price targets designed to achieve a combined ratio of around 95%, went very well. We therefore expect that American Re should achieve a combined ratio of under 100% in 2003 and 2004. The first quarter 2003 closed with a profit of US\$ 220m. For 2003 as a whole, we anticipate a profit in the mid three-digit million dollar range.

For our Group it is of decisive importance for the future that we are adequately represented on the US market which, with a world market share of 38%, is by far the largest insurance market in the world. It is without doubt a very difficult market with its own laws, but it is also one that offers major profit-making opportunities. The market environment in the US has now taken a decidedly positive turn, a fact that should also be to the long-term benefit of American Re.

And now I would like to return to our reinsurance business. Natural catastrophes and major losses had a negative impact on claims performance in the year under review. Our claims burden from the flood catastrophe in Germany and neighbouring countries alone amounted to €420m, including claims payments and loss reserves.

All in all, we failed to meet our profit target in property-casualty reinsurance in 2002. Whilst the market upswing noticeable at the end of 2001 brought us double-digit premium growth as already mentioned, our combined ratio was thus clearly too high in the upswing phase of the market cycle. Above all, we did not have the option in 2002 (as we had in the past) of cushioning the loss in reinsurance business through current income from our investments.



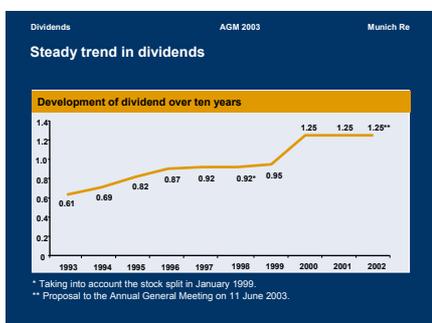


The results of our Group's primary insurers were even more badly affected than those in reinsurance by the fall in investment income. They can be explained by the strong emphasis on life insurance business with its large equity holdings. The need for exceptionally high writedowns severely overshadowed the favourable result from our operative primary insurance business and on balance led to the deficit of €959m. In this situation, even what a market comparison would show to be a very good combined ratio of 99.1% in property-casualty insurance could not help. At ERGO the combined ratio was an excellent 97.6%, down again on the previous year.

The primary insurers continued their growth course in premium income with a respectable 5.6% increase to €16.6bn. Cooperation between ERGO and HVB alone accounted for new business volume of almost €300m.

Our primary insurers earned 70.8% of their gross premiums from life and health insurance. In "normal" years this would be a guarantee for a steady increase in profits. At a time of imploding stock markets and prevailing low interest rates, it becomes obvious what high risks for the insurance industry are lurking behind the assets side of the balance sheet. In order to return to profitability, the life insurers in the Group have now noticeably lowered bonuses for 2003 (following the market trend), which is an important step towards adjusting to the nominally low interest rate. I am convinced that as soon as the effects of the massive decline in share prices are overcome in our figures and the stock markets return to normality, the primary insurers will get back on the road to success.

III. Dividends



Let me summarise again: The business year 2002 did not meet our expectations. We are disappointed at the result of operative reinsurance business.

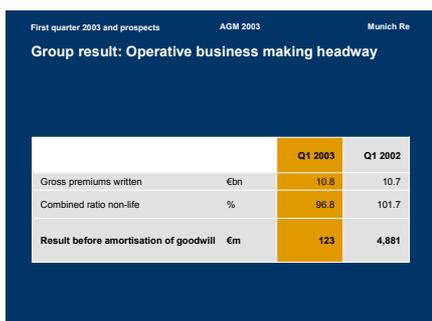
Nevertheless, and despite an investment result that was almost halved due to massive writedowns, we were able to post a Group profit for the year of over €1bn, which was significantly up on the previous year. Perhaps this may not in itself be a glowing result, but in view of the difficult overall circumstances it is certainly a very respectable one that justifies payment of an unchanged dividend of €1.25 per share. In addition, an amount of €1.08bn is to be allocated to the profit reserves of the parent company.

Ladies and gentlemen, we can be justifiably proud of how our dividend has developed over the last decade. I would like to describe the connection shown in the graph as follows: for business year 1992/93 we paid out a dividend of 20%. At that time, we had 50% partly paid-up shares with a nominal value of DM 100, therefore the dividend per share was DM 10. Today each share is in arithmetical terms worth €2.56 of the share capital and today's dividend of €1.25 per share is thus equivalent to almost 50%, as against 20% previously.

IV. First quarter 2003 and prospects

On 2 June we published our report for the first quarter 2003. It shows that in operative business we have made good progress and are clearly on the right track both in reinsurance and insurance.

We continue to be concerned, however, about the state of the stock markets. Against the backdrop of the Iraq crisis and the widespread fear of the consequences of a war, the first three months of this year were again marked by massive share price losses on the international stock markets. Key share price indices in Europe, above all the DAX, once again recorded their lowest levels in many years. In particular, German financials came under heavy pressure. Munich Re shares were also affected, as our shareholders can attest from their own painful experience. Unfortunately, 31 March was not only the last day of the



quarter but also one of the blackest days on the stock exchange. Share prices have now bottomed out somewhat. Although our own share price climbed by over 80%, it is of course still unsatisfactory.

The deficit of €238m for the first quarter 2003 is ascribable to the continuing weak state of the stock markets.

By contrast, our reinsurance portfolio has fundamentally improved. In renegotiating our treaties for 2003, we moved much closer to risk-commensurate prices and conditions. We terminated business that failed to meet our price requirements. This strictly profit-oriented underwriting policy is now paying off and our combined ratio in casualty-property business went down to 96.8% in the first quarter 2003. In other words, for every €100 taken in premium, €96.80 went on claims and other costs; we earned €3.20 before tax. We have not had this situation in operative reinsurance business for many years. It may not make up at Group level for losses on the investments side (i.e. investments in equities by our primary insurers), but it certainly is an encouraging sign. I set greater store by the improvement in our reinsurance portfolio than by the fact that premium income fell against the first quarter 2002 as a result of currency translation.

Here the strength of the euro against the US dollar and other currencies had an effect, because the premium income we obtain in these currencies is markedly lower when expressed in euros. However, as risks and losses expressed in foreign currency are also lowered, the present currency movements thus have no serious impact on the result. In original currency our reinsurance premium income rose against the first quarter 2002 by 6.7%.

The Munich Re Group's primary insurers, which are generally immune to such foreign-exchange effects because their business generally stems from the eurozone, have maintained their high growth rate. The companies all got off to a good start in all fields of business in 2003. Gross premiums written in the first quarter of 2003 climbed to €5.0bn, an increase of 8.1%. This development was largely due to life insurance. The new business written, which is pleasing both in terms of volume and quality, reflects the great franchise strength of our primary insurers as well as the success of our cooperation with HypoVereinsbank and with KarstadtQuelle. The premium income figures achieved through these distribution channels are also on target this year.

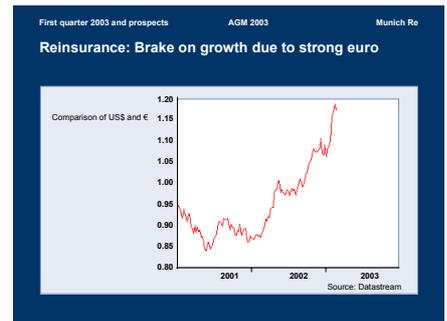
What about the current business year? Quarterly results of insurance companies, and especially the results of the first quarter, are not a reliable indicator for the business year as a whole. Natural catastrophes and other major losses are not foreseeable. Further imponderables in the calculation are the economy, interest rate trends, the exchange rate of the euro and the state of the stock markets. Therefore, it would not be prudent today to forecast the overall result of the current business year. Essentially, I expect that the result will be determined by countervailing forces from the trend on the capital market and from operative business.

On the one hand, we will continue to feel the effects of the negative stock market trend. While most observers hope that the global economy will increasingly recover in the course of 2003, early economic indicators are still presenting a very mixed picture. Our investment management will proceed on the assumption that the volatile trend on the capital markets will continue in 2003 and that at best there could be an increase in the long-term interest level in the second half of the year. In the medium term we expect to obtain a relatively low profit contribution of 4.5% p.a. from our investments. Thus, we will have to do overall with significantly lower investment income and also earn our money from underwriting business.

First quarter 2003 and prospects AGM 2003 Munich Re

Reinsurance: Portfolio fundamentally improved

		Q1 2003	Q1 2002
Gross premiums written	€bn	6.5	6.9
Loss ratio non-life	%	69.8	73.1
Expense ratio non-life	%	27.0	28.6
Combined ratio non-life	%	96.8	101.7
Result before amortisation of goodwill	€m	351	5,468



First quarter 2003 and prospects AGM 2003 Munich Re

Primary insurance: Continued high growth rate

		Q1 2003	Q1 2002
Gross premiums written	€bn	5.0	4.6
Result before amortisation of goodwill	€m	-243	109

First quarter 2003 and prospects AGM 2003 Munich Re

Development in 2003 marked by countervailing factors

- Highly satisfying performance of underwriting business
- Continued unfavourable situation on the capital markets and in the economy as a whole
- 4.5% p.a. contribution to profits expected from investments

On the other hand, underwriting business should perform more than satisfactorily in all areas as seen from today's perspective, provided of course that the impact from major losses remains within reasonable bounds.

V. Key topics

Ladies and gentlemen, the "situation on the stock markets" runs like a recurring theme through my report so far. For that reason, I would like to go into more detail about the far-reaching effects on Munich Re of developments on the stock markets. The keywords here are our shareholders' equity, our market capitalisation, our rating, our investment strategy in view of the proportion of stock in our portfolio, the situation as regards our strategic participations and, last but not least, the strengthening of our equity base through the issue of two bonds in April of this year. The interrelationships are complex, but I nevertheless hope to be able to make them reasonably clear to you.

VI. Risk management

All of the problem areas mentioned can be subsumed under the term "risk management". It goes without saying that we fulfil the statutory requirements that the Law on Corporate Control and Transparency (KonTraG) demands of risk management in our Group. The slump in share prices was a severer financial test for the Munich Re Group than the World Trade Center loss or any other catastrophe. The control instruments used to protect our investments from losses were and still are highly sophisticated tools. Yet we were nevertheless unable to avoid substantial losses on disposals and high writedowns on securities due to the extraordinary duration and especially the very unusual extent of the fall in share prices, which no one had previously considered possible.

Our risk management approach entails working with crisis scenarios with which we simulate the impact of assumed geopolitical or capital market developments on our portfolio. The simulation values determined from these stress tests are fed into an early-warning system that shows up possible changes at an early stage and enables us to decide on suitable counterstrategies in good time. The appropriateness and effectiveness of this risk management system for investments has been confirmed in turn by the auditors.

We monitor and control risks stemming from our operative business and from our investments using an internal risk model based on the probability theory, meaning that risks can be quantified and made calculable. The aims are to determine the necessary risk capital for our business, to shape our portfolio structure accordingly, and in this way to utilise the deployed risk capital in order to create the greatest possible value.

Risk management is not a static feature. In order to keep pace with changing risks, we also must and will continually improve our risk management.

VII. Shareholders' equity, market capitalisation, Munich Re shares

At the beginning, I reported that in 2002 our result from investments was almost half that of the previous year. Our equity capital was also substantially reduced owing to the massive slump in the value of our equity and participating interests portfolios. Since we post the major part of our investments at market value, the depreciation in our equity portfolios had a direct impact on our shareholders' equity. Obviously the resulting huge capital erosion is not specific to Munich Re. The financial sector as a whole is affected. However, in our case one of the problems is that we hold in our investment portfolio large blocks of shares in companies whose share price has fallen disproportionately over the past year – you just have to think of Allianz and HVB. These participating interests, serve or

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Key topics

- Risk management
- Capital situation
- Rating
- Investment management
- Allianz/Munich Re
- HypoVereinsbank
- ERGO

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Risk management more topical than ever

- Financial burden due to the bear market greater than from the World Trade Center loss
- Risk management system adjusted to experience of the past year

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Internal risk model makes risks calculable

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Shareholders' capital fluctuates in line with stock market trends

Year	Capital (€bn)
1998	16.2
1999	18.5
2000	23.6
2001	19.4
2002	13.9

used to serve to safeguard our core business, whether it be sales cooperation with HVB or our traditional ties with Allianz.

Until globalisation, participating interests in other companies in Germany were an absolutely correct and important investment, one which led to profitable growth. They were a foundation stone on which our strength was built. With conditions being as they are today, however, they make us dependent on stock market trends.

Besides, such participating interests – especially if they are reciprocal, as is the case between Munich Re and Allianz or between Munich Re and HypoVereinsbank – facilitate speculation deals specifically targeting the share price of the participating companies. Such activities as hedge funds are legitimate, even if they ultimately have a destabilising effect. It is obvious that we do not like them.

We therefore need strategies today that allow us to react more swiftly to “hundred-year events” on the capital markets. The reduction announced at the end of March of our reciprocal shareholdings with Allianz to around 15% is a step we have taken to liberate ourselves further from existing dependencies. I will come back to this point later.

Munich Re shares were massively and disproportionately hit by the collapse in share prices. This not only significantly impaired our market capitalisation, i.e. the stock exchange term used to express the value of Munich Re.

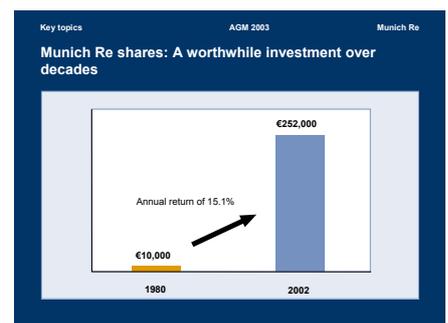
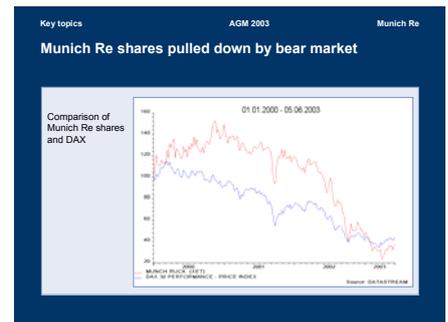
The fall in the value of our stock is a painful experience, especially for our shareholders, and I can assure you, ladies and gentlemen, that we know and understand what this means. For the sustained increase in value of Munich Re shares has always been the declared aim of our Group – long before the idea of shareholder value became popular. In the last year we failed to achieve this objective.

The negative development of our share price and our lower market capitalisation have interrupted a success story that goes back decades. Not only in the ten-year period from 1993 to 2002 was the overall return on Munich Re shares always significantly higher than that of the DAX. Let me give you an example to illustrate my point. If at the start of 1980 you had acquired Munich Re shares roughly equivalent to €10,000, had since participated in the capital increases without allocating any additional means and used paid-out dividends to purchase new shares, you would at the end of 2002 have owned a portfolio of 2,210 shares with a value of €252,000. The annual return was 15.1%, whereas the DAX grew by only 8% per annum in the same period. We will do everything in our power to ensure that this success returns in future. The Munich Re share price should again experience above-average increases as soon as the stock market makes a sustained recovery.

VIII. Rating

As you know, ladies and gentlemen, our so-called rating suffered from the prevailing situation. This rating is the assessment of our financial strength and ability to honour obligations under our reinsurance treaties. It is awarded by special private “agencies” that have emerged mainly in the Anglo-Saxon world and increasingly gained importance in continental Europe over the past decade.

Whilst we view the partial downgradings by the rating agencies with concern, we see that the rating of other financial institutions has also suffered. This is important, for we do not wish to lose ground to our strongest competitors and thus need a top rating in comparisons across the board. Although we have this top



Key topics AGM 2003 Munich Re

Top rating for Munich Re

A. M. Best	Superior (A++), 3.6.2003
Moody's	Excellent (Aa3), 4.4.2003
Standard & Poor's	Very strong (AA-), 27.3.2003
Fitch	Very strong (AA+), 2.6.2003

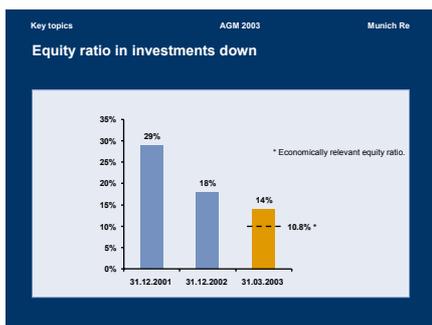


rating, we will not become transfixed on a specific rating level so that we can keep our options open and not be forced by external pressure into taking action.

I would characterise the financial situation of Munich Re after the annual financial statements 2002 as follows: we have now returned to normality after an above-average comfortable situation. Over many years our capitalisation was far greater than required. But we are still adequately capitalised today. Our necessary risk capital is very prudently calculated on our internal risk model. We would survive two consecutive years with losses of a magnitude that, from a statistical point of view, occur only once every one hundred years.

Independent of this, we were able to greatly enhance our financial strength by successfully placing two subordinated bonds with a total volume of around €3.4bn. Both bonds were hugely oversubscribed. We are of course delighted by the capital market's excellent response to the bonds, which goes to prove that investors continue to have great trust in Munich Re.

IX. Investment management



With a view to reducing risk, we cut back the proportion of equities in the Munich Re Group's investments noticeably from 29% at the end of 2001 to 18% at the end of 2002 and to just over 14% at the end of March 2003. The economically relevant equity ratio is now even under 11%. The reduction in the proportion of equities was naturally partly a compulsory consequence of the drop in share prices. But in the last few months we have also actively reduced the risks in our investments considerably by selling shares. However, we had to tread carefully when transforming shares into other forms of investment. With an investment volume of altogether around €150bn, we are one of the largest institutional investors in the German market. If we sell shares on a massive scale, we may accelerate a downward slide on the stock markets and make the situation worse. We must therefore act with due regard to the market to avoid further accelerating a continuing slide, which would only damage ourselves.

As part of the measures adopted, we have now additionally hedged large parts of our equities to protect us against further share price losses. The volume concerned is €2bn.

In our view, the proportion of equities in our investments is appropriate to the current situation. On the one hand, they contain our participating interests in Allianz and HVB, and on the other hand we would like to benefit from a future upswing in the equity markets. In addition, we have to use our investments to cover our obligations, which extend over decades; here, intrinsic values such as real estate and equities are highly suitable and necessary forms of investments.

X. Divestiture Allianz/Munich Re



At the end of March we announced, following the capital increase by Allianz, that we would further reduce our reciprocal participations to around 15% of the share capital.

By agreement with Allianz, we had already announced in 2000 our intention to lower our reciprocal stakes from 25% to around 20% each. We thus adopted a very cautious initial approach because, in view of the volume of this measure, we did not wish to overtax the capital markets. Nevertheless, as I already mentioned, we realised a tax-free capital gain of altogether €4.7bn in the first half-year of 2002 from these sales alone.

Allianz and Munich Re had started some ten years ago to restructure the large number of our jointly held participating interests. In a series of sometimes

spectacular exchange transactions we were able to optimise our portfolios. The last transactions were agreed as early as 2000 and 2001 to take account of the tax breaks on capital gains for 2002. So you can see that together with Allianz we have been deliberately restructuring our participating interests over many years. For tax reasons – as we obviously seek to conduct the transactions so that they have no impact on taxes – we had to put our divestiture strategy on hold from 1999 and wait until 2002 in order to continue.

Now we have used the Allianz capital increase to go one step further. By performing a so-called “opération blanche”, we took part in the capital increase but only to the extent that we did not have to invest any new funds. In this way, we succeeded in reducing our stake in the share capital of Allianz in one step to just over 15% with no impact on our liquidity. Otherwise there will be no change to our friendly and proven relationship with Allianz, which has stood firm for over 100 years, through the reciprocal lowering of our stakes.

XI. Participating interest in HypoVereinsbank

Whereas our close ties with Allianz go back to the beginnings of both companies, our current participating interest in the HVB Group of just over 25% came about as a result of the restructuring of the banking portfolios we held jointly with Allianz. All in all, we have not upped our direct commitment in the banking sector, for we obtained our stake in HVB mainly in exchange for other interests we held, for example our Dresdner Bank shares. As already said, for tax reasons we received this stake only at the start of 2002.

I have always said that the amount of our HVB stake is not sacrosanct. For I can imagine that the successful cooperation between ERGO and HVB could be underlined by a lower participating interest. However, we have no particular reason to consider selling our stake at this time given that HVB's share price is far below its so-called net asset value.

XII. ERGO

This brings me to the question of what role the ERGO Insurance Group can and should play within the Munich Re Group. The founding of the ERGO Group in 1997 came about through a series of transactions and a financial engineering deal that at the time was regarded as extraordinarily creative and value creating. The strategy of forging the second-largest German primary insurance group and investing almost exclusively in personal lines business was certainly right then, as it is now. On the one hand, the difficulties in major commercial and industrial lines insurance are to some extent still present, and on the other hand demographic trends must lead to sustained growth in private life and health insurance.

By establishing and taking over ERGO we have created a second pillar beside reinsurance. The current lack of profitability in primary insurance, which is exclusively due to the collapse of the German stock market in particular, is no argument for changing our long-term strategy. When the problems arising from the decline in the value of equities have been processed in our figures, our primary insurance group will return to its former profitability.

Key topics AGM 2003 Munich Re

Participating interest in HypoVereinsbank

- A good 25% stake through restructuring of banking interests with Allianz
- Very successful cooperation results in first year

Key topics AGM 2003 Munich Re

**ERGO:
Second pillar for the Munich Re Group**



- Investment in private lines business, due to:
 - Difficulties in major commercial lines and industrial lines insurance business
 - Growth in private life and health insurances owing to demographic trends
- Return to former strength anticipated

Key topics AGM 2003 Munich Re

Corporate governance for more trust and transparency

- The Munich Re Group observes corporate governance rules in many parts of the world.
- The first declaration of compliance with the German of Corporate Governance on 6 December 2002: only very few exceptions, and these for good reasons.
- Munich Re has complied with most of the Code's recommendations for many years.

XIII. Corporate governance

Ladies and gentlemen, a topic that over the last decade has increasingly gained importance worldwide is corporate governance. This term stands for a form of responsible company management and control which is geared to long-term creation of value, to observing shareholders' interests and to ensuring efficient practices on the Board of Management and Supervisory Board.

With our international organisation, we observe corporate-governance rules in many parts of the world. Of particular importance for us are of course developments in Germany as the country in which the Munich Reinsurance Company has its seat. In February 2002 the government commission appointed by the Federal Minister of Justice published the German Code of Corporate Governance. It contains essential legal rules that must be observed by listed German companies. In addition, it includes – in the form of recommendations and proposals – nationally and internationally recognised standards of responsible management.

Munich Re's Board of Management and Supervisory Board issued a declaration of compliance on 6 December 2002 stating that Munich Re would follow the Code's recommendations and proposals with only a few exceptions; any exceptions would be specified and grounds given for not following the Code. The compliance decision was an easy one, given that the version of the Code on which our declaration is based generally contains recommendations that have been present in German legislation, some of them for many years, and which we had already complied with.

XIV. Resolutions

Key topics AGM 2003 Munich Re

Resolutions to the agenda

- Item 6:** Authorisation to buy back shares
- Item 7:** Authorisation to issue warrants
- Item 8:** Authorisation to issue convertible bonds and/or bonds with warrants
- Item 9:** Further amendments to the Articles of Association
- Item 10:** Approval of profit-transfer agreements

I would now like to briefly comment on a number of items on the agenda. You will find the agenda among the documents you were given at the entrance today.

Let me begin with item 6: this item concerns the renewal of the authorisation to buy back shares, which we must request every year given the short authorisation period allowed by law. Both Munich Re and ERGO exercised this authorisation for the sole purpose of providing employee shares and safeguarding the stock appreciation rights granted last year to the Board of Management and executive managers. Hence the authorisation was utilised only to a limited degree. Overall, 209,495 shares, equivalent to 0.12% of our share capital, were bought back in the past business year. For further details please read page 210 of the Annual Report of the Munich Re Group and page 40 of the Munich Reinsurance Company's Annual Report.

The resolution to be adopted on this authorisation corresponds to the previous one in all but a few minor technical adjustments.

Agenda item 7 concerns the renewal of an instrument we used successfully in 1994 and 1998: the issue of warrants that we attach to new shares whenever we increase capital. Since the old authorisations have expired or are due to expire shortly, we would like to be able to utilise this capital instrument, which we still consider very attractive, by requesting a new authorisation and a new Contingent Capital Increase for the next five years, too.

As far as agenda item 8 is concerned, we have decided to limit the proposed capital measure to the maximum amount of €3bn authorised by the Annual General Meeting in 2002 for issuing convertible bonds or bonds with warrants. However, given the current situation on the stock markets, the Contingent Capital Increase 2002 will not be sufficient to utilise the €3bn authorisation for issuing

convertible bonds or bonds with warrants. We therefore request you to grant us a new authorisation and a new Contingent Capital Increase 2003 II.

In agenda item 9 we propose three amendments to the Articles of Association: to shorten the term of office for members of the Supervisory Board, to revise the remuneration for Supervisory Board members and to authorise the distribution of dividends in kind. These amendments applicable to the Supervisory Board are in keeping with the recommendations set forth in the German Code of Corporate Governance. Mr. Hartman has already given you detailed information in this regard. Let me add that the basic remuneration for Supervisory Board members will remain unchanged. We therefore do not consider the general criticism of the remuneration expressed in one of the counterproposals to be justified. The option of distributing dividends in kind instead of or in addition to cash dividends is provided for by the Transparency and Public Disclosure Act, which was passed last year. As a consequence, many companies have resolved to amend their Articles of Association accordingly. We too would like to secure this option and therefore propose the addition to Article 20 of our Articles of Association, even if we do not intend to exercise it at present.

Under item 10 we submit 17 profit-transfer agreements between Munich Re and subsidiaries for approval by the Annual General Meeting. Munich Re has transferred shareholdings previously held directly to most of these companies. The aim of these usual agreements is to create fiscal unity in terms of corporation and trade tax between Munich Re and the subsidiaries. This means that any company profits or losses are transferred to Munich Re. By concluding these agreements, Munich Re is such if it would continue to hold the participations directly. The situation regarding the agreement with the Akademie Schloss Hohenkammer GmbH is slightly different in that it does not hold any participating interest but solely administers real estate that is used especially to run seminars. You can read the profit-transfer agreements, the annual financial statements of the subsidiaries and the respective joint reports of the boards of management in further detail either in the information on display near the list of participants or on the internet.

XV. Handover of the chairmanship on 1 January 2004

On 1 January 2004 the chairmanship of the Board of Management and all of the related responsibilities will be placed in the very capable hands of Dr. von Bomhard. The designated Chairman, who is 46 years old and has been with Munich Re since 1985, knows our domestic and foreign business in all of its facets.

Dr. von Bomhard has all of the qualities needed to successfully manage Munich Re, and can count on the support of his colleagues on the Board of Management and our highly motivated and dedicated employees.

Dear Dr. von Bomhard, I wish you all the very best for the future. I wish you above all success as well as pleasure and satisfaction in conducting your highly responsible duties. And I would also add: may fortune favour the brave!

But we are not quite there yet. There is much still to be done up to the end of the year, and you can be sure, ladies and gentlemen, that we will do our utmost so that next year we can hopefully report higher share prices again and a successful business year 2003. We rely – as I have just said – on highly motivated, knowledgeable and dedicated staff whom I would like to thank most warmly on behalf of my colleagues on the Board of Management for their commitment and contribution also in the past year.

Thank you very much for your attention.

(Check against delivery.)