

Munich Reinsurance Company
Annual General Meeting of Shareholders on 28 April 2005
Report of the Chairman of the Board of Management
Dr. Nikolaus von Bomhard

Ladies and gentlemen,

On behalf of the whole Munich Re Board of Management, I too would like to welcome you to today's Annual General Meeting. I would also like to welcome those shareholders who are following the AGM via the internet and will be exercising their voting rights through proxies.

Last week, 19 April to be precise, marked the 125th anniversary of the foundation of Munich Re. Not many companies are privileged to celebrate such an anniversary. And therefore I am particularly pleased that on this exceptional occasion I am able to report to you on a business year 2004 whose result is unique in Munich Re's history.

(Slide 1: Business year 2004: An exceptionally good result)

One year ago, I presented three main thrusts of action for a multi-year programme intended to create the basis for the sustained future profitability of the Munich Re Group. This programme is also designed to meet your legitimate expectations of an adequate return and growth in the capital you have invested in Munich Re.

The first point was to safeguard and, if possible, build on our earnings capacity in reinsurance. Secondly, we aimed to return to the profit zone in the primary insurance sector, with the focus on ERGO. And thirdly, through integrated risk management, we wanted to match our investments even more closely to the structure of our underwriting liabilities in order to reduce risks and so increase the profitability of the capital employed. That was and

is a demanding and ambitious programme. The result shows that in 2004 we made good progress in implementing this programme. Our strict profit orientation paid off. We have successfully set course for a profitable future.

(Slide 2: The figures speak for themselves)

The consolidated profit of over €1.8bn is an exceptionally good result, the best ever in Munich Re's history, even if we did not quite reach our original target of €2bn after tax.

The result could have been even better if we had been spared three negative factors:

- The HVB Group's special writedown, which only became known this January: it impacted our result to the tune of €240m.
- The exceptional accumulation of severe natural catastrophe losses in the second half of 2004: this increased by 1.5% what was otherwise another excellent combined ratio in our property-casualty reinsurance business. That is the amount by which the actual loss incidence exceeded the ten-year average of three percentage points incorporated in our natural catastrophe budget. It corresponds to a burden on the result of €170m.
- And, finally, our subsidiary American Re only showed a profit of around US\$ 100m, a performance below expectations, because it had to strengthen its reserves by a total of US\$ 482m.

But I do not want to engage in "what would have been if" considerations. Following the loss-producing year 2003, the result for 2004 speaks for itself. The quality of our achievement is shown in the result before amortisation of goodwill. This figure reflects the performance of our underwriting business at Group level. It shows another clear improvement of around 50% on the previous year and now totals nearly €3bn.

Group premium income was within the expected range. The decrease of 5.8% to just over €38bn is largely attributable to reinsurance. And here two factors were mainly responsible. Compared with the previous year, the US dollar fell against the euro by no less than 8.2%, which inevitably had a curbing effect on premium development in our reinsurance business. This component, which was beyond our control, was accompanied by an element that was an intentional product of our business policy. By this I mean our strictly profit-oriented underwriting policy. In the renewals of reinsurance treaties for 2004, we had consistently withdrawn from business that did not meet our standards of risk-commensurate pricing and conditions. Altogether, we clearly improved the earnings capacity of our reinsurance business in this way. Indeed, this is also clearly reflected in our annual financial statements.

As I see it, the related decrease in premium is therefore completely in order. Naturally, we want to, have to and will grow again. At present, however, safeguarding the turn-up in results definitely has priority. It remains the case that we are not prepared to write insufficiently rated reinsurance business merely in order to show a plus sign on the premium side. And if I speak of future growth, then I am thinking in terms of new, innovative activities with which we can exploit our superior competence in handling risks. But I will come to that later.

To return to the year under review, 2004. The investment result also stabilised again after the difficult years that now lie behind us, and improved on the previous year by nearly 13% to over €8bn. With a return of 4.5% on the investments recognised in the balance sheet, we achieved our target here.

The good result further strengthened our shareholders' equity. Despite the negative effects of currency translation, it rose to over €20bn by the end of the year and thus to more than 50% of our premium income. We are sufficiently capitalised and have again increased our room for manoeuvre.

(Slide 3: Reinsurance. Our strict profit orientation is paying off)

In reinsurance, we improved on the already excellent result achieved in the previous year, increasing the profit slightly to €1.66bn, despite the burdens from the natural catastrophes in late summer and autumn and despite the reserve strengthening at American Re. This, as I have said, is the consequence of our consistent, profit-oriented underwriting policy, which we have pursued and continue to pursue independent of market-cycle developments. At 98.9%, the combined ratio was below 100% for the second year in succession. This means that even in reinsurance underwriting business, i.e. before the result of investments is included, we again recorded a profit: a really good result.

(Slide 4: Reinsurance. American Re – Measures are taking effect)

At this point, you rightly expect some remarks from me on American Re. Of course it is very regrettable that our otherwise gratifying result in reinsurance was once more impacted by reserve strengthening at American Re – we do not see this any differently from you. However, a distinction must be made between two different sets of circumstances here. Of the reserve increase totalling US\$ 482m, US\$ 180m was apportionable to asbestos-related losses originating from underwriting years far back in the past. The reserving requirements for these losses, which are dependent on the development of the related claims complex in the USA, cannot be precisely quantified owing to numerous, constantly changing factors. I

therefore cannot promise you that we have seen the last of this issue in 2004. The good news is that we expect a bill initiated by the Bush administration, providing for class actions to be assigned to federal courts in many cases, to have a curbing effect for the future.

The other reserve increases at American Re involve liability business from past underwriting years, the years 1997 to 2002 to be precise, i.e. the time before John Phelan took over the helm. As these underwriting years are still relatively young, however, we cannot say that we are out of the woods yet. Naturally, I would prefer to draw a line under these underwriting years sooner rather than later, but to do so requires sufficiently reliable actuarial calculations. Our teams from Munich and Princeton are, of course, working together very closely and intensively on this joyless task, also at the present time. We will continue to reflect all new findings in our financial statements without delay.

Since John Phelan has been managing American Re, we have implemented a large number of measures in collaboration with Princeton which are now reflected in the underwriting results. I will give you an outline of these measures in a few words:

- The unit in Munich responsible for corporate underwriting is working together with American Re much more closely on all questions connected with the writing of the business. This cooperation has also been institutionalised.
- The maximum liability limits per risk in American Re's units have been reduced; in addition, we have extensively revised and tightened the underwriting guidelines.
- American Re's strategic position in various lines of insurance and in the individual units has been critically reviewed and realigned.
- Consequently, there has been a transition to a markedly more restrictive underwriting policy, and American Re has even withdrawn from a number of segments and lines of business; just a few examples I wish to cite here are public non-profit business written in London, non-standard personal auto business, or most recently the withdrawal from individual risk Fortune 2000 casualty business.

This list of measures is not exhaustive. The points I have mentioned are intended to show you that we have been addressing the critical issues very intensively; we have firmly anchored strict underwriting discipline and consistent cycle management in American Re's business; we have improved the internal steering and control mechanisms; and we have taken some very difficult and painful decisions, even giving up long-standing business connections. We are now beginning to harvest the fruits of these efforts. The quality of the portfolio has significantly improved. The results of the underwriting years after 2002 show profits, albeit still masked in individual calendar years by the "legacy losses" I have

described. There is one thing I therefore do not call into question: Munich Re's continuing presence in the USA, by far the largest insurance market in the world.

(Slide 5: Primary insurance. Turnaround in results accomplished)

The success we achieved in primary insurance is very gratifying. We transformed the large loss that we recorded in 2003 into a profit of €261m within the space of a year. You know, as I do, that the result of the year before last was negatively distorted by an exorbitant tax burden. But I want to put it on record that the turnaround has been accomplished in primary insurance – first and foremost at ERGO, the "flagship" of the Munich Re Group's primary insurance activities. We have found our feet again and are energetically addressing the problem areas.

The reorganisation of ERGO's group management structure, drawn up and implemented in 2004, was an important step. The formation of the business segments "life", "health" and "property-casualty" now permit the business to be steered and monitored at ERGO level with coordinated product and market strategies across brands. The uniform control of primary insurance and reinsurance, which we also established last year, enables us to work together more closely in the strategy development and value-based management of our business, and to take appropriate account of the interests of the Group as a whole. The introduction of uniform control does not affect our day-to-day underwriting business where, with due consideration for our client relationships in reinsurance, we are meticulous in maintaining "firewalls" between insurance and reinsurance business.

Despite the visible turnaround in results, neither I nor my colleagues, including those at ERGO, are satisfied with ERGO's profitability yet. The equity capital employed in primary insurance must, in principle, meet the same return requirements as the capital employed in reinsurance. In other words, sleeves remain rolled up in striving to ensure that ERGO can achieve this objective in the foreseeable future and at the same time create greater room for manoeuvre.

I would like to conclude my remarks on the business year 2004 with a look at the performance of Munich Re shares. To put it plainly, the fact that our share price closed 5.9% down overall in 2004, thus being outperformed by our competitors, is far from satisfactory either for you or for us. There may still be some doubts among investors in view of the developments at American Re, and perhaps also with regard to the sustainability of the turnaround in results at ERGO. We will do our utmost to dispel these doubts by convincing the markets with our performance and our results. The Munich Re Group's fundamental data are better than they have been for a long time. Our strategy is clear and geared to long-term

profitable growth and value creation for our investors. The majority of analysts assess our development positively and recommend the purchase of Munich Re shares. This will be clearly reflected sooner or later in our share price.

(Slide 6: Financial targets for 2005 – Again ambitious)

In the current year 2005, we aim to achieve a return on equity of 12% at Group level. This translates into a net consolidated result of around €2.4bn after minority interests. However, this figure is only a rough target, based as it is on an assumed shareholders' equity of approximately €20bn, which was the level at the end of 2004. Any change in the amount of shareholders' equity also alters the result in euros needed to achieve a return of 12%. In the long run, we cannot continue to use such a result target, which fluctuates with stock market developments, so we aim in future to switch to a type of return on risk capital as the decisive performance indicator. But we have not progressed that far yet for 2005. Whichever way you look at it, though, the target for 2005 is ambitious and is clearly higher than the figure we set ourselves for 2004.

We are currently on track. I am unable today to give you any preliminary figures for our quarterly results at 31 March 2005, which we will be publishing on 9 May. I have so far had no indications of developments that might give us cause to fundamentally adjust our target corridor. Merely the area of major losses and natural catastrophes in reinsurance shows a distinct rise compared with the same quarter last year. These losses include the European winter storm "Erwin" or the fire that destroyed a Madrid skyscraper, which are likely to each cost a double-digit million euro amount. But projections for the whole year cannot be derived from this, nor from figures for the first quarter of a business year that may still hold many surprises for insurers and reinsurers, both positive and negative.

In reinsurance, we have laid the foundations for another profitable business year with very successful renewals of reinsurance treaties at 1 January 2005. The yardstick for accepting business was once again risk-commensurate pricing. We did not yield to trends in cases where cyclical market fluctuations were to be felt or were "talked up". I have also had only positive reports about the most recent treaty renewals in Japan and Korea at 1 April 2005. Therefore there is no cause for any change in our successful market strategy in reinsurance at present.

ERGO has set about tackling a number of fundamental projects which, to a certain extent, form the spearhead for its future strategic positioning and for qualified growth in the different fields of business at home and abroad, and also – this is especially important – for the sustained improvement of its profitability. Naturally, and this is no secret, an important role

here is played by the business segments life and health, which need to be adjusted to changed parameters, to the related risks that have to be considered in the process, and to the identified growth potentials. The focus is increasingly on the concrete utilisation of the synergies between primary insurance and reinsurance. This approach is facilitated by our uniform control and thus the closer strategic cooperation in the Group, which I talked about at the outset.

You see, ladies and gentlemen, we have ambitious plans for the year of our 125th anniversary.

(Slide 7: Insurance for insurers. The founders' concept)

Ambitious plans – that is what the founders of Munich Re also had back in the year 1880, with Carl von Thieme at their head. They had recognised the mushrooming need for insurance in the wake of rapid industrialisation at the end of the 19th century. The consequence of this insight was a revolutionary business model for an "insurer of insurers", a real innovation. It is true that there had been reinsurers before this. But what was new about Munich Re's concept was that the reinsurer operated completely independently of the primary insurer. The main idea right from the start was to spread risks, that is to achieve a balance in the portfolio through covers in different lines of insurance and – even at that time – in different regions of the world. A number of innovations made by the young Munich Re still determine the shape of the entire reinsurance industry today. And one other thing already characterised Munich Re back then: commercial thinking and action, as well as great readiness to show initiative. Munich Re's founders did not wait for primary insurers to bring their business to the Company's door but, right from the start, set about acquiring it directly from the client.

(Slide 8: "Closer to the risk". Expert structure is built up)

After the Second World War, the risks grew more and more, reaching previously undreamt-of dimensions. Long-haul jets, nuclear power stations, giant tankers and petrochemical plants developed an enormous major-loss potential. Losses from natural hazards like storms or floods also became more and more costly, and the threat of the related accumulation hazards also increased. Alois Alzheimer, Chairman of Munich Re's Board of Management from 1950 to 1968, realised the need for action. The motto "closer to the risk!" led to a realignment of the business model. Expert knowledge was massively enhanced, on a broad basis. This enabled Munich Re to extend its top position as the world's leading reinsurer in the 1960s and 1970s. Systematic accumulation assessment and monitoring became absolutely vital, the foundations for modern risk management were laid.

This expert structure was further expanded during the era of Horst K. Jannott from 1969 to 1993. This period included the development of the Geo Risks Research unit, which continues to be an important Munich Re trademark.

(Slide 9: Risks further diversified)

The parameters for the insurance industry, including Munich Re, again changed dramatically from the beginning of the 1990s onwards with the creation of the single insurance market in the European Union, the deregulation of insurance markets, globalisation, and the increasing reorientation of accounting towards Anglo-American approaches. The once-familiar primary insurance landscape altered rapidly and fundamentally; reinsurance demand concentrated increasingly on peak risks. Under the aegis of Hans-Jürgen Schinzler, we took up the challenge by diversifying the risks in a new way for us: we complemented the increasingly volatile reinsurance business with less volatile primary insurance business, so that we were now represented along the whole value chain of insurance. The result of this realignment was the creation of ERGO.

(Slide 10: The four basic principles for success)

Ladies and gentlemen,

As this brief résumé of 125 years of Munich Re's history shows, Munich Re has undergone great change over this long period and yet has remained true to itself. In 1955, on the occasion of our 75th anniversary, Alois Alzheimer cited four basic principles for success, which in my view still apply today: entrepreneurial spirit, constant further development of reinsurance underwriting, fairness and social feeling.

We have shown entrepreneurial spirit – otherwise we would never have risked anything new. Without entrepreneurial spirit, we would have disappeared in the course of time, like so many other former great names in the insurance industry.

Constant further development of reinsurance underwriting, i.e. innovation, has become part of our flesh and blood in 125 years. If you take a look at the first few pages of our latest annual report, you can see that we are still successfully promoting and living this spirit of innovation.

Fairness, reliability and dependability are virtues for which we know our clients particularly value us, also today. As surveys confirm, the constructive collaboration with our clients and

the joint search for solutions that are practicable for both parties are special hallmarks of Munich Re.

And, finally, social feeling as the fourth of the aforementioned basic principles. Today we would interpret an important aspect of this social feeling as social responsibility.

(Slide 11: Social responsibility. Setting-up of Munich Re Foundation)

The Munich Re Foundation, which we presented to the public on 7 April, is a visible sign of this responsibility. As its first project, the foundation will be setting up a "Munich Re Foundation Chair on Social Vulnerability" at the UN University's Institute for Environment and Human Security in Bonn. It will deal with questions arising from the different risk perception of people from different cultures and their reaction to natural disasters. The foundation's overarching theme is the exposure of people to the risks threatening them and the development of sustainable solutions for risk management. I am delighted that we have launched this foundation and have thus been able to demonstrate with a significant project how Munich Re sees its responsibility to society. The results of the research work sponsored by the foundation will, of course, also flow back to us and thus further improve our own risk competence, which we can in turn implement in our business operations.

(Slide 12: Four basic principles plus one)

A fifth basic principle ought to be added nowadays: the safeguarding of shareholders' interests, an obligation to which we feel particularly committed. In principle, this was already the case fifty years ago, albeit with a completely different shareholder structure.

I think it has become clear from what I have said: today we can still clearly identify with the major guiding principles that have governed Munich Re's operations in the past 125 years. We are convinced that these principles and values will continue to form a strong basis for a profitable future for the Munich Re Group.

(Slide 13: What we are and what we want)

We have, ladies and gentlemen, precise ideas about who we are and what we want. The basic strategic orientation for the foreseeable future is clear.

Let us begin with what we do not want to be: a diffusely oriented financial services provider without a clear profile that dissipates its energies in various activities and inevitably gets involved in areas where it does not possess sufficient competence – that is not our goal.

In order to grow steadily and profitably, we want to build on what we are and what we can do: we are a group of companies which, in the course of its history, has acquired unique competence in handling risks. Because we possess this competence, we see not only the hazard potential of identified risks but also the opportunities presented by handling these risks in a professional way. Opportunities for our clients that are threatened by risks – as are the state and society at large – but also opportunities for us ourselves as a group, and therefore for you as shareholders and for our staff.

(Slide 14: Turning risk into value)

Risk is our business. And so the phenomenon of "risk" in all its manifestations forms the nucleus of our work. We are expanding and deepening our knowledge of risks in order to master them even better. The crucial thing is understanding the nature of a risk, once identified, and making it calculable. We do not shy away from previously unknown risks and we seek to extend the boundaries of insurability further and further. The systematic trend research we pursue is an essential basis for this undertaking. In this evolutionary process, we want to be among the first. Then we can take on risks in our books that are not acceptable for others in their particular environments. We sum up this business model in a simple formula: turning risk into value.

In line with this, we have called the exhibition we are holding in our anniversary year "CHANCE : RISIKO" [Opportunity : Risk]. It can be viewed at the Haus der Kunst in Munich from 1 July to 1 November 2005. The exhibition is devoted to risk as the partner of human existence. Its message lies in the call to take a positive attitude to risk; it is thus a committed plea for a conscious risk-taking culture.

How do we translate this fundamental and abstract idea into practice?

In the Munich Re Group, we have combined primary insurance and reinsurance; in other words, we cover all the areas of risk from personal lines business to mega risks. This positioning distinguishes us from most of our competitors – we see it as an important competitive advantage. For us, it is immaterial whether a risk formally belongs to primary insurance or reinsurance. We can take either route and can choose the one that is the more successful. This enables us to often make developments possible that are difficult for others because they cannot so easily overcome the institutional hurdles. I would like to illustrate this by giving two examples.

(Slide 15: Innovation and initiative – The guarantors of success)

The first example concerns the business segment of health. The Munich Re Group is the leader in many significant markets here, be it as a primary insurer or a reinsurer. Such a situation prompts the idea of developing joint concepts across the institutional borders of primary insurance and reinsurance. This idea also suggests itself because the health sector is currently in a state of transition. In many parts of the world, private insurance will benefit in the long term from the gradual withdrawal of the state from healthcare and the growth in affluence. Of course, we are not the only ones to realise this. But only few players are able, like us, to use the whole "keyboard" with all its variations, to combine know-how from primary insurance and reinsurance, and to create overarching solutions which make us stand out from our competitors. We have put this into practice in China, for instance. The market knowledge we have acquired as a reinsurer was made available to ERGO's health insurer DKV when it came to preparing DKV's market entry into China, which ultimately led to a joint venture between DKV and the Chinese PICC. And naturally we are available here not only as a service provider but also as a reinsurer. Conversely, we as reinsurers can use the special health insurance know-how of a subsidiary like Europäische Reiseversicherung when we want to tap into reinsurance potential in the field of foreign travel health insurance.

Or let us take a line of business like marine insurance. In 1997, we acquired the Lloyd's syndicate Watkins, which writes marine risk in primary insurance. Here, too, we exploit the advantages of a market presence that reaches through from primary insurance to reinsurance. As Watkins operates as a primary insurer not only in the London market but also writes global business via its own network of distribution and service companies, we are able to acquire original risks which we would otherwise find hard to access as a reinsurer. This is an invaluable benefit of diversification, especially in view of the above-average growth rates of Watkins business since 1997 and an outstanding combined ratio of 83.5% in its latest figures. Besides providing access to a wider group of clients, such a model facilitates an intensive exchange of knowledge between highly specialised underwriters at the syndicate and experts in Munich Re's Corporate Underwriting Division.

Ladies and gentlemen, I could report to you for longer on Munich Re initiatives that show we have not lost our zest for innovation, even after 125 years. In my experience and according to my conviction, innovation only seldom involves a spectacular "big bang", although such cases do occur, of course. As a rule, things progress step by step; the whole distance one has to go for an innovation only becomes apparent when one looks back.

At Munich Re, we want to remain true to our tradition characterised by initiative and innovation. We will not stand still but, like our predecessors, will press ahead into areas that have hitherto confounded efforts to make them insurable. Or to put it another way, we want to continually draw a new, wider ring around our existing activities.

Before I finish, I would like to comment briefly on three items of the agenda which you are called to vote on. You will find the agenda among the documents you were given today at the entrance to the meeting.

(Slide 16: Comments on proposed resolutions)

First, agenda item 2, the "appropriation of the balance sheet profit from the business year 2004". At last year's AGM, I announced that we intended to depart from the policy of paying unchanged dividends virtually regardless of results, which we had practised for many years. In connection with a more active capital management approach, our intention was rather to pursue a flexible dividend policy that reflected much more strongly the result of the respective business year and our capital requirements. And I added that, given our commitment to the cause of sustained profitability, I believed this was good news for you.

Today I can deliver on this pronouncement. Given the outstanding result for 2004, the dividend proposal of the Board of Management and Supervisory Board is the payment of an increased dividend of €2 per share, 75 cents higher than last year. Altogether, ladies and gentlemen, we will thus distribute a record amount of €457m to you as shareholders.

(Slide 17: Comments on proposed resolutions)

Agenda item 5 concerns the "authorisation to buy back and use own shares". The authorisation granted at the last AGM will expire in November, and we would therefore ask you to renew it today. The possibility of buying back shares via call or put options represents the only new feature. This new aspect, which increases our flexibility in concrete activities, is explained in detail in the agenda distributed to you.

In the past business year, Munich Re bought back 10,000 own shares to issue to employees. Last year, Munich Re and other companies in the Group also bought back another 582,240 shares which – like the share buy-backs in prior years – serve exclusively to safeguard stock appreciation rights granted to the management. Altogether, at 31 December 2004, a total of 1,060,826 own shares were in the possession of the Munich Re Group, representing 0.46% of the share capital. You can find out more about this on page 176 of the Group annual report.

(Slide 18: Comments on proposed resolutions)

Agenda 6 involves the renewal of the authorisation granted by you at the 2003 AGM for us to issue convertible bonds and bonds with warrants, the only change being that the proposal

also includes bonds with no definite maturity. This is an option that is meanwhile used on the international capital markets and we consider ought to be available to us as well. We have increased neither the bond volume of €3bn nor the contingent capital of €100m envisaged for this.

Dr. Schinzler has already provided you with information regarding agenda item 7, under which the Supervisory Board remuneration is to be adjusted inter alia to the requirements of corporate governance.

I would ask you to vote in favour of the motions for all these agenda items.

Ladies and gentlemen,

Following on from Dr. Schinzler's remarks, allow me to say a few words on individualised disclosure of the Board of Management's compensation.

As you may know, the arguments advanced in public for individualised disclosure have so far not convinced us on the Board of Management.

It is right that shareholders must see and understand how compensation for the top management is structured and what it is based on, especially as such compensation is increasingly used as an active steering and management tool.

In order to meet your concerns for greater transparency, we have – as you can see on pages 190 to 193 of the annual report – decided on a very detailed presentation of the compensation for the Board as a whole, including figures on pension entitlements.

We are of the opinion that, with this detailed disclosure of the overall compensation, the public has all the relevant information at its disposal. A consideration of actual practice also reveals that individualised disclosure tends to have a levelling-up effect, in other words a general increase in compensation, which cannot be in the interest of either the Company or its shareholders.

A look at the annual reports of those companies that disclose the individual compensation of their Board members shows this does not allow any knowledge to be gained that is relevant for investment decisions, a fact confirmed by my talks with analysts, investors and rating agencies. More important than individualised disclosure is detailed and qualified information

on the compensation as a whole and especially on the compensation structure. We have taken account of this in our reporting.

But detailed as these presentations may be, it is regrettable that the information in annual reports is frequently not read with sufficient care. Our experience shows that some negative judgements and criticism would not have been voiced at all if the critics had taken more time to read exactly what had been written.

Ladies and gentlemen,


Let me sum up again:

- In the business year 2004, we recorded an excellent result. Reinsurance again demonstrated the earnings capacity it had shown in 2003. Primary insurance achieved a turnaround in results, but is not yet where we finally want it to be.
- The past 125 years motivate and obligate us to tackle Munich Re's future actively, with spirit and full of courage. In so doing, we are building on solid foundations.

I am convinced that, when it comes to addressing the tasks that lie ahead of us, you can rely on the dedication and ability of every one of our staff. They are the main pillars of our success. And to make sure it stays that way, we are building on a pronounced performance culture that motivates our employees. For we are convinced that motivated staff identify with the Company, like their work and above all do a good job. This benefits our clients, our business results and ultimately you, ladies and gentlemen, as our shareholders. On behalf of all my colleagues on the Board of Management, I would therefore like to conclude my speech by thanking all the staff members of the Munich Re Group most cordially for their hard work and outstanding commitment.

(Check against delivery)

**Business year 2004:
An exceptionally good result**



Consistently advancing ...

- Safeguarding and building on profitability in reinsurance
- ERGO on the way to profitability
- Integrated risk management

... towards a profitable future

Reinsurance
Profit: €1,661m

Primary insurance
Profit: €261m
(thereof ERGO: €202m)

Derisking
Risk exposure reduced

1

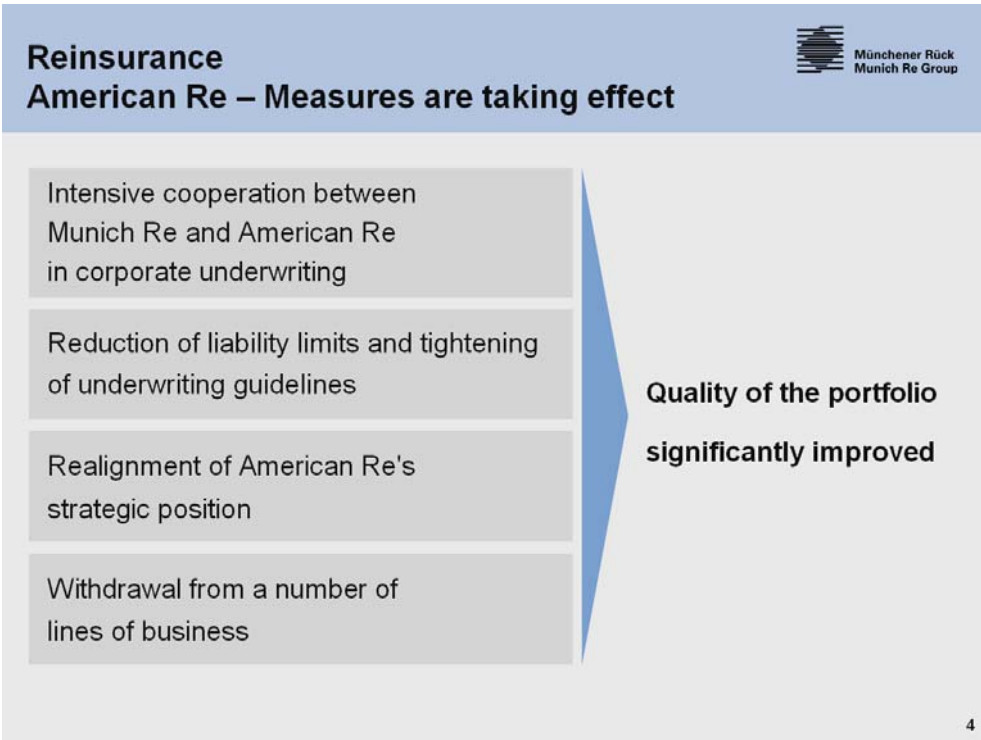
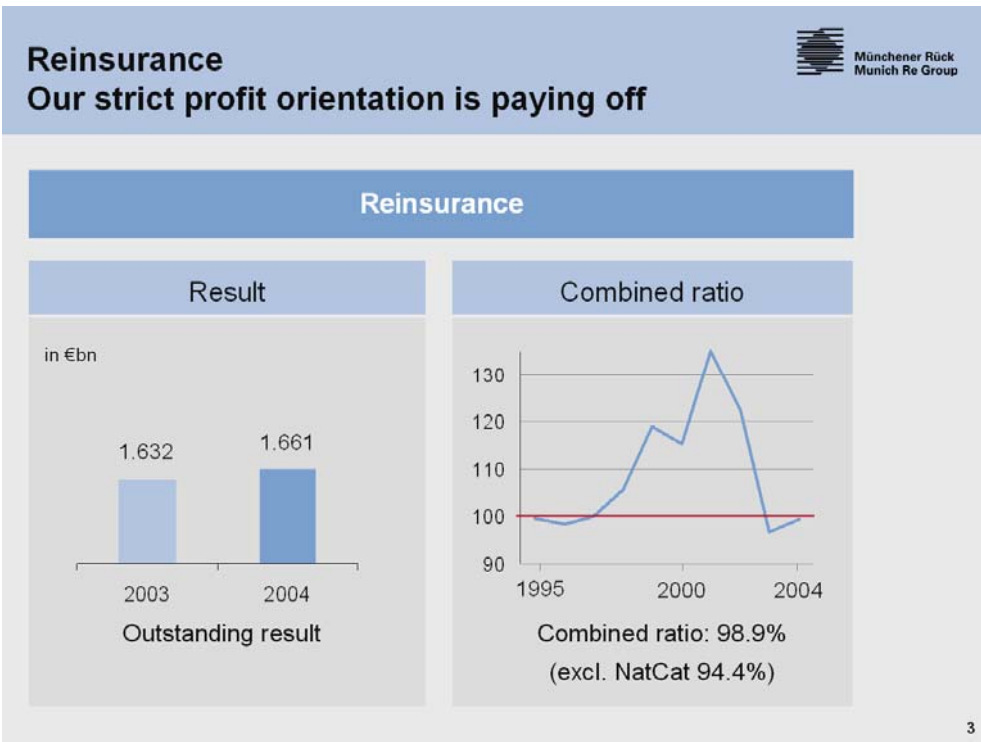
The figures speak for themselves




Profit of over €1.8bn

Underwriting result	Approx. €3bn
Group premium	> €38bn
Investment result	> €8bn
Shareholders' equity	> €20bn

2



**Primary insurance
Turnaround in results accomplished**



Profit for the year of €261m

- Reorganisation of ERGO group structure in 2004
- Formation of the business segments life, health and property-casualty
- Holistic management of the business
- Product/market strategies coordinated

Uniform control of primary insurance and reinsurance

Close cooperation in strategy development and management of the business

5

Financial targets for 2005 – Again ambitious



Financial targets for 2005

Return on equity: 12%

⌞

Net result: €2.4bn based on equity capital of €20bn

In future: Risk-based management with risk capital as decisive performance indicator

6

Munich Re – 125 years

**Insurance for insurers
The founders' concept**

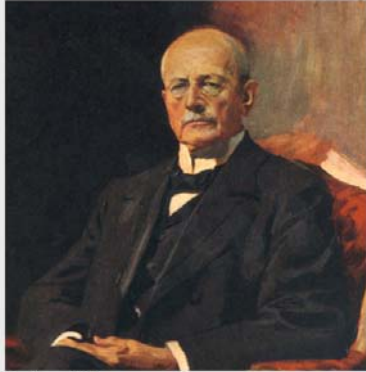
Münchener Rück
Munich Re Group

1880

Independence of reinsurers from primary insurers

Quality criteria as yardstick for underwriting business

Balance of risks through risk spread



Carl von Thieme

The result: A business model that was revolutionary for the time

7

Munich Re – 125 years

**"Closer to the risk"
Expert structure is built up**

Münchener Rück
Munich Re Group

1950

- Very large loss potential in new dimensions
- Development of the Geo Risks Research unit
- Systematic accumulation control



Foundations for modern risk management

8

Munich Re – 125 years

Risks further diversified

Münchener Rück
Munich Re Group

1993

Changes in the parameters for the insurance industry

Increasing concentration of reinsurance demand on peak risks

Volatile reinsurance business vs. less volatile primary insurance business

Creation of ERGO in 1997



9

The four basic principles for success

Münchener Rück
Munich Re Group

Entrepreneurial spirit


Further development of reinsurance underwriting

Fairness


Social feeling

10

Social responsibility
Setting-up of Munich Re Foundation



- Development of sustainable solutions for global risk management
- Creation of Munich Re Foundation Chair on Social Vulnerability
- Dialogue forums




Munich Re Foundation
From Knowledge to Action

Further improvement of our risk competence

11

Four basic principles plus one



- Entrepreneurial spirit
- Further development of reinsurance underwriting
- Fairness
- Social feeling
- Shareholders' interests

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What we are and what we want



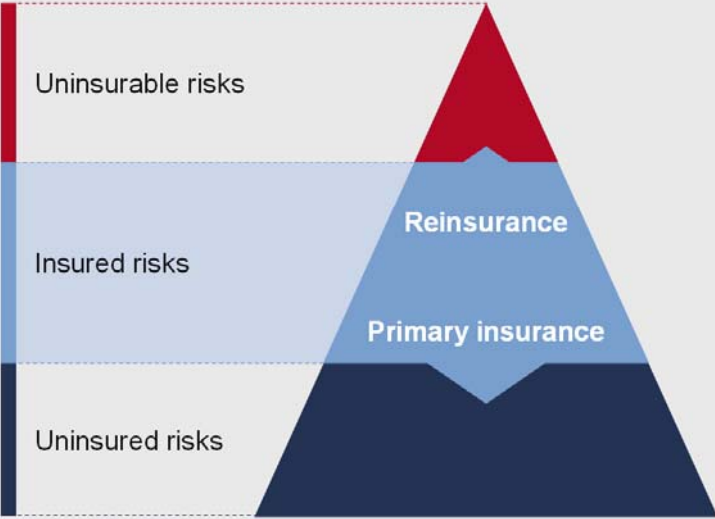

We grow steadily and profitably.

We possess a high degree of risk competence.

We identify new risks, make them calculable and exploit the opportunities involved.

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Turning risk into value



The diagram shows a pyramid with three horizontal layers. The top layer is red and labeled 'Uninsurable risks'. The middle layer is light blue and labeled 'Reinsurance'. The bottom layer is dark blue and labeled 'Primary insurance'. To the left of the pyramid, three horizontal bars indicate the risk categories: a red bar for 'Uninsurable risks', a light blue bar for 'Insured risks', and a dark blue bar for 'Uninsured risks'. Dotted lines connect the boundaries of the pyramid layers to the corresponding bars on the left.

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Innovation and initiative – The guarantors of success



Munich Re Group

Reinsurance


Overarching concepts
Knowledge management
Innovation potential

Primary insurance

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The diagram illustrates the relationship between Reinsurance and Primary insurance, both of which are guarantors of success for the Munich Re Group. A central grey arrow-shaped box contains the text 'Overarching concepts', 'Knowledge management', and 'Innovation potential', indicating that these elements are shared and central to both business lines.

Comments on proposed resolutions



Item 2: Appropriation of profit from business year 2004

- Increase in dividend by 75 cents to €2 per share
- Distribution of €457m

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Comments on proposed resolutions



Item 5: Authorisation to buy back shares

- Renewal of existing authorisation
- Extension to call and put options
- 2004: 10,000 shares bought back for issuing employees shares
- 2004: A total of 582,240 other shares bought back for safeguarding stock appreciation rights
- Altogether 1,060,826 own shares in the possession of the Munich Re Group, representing 0.46% of the share capital

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Comments on proposed resolutions



Item 6: Authorisation to issue convertible bonds and/or bonds with warrants

- Renewal of authorisation from 2003
- Additional option to issue bonds with unlimited maturity

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