Ordentliche Hauptversammlung der
Münchener Rückversicherungs-Gesellschaft
Aktiengesellschaft in München

am Donnerstag, den 23. April 2015, 10.00 Uhr,
im ICM – Internationales Congress Center München,
Am Messesee 6, 81829 München, Messegelände

Report of the Board of Management on the exclusion of subscription rights proposed under items 6, 7, 8 and 9 of the agenda

1. Re item 6 on the agenda

The Annual General Meetings of recent years have adopted resolutions authorising the Company to buy back and use own shares. The current authorisation has been exhausted to a significant extent by the share buy-back programme launched in May 2014. Therefore, the proposed resolution before you is designed to grant a new authorisation. The Company is again to be given the opportunity to buy back own shares up to a total amount of 10% of the Company's current share capital or the Company's existing share capital at the time this authorisation is first exercised, whichever amount is the lower. The new authorisation is again to be granted for a term of five years. The Company may purchase its own shares for any legally permissible purpose. This shall include the purchase of own shares by dependent Group companies or companies in which the Company has a majority shareholding, for example for the purpose of using them in unit-linked insurance products for the relevant funds.

For this purpose, the Company is to be enabled to buy back shares not only via the stock exchange but also through a public offer to shareholders of the Company or through a public solicitation to shareholders to submit an offer to sell Company shares. The Company is also to be given the possibility to offer not only cash but also shares in other listed companies by way of exchange, which for shareholders can be an attractive alternative to a public purchase offer. It gives the Company additional scope for optimally structuring share buy-backs, which is also in the interests of the shareholders.

If, following a public offer to shareholders of the Company to sell or exchange their shares or a public solicitation to shareholders to submit an offer to sell Company shares, the number of Company shares tendered or offered for sale exceeds the total number of shares the Company intended to acquire, acquisition or acceptance will be effected by excluding the right of shareholders to tender shares based on the ratio of shares tendered or offered. This procedure will simplify the acquisition process. The preferred acceptance of small lots of shares (up to 100 shares tendered per shareholder) also serves the purpose of simplification.

Own shares which the Company buys back may be sold again via the stock exchange or a public offer to all shareholders. This takes account of the statutory principle of equal treatment (Section 53a of the German Stock Corporation Act).

Besides this, the Company may also limit the shareholders' subscription rights and, pursuant to Section 186 (3) sentence 4 of the Stock Corporation Act, may sell the Company's own shares to institutional investors, for example, or launch the shares on foreign stock exchanges. That is in the interests of the Company and puts it in a position to react quickly and flexibly to favourable stock market situations. The shares may only be sold at a price which does not significantly undercut the current stock market price. The Board of Management will endeavour – taking into account current market circumstances – to keep any discount on the stock market price as low as possible. It will only avail itself of this authorisation to exclude subscription rights in the sale of own shares insofar as – in conjunction with existing authorisations to issue shares by making it easier to exclude shareholders' subscription rights, namely from capital approved for this purpose, or as a result of an issue of convertible bonds or bonds with warrants – the limit of 10% of the Company's share capital is not exceeded.

The authorisation is also designed to give the Company the option of having own shares available to offer as a consideration in connection with mergers, acquisitions of companies or the purchase of shareholdings. International competition and the globalisation of the economy also require this type of acquisition financing. The proposed authorisation is intended to give the Company the necessary scope to take quick and flexible advantage of opportunities that arise for acquiring companies or shareholdings, without placing a strain on its liquidity. This is reflected in the proposed exclusion of subscription rights. In determining the valuation ratios, the Board of Management will ensure the interests of the shareholders are appropriately considered. As a rule, when measuring the value of the shares offered as a consideration, it will take as a basis the stock market price of Munich Re shares. However, a systematic coupling of the valuation to a stock market price is not provided for, in particular to prevent fluctuations in the share price from jeopardising negotiation outcomes once they have been reached. Disposals against non-cash payment are also to include indirect processing in which a bank or similar institution acts as an intermediary.

The Company will have the possibility to issue bonds with conversion rights, warrants or conversion obligations against both cash and non-cash payment. To service the resultant rights or obligations to subscribe for shares in the Company, it may be expedient to use own shares in part or in full, instead of a capital increase with an exclusion of shareholders' subscription rights. The authorisation also allows the possibility, in the event of own shares being sold by means of an offer to all shareholders, for shareholders' subscription rights to be partially excluded in favour of the holders of convertible bonds or bonds with warrants. This enables the holders of convertible bonds or bonds with warrants to be granted a subscription right as protection against dilution, instead of a reduction of the exercise or conversion price.

Finally, own shares may be used for a scrip dividend. With a scrip dividend using own shares, all shareholders are offered the option of relinquishing their right to receive the dividend pursuant to the resolution on the appropriation of profits adopted at the Annual General Meeting in exchange for own shares. The Board of Management is to be authorised in such cases to exclude the shareholders' subscription rights in full or in part in order to create the best possible conditions for the payment of a scrip dividend.

A scrip dividend using own shares may be offered to all shareholders, while maintaining their subscription rights in keeping with the principle of equal treatment (Section 53a of the Stock Corporation Act). Only whole shares are offered to shareholders for subscription; shareholders shall be required to receive payment of the cash dividend for the portion of the dividend that falls short of (or exceeds) the subscription price for a whole share, and can receive no shares in respect of such portion; no partial rights shall be offered and no arrangements shall be made for the trading of subscription rights or fragments thereof. This is considered justified and appropriate since shareholders receive a pro rata cash dividend to replace subscription for own shares.

In individual cases and depending on the capital market situation, it may be preferable to structure a scrip dividend in such a way that the Board of Management, whilst offering all shareholders entitled to the dividend own shares for subscription against relinquishment of their right to the dividend in keeping with the principle of equal treatment (Section 53a of the Stock Corporation Act), formally excludes the shareholders' subscription rights in their entirety. Formally excluding subscription rights enables a scrip dividend to be paid under more flexible conditions. In view of the fact that own shares are offered to all shareholders and that excess portions of the dividend are paid out as a cash dividend, the exclusion of subscription rights is considered to be justified and appropriate.

Besides this, the Company is to be enabled to issue shares to employees of the Company or its affiliated companies, as well as to the Board members of its affiliated companies. The issue of shares to these individuals serves to integrate them into the Company and promotes the assumption of co-responsibility. Therefore, the issue of shares to employees and managers is in the interests of both the Company and its shareholders. We would like to be able to offer the above-mentioned individuals own shares also within the framework of innovative participation models, for instance in connection with conditions that commit them to a certain period of service with the Company. Besides this, we wish to have the option of linking a share offer or share issue to other conditions, for example personal performance objectives, objectives within the employee’s divisional unit or department, or to a project or to Company profit targets. Finally, we would like to be able to use shares within the framework of our remuneration systems. Variable remuneration schemes for specified managers are required to include medium- and long-term components. We wish to have the option of using own shares for this purpose.

Where permissible by law, the Company is to be given the option of involving a suitable third party, such as an issuer, in conducting the transaction. This can be useful in particular with a view to facilitating practical implementation and reducing the effort and expense involved. The involvement of such third party shall be subject to the proviso that shares may only be transferred in accordance with the authorisation granted by the Annual General Meeting and, where applicable, at the end of a vesting period or subject to a holding period. The Company will ensure that this is the case.

When making use of the authorisation to issue such employee shares, there should be the option of setting an amount attributable to each share that is below the respective current stock market price. The benefit should in this case not be determined on the basis of a formal consideration of the discount per share. Rather, the overall amount of the benefit granted in each case to an individual through discounted shares should be in a reasonable proportion to the individual's remuneration or to the expected advantage to the Company, subject to the condition being fulfilled, as well as to any vesting period or minimum holding period stipulated.

Transferring own shares can be an economically viable alternative to using available authorised capital because it saves the effort and expense associated with a capital increase and the approval of new shares, and helps avoid the dilution effect that would otherwise occur.

Furthermore, the Company is also to be given the option of paying variable remuneration to members of the Company's Board of Management wholly or partly in the form of Company shares subject to a minimum holding period, rather than as a cash bonus. For instance, this option may be considered for the Board of Management's existing remuneration scheme as described in the remuneration report included in the 2014 Munich Re (Group) Annual Report. The Company is also to be enabled to transfer Company shares subject to a minimum holding period, particularly as an alternative to making cash payments that recipients are obliged to invest in Company shares subject to a minimum holding period. By transferring shares with a minimum holding period instead of making a cash payment, part of the remuneration is deferred, and ties to the Company are strengthened by allowing the member of the Board of Management to participate in a sustainable increase in the Company's value. When transferring shares to members of the Board of Management, the value attributed to each share transferred may not significantly undercut the stock market price. It will thus be possible to set up or continue variable remuneration schemes that provide an incentive for long-term sustainable management. Because the shares must not be sold before the expiry of the holding period, the Board member participates in both positive and negative stock market price fluctuations during the holding period. As a result, there may be a bonus or a detrimental effect. A minimum holding period of around four years shall be stipulated for members of the Company's Board of Management. A minimum holding period of around two years may be stipulated if shares are transferred in lieu of a cash payment in a variable remuneration scheme that already uses a multi-year assessment basis. The above mechanisms take into account the aims of the German Act on the Appropriateness of Management Board Remuneration (VorstAG), the requirements of the German Corporate Governance Code, and the provisions of the German Insurance Supervision Act (VAG) in conjunction with the German Remuneration Regulation for Insurance Companies (VersVergV). To be eligible to receive shares, the respective member of the Board of Management must be employed with the Company at the time the underlying objectives are defined or agreed and/or at the time the shares are transferred. It will thus be possible to pay part of the bonus in the form of shares even if employment begins during the year or if the variable remuneration is paid after the termination of employment with the Company. The details of remuneration for members of the Board of Management are established by the Supervisory Board. These include rules on how to deal with holding periods in special cases such as retirement, disability or death. There is no intention to issue stock options.

For shares used in connection with the rules of remuneration of the Board of Management, the implementation details shall be at the discretion of the Supervisory Board; for the other shares, they shall be at the discretion of the Board of Management. In order to achieve the above objectives, it is necessary to exclude the subscription rights of shareholders. This option will only be exercised if, in the estimation of the Supervisory Board or – in the latter case – the Board of Management, it is in the interests of the Company and thus of its shareholders.

As outlined above, not only the shares acquired on the basis of this resolution are to be used. The authorisation is also intended to include shares acquired on previous occasions. It is advantageous for the Company and creates further flexibility to be able to use these own shares in the same way as those acquired on the basis of this new resolution.

We propose that own shares acquired on the basis of a resolution taken to authorise the buy-back of shares may be retired without requiring a new resolution of the Annual General Meeting. For this purpose, the Annual General Meeting will transfer the decision regarding the retirement of shares to the Board of Management. The Annual General Meeting can also authorise the Board of Management to retire no-par-value shares without reducing the share capital. The proposed authorisation provides for this option in addition to retirement with a share capital reduction. If own shares are retired without reducing the share capital, the proportion of the unchanged share capital represented by each of the other no-par-value shares automatically increases. The Board of Management is therefore also to be authorised to make the necessary amendment to the Articles of Association to take account of the resultant reduction in the number of no-par-value shares.

The Board of Management will report on the use of the authorisation at the Annual General Meeting.

2. Re item 7 on the agenda

Apart from the possibilities to buy back own shares as provided for under item 6 of the agenda, the Company is again to have the option of acquiring own shares using derivatives.

In the past, the Company has made successful use of the possibility of buying back own shares by using derivatives. This has confirmed that for the Company it may be advantageous to sell put options or purchase call options, for example, instead of directly acquiring Company shares. The Board of Management intends to use put and call options, forward purchase contracts or a combination of such instruments only as a supplement to conventional share buy-backs.

When selling put options, the Company grants the buyer of the put options the right to sell Munich Re shares to the Company at a price laid down in the put option (exercise price). In return, the Company receives an option premium, which corresponds to the economic value of the disposal right taking into account the exercise price, the term of the option and the volatility of Munich Re shares. A high level of volatility on the stock markets thus allows high option premiums. If the put option is exercised, the option premium paid by the buyer of the put option reduces the countervalue rendered as a whole by the Company for the acquisition of the shares. It is economically expedient for the option holder to exercise the put option if the Munich Re share price at the time of exercise is lower than the exercise price, because the holder can then sell the shares at the higher exercise price. From the Company's point of view, the advantage of share buy-backs using put options is that the exercise price is fixed on the day that the option contract is concluded, whilst the liquid funds do not flow until the exercise date. Furthermore, owing to the option premium collected, the acquisition price of the shares for the Company is lower than the share price when the option contract is concluded. If the option holder does not exercise the option because the share price at the exercise date is higher than the exercise price, the Company is unable to acquire any of its own shares in this way but still has the collected option premium.

In the case of a call option, the Company acquires the right – against payment of an option premium – to purchase a predetermined number of Munich Re shares at a predetermined price (exercise price) from the seller of the option, the writer. It is economically expedient for the Company to exercise the call option if the Munich Re share price on the date the option is exercised is higher than the exercise price, because it can then purchase the shares from the writer at the lower exercise price. In this way, the Company hedges against rising share prices. In addition, the Company's liquidity is not affected, since the fixed acquisition price for the shares does not need to be paid until the call options are exercised.

Forward purchase contracts are contracts for purchasing Munich Re shares where there are more than two trading days between the conclusion of the purchase contract and the delivery of the shares purchased. In a forward purchase, the Company enters into an agreement with the forward seller to acquire the shares at a specified future date at a price stipulated at the time of concluding the forward purchase contract. It can be economically expedient for the Company to enter into forward purchase contracts in order to ensure that a future demand for own shares can be met at a certain price level on a specific date.

The issue or purchase of derivatives via a European derivatives exchange such as Eurex Deutschland or LIFFE offers the Company additional flexibility to acquire own shares with due consideration for the effect on the stock exchange. The buy-back of own shares corresponds to indirect acquisition via the stock exchange. To ensure that any shareholders interested have the possibility to participate in such models, the proposed resolution stipulates that shareholders have to be informed prior to the issue or exercise of such derivatives.

Besides this, the Company is also to be enabled to make a public offer to all shareholders to conclude put and call option contracts. In this case, all shareholders are given the opportunity to tender their shares to the Company at a price fixed in the option agreement; alternatively, they have the possibility to collect an option premium. This may be termed a “reverse subscription rights issue”, i.e. here the shareholder is to be given the right to surrender shares to the Company. This right may have an economic value that then benefits all shareholders. In conducting the transaction, a third party such as an issuer may be called in to act as an intermediary for reasons of organisational processing. Shareholders shall have no right to conclude option contracts, however, to the extent that on conclusion of option contracts, the Company has provided for a preferred offer or preferred allocation for the conclusion of option contracts with regard to small lots of shares. This facilitates the application of such a model. The Board of Management is proceeding on the assumption that the advantages of such a facilitation outweigh any conceivable minor disadvantages to shareholders.

Derivative contracts may also be concluded over the counter and not as a public offer to all shareholders (including employing an issuer as an intermediary). This gives the Company the necessary flexibility to react quickly to market situations. The issue or acquisition of derivatives via a stock exchange may be more expensive or a public offer to all shareholders may take longer than if the transaction were concluded over the counter. There may be other good reasons in the interests of the Company for entering into such an over-the-counter transaction rather than offering a transaction to all shareholders. In this case, and in keeping with the principle of equal treatment, the respective counterparty may, in exercising the derivative, deliver only shares that have been acquired via the stock exchange at the current share price in Xetra trading (or a comparable successor system) on the Frankfurt Stock Exchange. On conclusion of a put option contract or a forward purchase contract, such a requirement must be an integral part of the transaction. On conclusion of a call option contract, the Company may exercise the option only if it has been ensured that on exercising the option the respective counterparty delivers only shares that satisfy the aforementioned requirements. The fact that the respective counterparty in the derivative contract delivers only shares acquired under the aforementioned conditions is intended to satisfy the legal requirement of equal treatment of shareholders pursuant to the provisions in Section 71 (1) no. 8 of the Stock Corporation Act.

Under a forward purchase contract, the acquisition price to be paid by the Company for the shares is the purchase price; in a put or call option, it is the respective exercise price. The acquisition price may be higher or lower than the market price of Munich Re shares at the time of entering into the derivative contract, but it may not exceed by more than 10% or undercut by more than 20% the opening price determined in Xetra trading (or a comparable successor system) on the Frankfurt Stock Exchange for Company shares with the same securities reference number on the day the option contract or purchase contract is concluded. In accordance with the proposals submitted under agenda items 7 b) aa and bb, the option premium agreed on by the Company when selling the put options or acquiring the call options may not be lower (in the case of put options) or higher (in the case of call options) than the theoretical market value of the respective options on the settlement date, determined according to recognised principles of financial mathematics, the calculation of such market value considering among other things the agreed exercise price. This shall apply accordingly to the premium under forward purchase contracts.

As a precaution, the right of shareholders to enter into such derivative contracts with the Company as mentioned above is excluded pursuant to Section 186 (3) sentence 4 of the Stock Corporation Act. By excluding subscription rights, the Company – unlike in an offer to all shareholders – is in a position to conclude derivative contracts at short notice. The procedure for fixing the premium and the exercise or acquisition price described above, as well as the requirement specified under agenda item 7 b) bb that the shares delivered for derivative contracts have to be previously acquired on the stock exchange, are intended to rule out economic disadvantages for shareholders from buying back shares using put or call options or forward purchase contracts. As the Company collects or pays a fair market price, shareholders not involved in the derivative transactions do not suffer any loss in value. This corresponds to the position of shareholders in the case of share buy-backs on the stock exchange, where in fact not all shareholders can sell shares to the Company. The equal treatment of shareholders is ensured in the same way as with customary buy-backs via the stock exchange, through the fixing of a fair market price. This is also in keeping with the spirit of Section 186 (3) sentence 4 of the Stock Corporation Act, according to which the exclusion of subscription rights is justified if the pecuniary interests of shareholders are safeguarded.

If a public offer is made to all shareholders to conclude an options contract or options contracts have been concluded with a third party such as an issuer subject to the obligation to offer the options to shareholders on subscription, the exercise price per share may not exceed by 10% or undercut by more than 20% the arithmetic mean of the closing price determined in Xetra trading (or a comparable successor system) on the Frankfurt Stock Exchange for Company shares with the same securities number on the fifth, fourth and third trading days prior to publication of the offer.

If shares are bought back using derivatives, shareholders are to have a right to offer their shares only insofar as the Company is obligated to purchase the relevant shares under the derivatives. Otherwise, the use of put or call options or forward purchase contracts in buying back own shares would not be possible, and the Company would not be able to derive the associated benefits. Having carefully weighed up the interests of the shareholders and the Company and having consulted with the Supervisory Board, the Board of Management considers the non-granting or restriction of the shareholders' rights to tender shares to be justified in such cases, given the advantages resulting from the use of put or call options and forward purchase contracts for the Company.

After careful consideration of all the aspects – in particular the interests of the shareholders and those of the Company – the Board of Management will determine the acquisition channels and all other modalities regarding the use of the proposed authorisations to buy back own shares. It will report to the next Annual General Meeting on buying back own shares and the use of derivatives to buy back own shares.

3. Re item 8 on the agenda

Appropriate capitalisation is an essential basis for a company's development. By issuing convertible bonds, bonds with warrants, profit participation rights, profit participation certificates or combinations of such instruments (hereinafter collectively referred to as "bonds") the Company can take advantage of attractive financing opportunities, depending on the market situation, in order to raise capital for the Company at a lower current interest rate, or to place bonds that conform to future (Solvency II) requirements for Tier 1 capital. The return paid on convertible profit participation rights, for example, can also be based on the Company's current dividend. Premiums received on the conversion rights or warrants accrue to the benefit of the Company. Some hybrid financing instruments can only be placed if warrants or conversion rights are granted.

The existing authorisation granted on 28 April 2010 to issue convertible bonds and bonds with warrants is valid only until 27 April 2015. We therefore propose to the Annual General Meeting renewal of the authorisation with a new contingent capital increase. The new authorisation should also include the ability to issue profit participation rights, profit participation certificates or any combination of instruments. The authorisation scope of €3bn for the bonds and the contingent capital increase of €117m envisaged for that purpose (corresponding to 19.91% of the current share capital) are to remain unchanged.

The authorisation basically provides for shareholders to be granted subscription rights for issues of convertible bonds or bonds with warrants. To facilitate processing, use may be made of the option to have bonds underwritten by one or more banks or equivalent institutions pursuant to Section 186 (5), sentence 1 of the Stock Corporation Act subject to the obligation to offer them to the shareholders.

The Board of Management shall be authorised to exclude the shareholders' legal right to subscribe for bonds, though only within certain limits, namely only to a limited extent or to a larger extent only where certain strict conditions are satisfied.

With the consent of the Supervisory Board, the Board of Management is to be permitted to exclude fractional amounts. Exclusion of subscription rights in such cases enables the amount of the issue to represent a practicable subscription ratio, thereby facilitating the processing of the capital measure. The bonds corresponding to the fractional amounts excluded from the shareholders' subscription rights shall either be disposed of by sale on the stock exchange or otherwise utilised in such a way as to derive the best possible benefit for the Company.

The exclusion of subscription rights in favour of the holders of bonds with warrants, conversion rights or conversion obligations provides a safeguard against the dilution of stock that should be granted to the holders of such bonds in accordance with market standards. Such subscription rights may be granted to them instead of a reduction in the exercise or conversion price. This enables the Company to receive a larger injection of funds overall.

Furthermore, pursuant to Article 186 (3) sentence 4 of the Stock Corporation Act, the Board of Management is to be authorised, with the consent of the Supervisory Board, to exclude shareholders' subscription rights if the bonds are issued for cash and the issue price for the bonds is not significantly lower than their market value. This may be necessary in order to take swift advantage of favourable stock market situations and to be able to place a bond quickly and flexibly on the market at attractive conditions. The stock markets have become considerably more volatile. Achieving the most beneficial outcome from an issue therefore depends to an increasing extent on the ability to respond to market developments at short notice. Favourable terms that correspond as closely as possible to market conditions can generally only be secured if the Company is not tied to them for too long an offer period. In the case of rights issues, a considerable discount is usually required to guarantee the attractiveness of the terms and thus the chance of the issue being successful over the entire offer period. Though Section 186 (2) of the Stock Corporation Act allows the subscription price to be published (and, as such, the terms and conditions of the bonds) up to the third day before the end of the subscription period, given the volatility of the stock markets there is then also a market risk over several days, leading to discounts when determining the bond conditions and hence resulting in terms that are not close to market conditions. Furthermore, if subscription rights are granted, an alternative placement with third parties is more difficult or entails additional effort because of the uncertainty surrounding the exercising of the rights (subscription behaviour). Finally, if subscription rights are granted, the length of the subscription period prevents the Company from reacting at short notice to a change in market circumstances, which may result in the Company procuring capital at unfavourable terms. Shareholders' interests are protected by the bonds being issued on terms that are not substantially lower than the market value. The market value is to be determined using recognised principles of financial mathematics. When determining the price, the Board of Management will take into consideration the conditions then prevailing on the capital markets and keep the discount to market value as low as possible. This means the computed market value of a subscription right would be practically zero, so that shareholders cannot suffer any significant economic disadvantage from the exclusion of subscription rights. Moreover, shareholders can maintain their share of the capital stock of the Company through purchases at virtually the same conditions via the stock exchange. This adequately protects their economic interests. The authorisation to exclude subscription rights pursuant to Section 186 (3) sentence 4 of the Stock Corporation Act applies only to bonds with rights to shares representing a total of not more than 10% of the share capital, either with regard to the date on which the authorisation becomes effective or the date on which such authorisation is exercised. This restriction is also to include own shares insofar as they are sold within the term of this authorisation by excluding subscription rights pursuant to Section 186 (3) sentence 4 of the Stock Corporation Act. Furthermore, this restriction is also to include shares that are issued within the term of this authorisation from capital authorised for the purpose by excluding subscription rights pursuant to Article 186 (3) sentence 4 of the Stock Corporation Act. Through this limitation, account is taken of shareholders' need for protection against dilution of their stock.

Bonds may also be issued in return for non-cash payment insofar as this is in the Company's interest. In this case, the Board of Management is authorised, with the consent of the Supervisory Board, to exclude subscription rights for shareholders insofar as the value of the non-cash payment bears a reasonable relationship to the theoretical market value of the bonds determined according to recognised principles of financial mathematics. This creates the opportunity to use bonds in individual cases also as acquisition currency, for example in connection with the acquisition of companies, parts of companies or other assets. Negotiations may give rise to the need to provide the consideration not in cash but in another form. The possibility of being able to offer bonds as a consideration thus constitutes an advantage in competing for interesting acquisition objects and gives the necessary scope to exploit opportunities to acquire companies, parts of companies or other assets without placing a strain on liquidity. This may also be expedient from the point of view of an optimum financing structure. The Board of Management will examine in each case whether to make use of the authorisation to issue convertible bonds or bonds with warrants against non-cash payment with exclusion of subscription rights. It will exclude subscription rights only if it is in the interests of the Company, and hence its shareholders, to do so.

Insofar as profit participation rights or profit participation certificates are to be issued without conversion rights, warrants or conversion obligations, the Board of Management shall be authorised, with the consent of the Supervisory Board, to exclude all shareholders' subscription rights if such profit participation rights or profit participation certificates have features similar to those of a bond, i.e. they do not confer any entitlement to membership of the Company or to a share in the proceeds of liquidation and the interest or return payable is not calculated on the basis of the amount of the profit for the year, the net retained profits or the dividend. Furthermore, the interest or return payable on and the issue price of the profit participation rights or profit participation certificates must correspond to the market conditions as at the date of issue. In the event that the prerequisites mentioned are met, the shareholders will suffer no disadvantage as a result of the exclusion of subscription rights because the profit participation rights or profit participation certificates do not confer any entitlement to membership of the Company or to a share in the proceeds of liquidation or the Company's profits.

Together with shares issued against non-cash payment on the basis of Authorised Capital Increase 2013 by excluding subscription rights and pursuant to Section 186 (3) sentence 4 of the Stock Corporation Act, the shares issued overall on the basis of this authorisation subject to the exclusion of shareholder subscription rights may not exceed 20% of the existing share capital either at the time this authorisation comes into force or when the authorisation is first exercised, whichever amount is the lower.

The purpose of the proposed contingent capital increase is to satisfy the conversion or exercise rights granted under bonds or to satisfy conversion rights in respect of Company shares. Other forms of performance may be used may be used instead of these.

4. Re item 9 on the agenda

The Authorised Capital Increase 2015 is to replace the Authorised Capital Increase 2011, which will expire on 19 April 2016, i.e. before the planned date of the 2016 Annual General Meeting. The authorisation enables Munich Reinsurance Company to continue to issue shares to the staff of Munich Reinsurance Company and its affiliated companies at preferential conditions. Pursuant to the Stock Corporation Act, the shares needed for this purpose may be made available by way of an authorised capital increase. Shareholders' subscription rights may be excluded for this purpose. The volume of up to €10m comprises only 1.7% of the current share capital and was determined on the basis of the five-year period of the authorisation and of the anticipated subscription results.

The issue of employee shares serves to integrate staff into the Company and promotes the assumption of co-responsibility. Therefore, the issue of employee shares is in the interests of both the Company and its shareholders. We would like to be able to offer our employees shares from the Authorised Capital Increase 2015 also within the framework of innovative participation models, for instance in connection with conditions that commit the employee to a certain period of service with the Company. Besides this, we wish to have the option of linking a share offer or share issue to other conditions, for example personal performance objectives, objectives within the employee’s divisional unit or department, or to a project or to Company profit targets. Finally, since 2010, variable remuneration schemes in the insurance industry are required by law to include medium-term and long-term components. We would like to be able to use the shares from the Authorised Capital Increase 2015 also for this purpose.

In this context, the Company is to be given the option of setting an issue price that is below the respective current share price on the stock exchange. The benefit should in this case not be determined on the basis of a formal consideration of the discount per share. Rather, the overall amount of the benefit granted in each case to an employee through discounted shares should be in a reasonable proportion to the employee's remuneration or to the expected advantage to the Company, subject to the condition being fulfilled, as well as to any vesting period or minimum holding period stipulated.

The employee shares will be issued against cash contribution. The new shares may also be issued to a bank or a credit institution pursuant to Section 53 (1) sentence 1 or Section 53b (1) sentence 1 or (7) of the German Banking Act or to another suitable third party, subject to the obligation to offer and transfer these shares to employees of Munich Reinsurance Company and its affiliated companies. Involving a third party in conducting the transaction can be useful in particular with a view to facilitating practical implementation and reducing the effort and expense involved. The involvement of such third party shall be subject to the proviso that shares may only be transferred in accordance with the authorisation granted by the Annual General Meeting and, where applicable, at the end of a vesting period or subject to a holding period. The Company will ensure that this is the case. In order to achieve the above objectives, it is necessary to exclude the subscription rights of shareholders. This option will only be exercised if, in the estimation of the Board of Management, it is in the interests of the Company and thus its shareholders.

Subject to the requirements defined in Section 204 (3) of the Stock Corporation Act, the Company should also be given the option of issuing the employee shares in such a manner that the contribution to be made for them is covered by that portion of the profit for the year which the Board of Management and the Supervisory Board may transfer to other revenue reserves pursuant to Section 58 (2) of the Stock Corporation Act.

Where legally permissible, and where a corresponding authorisation has been granted to the Board of Management pursuant to Section 71 (1) no. 8 of the Stock Corporation Act, shares bought back may also be used for issuing employee shares. Under agenda item 6, we propose that such an authorisation be granted. Nevertheless, we also want to preserve the Company's flexibility to create or issue new shares by way of a capital increase as an alternative or in addition to issuing own shares. By making use of the Authorised Capital Increase 2015, it will then be possible to issue employee shares without reducing the portfolio of own shares and independently of a previous buy-back, i.e. without placing a strain on liquidity.