



Presentation of the Munich Financial Centre Initiative in Brussels
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„Bavaria as a financial centre – dialogue with Europe“

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I. Europe: where Bavaria's future is being forged

Let me start by wishing you, in the name of Munich Financial Centre Initiative, a warm welcome to our reception. Last year's visit to Brussels was marked by highly productive, face-to-face encounters with EU decision-makers and experts. One objective of this trip to the capital of the EU is to set forth this important dialogue.

Our day in Brussels more than met this objective. We had the opportunity to address a wide range of issues with Commissioners McCreevy and Kuneva, with Members of the European Parliament, and with Dr. Schönfelder, who is, as you know, the permanent representative of Germany to the EU.

Bavaria was once an underdeveloped, largely rural backwater. It now has one of the strongest-performing economies in the world. One major factor impelling this transformation was the creation and further development of the European Union.

As our example shows, Europe works. And that's because it works together. These ties have yielded a range of opportunities, opportunities which have enabled us to achieve high rates of growth, employment and income.

In the final analysis, all of us profit from the maintenance of close economic ties, as the example of the EU clearly details.

II. Bavaria: where Europe is being shaped

The responsibility for producing a strong economy does not, however, rest solely in Brussels. It's up to each country and to each region to make those reforms and



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enact those measures which ensure and enhance the local business community's viability on the international level.

In doing so, each member country and region will be meeting another key responsibility: of making itself into one of the blocks building a strong and capable Europe.

Over the last few years, Germany has met both responsibilities. All of the groups forming its economy have done their parts to greatly and gratifyingly improve our country's economic performance.

Germany's companies have thoroughly modernized their operations. As a result, their products are selling better than ever before in Europe and in the rest of the world.

The collective agreements reached over the past few years have resulted in very moderate increases in wages. These, in turn, have priced Germany back into many markets.

Under the leadership of our Chancellor, Angela Merkel, our new administration has instituted measures which have substantially improved the conditions under which our business community operates.

Thanks to these improvements, Germany has returned to being a locomotive pulling along Europe's economy.

The government of Bavaria has done everything in its power to create the preconditions enabling its companies and their staff members to participate in and profit from the processes of economic transformation and European integration.

As the key indicators show, these pro-active, pro-future policies have paid off handsomely.

Bavaria's rate of growth is far greater than that of any other state in Germany. These decades of country-best growth have made Bavaria one of the most prosperous regions in Europe. Fifteen regions in Europe show continent-best rates of innovation and of growth. Six of these 15 regions are located in Bavaria.

We are thus a relatively large region with a large stock of valuable experience in working change. We believe that qualifies us to be a source of valuable input in Brussels.

One thing has to be made quite clear, however. We do not believe that every problem in Europe has to be solved at the European level. Quite the contrary. We know that many problems are best handled at the regional level—and not by Brussels.



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III. Bavaria – one of Europe’s leading financial centres

The statements made above about Bavaria and its economy also apply to the state’s financial sector, which is one of Europe’s heavyweights. The community’s development has been impelled by the purpose-congruent regulations enacted by the European Commission. Region-specific conditions shape the community’s operations. These have to be considered when formulating policies at the EU-level.

Munich, the capital of the state of Bavaria, is indisputably one of Germany’s two main centres of financial services. The other is, of course, Frankfurt. Bavaria’s financial community is distinguished by the breadth of its activities, which include everything from classic banking and insurance to the provision of venture capital and of leasing, factoring and wealth management services.

We in Bavaria have one of the world’s largest insurance industries, as well as an important banking sector. We are an international-level asset management centre, and are regarded as being Germany’s leading provider of private equity, venture capital and leasing services. Munich is home to a highly innovative stock exchange.

To put it in a nutshell: Bavaria’s financial sector is highly regarded and ranked on both the national and international levels. The sector forms one of the engines driving the growth of one of Europe’s best-performing economies. A few facts and figures will illustrate why.

Prime members of Bavaria’s insurance community are the two largest reinsurers in the world: Munich Re and Swiss Re. Headquartered in Munich are Europe’s largest insurance corporation - Allianz S.E - and the most important public sector-owned insurer in Germany: Versicherungskammer Bayern. Other Bavaria-based insurers of national importance include the Nürnberger Versicherungsgruppe und HUK Coburg.

Bavaria is home to more banks - approximately 500 - than any other state in Germany. Bavaria’s banking sector also ranks number one in amount of credit granted.

Two of Germany’s largest banks - BayernLB and HypoVereinsbank - are headquartered in Munich.

There are some 50 venture capital und PE companies based in Munich. They manage funds amounting to €1.5 trillion. That is one of the largest totals in the world.

Max-One, the trading platform set up by the Munich Stock Exchange, is setting



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new standards of rapidity and reliability of order fulfillment.
The exchange's M:access has been designed to meet the special needs of SMEs.

IV. Munich Financial Centre Initiative / Bavarian Alliance for Innovation

We founded Munich Financial Centre Initiative seven years ago and gave it a sweeping brief: to help maintain and enhance Bavaria's position of being one of the main centres of international finance. To enable the initiative to handle this important responsibility, we enlisted the participation of top managers at local banks, insurers, venture capital and leasing companies, and at the Munich Stock Exchange. Also participating in the initiative are senior representatives from the city of Munich, from local business chambers and associations, and from the scientific community.

The initiative's main objective is to further the growth of the local financial community by forging the ties leading to concerted and effective action. Another key objective is to shape the development of the financial sector in Germany and in Europe as a whole by working closely with Germany's federal government and with the EU Commission.

The achieving of these objectives will provide valuable support to the state's business development outreach. To brief the world on the initiative and on the positions it has taken on current issues, we have created a Website whose contents are in German and English.

To get and keep all of the financial community's big players talking and working together, we also set up the Bavarian Alliance for Innovation. This organization fosters the forging of clusters in 19 high-potential, high-impact sectors. One of these is of course the financial sector. Comprised in each cluster are leading-edge companies and research institutes, plus other leaders from the business and academic communities. By bringing together the building blocks of development - knowledge, capital and human resources - these clusters ensure that innovation leads to implementation, that research findings are turned into market-making technologies.

To further this process, the first Bavarian Financial Summit will be staged on November 26th in Munich. Its keynote will be "Demographic trends and how they impact upon the credit and insurance industries". Please consider this to be your invitation to attend this highly interesting event.



V. Our trip to Brussels: its objectives

The trip being undertaken by MFCI is designed to emphasize the great importance we attach to helping shape the policies guiding the development of Europe's market for financial services.

We want policies to be implemented and enacted which are fair to all parties, which favor none of them, and which promote the integration of the European market for financial services, while, at the same time, taking into account national interests and responsibilities.

We want Europe to be built bottom-up and not decreed top-down. We also want to foster competition among players, and to preclude centralism and excessive bureaucracy. A further objective of ours is to make full that the citizens of the EU fully benefit from the ongoing harmonization of national markets. One positive example is SEPA, which has removed barriers to the making of payments across national borders.

But, most of all, we want to ensure that the ever-growing number of regulations does not hinder our companies in their free and fair pursuit of business. In this regard, we unreservedly welcome the Commission's endorsement of the principle of "better regulation". More accurate assessments of the results of legislation and a more extensive process of consultation could well lead to the enacting of regulations better addressing the problems at hand.

The subjects to be addressed during this year's visit to Brussels are set forth in the folders you have in front of you. The subjects range from MiFID, Solvency II and IFRS to the consumer credit directive. It is my pleasure to now ask Mr. Gschrey, deputy chairman of the executive board of Bavaria's association of cooperatives, and Dr. Schneider, member of the board of management of Munich Re, to say a few words on Bavaria's banking and insurance sectors.

Before turning over the podium to them, let me say "thanks for coming". Let me also express my wish that the presentations and discussions to follow will provide you with valuable insights and information. One final and most important wish: have a pleasant evening!