

The remuneration of the Board of Management of Allianz AG supports sustainable value-oriented management. In the last several years, the remuneration instruments were increasingly differentiated, in parallel to the continued development of the control instruments. The objective of this differentiation is to arrive at a remuneration system that is balanced in its structure, and appropriate and competitive in terms of its amount.

The remuneration of the Board of Management is determined by the Personnel Committee of the Supervisory Board. The remuneration structure is regularly discussed and examined in the plenary meetings of the Supervisory Board. The remuneration paid to members of the Board of Management from mandates at Group companies is turned over to the company. Of the remuneration received from mandates in companies outside the Group, 50 percent is turned over to the company. Indications on the amount of remuneration are provided in the appendix to this Annual Report on pages 171 and 172.

Structure of remuneration for the Board of Management

In order to meet the above objectives for the remuneration for the Board of Management, this remuneration is made up of several components, which are explained in the following table:

Remuneration component	Related to	Mode of payment	Variability	Share if objective is met 100 %
Fixed remuneration Basic salary, compensation in kind and ancillary compensation	Function, Responsibility	Monthly	Fixed	23 %
Variable remuneration Annual bonus	Success of Group/company and individual performance	Annually in the following year	0 – 165 %	27 %
3-year-bonus	Achievement of a 3-year-objective	In the 4th year after the grant	0 – 120 %	12 % (annual share)
Stock-based remuneration Stock-appreciation rights (SAR)	Participation in share price gains	After a two-year vesting period	0 – 150 %	33 % (calculated value at time of grant)
Restricted stock units (RSU)	Creation of a long-term equity position	After a five-year vesting period	1:1 Share price	(calculated value at time of grant)
Provision Corporate retirement plan, pension	Length of service, retirement provision, benefits	Disability or retirement age	Fixed	5 % (actual expense)

If the performance targets are attained, the ratio between fixed and variable remuneration is approximately one-fourth to three-fourths, based on the mathematical value of the stock-based remuneration at the date of grant.

The valuation of the stock-based remuneration is merely a mathematically calculated reference value. Whether and when the stock-based remuneration will actually lead to a payment depends on the future development of the share price, the strike price and the date of exercise. Stock appreciation rights (SAR) can be exercised at the earliest upon expiration of a two-year vesting period, for restricted stock units (RSU) the vesting period is five years. The exercise, the number of rights issued and the development of the value of stock-based remuneration are shown in the income statement and are subject to a detailed annual report.

Variable remuneration and stock-based remuneration together form a three-tier incentive system.

Annual bonus (annual)	3-year-bonus (medium-term: 3 years)	Equity-based remuneration (long-term: 5 to 7 years)
Target categories Group objectives Group/department objectives Individual objectives	Target categories Meeting pre-defined strategic three-year objectives Sustained achievement of annual EVA® (Economic Value Added) objectives	Target category Sustained increase of the share price

In order to ensure a competitive remuneration structure, comparative market analyses are performed. The insights derived from these studies are incorporated into the design of the remuneration components.

The individual remuneration components include:

Fixed remuneration The amount of the fixed remuneration is, on the one hand, determined by the delegated function or responsibility. On the other hand, it is influenced by external market conditions.

Income-equivalent ancillary benefits are also reported as part of fixed remuneration. These benefits vary with the function and position of the recipient and are subject to personal income tax. They essentially include the insurance coverage and preventive health care benefits generally granted in the industry and the use of a company car.

Variable remuneration This component consists of an annual and a mid-term 3-year bonus, each of which is performance- and success-related and limited to a maximum amount. Together with

the stock-based remuneration, they form a three-tier incentive system. Assuming that objectives have been met 100 percent, what is the ratio between fixed and variable remuneration? For the annual bonus, the ratio is approximately 55 to 45 percent; for the annual share of the 3-year bonus, it is approximately 50 to 50 percent.

Stock-based remuneration This component consists of stock appreciation rights (SAR) and restricted stock units (RSU). More detailed information on the stock-based remuneration components can be found on pages 167 and 168 of this Annual report or on the Internet at www.allianzgroup.com/investor-relations.

Corporate retirement provision and comparable benefits The pension agreements for members of the Board of Management stipulate retirement benefits of a fixed amount that is not linked to the development of the fixed or variable remuneration components. The agreements are examined and revised at irregular intervals. If the amount is raised, the reserves must be increased on a pro-rata basis in relation to the number of years of employment.

Allocations to the budget available for increases of agreed pension benefits are primarily dependent on the economic performance of the company. When a member of Board of Management retires from the Board at the end of his mandate, old-age pension is paid no earlier than upon completion of the 60th year of age, except for cases of professional disability or general disability for medical reasons, or payments to a beneficiary in the case of death. If the mandate is terminated for other reasons before the retirement age has been reached, a non-expiring pension claim is maintained. But this claim does not include a right to the immediate payment of benefits.

Amount of compensation

The amount of the total compensation for a given year depends on the relative success of the Group as a whole and on the Board member's respective area of responsibility, as well as on the development of the share price. If one establishes a ranking of the average remuneration paid to the Board of Management at comparable German and European companies in recent years, the compensation of the Board of Allianz AG would fall approximately into the second third. If this listing takes into account criteria such as market capitalization, number of employees or complexity of the company, the average compensation of the Board of Allianz AG falls into the mid range.

Remuneration of the Supervisory Board

The remuneration of the Supervisory Board was decided by the Annual General Meeting and is defined in article 9 of the Articles of Association.

The remuneration of the Supervisory Board is based on the size of the company, the functions and responsibilities of the members of the Supervisory Board and the economic situation of the company. For the most part, it is related to the dividend paid. The chairman and the deputy chairman of the Supervisory Board as well as the chairmen and members of its committees receive an additional remuneration.

The remuneration of the members of the Supervisory Board includes two components: a fixed amount of 4,000 euros and a variable amount dependent on the dividend. This amount is calculated as follows: for each cent by which the dividend per share exceeds the amount of 15 cents, an additional remuneration of 500 euros is paid. The amount of the dividend is determined by the appropriation of profit decided by the Annual General Meeting. The chairman of the Supervisory Board receives double, and his deputy one and a half times the amount of this remuneration. The remuneration of the members of the Personnel Committee and of the Standing Committee is in-

creased by 25 percent, that of the chairmen of these committees by 50 percent. To prevent a conflict of interest on the part of the members of the Audit Committee with respect to the dividend proposal of the Supervisory Board, these members merely receive a fixed annual remuneration of 30,000 euros for their work in this committee, while the chairman receives a fixed amount of 45,000 euros.

The additional remuneration of the committee members is capped by an upper limit. This limit takes effect when the remuneration of the chairman of the Supervisory Board has reached triple and that of the other members of the Supervisory Board double the basic remuneration. Since the dividend policy of the Allianz Group is oriented toward the long-term, the remuneration of the Supervisory Board contains no additional component that is based on the long-term performance of the company.