

# Corporate Governance Report 2006

## Corporate Governance

The Executive Board and Supervisory Board of OVB Holding AG are strongly committed to company management geared towards adding value. We welcome and stand by the standards created by virtue of the German Corporate Governance Code ("GCGC") relating to the management and supervision of listed companies. These standards enhance the transparency and efficiency of company management and instil confidence in international and national investors, clients, financial advisors and employees, and the general public.

In the following Corporate Governance Report, the Executive Board and the Supervisory Board present the key aspects and developments of corporate governance at OVB Holding AG.

### Dual board system

As enshrined in the German Stock Corporation Act (*Aktiengesetz*), OVB Holding AG has an Executive Board and a Supervisory Board and thus a dual board system. The Executive Board consists of two members and is solely responsible for managing the company. The Supervisory Board performs a monitoring and advisory function. It consists of six members appointed from among the company's shareholders.

### OVB Holding AG Executive Board

- Michael Frahnert  
Chairman of the Executive Board of OVB Holding AG  
Chairman of the Executive Board of OVB Vermögensberatung AG
- Oskar Heitz  
Member of the Executive Board Finances of OVB Holding AG  
Member of the Executive Board Finances of OVB Vermögensberatung AG

### OVB Holding AG Supervisory Board

- Wolfgang Fauter,  
Chairman of the Supervisory Board  
Chairman of the Executive Board of Deutscher Ring Versicherungsunternehmen

- Hartmut Mellinger,  
Vice-chairman of the Supervisory Board  
Member of the Executive Board of Deutscher Ring Versicherungsunternehmen
- Dr. Joachim Lemppenau,  
Retired as Chairman of the Executive Board of Volksfürsorge-Gesellschaften
- Michael Johnigk,  
Member of the Executive Board of Signal Iduna Gruppe
- Marlies Hirschberg-Tafel,  
Member of the Executive Board of Deutscher Ring Versicherungsunternehmen
- Christian Graf von Bassewitz,  
Retired as General Partner of Bankhaus Lampe KG

### Corporate governance developments in 2006/2007

At the time of issuing the first declaration of conformity, which occurred in the course of the IPO in 2006, the company's corporate governance structures underwent a thorough review. It was decided at the Supervisory Board meeting on 8 December 2006 that a three-person Audit Committee should be established. The responsibilities of this committee include conducting a preliminary review of the annual and consolidated financial statements, the management report, accounting and risk management issues, the independence of the auditor, issuing the audit retainer and stipulating the audit parameters and fee agreements. Three Supervisory Board members, Wolfgang Fauter, Christian Graf von Bassewitz and Michael Johnigk, are on the Audit Committee, as well as Dr. Joachim Lemppenau as a substitute. Michael Fauter is the Chairman of the Committee. This is the first instance in which OVB Holding AG deviates from the suggestion under section 5.2 of the GCGC.

In accordance with the GCGC, OVB Holding AG developed and adopted its own corporate governance principles at the beginning of 2007. These principles allow the greatest possible transparency in relation to the company's corporate governance structures and thus highlight the commitment of the Executive Board and the Supervisory Board to responsible corporate management. This year's

declaration of conformity is also in line with this notion of transparency. We not only comment on the suggestions but also on the recommendations of the Code. For the first time the Corporate Governance Report also includes a remuneration report.

## Declaration of conformity

Section 161 AktG requires the Executive Board and the Supervisory Board of listed stock corporations to provide details every year of the extent to which the recommendations of the "Government Commission on the German Corporate Governance Code" as published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette have been and are being complied with, or which recommendations are being or have been deviated from. The declaration must be made available to shareholders for an extended period. The Executive Board and the Supervisory Board of OVB Holding AG declare that the recommendations and suggestions under the German Corporate Governance Code as amended on 12 June 2006 are being complied with, subject to the following deviations:

### Recommendations:

Contrary to section 3.8 GCGC, the D&O insurance concluded for the members of the Executive Board and the Supervisory Board does not currently include a deductible. However, a suitable deductible is to be introduced for the current financial year.

Contrary to section 5.4.7 GCGC, chairmanship or membership of committees is not taken into account when stipulating the remuneration of Supervisory Board members.

Contrary to section 7.1.2 GCGC, the interim reports published after the IPO (Half-Year Report 2006 and Nine-Month Report 2006) were not accessible to the public within 45 days of the end of the reporting period. Efforts will be made to comply with the recommended publication deadlines for the 2006 Annual Report and the 2007 interim reports.

Contrary to section 7.2.1 GCGC, when the annual financial statements for 2006 were prepared, and prior to submitting a proposal for election, no statement was obtained from the proposed auditor stating whether, and where applicable, which business, financial, personal and

other relationships exist between the auditor and its executive bodies and head auditors on the one hand, and the enterprise and the members of its executive bodies on the other hand, that could call its independence into question. Such a statement will be obtained for the current financial year and for all subsequent years.

### Suggestions:

Contrary to section 2.3.3 GCGC, the representative appointed by the Executive Board to exercise shareholders' voting rights will only be available up to and including the day before the Annual General Meeting, but not during the meeting.

Contrary to section 2.3.4 GCGC, there are no plans to make it possible for shareholders to follow the Annual General Meeting using modern communication media (e.g. internet). However, the minutes, the presentation and the written version of the Executive Board Chairman's speech will be available on the internet after the Annual General Meeting.

Contrary to section 4.2.3 CCCC, the total remuneration of Executive Board members does not include any long-term incentives containing risk elements such as stock options or phantom stock.

Contrary to section 5.1.2 GCGC, preparations for the appointment of Executive Board members and the stipulation of employment contract conditions including remuneration have not been delegated to a committee. Instead, the Supervisory Board of OVB Holding AG as a whole has assumed responsibility for these matters.

Contrary to section 5.2 GCGC, the Chairman of the Supervisory Board is also the Chairman of the Audit Committee.

Contrary to section 5.3.3 GCGC, the Supervisory Board has not delegated any other subjects to be handled by one or several committees. Due to the Supervisory Board's size, it does not see any need to establish additional committees, rather it addresses these subjects at its ordinary meetings.

Contrary to section 5.4.6 GCGC, Supervisory Board members are not elected or re-elected at different dates and for different periods. This procedure is disputed internationally and currently under discussion. If a united opinion emerges from the discussion, OVB Holding AG will review its election procedure as part of good corporate governance.

Contrary to section 5.4.7 GCGC, apart from a share in net income for the year, the performance-based remuneration of Supervisory Board members does not include any long-term components.

Cologne, March 2007

On behalf of the Executive Board

Michael Frahnert

Oskar Heitz

On behalf of the Supervisory Board

Wolfgang Fauter

## Remuneration report

The following remuneration report explains the main features of OVB Holding AG's remuneration system and also shows the remuneration paid to each individual Executive Board and Supervisory Board member. The manner of presentation is based on the recommendations and suggestions of the GCGC and complies with the Act governing the Disclosure of Executive Board Remuneration (*Gesetz über die Offenlegung der Vorstandsvergütung*).

### Executive Board remuneration

The Supervisory Board adopted a resolution stipulating the Executive Board's remuneration and regularly reviews such remuneration. The amount of remuneration takes into account the functions performed by the respective Executive Board member, his or her level of responsibility and the company's financial situation. The remuneration does not currently include long-term incentives containing risk elements such as stock options or phantom stock.

The Executive Board's remuneration consists of two components:

- annual base salary (fixed)
- annual bonus (variable, depends on attainment of targets)

The fixed base salary, which is paid in 12 monthly instalments, is based on industry practice and the relevant Executive Board member's area of responsibility. The annual bonus is a variable cash payment, which, having regard to the base salary, depends on the attainment of several internal targets, for example sales targets or net income for the year. The target figures are determined and given a weighting each year in advance based on the budget adopted by the Supervisory Board. The amount actually disbursed depends on the extent to which the targets are achieved. Full payment is made only if the target is exceeded.

The contracts concluded with Executive Board members do not include any special commitments in the event of termination of employment or so-called change of control clauses. OVB Holding AG does not undertake to pay pensions, benefits or retirement annuities. Pension obligations to former members of management amounted to Euro 359,269.00 as at the balance sheet date. If an Executive Board member dies, the remuneration continues to be paid to his or her surviving dependants.

The total remuneration paid to the Executive Board was approximately Euro 1.35 million. This figure includes all remuneration received by Executive Board members for work performed for the parent company and for the subsidiaries. The following table shows the remuneration paid to each Executive Board member broken down by remuneration component:

	Variable remuneration		
	Base salary	(performance-based)	Total
Executive Board	2006	2006	2006
Michael Frahnert	569,330.71	349,770.80	919,101.51
Oskar Heitz	238,036.59	188,872.00	426,908.59
<b>Total</b>	<b>807,367.30</b>	<b>538,642.80</b>	<b>1,346,010.10</b>

Figures in Euro

As a general rule, loans are not granted to Executive Board members.

## Supervisory Board remuneration

The Supervisory Board's remuneration is governed by section 14 of OVB Holding AG's articles of association, and pursuant to the recommendations of the Code comprises the following components:

- a fixed annual salary

The fixed annual remuneration is Euro 5,000. The Supervisory Board Chairman receives double and Deputy Chairman receives 1.5 times this amount.

- a variable cash component

The variable component consists of a payment of 0.08 percent of the net income for the year as reported in the annual financial statements. The Supervisory Board Chairman receives 0.12 percent of this amount.

Supervisory Board members also receive a reimbursement for value added tax and out-of-pocket expenses incurred in connection with their work. There are currently no plans to pay additional remuneration for membership of Committees.

Taking into account the net income for the year reported in OVB Holding AG's single-entity financial statements for the 2006 financial year (Euro 15.4 million), the total remuneration (including value added tax and out-of-pocket expenses) paid to the Supervisory Board was about Euro 140,000. In accordance with the above guidelines, the following table shows the fixed and variable components paid to each individual member of the Supervisory Board:

	<b>Fixed component</b>	<b>Variable component</b>	<b>Total</b>
<b>Supervisory Board</b>	<b>2006</b>	<b>2006</b>	<b>2006</b>
Wolfgang Fauter	10,000	18,502.09	28,502.09
Hartmut Mellinger	7,500	12,334.72	19,834.72
Dr. Joachim Lemppenau	5,000	12,334.72	17,334.72
Michael Johnigk	5,000	12,334.72	17,334.72
Marlies Hirschberg-Tafel	5,000	12,334.72	17,334.72
Uwe Neubüser	2,916.67	7,195.26	10,111.93
Christian Graf von Bassewitz	2,083.33	5,139.47	7,222.80
<b>Total</b>	<b>37,500.00</b>	<b>80,175.70</b>	<b>117,675.70</b>

Figures in Euro

Not including value added tax and out-of-pocket expenses

As a general rule, loans are not granted to Supervisory Board members.

## Directors' dealings

The following transactions under section 15 a of the German Securities Trading Act (*Wertpapierhandelsgesetz – WpHG*) took place in the 2006 financial year:

Name	Date	Number	Rate	Purchase/sale
Oskar Heitz	18/08/2006	10,000	21.00 Euro	Sale (OTC for the purpose of exercising the green shoe option in connection with the IPO)

## Share ownership

No member of the Executive Board or of the Supervisory Board of OVB Holding AG directly or indirectly holds more than 1 percent of the shares issued by the company. Even combined, the members of the Executive Board and the Supervisory Board hold less than 1 percent of the issued shares. A disclosure of share ownership as required by section 6.6 of the Code is therefore not necessary.

**Corporate Governance of OVB Holding AG on the internet:**  
[www.ovb.ag](http://www.ovb.ag) → Investor Relations → Corporate Governance

- Corporate Governance principles
- Corporate Governance Report 2006
- Declaration of conformity
- Directors' dealings
- Members of the Executive Board and Supervisory Board
- OVB Holding AG's articles of association