

Corporate Governance Report 2007

Corporate Governance

The Executive Board and Supervisory Board of OVB Holding AG focus their actions on increasing the shareholder value. The German Corporate Governance Code ("GCGC") stipulates standards relating to the management and supervision of listed companies, and these standards support a value-add approach to management. OVB Holding AG has taken these standards on board, and in 2007 it drafted Corporate Governance Principles based on the Code and updates them regularly. These Principles enhance the transparency and efficiency of company management and provide confidence for investors, clients, financial advisors, 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 – Executive Board and Supervisory Board

As enshrined in German stock corporation law, OVB Holding AG has an Executive Board and a Supervisory Board and thus a dual board system. The Executive Board currently consists of two members and is solely responsible for managing the company. The Supervisory Board, which has six members elected from among the company's shareholders, has a monitoring and advisory role. The Executive Board and the Supervisory Board maintain open lines of communication and work closely with one another for the good of the company.

OVB Holding AG Executive Board

Michael Frahnert

(Born 1946, in office since 2001, appointed until 2010)
Chairman of the Executive Board of OVB Holding AG
Chairman of the Executive Board of OVB Vermögensberatung AG

Oskar Heitz

(Born 1953, in office since 2001, appointed until 2010)
Chief Financial Officer of OVB Holding AG
Member of the Executive Board of OVB Vermögensberatung AG

OVB Holding AG Supervisory Board

*Wolfgang Fauser**

(Born 1951, in office since 2001, elected until 2008)

Chairman of the Supervisory Board

Chairman of the Executive Board of Deutscher Ring Lebensversicherungs-AG, Deutscher Ring Krankenversicherungsverein a.G. and Deutscher Ring Sachversicherungs-AG, Hamburg

Jens O. Geldmacher

(Born 1963, in office since 2007, elected until 2008)

Deputy Chairman of the Supervisory Board

Member of the Executive Board of Deutscher Ring Lebensversicherungs-AG, Deutscher Ring Krankenversicherungsverein a.G. and Deutscher Ring Sachversicherungs-AG, Hamburg

*Christian Graf von Bassewitz**

(Born 1940, in office since 2006, elected until 2008)

Retired banker, formerly the general partner of Bankhaus Lampe KG

Marlies Hirschberg-Tafel

(Born 1949, in office since 2001, elected until 2008)

Member of the Executive Board of Deutscher Ring Lebensversicherungs-AG, Deutscher Ring Krankenversicherungsverein a.G. and Deutscher Ring Sachversicherungs-AG, Hamburg

*Michael Johnigk**

(Born 1953, in office since 2001, elected until 2008)

Member of the Executive Board of Signal Krankenversicherung a.G., IDUNA Vereinigte Lebensversicherung a.G. für Handwerk, Handel und Gewerbe, SIGNAL Unfallversicherung a.G. and SIGNAL IDUNA Allgemeine Versicherung, Dortmund

Jörn Stapelfeld

(Born 1961, in office since 2007, elected until 2008)

Chairman of the Executive Board of Volksfürsorge Holding AG

**Member of the Audit Committee*

Corporate governance developments

First Annual General Meeting

In May 2007 OVB Holding AG held its first Annual General Meeting since the IPO in July 2006. All items on the agenda were accepted with a large majority. Opposing motions put forward by one shareholder were rejected by management as unfounded. Around 80 percent of the share capital was represented at the Annual General Meeting. The shareholders who attended used the opportunity to talk directly with management. Discussions were open and constructive.

New members of the Supervisory Board

Hartmut Mellinger and Joachim Lemppenau resigned from the Supervisory Board of OVB Holding AG with effect from the close of the Annual General Meeting on 31 May 2007. The court appointment of Christian Graf von Bassewitz also ended at that time. The Annual General Meeting individually elected two new members of the Supervisory Board, Jens O. Geldmacher and Jörn Stapelfeld. Christian Graf von Bassewitz was reappointed to the Supervisory Board.

Audit Committee

The members of the Audit Committee are Wolfgang Fauter, Christian Graf von Bassewitz and Michael Johnigk, as well as Jörn Stapelfeld as a substitute. Wolfgang Fauter chairs the Audit Committee. In this instance OVB Holding AG deviates from the suggestion under section 5.2 of the GCGC. The Audit Committee meets immediately prior to the four Supervisory Board meetings and then reports directly to the Supervisory Board on its discussions.

Compliance

Compliance with in-house directions and decisions, whether specific to a division, a company or the group, enhances the transparency and efficiency of business processes. Group management sets the relevant standards and makes the fundamental decisions. Comprehensive compliance principles are currently being drafted at OVB Holding AG and will be implemented in the course of the 2008 financial year. The compliance principles will be sup-

plemented by the Employment Code of Conduct (Kodex zum Arbeitsverhalten) and the Data Protection Directive and other directives, if applicable. Each subsidiary will be responsible for compliance monitoring and reporting, which is soon to be introduced.

Revision of the Corporate Governance Principles

OVB Holding AG revised and amended its Corporate Governance Principles after the Code was updated in June 2007. The major changes to the Code related to the recommendation to create a nomination committee of the Supervisory Board and the much discussed suggestion to limit severance payments. Given its size, the Supervisory Board of OVB Holding AG elected not to establish another committee, with the Supervisory Board as a whole addressing the relevant issues. The employment agreements with Executive Board members do not provide for severance payments. OVB Holding AG otherwise adhered to the Code's standards in this regard.

Declaration of conformity

Since the last declaration of conformity in March 2007, OVB Holding AG deviates from the Code's recommendations in relation to three issues, down from four in the previous declaration of conformity. Like last year, one deviation relates to the deductible under D&O insurance, and another relates to remuneration for chairing and being a member of Supervisory Board committees. The recommendation to obtain a statement of independence from the auditor prior to nominating the auditor to the Annual General Meeting was complied with for the first time. In the 2007 financial year OVB Holding AG also complied with the period recommended by the Code for publishing interim reports (45 days), although scheduling constraints will cause the Nine-Month Report in 2008 to be published 3 days late, and this will result in an additional deviation from the Code. When the Code was being revised, the establishment of a nomination committee was incorporated as a new recommendation. The Supervisory Board of OVB Holding AG did not follow this recommendation. This constitutes another deviation from the Code. OVB Holding AG also deviates from eight of the Code's suggestions.

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 permanently available to shareholders. OVB Holding AG also indicates which suggestions are not being or have not been complied with.

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 14 June 2007, published by the Federal Ministry of Justice in the electronic Federal Gazette on 20 July 2007, have been complied with since the last declaration of conformity in March 2007 and will be complied with in the future, subject to the following deviations:

Recommendations:

Directors & officers (D&O) insurance (section 3.8 GCCG)
OVB Holding AG has not stipulated a deductible in the D&O insurance concluded for the members of the Executive Board and the Supervisory Board. OVB Holding AG does not believe that a deductible would have any noteworthy advantages in terms of encouraging the members of the Executive Board and the Supervisory Board to fulfil their duties properly.

Supervisory Board remuneration (section 5.4.7 GCCG)
Chairmanship or membership of committees is not taken into account when determining the remuneration of Supervisory Board members. The duties performed are adequately remunerated by the amount already received.

Nomination committee (section 5.3.3 GCCG)
The Supervisory Board of OVB Holding AG adheres to its view that no further committees are necessary besides the existing Audit Committee. The Supervisory Board as a whole addresses the matters which the Code recommends for the nomination committee.

Publication of interim reports (section 7.1.2 GCCG)

Since publication of the 2006 Annual Report, OVB Holding AG has complied with the deadline of 45 days for publishing interim reports. Due to scheduling constraints, however, this deadline will be exceeded by three days for the Nine-Month Report 2008.

Suggestions:

Proxies (section 2.3.3 GCCG)

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.

Annual General Meeting online (section 2.3.4 GCCG)

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.

Long-term incentives (section 4.2.3 GCCG)

The total remuneration of Executive Board members does not include any long-term incentives containing risk elements such as stock options or phantom stock.

Committee to appoint Executive Board Members (section 5.1.2 GCCG)

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.

Chairman of the Audit Committee (section 5.2 GCCG)

Notwithstanding this suggestion, the Chairman of the Supervisory Board is also the Chairman of the Audit Committee.

Creation of other committees (section 5.3.3 GCCG)

The Supervisory Board has not delegated any other subjects to be handled by one or more committees other

than the Audit Committee. 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.

Election of the Supervisory Board (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 an united opinion emerges from the discussion, OVB Holding AG will review its election procedure as part of good corporate governance.

Supervisory Board remuneration (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, 18 March 2008

On behalf of the Executive Board



Michael Frahnert



Oskar Heitz

On behalf of the Supervisory Board



Wolfgang Fauter

Remuneration of Executive Board and Supervisory Board members

The remuneration report below outlines the basic components of OVB Holding AG's remuneration system in accordance with section 315 (2) no. 4 HGB and states the remuneration paid to each member of the Executive Board and Supervisory Board out of the total remuneration reported in accordance with section 314 (1) no. 6 HGB. The manner of presentation is based on the recommendations and suggestions of the German Corporate Governance Code and complies with the German Act governing the Disclosure of Executive Board Remuneration (*Gesetz über die Offenlegung der Vorstandsvergütung – "VorstOG"*).

Executive Board remuneration

The Supervisory Board adopted a resolution stipulating the remuneration paid to members of the Executive Board and reviews such remuneration regularly. There were no significant changes to Executive Board remuneration in the 2007 financial year.

The remuneration paid to Executive Board members reflects their responsibilities and functions and also takes into account the company's financial situation. It does not include any long-term incentives containing risk elements such as stock options or phantom stock.

The members of the Executive Board currently receive remuneration consisting of an annual fixed basic salary and an annual bonus that depends on the attainment of individual targets.

The basic salary is paid monthly and is based on industry practice and the relevant Executive Board member's area of responsibility.

The variable annual bonus depends on the extent to which certain company-specific operating ratios and personal targets are achieved. The target figures are determined and given a weighting each year in advance based on the budget adopted by the Supervisory Board. Company targets are given a 70 percent weighting and individual targets are given a 30 percent weighting in the agreement on operational targets (*Zielvereinbarung*). The company's success is measured by reference to key figures such as

sales and net income, while individual targets relate to the successful realisation of strategically significant projects. If the target is met or exceeded, the contractually agreed maximum bonus is paid. The bonus is pro-rated if the target is not met.

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 pay pensions, benefits or retirement annuities. The pension obligations towards a former member of management amounted to

Euro 376,511 as of 31 December 2007 (2006: Euro 359,269). If a member of the Executive Board dies, the member's remuneration continues to be paid to his or her surviving dependants for a period of six months. The total remuneration paid to the Executive Board was approximately Euro 1.24 million, after Euro 1.35 million in 2006. The Executive Board's remuneration covers all remuneration received for services to parent companies and subsidiaries. The following table shows the remuneration paid to the members of the Executive Board, broken down into the respective components:

in Euro thousand	Basic salary (not performance-based)		Variable remuneration (performance-based)		Total	
	2006	2007	2006	2007	2006	2007
Executive Board member						
Michael Frahnert	569	575	350	252	919	827
Oskar Heitz	238	242	189	99	427	341
Total	807	817	539	351	1,346	1,168

Bernd Neumann received a remuneration of Euro 67.4 thousand (basic salary of Euro 60.6 thousand; variable component of Euro 6.8 thousand) for his 3-month period with the Executive Board of OVB Holding AG.

In accordance with the recommendations of the German Corporate Governance Code, the total remuneration paid to Executive Board members thus includes a fixed component and a variable, performance-based component. The criteria for determining the amount of remuneration include, without limitation, the responsibilities of the respective Executive Board member, his or her personal performance, the performance of the Executive Board as a whole, and the company's financial situation, success and future prospects having regard to the general environment in the company's sector.

The variable component entails an element of risk and is by no means a guaranteed payment.

Supervisory Board remuneration

Section 14 of the articles of association of OVB Holding AG governs the Supervisory Board's remuneration. In ac-

cordance with the recommendations of the Code, it comprises:

- a fixed annual salary
The fixed annual salary is Euro 5,000. The Supervisory Board Chairman receives double and the Deputy Chairman receives 1.5 times that 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 prepared in accordance with the HGB. The Supervisory Board Chairman receives 0.12 percent of this amount.

Supervisory Board members also receive reimbursement for out-of-pocket expenses incurred in connection with their work. No additional remuneration is paid for membership of a committee. Taking into account the net income for the year reported in OVB Holding AG's single-

entity financial statements (Euro 17.7 million), the total remuneration (including out-of-pocket expenses) paid to the Supervisory Board in the 2007 financial year was around Euro 130,000 (2006: around Euro 118,000). In accordance with the guidelines, the following fixed and variable components were paid to the members of the Supervisory Board:

in Euro	Fixed salary		Variable component		Total	
	2006	2007	2006	2007	2006	2007
Supervisory Board member						
Wolfgang Fauter	10,000	10,000	18,502	21,264	28,502	31,264
Hartmut Mellinger (until May 2007)	7,500	3,125	12,335	5,907	19,835	9,032
Dr. Joachim Lemppenau (until May 2007)	5,000	2,083	12,335	5,907	17,335	7,990
Michael Johnik	5,000	5,000	12,335	14,176	17,335	19,176
Marlies Hirschberg-Tafel	5,000	5,000	12,335	14,176	17,335	19,176
Christian Graf von Bassewitz	2,083	5,000	5,140	14,176	7,223	19,176
Jens O. Geldmacher (since May 2007)	-	4,375	-	8,269	-	12,644
Jörn Stapelfeld (since May 2007)	-	2,917	-	8,269	-	11,186
Total	37,500*	37,500	80,177*	92,144	117,677*	129,644

* The total remuneration for 2006 includes remuneration of Euro 10,112 paid to Uwe Neubüser (of which Euro 2,917 was the fixed component and Euro 7,195 was the variable component).

No loans have been granted to members of the Executive Board or Supervisory Board.

Directors' dealings

Securities transactions are reported in accordance with section 15 a German Securities Trading Act (Wertpapierhandelsgesetz – "WpHG") on OVB Holding AG's website (www.ovb.ag under Investor Relations).

Share ownership

As at 31 December 2007, no member of the Executive Board or of the Supervisory Board directly or indirectly held 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 company's share capital. 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 → Investor Relations → Corporate Governance

- Corporate Governance Principles
- Corporate Governance Report 2007
- Declaration of conformity
- Directors' dealings
- Members of the Executive Board and Supervisory Board
- OVB Holding AG's articles of association