

Corporate Governance Report 2008

Corporate Governance

The Executive Board and Supervisory Board of OVB Holding AG aim to continually increase shareholder value. The German Corporate Governance Code ("GCGC") stipulates standards for structures and processes relating to the management and supervision of listed companies, and these standards contribute to a value-add approach to management. OVB Holding AG drafted Corporate Governance Principles based on the Code for the first time in 2007, and it has updated these Principles annually since then. These Principles promote the transparency and efficiency of company management and instil confidence in investors, clients, financial advisors, employees and the general public. The following Corporate Governance Report presents the key aspects and developments of corporate governance at OVB Holding AG.

Dual board system – Executive Board and Supervisory Board

As required by German stock corporation law, OVB Holding AG's dual board system comprises the Executive Board and the Supervisory Board. The Executive Board, which currently consists of two members, is solely responsible for managing the company. The Supervisory Board consists of six shareholder-elected members and assists the Executive Board in an advisory capacity and supervises company management. 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, OVB Holding AG
Chairman of the Executive Board,
OVV Vermögensberatung AG

Oskar Heitz

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

OVB Holding AG Supervisory Board

*Wolfgang Fauter**

(Born 1951, in office since 2001, elected until 2013)
Chairman of the Supervisory Board
Chairman of the Executive Board,
Deutscher Ring Krankenversicherungsverein a.G.

Jens O. Geldmacher

(Born 1963, in office since 2007, elected until 2013)
Deputy Chairman of the Supervisory Board
Member of the Executive Board,
Deutscher Ring Krankenversicherungsverein a.G.

*Christian Graf von Bassewitz**

(Born 1940, in office since 2006, elected until 2013)
Retired banker, formerly the general partner of
Bankhaus Lampe KG

Marlies Hirschberg-Tafel

(Born 1949, in office since 2001, elected until 2013)
Member of the Executive Board,
Deutscher Ring Krankenversicherungsverein a.G.

*Michael Johnigk**

(Born 1953, in office since 2001, elected until 2013)
Member of the Executive Board of the Signal Iduna Group

Jörn Stapelfeld

(Born 1961, in office since 2007, elected until 2013)
Chairman of the Executive Board,
Generali Lebensversicherung AG and Generali Beteiligungs-
und Verwaltungs AG, Deputy Chairman of the Executive
Board, Generali Versicherung AG

**Member of the Audit Committee*

Corporate governance developments

Amendments to the term of office and remuneration of the Supervisory Board

The shareholders at the 2008 Annual General Meeting resolved to extend the term of office of Supervisory Board members of OVB Holding AG specified in the articles of association. The articles of association now provide that Supervisory Board members are elected until the Annual General Meeting at which their actions are formally ratified for the fourth (previously third) financial year since the beginning of their term of office. A change was also made to the basis for calculating the variable component of Supervisory Board remuneration. For the 2008 financial year, the variable component is for the first time based on OVB Holding AG's net income for the period as reported in the consolidated financial statements; it was previously based on net income for the period reported in the company's annual financial statements. The variable component of each Supervisory Board member's remuneration still amounts to 0.08 percent of net income for the period, or 0.12 percent for the Chairman of the Supervisory Board.

Re-election of the Supervisory Board

All members of OVB Holding AG's Supervisory Board were up for re-election at the Annual General Meeting on 3 June 2008. All members of the Supervisory Board were individually re-elected until the close of the 2013 Annual General Meeting. The Supervisory Board elected Wolfgang Fauter as Chairman and Jens O. Geldmacher as Deputy Chairman of the Supervisory Board at its first meeting after the Annual General Meeting.

Audit Committee

The members of the Audit Committee were also re-elected at the first meeting of the newly constituted Supervisory Board. The members of the Audit Committee are Wolfgang Fauter, Christian Graf von Bassewitz and Michael Johnigk. Wolfgang Fauter is the Chairman of the Audit Committee. In this instance OVB Holding AG deviates from the suggestion under section 5.2 of the GCGC. The Audit Committee met four times during the 2008 financial year. Starting in the 2009 financial year, the Audit Committee's responsibilities will also include discussing interim reports with the Executive Board prior to their publication. The Audit Committee's rules of procedure are available for viewing on OVB Holding AG's website under Investor Relations/ Corporate Governance.

Work continues on anchoring compliance structures throughout the Group

The process to establish an independent compliance department at holding company level began in 2008 and is continuing. Compliance involves observing all of the rules and regulations applicable to conducting business operations. The Chief Compliance Officer's first Compliance Report was submitted and discussed at the Supervisory Board meeting in December 2008. The Executive Board will use this report to continually identify methods for changing and improving the business's existing processes and structures, as compliance with the regulatory framework and the continual improvement of business processes in all parts of the Group are very important. Once the formal compliance department is successfully established at the holding company, there are plans to set up similar departments at each subsidiary, in the interests of utilising synergies and improving transparency within the Group. These compliance departments are also intended to be linked via an intra-group network to the extent legally possible.

Revision of the Corporate Governance Principles

OVB Holding AG revised and amended its Corporate Governance Principles after the Code amendments announced in August 2008. In the current version of the Code, the Commission enhanced the role of full supervisory boards in determining the executive board's remuneration. The recommendation for supervisory boards is now that they should not only deliberate on the key contractual elements of the executive board's remuneration package, but also adopt a resolution in this regard. OVB Holding AG's Supervisory Board already adopts this practice. The caps introduced in 2007 on payments to executive board members in the event that they leave office prematurely or in the event of a change of control were previously only suggestions, but have been changed to recommendations in the current version of the Code. The current agreements between OVB Holding AG and the members of its Executive Board do not provide for any such payments. The Supervisory Board does not currently intend to incorporate terms to this effect in the agreements with Executive Board members. The recommendation that the supervisory board or audit committee should discuss interim reports with the executive board prior to their publication is a new inclusion in the Code. This recommendation was incorporated in the Audit Committee's rules of procedure adopted in December 2008 and will thus be followed from the beginning of the 2009 financial year.

Compliance with the GCGC

Since the last declaration of conformity in March 2008, OVB Holding AG has deviated from the Code's recommendations in relation to five issues. Like last year, one deviation relates to the deductible under D&O insurance, another relates to remuneration for chairing and being a member of Supervisory Board committees, and another relates to the establishment of a nomination committee. Another deviation exists to the extent that the employment contracts with Executive Board members do not stipulate a cap on severance pay in the event of premature termination. Contrary to its original scheduling, OVB Holding AG adhered to the recommended 45-day period for publishing interim reports last financial year and will continue to do so in the future. OVB Holding AG will comply with the new recommendation that the Supervisory Board or the Audit Committee should discuss interim reports with the Executive Board prior to their publication from the 2009 financial year onwards. There are seven instances in which OVB Holding AG deviates from the Code's suggestions now that the Government Commission has repealed one of its 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 Federal Law Gazette online have been and are being complied with, or which recommendations are being or have been deviated from. The declaration must be available for shareholders to view at all times. 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 6 June 2008, published by the Federal Ministry of Justice in the Federal Law Gazette online on 8 August 2008, have been complied with since the last declaration of conformity in March 2008 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.

Cap on severance pay (section 4.2.3 (3) GCCG)

The Executive Board and the Supervisory Board have refrained from stipulating a cap on severance pay in the event that an Executive Board member's employment contract is extended. It is thought that the employment contract should continue unchanged as a sign of mutual trust and in order to ensure the continuation of the close and successful co-operation that currently exists. OVB will incorporate a cap on severance payments in the employment contract of any newly appointed Executive Board member.

Supervisory Board remuneration (section 5.4.6 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 stipulated.

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 Audit Committee. The Supervisory Board as a whole addresses the matters the Code recommends for the nomination committee.

Discussion of interim reports (section 7.1.2 GCCG)

The Audit Committee will comply with this recommendation from the beginning of the 2009 financial year.

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 new media forms (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 (2) 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 full Supervisory Board of OVB Holding AG 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 5.3.4 GCCG)

Apart from the responsibilities delegated to the Audit Committee, the Supervisory Board has not delegated any other subjects to be handled by one or more other committees. Due to the Supervisory Board's size, it does not see any need to establish additional committees, rather it addresses these subjects at ordinary meetings of the full Supervisory Board.

Supervisory Board remuneration (section 5.4.6 GCCG)

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, 26 March 2009

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 2008 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 currently include any long-term incentives containing risk elements such as stock options or phantom stock.

In accordance with the recommendation of the German Corporate Governance Code, 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 variable component entails an element of risk and is by no means a guaranteed payment.

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 336,212 as of 31 December 2008 (2007: Euro 376,511). 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 1.17 million, after Euro 1.24 million in 2007. 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	Basic salary (not performance-based)		Variable remuneration (performance-based)		Total	
	2007	2008	2007	2008	2007	2008
Executive Board member						
Michael Frahnert	574,876.93	561,556.19	252,303.80	256,548.80	827,180.73	818,104.99
Oskar Heitz	241,705.21	243,986.86	98,994.64	104,027.64	340,699.85	348,014.50
Total	816,582.14	805,543.05	351,298.44	360,576.44	1,167,880.58	1,166,119.49

Total remuneration in 2007 of approximately Euro 1.24 million included the remuneration of a former Executive Board member amounting to approximately Euro 67,000.

Supervisory Board remuneration

Section 14 of the articles of association of OVB Holding AG governs the Supervisory Board's remuneration. In accordance with the recommendations of the Code, it comprises:

- a fixed annual salary

The fixed annual salary is Euro 5,000 per Supervisory Board member. 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 to each Supervisory Board member of 0.08 percent of the net income for the year as reported in the consolidated financial statements of OVB Holding AG, such financial statements having been issued with an unqualified auditor's opinion and formally adopted.

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. Based on the consolidated financial statements of OVB Holding AG, which were issued with an unqualified auditor's opinion and formally adopted and which stated net income for the year at Euro 24.4 million, total remuneration (including out-of-pocket expenses) paid to Supervisory Board members in the 2008 financial year was around Euro 164,000. Supervisory Board remuneration amounted to around Euro 130,000 in 2007; this figure was based on the net income for the year reported in OVB Holding AG's single-entity financial statements (Euro 17.8 million). 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	
	2007	2008	2007	2008	2007	2008
Supervisory Board member						
Wolfgang Fauter	10,000.00	10,000.00	21,263.63	29,230.53	31,263.63	39,230.53
Jens O. Geldmacher	4,375.00	7,500.00	8,269.19	19,487.02	12,644.19	26,987.02
Michael Johnigk	5,000.00	5,000.00	14,175.75	19,487.02	19,175.75	24,487.02
Marlies Hirschberg-Tafel	5,000.00	5,000.00	14,175.75	19,487.02	19,175.75	24,487.02
Christian Graf von Bassewitz	5,000.00	5,000.00	14,175.75	19,487.02	19,175.75	24,487.02
Jörn Stapelfeld	2,916.67	5,000.00	8,269.19	19,487.02	11,185.85	24,487.02
Total	32,291.67	37,500.00	80,329.26	126,665.63	112,620.92	164,165.63

Total remuneration in 2007 of approximately Euro 130,000 included the remuneration of since departed Supervisory Board members Hartmut Mellinger (Euro 9,031.56, of which Euro 3,125.00 was fixed salary and Euro 5,906.56 was the variable component) and Dr. Joachim Lemppenau (Euro 7,989.90, of which Euro 2,083.33 was fixed salary and Euro 5,906.56 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 of the German Securities Trading Act (Wertpapierhandelsgesetz, "WpHG") on OVB Holding AG's website (www.ovb.ag under Investor Relations/Corporate Governance).

Share ownership

As at 31 December 2008, 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 Report 2008
- Corporate Governance Principles
- Directors' dealings
- Declaration of conformity
- OVB Holding AG's articles of association
- Members of the Executive Board and Supervisory Board