



Remuneration policy for the members of the Executive Board of OVB Holding AG

As of 1 January 2022



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Remuneration policy for the members of the Executive Board of OVB Holding AG

A. Main features of the Executive Board remuneration policy for the members of the Executive Board of OVB Holding AG

I. Objective

The remuneration of the members of the Executive Board of OVB Holding AG is determined in accordance with the German Stock Corporation Act (AktG) and is geared towards the Company's long-term and sustainable development. The remuneration comprises non-performance-based benefits and performance-based (variable) components.

The remuneration policy for the Executive Board of OVB Holding AG aims at remunerating Executive Board members appropriately according to their respective scope of duties and responsibilities and at directly accounting for the performance of each individual Executive Board member and the Company's success.

The financial and non-financial individual targets underlying the performance-based remuneration components serve the purpose of supporting the business strategy. They also pursue a sustained increase in shareholder value and a success-oriented corporate management. Thus incentives are intended to be provided for long-term development focused on value creation at preventing disproportionate risk-taking and promoting innovation at the same time. For this reason, the share of multi-year performance-based remuneration components is correspondingly high.

The horizontal and vertical appropriateness of the Executive Board remuneration is reviewed at regular intervals – usually with the help of an independent external consultant – and assessed by the Supervisory Board. A peer group of comparable companies is used as a horizontal reference. The vertical in-house remuneration comparison is carried out using a twofold strategy. It looks not only at the Executive Board remuneration in relation to the average remuneration of the Company's senior management but also at the average remuneration of the Company's total staff, also considering the context of changes in remuneration over time.

In accordance with legal requirements, the remuneration policy also includes remuneration ceilings for each Executive Board member.

II. Basic structure

The structure of the remuneration policy and the specific arrangement of the remuneration of the individual Executive Board members to be determined by the Supervisory Board is based on the following key principles:

1. The performance of the Executive Board members should be encouraged as a whole without compromising entrepreneurial freedom in the individual Executive Board areas of responsibility. As key strategic targets can only be achieved across those areas with the contributions of all Executive Board members, the short-term and long-term remuneration components are based on various corporate key indicators while simultaneously taking into account the performance contributions of the individual Executive Board functions to the Company's overall success.
2. The remuneration of Executive Board members is meant to be in line with the market conditions and to take account of the size, complexity, alignment and economic situation of the Company. On this basis, Executive Board members are meant to be offered a competitive and customary remuneration package that meets regulatory requirements and also encourages the Executive Board to align its activities with the principle of sustainable management.
3. The remuneration of Executive Board members comprises fixed and variable components.
4. The remuneration policy adopted by the Supervisory Board on 1 January 2022 has a simple, clear and comprehensible structure and complies with the requirements of the Stock Corporation Act.

B. Components of the Executive Board remuneration policy of OVB Holding AG

I. Remuneration structure

The remuneration of each Executive Board member of OVB Holding AG comprises fixed and variable remuneration components. The fixed non-performance-based remuneration components comprise a base salary, fringe benefits (in particular insurance benefits, company car use or rather compensation and provision of communication devices) and contributions to a corporate pension scheme.

The remuneration policy enables the Supervisory Board to arrange the total target remuneration (total of each given year's remuneration amounts in case of 100 per cent target achievement) based on the function of the individual Executive Board member and thus to account for the different requirements placed on the respective Executive Board position accordingly.

The ratio of fixed and variable remuneration components and their relative share in remuneration is not supposed to be fixed but will be in the ranges as described in the following.

The Executive Board remuneration policy of OVB Holding AG provides the Supervisory Board with the option to differentiate at its own discretion between the members of the Executive Board according to their positions based on the criteria of market conditions and the Executive Board member's experience and scope of responsibility. Applying these criteria has the consequence that the shares of the separate remuneration components in the total target remuneration may vary with respect to individual Executive Board members.

In accordance with the requirements of the Stock Corporation Act and the recommendations of the GCGC, the arrangement of the remuneration structure will ensure that long-term variable remuneration will always exceed short-term variable remuneration in the target structure. Thus the focus is on the long-term and sustainable development of OVB Holding AG without losing sight of the annual operational targets.

The share of fixed remuneration components (base salary, fringe benefits, corporate pension scheme) in the total target remuneration comes to between 67 per cent and 72 per cent altogether. The share of fixed base salary in the total target remuneration amounts to between 43 per cent and 48 per cent. The share of fringe benefits in the total target remuneration comes to 2 per cent to 10 per cent, the share of contributions to a corporate pension scheme is between 13 per cent and 22 per cent.

Short-term variable remuneration (short-term incentive, STI) and long-term variable remuneration (long-term incentive, LTI) are paid based on performance, i.e. based on the achievement of specific, measurable targets and are therefore variable. The variable remuneration component amounts to between 28 per cent and 33 per cent of the total target remuneration (at 100 per cent target achievement) altogether. The STI share in the total target remuneration (at 100 per cent target achievement) comes to between 12 per cent and 15 per cent while the LTI share (at 100 per cent target achievement) comes to between 15 per cent and 19 per cent of the total target remuneration.

The following table provides a comprehensive overview of the Executive Board remuneration policy and the relative shares of the respective remuneration components in the total target remuneration (in per cent).

		Total target remuneration (100 %)			
Fixed remuneration components	Base salary	43 % – 48 %	67 % – 72 %	Fixed, contractually agreed cash remuneration based on the financial year, paid out in twelve monthly installments	
	Fringe benefits	2 % – 10 %		Insurance benefits, company car use or compensation, provision of communication devices and employer's social security contributions	
	Contributions to a defined benefit pension fund with congruent reinsurance coverage	13 % – 22 %		Annual contribution paid by the Company to the pension fund in twelve monthly installments, annually or semi-annually (including disability and survivor's pension)	
Performance-based variable remuneration components	Short-term incentive, STI (short-term variable remuneration)	12 % – 15 %	28 % – 33 %	Type	Annual bonus
				Performance criteria	<ul style="list-style-type: none"> 40 % EBIT target/actual comparison 20 % brokerage income target/actual comparison 20 % other individual financial and operational targets 20 % qualitative targets including one sustainability target
				Target corridor	75 % - 150 %
				Payment mode	In the following year after establishment of the target achievement levels by the Supervisory Board based on the financial statements, no later than one month after the respective General Meeting of Shareholders
	Long-term incentive, LTI (long-term variable remuneration)	15 % – 19 %	28 % – 33 %	Type	Bonus account with penalty rule
				Performance criteria	<ul style="list-style-type: none"> 70 % operating result 30 % brokerage income
				Target corridor	Penalty range from 0 – 59.99 % target achievement, neutral area from 60 – 79.99 %, bonus range from 80 - 200 %
				Payment mode	The balance in the bonus account remaining after payment into the bonus account or offsetting against the penalty is paid out in the following year at one third respectively.

II. Breakdown of remuneration components

1. Fixed remuneration components

Fixed non-performance-based remuneration comprises a base salary, fringe benefits and a contribution to retirement provision.

a. Base salary

Each member of the Executive Board of OVB Holding AG is paid a fixed base salary. This is cash remuneration relating to the financial year and aligned specifically with each Executive Board member's scope of responsibilities. It is paid out in twelve equal monthly installments. It is reviewed at regular intervals by the Supervisory Board and adjusted if necessary.

b. Fringe benefits

Fringe benefits include the use of company cars (or corresponding compensation), provision of communication devices and coverage of costs for insurance (term life insurance, accident insurance), contributions to pension insurance and health insurance as well as employee savings plans, all of which are equally available to all Executive Board members in general while the respective amounts may differ depending on each member's personal situation.

c. Contributions to a corporate pension scheme

Each Executive Board member receives contributions to a defined benefit pension fund with congruent reinsurance coverage (including disability and survivor's pension). The Company makes payments in fulfillment of its pension commitment to the pension fund in twelve monthly installments, annually or semi-annually. The amounts of the pension commitments are individually determined and differ from each other.

2. Performance-based variable remuneration components

a. Composition

The variable performance-based remuneration includes a short-term and a long-term component – the STI and the LTI. The actual amount of the variable remuneration depends on the achievement of financial and other performance parameters. These parameters are derived from operational but also from strategic targets. With respect to the total variable remuneration component, attention is paid to ascertaining that the long-term variable remuneration (LTI) will always exceed the short-term variable remuneration (STI) in the target structure (at 100 per cent target achievement respectively).

With a view to the Company's sustainable and successful development aligned with the Company's interests and with the aim of ensuring that the Executive Board remuneration adequately reflects the position of OVB Holding AG, the shares in variable remuneration are determined by various targets for the short-term and long-term components and the figures and parameters for the definition of target achievement are determined by the Supervisory Board for each individual Executive Board member prior to the beginning of each financial year.

b. Short-term incentive, STI (short-term variable remuneration)

The STI is based on the financial, business, operational or strategic successes achieved by OVB Group during the financial year and is paid entirely in cash.

Prior to the beginning of each financial year, the Supervisory Board sets out the specific performance criteria, key performance indicators and focus topics on the recommendation of the Nomination and Remuneration Committee, including the methods for performance evaluation, based on the corporate budget prepared by the Executive Board and approved by the Supervisory Board, and defines the respective shares in the STI. The Supervisory Board places special emphasis on using clearly defined and measurable qualitative targets that reflect the current strategy.

OVB Holding AG prioritizes securing and increasing the business success as well as the shareholder value in all aspects of relevance.

Thus profitability and market position of OVB Holding AG are intended to be strengthened for the long term. Profitable and efficient management is also meant to be incentivized. Apart from classic earnings indicators, objectives that are essential for the Company's sustainable development such as the implementation of the corporate strategy, the development of new business areas and markets or an optimization of the current market position are taken into account in particular.

Sustainability targets are also accounted for. They may include efficient resources management, client and employee satisfaction and development, innovation, succession planning and compliance.

The performance criteria are determined on the basis of suitable key indicators established in the Company. The Supervisory Board ascertains that its definition of targets is challenging and ambitious. The Supervisory Board may define additional financially, economically or strategically relevant targets or sustainability targets and to add them to the specific catalogue of STI criteria for a particular financial year.

Quantitative targets account for 80 per cent and qualitative targets for 20 per cent of the STI. The relative shares are 40 per cent for operating result (EBIT), 20 per cent for brokerage income (sales), 20 per cent for other financial and operational targets and 20 per cent for qualitative targets including one sustainability target.

The target corridor for the annual bonus ranges from 75 per cent to 150 per cent of the STI for quantitative targets and qualitative targets.

All STI parameters remain unchanged for the particular financial year.

Determination of target achievement:

In the first Supervisory Board meeting after the end of the financial year, the Supervisory Board establishes the actual STI target achievement for each Executive Board member on the basis of the adopted financial statements.

The STI is paid out no later than one month after the General Meeting of Shareholders.

c. Long-term incentive, LTI (long-term variable remuneration)

The LTI requires earnings targets to be met over a longer period of time in order to ensure the Company's sustainable development.

The Company has refrained from providing for share-based long-term remuneration. The LTI is paid in cash as the remuneration is meant to be based solely on factors that can be influenced by the Executive Board. In view of the low free float of shares in OVB Holding AG, the Supervisory Board does not consider share subscription as part of the Executive Board remuneration to be useful as a control element.

In order to appropriately factor in the performance of an individual Executive Board member and of the Executive Board as a whole, the LTI is granted according to indicator-based remuneration over a three-year measurement period ("performance period") managed as an individual balance in a bonus account.

The LTI is based on two financial targets that represent two key performance indicators of OVB Holding AG (operating result (EBIT) and brokerage income). The relative shares are 70 per cent for operating result (EBIT) and 30 per cent for brokerage income.

Prior to the beginning of the financial year, the budgeted values for operating result and brokerage income are defined within the framework of the annual planning process.

The basis of LTI measurement for the financial year (FY) is derived from the achievement of the average (mean) of the actual values of the last two financial years and the budgeted value for the current financial year.

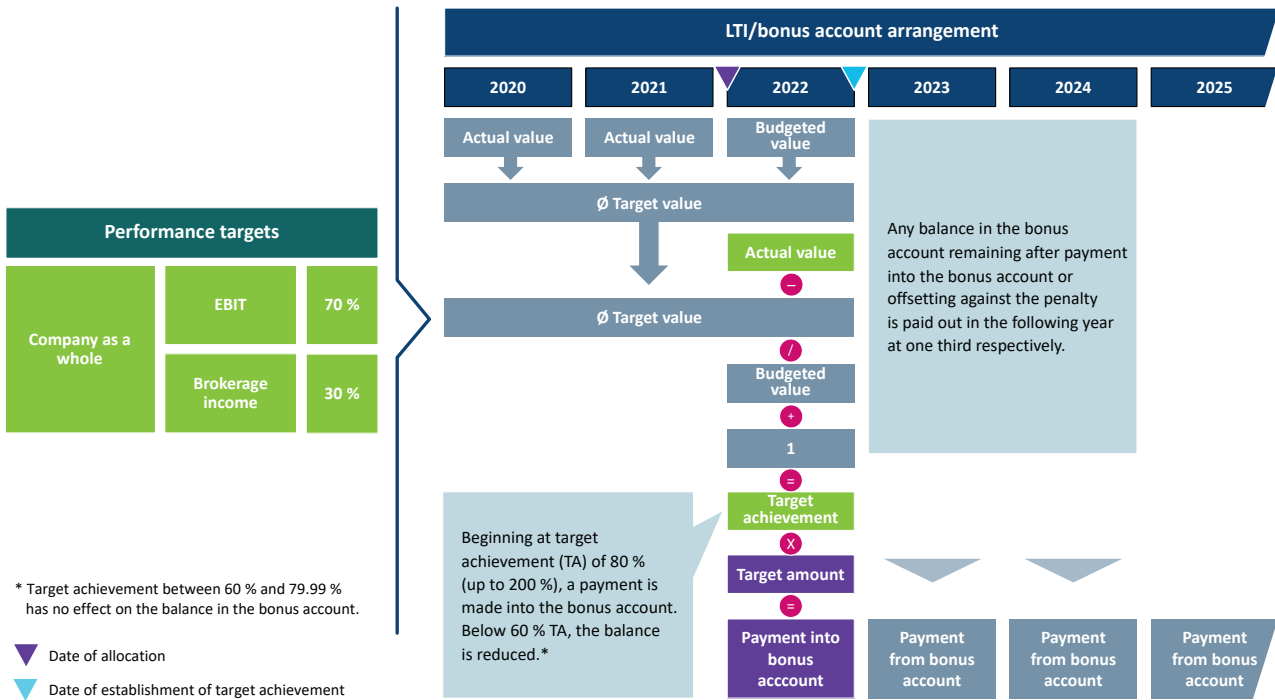
The underlying formula for the respective financial target is:

$$\text{Target achievement} = 1 + \frac{\text{Actual FY} - \text{Average target value}^{1)} }{\text{Budgeted value FY}}$$

1) (Average target value = mean value derived from actual value (FY-2), actual value (FY-1) and budgeted value (FY))

The target achievement levels for operating result (EBIT) and brokerage income are integrated into one target achievement level according to their respective shares (70 per cent for operating result and 30 per cent for brokerage income).

From a target achievement of 80 per cent up to 200 per cent, the achieved bonus amount is credited to the bonus account. Target achievement of between 60 per cent and 79.99 per cent does not impact the balance in the bonus account. If the target achievement level is below 60 per cent (between 0 and 59.99 per cent target achievement), the accumulated balance in the bonus account is reduced by the respective negative amount (penalty rule).



* Target achievement between 60 % and 79.99 % has no effect on the balance in the bonus account.

In the first Supervisory Board meeting after the end of the financial year, the actual LTI target achievement of each Executive Board member is established by the Supervisory Board.

The balance in the bonus account remaining after allocation to the account or offsetting against the penalty is paid at one third of the balance respectively together with the STI after the close of the Annual General Meeting.

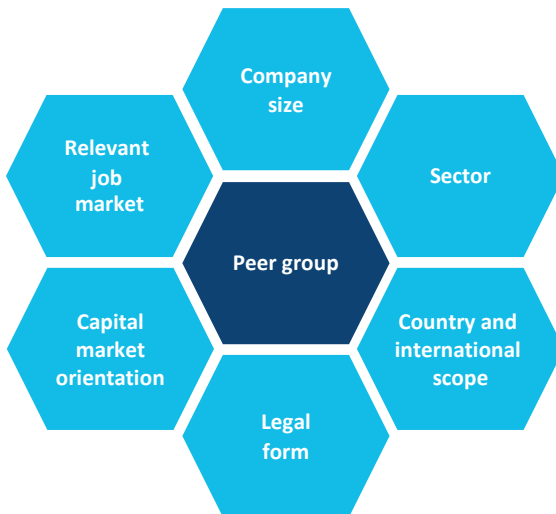
II. External comparison (horizontal appropriateness)

To assess whether market conditions are aligned with, a peer group composed for comparability with OVB Holding AG in as many aspects as possible according to company size, sector, country and international scope, legal form, capital market orientation and relevant job market is taken into consideration.

C. Caps on remuneration

I. Principle of appropriateness

The Executive Board remuneration is intended to be proportionate to the duties and performances of the Executive Board members. The remuneration policy is meant to create incentives for the sustainable and long-term development of the Company as a whole and for the long-term commitment of the Executive Board members. Factors such as the Company's economic situation, market environment, success and future prospects are taken into account in particular. The Supervisory Board also pays special attention to ensuring that total remuneration and maximum remuneration are in line with market conditions. The following aspects are considered for assessing whether the remuneration is in line with the market:



III. In-house comparison (vertical appropriateness)

Assessing vertical appropriateness involves determining the level of Executive Board remuneration in relation to the average remuneration of the Company's senior management and to the overall workforce of OVB Holding AG, comparing these ratios with the previously stated peer group and evaluating whether the remuneration is in line with the market. This comparison also takes into account how the remuneration has developed over time.

The Supervisory Board has determined how senior management and the relevant workforce are defined and how the remuneration is to be assessed by comparison.

Based on this assessment, a maximum level of remuneration is defined for each Executive Board member with respect to non-performance-based and maximum possible performance-based remuneration components including contributions to a corporate pension scheme and fringe benefits. The maximum remuneration (remuneration ceiling) for the individual Executive Board members is as follows:

CEO: Euro 1,300,000

CFO: Euro 750,000

COO: Euro 750,000

D. Recognition of remuneration for ancillary activities

If a member of the Executive Board is also a member of a Supervisory Board within the Group, such activity is deemed fully compensated by that member's remuneration for his or her membership of the Executive Board of OVB Holding AG.

If a member of the Executive Board takes on a position on a Supervisory Board outside the Group, the Supervisory Board decides if, and to what extent, the remuneration should be recognized as part of the approval process.

E. Remuneration-related transactions

The remuneration of Executive Board members is determined by their employment contracts whose variable remuneration components are defined by the Supervisory Board every year on the basis of this remuneration policy.

I. Terms of Executive Board employment contracts

The employment contracts of the members of the Executive Board are concluded for the duration of their appointment and extended for the respective period of reappointment. The term of initial appointment is no longer than three years, the term of each reappointment is no longer than five years.

Employment contracts expire as of the end of the indicated term without notice. In compliance with the provisions of the Stock Corporation Act, the Executive Board employment contracts do not provide for their ordinary termination. Nor do they include provisions for the event of termination of Executive Board membership by revocation of the appointment or by the Executive Board member's resignation from office. The right of both parties to extraordinary termination for cause remains unaffected.

If a member joins or leaves the Executive Board during the financial year, the remuneration is calculated pro rata temporis.

II. Provisions for termination of membership

In case of termination of an Executive Board member's employment contract, outstanding variable remuneration components due for the period up to termination of the contract are paid no later than the year following the year of termination, according to contractual arrangement. The remaining balance in the bonus account is fully paid out in the year following the year of termination after adoption of the annual statements and in consideration of the target achievement amount.

In case of premature termination of Executive Board membership and consensual termination of the employment contract, the total amount of the benefits to be paid by the Company to the respective Executive Board member within the framework of such an agreement is limited to the amount of the total remuneration owed by the Company for the initially remaining term of the employment contract and cannot exceed the amount of twice the annual remuneration.

Commitments for benefits to Executive Board members in the event of premature termination of Executive Board membership as a result of a change of control are not part of the employment contracts concluded.

III. Post-contractual non-competition agreement

The Supervisory Board may agree with the members of the Executive Board on a post-contractual non-competition-clause valid for one or two years. During the term of such a post-contractual non-competition-clause, a compensation payment is provided for, the amount of which is subject to individual arrangement.

At present post-contractual non-competition-clauses have been agreed with the members of the Executive Board members or rather the respective employment contracts provide for the Company's right to implement a post-contractual non-competition-clause according to the conditions determined in the employment contract. The term for post-contractual non-competition-clauses is either one or two years.

If deemed necessary, the Supervisory Board may call in external consultants to help set up or revise the Executive Board remuneration policy. Before commissioning external remuneration experts, the Company pays attention to their independence and asks for confirmation of independence. The remuneration consultants brought in are changed regularly. The applicable regulations for dealing with conflicts of interest are also taken into account with regard to the relevant procedures for determining, implementing and reviewing the remuneration policy.

There have not been any conflicts of interest of individual Supervisory Board members in the past in the course of making decisions about the Executive Board remuneration policy.

The remuneration policy adopted by the Supervisory Board is submitted to the General Meeting of Shareholders for approval in accordance with Section 120a AktG. If the General Meeting of Shareholders rejects the approval of the proposed policy, a revised remuneration policy will be submitted for a vote at the next General Meeting of Shareholders.

The Nomination and Remuneration Committee routinely reviews the Executive Board remuneration policy and submits proposals to the Supervisory Board if it identifies any need for changes. In the event that significant changes are required, but at least once every four years, the remuneration policy is resubmitted to the General Meeting of Shareholders for approval.

The targets, target figures and parameters of comparison are not subject to change during the respective target achievement periods. The Supervisory Board will refrain from accounting for extraordinary developments and from retaining or reclaiming variable remuneration in full or in part.

F. Applicability of the above remuneration policy

This remuneration policy for Executive Board members applies for the remuneration of all members of the Executive Board of OVB Holding AG as of 1 January 2022 and is applicable to extended employment contracts and any newly signed employment contracts.

G. Procedure for determining OVB Holding AG Executive Board remuneration

The Supervisory Board defines the Executive Board remuneration policy and routinely reviews it. Supervisory Board resolutions are prepared by the Nomination and Remuneration Committee, which formulates recommendations for the Executive Board remuneration policy to be discussed and voted on by the Supervisory Board. Reviews are carried out to assess both the remuneration structure and the amounts of Executive Board remuneration, particularly in comparison with the external market (horizontal appropriateness) and with other remuneration paid by the Company (vertical appropriateness). If the review produces the necessity of changes to the remuneration policy, the remuneration structure or the remuneration amounts, the Supervisory Board's Nomination and Remuneration Committee submits corresponding proposals for resolution to the Supervisory Board.

H. Reporting

Executive Board and Supervisory Board prepare a remuneration report each year in accordance with the requirements under Section 162 AktG. In this report, the Supervisory Board gives account of any additional target figures added to the specific catalogue of STI and/or LTI criteria for a particular financial year or any changes made to the Company's peer group.