Austria

Croatia

Czech Republic

France

Germany

Greece

Hungary

# Annual Report 2016

# OVB in Europe

## Quality leads to success

Italy

Poland

Romania

Slovakia

Spain

Switzerland

Ukraine

OVB Allfinanz – simply better

# Contents

# Key figures for the regions

## Central and Eastern Europe

| | Unit | 2015 | 2016 | Change |
|---|---|---|---|---|
| Clients (31/12) | Number | 2.21 m | 2.20 m | - 0.4 % |
| Financial advisors (31/12) | Number | 3,087 | 2,944 | - 4.6 % |
| Total sales commission | Euro million | 108.2 | 109.7 | + 1.3 % |
| Earnings before interest and taxes (EBIT) | Euro million | 9.4 | 9.5 | + 0.8 % |
| EBIT margin* | % | 8.7 | 8.7 | ± 0.0 %-pts |

*Based on total sales commission

## Germany

| | Unit | 2015 | 2016 | Change |
|---|---|---|---|---|
| Clients (31/12) | Number | 642,107 | 633,025 | - 1.4 % |
| Financial advisors (31/12) | Number | 1,309 | 1,300 | - 0.7 % |
| Total sales commission | Euro million | 64.9 | 63.9 | - 1.5 % |
| Earnings before interest and taxes (EBIT) | Euro million | 6.5 | 6.7 | + 2.9 % |
| EBIT margin* | % | 10.1 | 10.5 | + 0.4 %-pts |

*Based on total sales commission

## Southern and Western Europe

| | Unit | 2015 | 2016 | Change |
|---|---|---|---|---|
| Clients (31/12) | Number | 388,728 | 432,712 | + 11.3 % |
| Financial advisors (31/12) | Number | 666 | 728 | + 9.3 % |
| Total sales commission | Euro million | 51.6 | 58.2 | + 12.8 % |
| Earnings before interest and taxes (EBIT) | Euro million | 6.7 | 8.3 | + 22.7 % |
| EBIT margin* | % | 13.1 | 14.2 | + 1.1 %-pts |

*Based on total sales commission

# OVB in profile

OVB stands for cross-thematic and above all client-oriented allfinanz advice for private households based on a long-term approach. With close to 3.3 million clients, about 5,000 financial agents and activities in 14 national markets, OVB is among the leading financial services groups in Europe. The results of financial year 2016 prove once again: Quality leads to success.

# Key figures for the OVB Group

### Key operating figures

| | Unit | 2015 | 2016 | Change |
|---|---|---|---|---|
| Clients (31/12) | Number | 3.24 m | 3.27 m | + 0.8 % |
| Financial advisors (31/12) | Number | 5,062 | 4,972 | - 1.8 % |
| Total sales commission | Euro million | 224.7 | 231.8 | + 3.1 % |

### Key financial figures

| | Unit | 2015 | 2016 | Change |
|---|---|---|---|---|
| Earnings before interest and taxes (EBIT) | Euro million | 14.0 | 16.5 | + 17.7 % |
| EBIT margin* | % | 6.2 | 7.1 | + 0.9 %-pts |
| Consolidated net income | Euro million | 9.4 | 12.5 | + 33.7 % |

*Based on total sales commission

### Key figures for OVB shares

| | Unit | 2015 | 2016 | Change |
|---|---|---|---|---|
| Share capital (31/12) | Euro million | 14.25 | 14.25 | ± 0 % |
| Number of shares (31/12) | Shares million | 14.25 | 14.25 | ± 0 % |
| Earnings per share (undiluted/diluted) | Euro | 0.66 | 0.88 | + 33.7 % |
| Dividend per share** | Euro | 0.65 | 0.75 | + 15.4 % |

** 2016 proposed dividend

# Quality leads to success

Quality comprises many aspects. For more than 47 years now, OVB has been counting on a number of quality features:

- The quality of our business model offers stability and continuity.
- The quality of advisory services and support has top priority at OVB. Our cross-thematic allfinanz advice leads to individual provision concepts tailored to the demand of our clients.
- We guarantee the quality of product partners and product quality with our premium-select strategy.
- We continuously improve the quality of our business processes. We provide our financial agents with the best possible support in advisory services and administration.
- Leadership quality is a key element of our corporate culture.

OVB is guided by high commitment to quality and the pursuit of constant improvement.

We are firmly convinced: Quality leads to success.

*"The quality of our services is crucial to OVB's success."*

Dear shareholders,

"Quality leads to success" – this is the guiding theme of the OVB Annual Report 2016. We deliberately focus on this key message because the success of OVB over the past years has been crucially dependent on the quality of our services. Our thinking and actions are long-term oriented and future-minded. We have implemented our business model successfully in many European countries. Today we have a broad European base which is our main strength and contributes to the fact that our business performance has become increasingly independent of the temporary volatility of individual markets. That is why we have been able to present a continuously positive business performance over the years.

This also holds true for the year 2016: We managed to increase our total sales commission by 3.1 per cent to Euro 231.8 million. In doing this, we generated profitable growth. The operating result gained 17.7 per cent to Euro 16.5 million and earnings per share are even up by 33.7 per cent. We propose to the Annual General Meeting to distribute a dividend raised by 10 euro cents to 75 euro cents per share out of the improved earnings of the year 2016 – the third dividend increase in a row.

Various challenges are waiting for us over the next few years, but there are opportunities as well. One essential challenge for the entire industry is the increasing regulation in many European markets. We want to keep anticipating regulatory changes as far as possible in the future in order to take the strategically right position in the competitive landscape. At the same time, digitisation keeps expanding in all walks of life and economic fields. OVB will tap the potential for efficiency brought about by digitisation and merge its traditional strength of personal and trusting client interaction with the latest technological possibilities, with advisory supporting technology on location with the client, in communication based on online media or in the streamlining of administrative processes. OVB wants to be an appreciated partner for the generations growing up with digitisation as well.

These aspects are considered for our future strategic orientation. We want to continue our sustainable growth. And our focus is on the satisfaction of our clients, financial agents, employees, product partners and shareholders.

Our heartfelt thanks go to all financial agents and employees in the Group for their high commitment. OVB's successful business development of the past years has relied on their performances. They guarantee further success in the future. Of course we are just as grateful to our clients who have trusted us for so many years. And we also want to thank you very much, dear shareholders, for your trust in our Company and we will be glad if you keep joining us on our journey.

Kind regards

Thomas Hücker
COO

Mario Freis
CEO

Oskar Heitz
CFO

*“If you stop getting better, you have stopped being good.“*

Because of its properties, the diamond is a symbol of quality and persistence.

# Quality of the business model

For 47 years now, OVB's successful development as a company has been based on a business model focused on the wishes and goals of our clients within the context of the OVB allfinanz advisory approach and providing a reliable framework for the self-employed entrepreneurial activities of our financial agents within the OVB career system at the same time. Our consistent orientation towards our clients leads to client satisfaction, client commitment and the willingness to recommend OVB to others. For financial agents, OVB is the attractive partner in Europe: fair, professional and financially strong. OVB offers highly competitive contractual conditions, comprehensive social security, the perspective of above-average income and international career opportunities.

With a total population of more than 400 million people in our 14 European OVB markets and in view of the necessity of private provision, our business model, tried and tested since 1970, has considerable business potential. The core of our business model has deliberately not been changed since the foundation of the Company. Our success means we are on the right track. The quality of our business model lies not least in its stability and continuity.

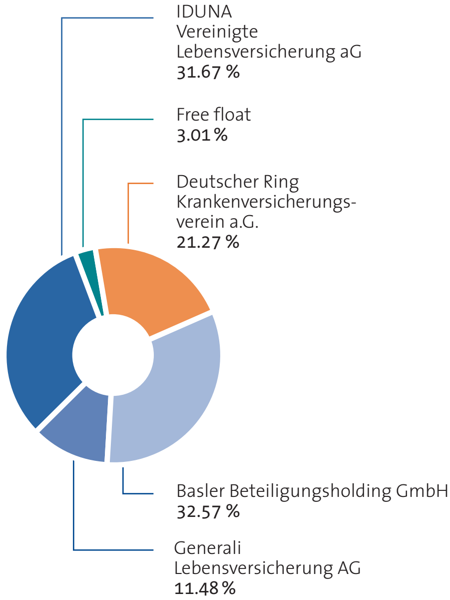
# OVB on the capital market

## OVB's capital market presence stands for transparency and solidity

The share of OVB Holding AG has been listed in the Regulated Market of Deutsche Börse AG in Frankfurt/Main since 21 July 2006. The Company additionally fulfils all transparency requirements and issuer‘s follow-up obligations defined by the Prime Standard, equivalent to the highest international transparency level. Even in consideration of a free float that only amounts to 3 per cent of the share capital at present, we deliberately adhere to the stock exchange listing of the OVB share. We consider the listing of our share and the corresponding fulfilment of the highest international transparency requirements a seal of quality for our Company. The release of annual and quarterly financial statements in accordance with international standards of financial reporting and the detailed annotations on corporate governance in the Company bring OVB on a par with the largest German and international corporate groups.

The stock market's start to the year 2016 was extremely slow; by 9 February 2016 the DAX had lost more than 18 per cent to hit bottom in the year under review at 8,773 points. In the course of this negative performance on the German stock market at the beginning of the year 2016, the share of OVB Holding AG lost value, too, reaching the year's low of Euro 13.15 on 14 January. The share price then moved within a range between Euro 13.50 and 14.00 until mid-April. From there up to the

Shareholder structure of OVB Holding AG
as of 31/12/2016



beginning of June, the share of OVB Holding AG outperformed the DAX, reaching its 52-week high of Euro 19.70 on 3 June 2016. While the DAX turned around as the year progressed and peaked at year-end with 11,481 points, the share of OVB Holding AG lost its price gains again to close the year at Euro 16.20. Due to the small free float, the trading volume of the shares of OVB Holding AG and thus the significance of the share price are limited considerably.

Neither OVB Holding AG nor one of the subsidiaries have issued or plan to issue debt instruments. The equity ratio of OVB Holding AG has exceeded 50 per cent ever since the Company's foundation and even comes to 52.6 per cent at the end of the year 2016. This solid equity ratio is an expression of the Company's financial strength and gives room for further growth and strategic initiatives. The Company's non-current liabilities are insignificant at Euro 0.9 million. Its current liabilities exclusively serve the transaction of business operations, liquidity is traditionally high. OVB has been reliably generating profits for the shareholders year after year.

Clients, financial agents, employees and shareholders benefit from OVB's high level of transparency, its business stability and financial solidity.

**OVB share data**

| | | |
|---|---|---|
| WKN / ISIN Code | 628656 / DE0006286560 | |
| Stock symbol / Reuters / Bloomberg | O4B / O4BG.DE / O4B:GR | |
| Class of shares | No-par ordinary bearer shares | |
| Number of shares | 14,251,314 | |
| Share capital | Euro 14,251,314.00 | |
| Xetra price (closing prices) | | |
| Prior year-end | 17.00 Euro | (30/12/2015) |
| High | 19.70 Euro | (03/06/2016) |
| Low | 13.15 Euro | (14/01/2016) |
| Last | 16.20 Euro | (30/12/2016) |
| Market capitalisation | Euro 231 million | (30/12/2016) |

*“Quality begins with putting the satisfaction of your clients first.“*

The sextant’s precision and the navigator’s experience determine the accuracy of the course.

# Quality of advisory services and client support

The quality of advisory services and client support has top priority for OVB. Our clients with their needs and expectations always come first. At present we are talking about 3.27 million people in 14 European countries. The long-term growth of the number of our clients is based on OVB's consistent client orientation. The key instrument of our cross-thematic allfinanz advisory services is the AAS system:

- **Analysis:** The starting point of our advisory services is an analysis of our clients' goals and wishes and their current financial situation.
- **Advice:** Extensive and individual evaluation comes in a second step based on which cross-thematic advice is provided.
- **Service:** During routine service appointments, changes in the clients' needs and their goals and wishes are recorded for consideration in a master plan with optimised risk protection and financial provision.

In order to guarantee high-quality advice and support, OVB places the greatest emphasis on solid education and ongoing professional training of the financial agents working for the Company. High quality of advisory services and first-rate support make OVB an esteemed partner. Client satisfaction leads to client commitment and the willingness to recommend OVB to others.

# Consolidated management report 2016 of OVB Holding AG

## BASIC INFORMATION ON THE GROUP

### Business model of the OVB Group

OVB stands for cross-thematic financial advice based on a long-term approach. Private households in Europe represent the key target group. OVB's mission statement is: simply better allfinanz solutions! The Company cooperates with more than 100 high-capacity product providers and fulfils its clients' individual needs with competitive products, starting at basic protection for financial security and asset and financial risk protection and followed by retirement provision, asset generation and wealth management.

OVB is currently active in 14 countries of Europe as an intermediary for financial products. 3.27 million clients trust the advisory service and support provided by OVB and its roughly 5,000 full-time financial agents. The broad European positioning stabilises the business performance of OVB and opens up growth potential in many respects. OVB's 14 national markets are different in terms of structure, development status and size. OVB has leading market positions in a number of countries. From OVB's perspective there is still considerable potential for the services it provides in view of a demographic development that is similar in all of OVB's markets and the urgently required relief for public welfare systems.

**OVB clients and financial agents**

| (31/12) | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|
| Clients (number in million) | 3.00 | 3.08 | 3.22 | 3.24 | 3.27 |
| Financial agents (number) | 5,097 | 5,082 | 5,173 | 5,062 | 4,972 |

The cross-thematic advice of clients through all stages of life is based on the AAS approach (Analysis, Advice and Service). The identification and analysis of each client's financial situation form the basis of counselling. The agent particularly asks for the client's wishes and goals and then creates an individually tailored solution in consideration of what is financially possible, a solution with a long-term horizon that is both affordable and sufficiently flexible. OVB accompanies its clients over many years. By constant adjustments of the financial decisions to all relevant changes in the clients' needs, the resulting provision concepts are suited to the clients' demands and aligned with their respective situations in life.

The professional training of the agents, the analysis of client demands and the resulting product recommendations are based on the general conditions prevailing in the respective market. The continuous advancement of these issues is given great emphasis for making OVB capable of an early response to future regulatory or qualitative requirements.

The OVB Group had altogether 431 employees (previous year: 425 employees) in the holding company, the head offices of the sales subsidiaries and in the service companies at the end of 2016. They control and manage the Group based on efficient structures and processes.

### Control system

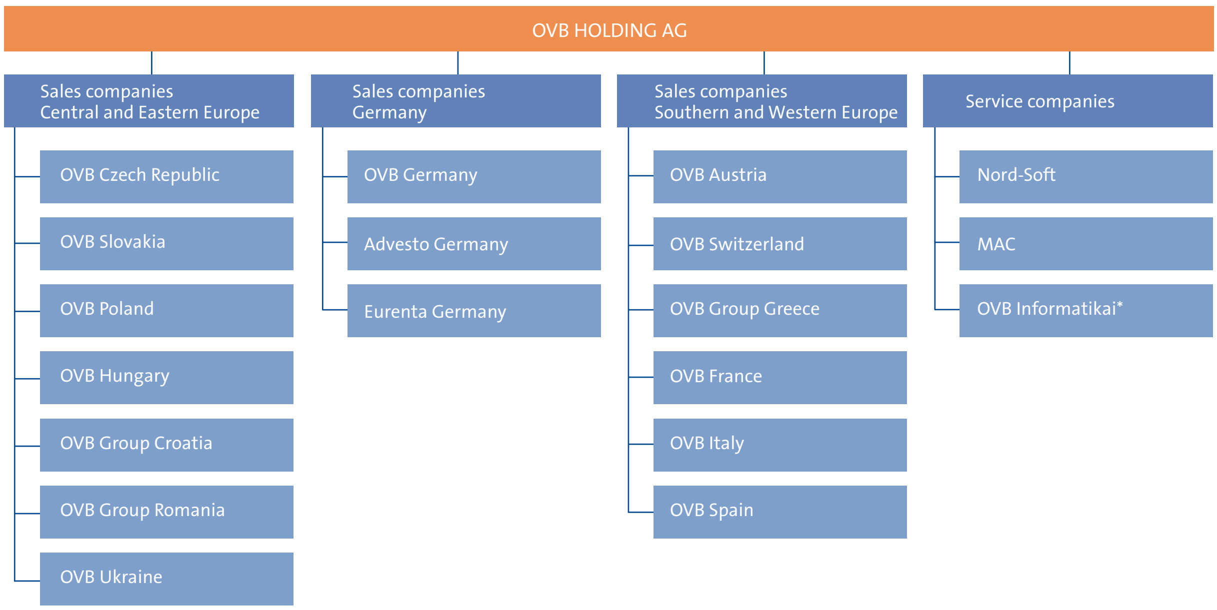
**Group structure**

As the management holding company, OVB Holding AG is at the top of the OVB Group. The Company determines the strategic goals and aligns business policies. Business operations are divided into regional segments. Operating subsidiaries are active in 14 European countries. On behalf of these sales subsidiaries, self-employed sales agents support and advise their clients on issues of protection and provision. Four service companies provide IT services and coordinate comprehensive marketing efforts in support of these core business activities.

OVB Holding AG is the sole shareholder of these subsidiaries with the exception of the two IT service providers Nord-Soft EDV-Unternehmensberatung GmbH and Nord-Soft Datenservice GmbH (50.4 per cent interest respectively).

Between OVB Holding AG and OVB Vermögensberatung AG, a profit-and-loss transfer agreement has been in effect since the year 2008 and a control agreement since the year 2014.

### Organisational chart of the OVB Group




*indirect interest

### Management and supervision of the Group

*Executive Board*

The members of the Executive Board of OVB Holding AG have joint responsibility for managing the Group's business. As of 31 December 2016 the Executive Board had three members. Apart from the position of CEO who is also responsible for "Sales", the Executive Board's responsibilities are divided into the key fields of responsibility "Finance" and "Operations".

### Assignment of Executive Board responsibilities as of 31 December 2016

| Chairman / CEO / Sales | Deputy Chairman / Finance (CFO) | Operations (COO) |
|---|---|---|
| Mario Freis | Oskar Heitz | Thomas Hücker |
| Corporate Development | Corporate Accounting | Group IT |
| Corporate Management | Risk Management | IT Security |
| Sales | Management Accounting | Process Management |
| Training | Investor Relations | Human Resources |
| Product Management | Legal Affairs | |
| Marketing | Tax Planning | |
| Communication | Compliance | |
| Internal Auditing | Data Protection | |

*Supervisory Board*
The Supervisory Board of OVB Holding AG has six members, all of whom are elected by the General Meeting of shareholders.

| Name | Function |
|---|---|
| Michael Johnigk | Chairman of the Supervisory Board |
| Dr. Thomas A. Lange | Deputy Chairman of the Supervisory Board, Chairman of the Audit Committee |
| Markus Jost | Member of the Supervisory Board, Chairman of the Nomination and Remuneration Committee |
| Wilfried Kempchen | Member of the Supervisory Board |
| Winfried Spies | Member of the Supervisory Board |
| Dr. Alexander Tourneau | Member of the Supervisory Board |

The Supervisory Board supervises and advises the Executive Board on the Company's management and regularly discusses strategy, business performance and risk management with the Executive Board. For the professional fulfilment of its responsibilities, the Supervisory Board has established an Audit Committee as well as a Nomination and Remuneration Committee. Detailed information on the cooperation between Executive Board and Supervisory Board and on corporate governance at OVB Holding AG is provided in the report of the Supervisory Board and in the chapter “Corporate governance”, both part of the Annual Report.

**Corporate management**
Corporate management of the OVB Group is divided into a strategic and an operating element. In the realm of strategic controlling, long-term planning with a time horizon of five years connects the corporate strategy to specific quantitative targets.

Transnational exchange of know-how supports the effective and networked management of the 14 subsidiaries. Committees of OVB Holding AG routinely coordinate market cultivation and marketing activities and the composition of the product portfolio with the respective OVB sales subsidiaries.

Operational management accounting supports the management of business operations. The Company’s key targets and control variables are sales (total sales performance) and earnings before interest and taxes (EBIT). Apart from these monetary indicators, non-monetary indicators such as the number of financial agents, the number of clients and the new business serve as evidence of the success of business operations as well. Performances of non-monetary indicators are constantly being monitored by the Company yet not regarded as key targets or control variables.

Management accounting involves a monthly analysis of the development of income and expenses. These findings are incorporated into the Company’s investment budget and financial planning.

Targets defined by the Executive Board establish the cornerstones of the strategic multi-year budget and the annual operating budget with respect to sales, costs and earnings. The decentralised planning process conducted by individual subsidiaries and cost centre managers is then aligned with the Group’s strategy in a top-down and bottom-up process. Apart from that, particularly the expenses and income budgeted for the Group are subject to a centralised quality assurance process.

Budget parameters are aligned with their respective underlying measures and assumptions and made transparent for each business unit as well as for the Group as a whole. The starting points are the current distribution and financial data as of the end of the third quarter prior to the budget period.

In a first step, the basic data available at the start of planning are adjusted for significant events that will probably have no more relevance for the planning period. Then the planned measures are incorporated into the basic data in the shape of cost and income.

OVB prepares monthly target/actual deviation analyses and continuously updates the projections of material financial and distribution data for the full year and is thus able to respond to deviations from the budget immediately.

Within the OVB Group medium and long-term financing of business operations is ensured by the available liquidity.

OVB Holding AG as the Group's parent continuously monitors the 14 subsidiaries' demands for liquidity and makes liquid assets available if necessary.

## Goals and strategies

OVB aims at a continuous increase in sales at generally increasing profitability for the Group as a whole.

With the Company's broad European positioning, OVB has a unique selling proposition in its competitive environment. The early and successful positioning in promising growth markets sets OVB apart from the competition. OVB has taken market leading positions among financial intermediaries in many markets. In the markets in which OVB is already active, the Company seeks to consolidate and expand its market position by winning new clients and using existing client relationships for offering even more comprehensive advice. OVB feels well-prepared for facing potential risks in connection with more elaborate regulation of the European market for financial services, provided such regulation will be appropriate and not excessive. Decades of experience in international markets, the expertise of the agents and the Company's pronounced financial strength will probably enable the Company to meet rising regulatory requirements better and more efficiently than other service providers. OVB acts on the assumption that the legislator will further increase regulatory requirements and thus accelerate the process of a consolidating industry. Opportunities for OVB may arise from this. Suitable general conditions provided – above all political stability, legal certainty, market size and market potential –, OVB sees another option for growth in developing new, promising national markets.

More than 400 million people live in the 14 countries of Europe in which OVB operates. Because of the imperative private provision to be taken on one's own initiative and the demand for advisory service derived from that, from OVB's viewpoint there are good prospects for OVB and the profession of financial agent. In winning new financial agents, OVB counts on finding and qualifying people willing to perform from different occupational groups for the responsible work of a financial agent in order to fulfil the increasing demand for advice among the people in Europe. The possible part-time entry presents a sustainable opportunity for beginners.

# BUSINESS REPORT

## Macroeconomic and industry-related general conditions

**Macroeconomic development**

OVB operates in 14 European countries divided into three regional segments. OVB generates 72 per cent of total sales commission outside Germany. Against this backdrop it is important to observe the macroeconomic development in Europe for an assessment of the business performance in 2016. Relevant factors are among others economic growth, the development of the labour market and changes in the income of private households.

The development of the economy in the euro area in 2016 was altogether less dynamic than in the previous years. The economic performance in the monetary union went up 1.7 per cent in the year under review, according to an International Monetary Fund (IMF) estimate of January 2017, after a 2.0 per cent gain the year before. The economic situation improved further in Germany while the other major economies of the monetary union – France, Italy and Spain – hardly managed to accelerate their respective growth.

**Key economic data Central and Eastern Europe**

In the seven national markets of the Central and Eastern Europe segment, the OVB Group generated 47 per cent of its total sales commission in the year under review.

The national economies of these countries – with the exception of Ukraine – showed dynamic growth rates in 2016. A good situation on the labour market and increased wages and salaries supported private consumption as growth driver. Adding to this was the extremely expansive monetary policy adopted by the European Central Bank (ECB). The income situation of private households was favourable also because consumer prices remained stable or even went down slightly.

| | Real GDP (change in %) | | Consumer prices (change in %) | | Public budget balance (in % of GDP) | |
|---|---|---|---|---|---|---|
| | 2015 | 2016e | 2015 | 2016e | 2015 | 2016e |
| Croatia | 1.6 | 2.7 | - 0.5 | - 1.2 | - 3.3 | - 2.4 |
| Czech Republic | 4.6 | 2.5 | 0.3 | 0.7 | - 0.6 | 0.0 |
| Hungary | 2.9 | 2.3 | 0.0 | 0.3 | - 2.0 | - 1.5 |
| Poland | 3.9 | 2.5 | - 0.9 | - 0.6 | - 2.6 | - 2.5 |
| Romania | 3.8 | 4.7 | - 0.6 | - 1.6 | - 0.8 | - 2.5 |
| Slovakia | 3.8 | 3.3 | - 0.3 | - 0.5 | - 2.7 | - 2.5 |
| Ukraine | - 9.9 | 1.0 | 48.7 | 13.3 | - 2.3 | - 3.5 |

e = estimate
Source: Raiffeisen RESEARCH, Strategy Austria & CEE, 1st quarter 2017

**Key economic data Germany**

The Germany segment accounts for 28 per cent of the OVB Group's total sales commission. Germany's economy grew by 1.9 per cent in 2016, according to preliminary calculations supplied by the Federal Statistical Office, after 1.7 per cent in the year before. Private consumer spending and government spending were the essential growth drivers. The number of people in employment fell just slightly short of 43.5 million, the highest level since 1991. The income situation of private households was accordingly fortunate.

**Key economic data Southern and Western Europe**

The countries of the Southern and Western Europe segment – with the exception of Switzerland – belong to the eurozone. In this segment OVB generated 25 per cent of total sales commission in the year under review. The Spanish economy showed the best performance in 2016 in this region, gaining more than 3 per cent in economic performance. However, the country is still suffering from comparatively high unemployment. The economic growth in France and Italy was moderate. The Greek economy stagnated under the pressure of the imposed austerity measures, among other factors. Contrary to that, the economic growth in Switzerland and Austria increased. In spite of this rather mixed picture, OVB again managed to expand its business in the Southern and Western segment considerably in the year under review.

| | Real GDP (change in %) | | Consumer prices (change in %) | | Public budget balance (in % of GDP) | |
|---|---|---|---|---|---|---|
| | 2015 | 2016e | 2015 | 2016e | 2015 | 2016e |
| Austria | 1.0 | 1.4 | 0.8 | 1.0 | - 1.2 | - 1.3 |
| France | 1.2 | 1.2 | 0.1 | 0.3 | - 3.5 | - 3.3 |
| Greece | - 0.3 | - 0.4 | - 1.1 | 0.1 | - 7.5 | - 2.5 |
| Italy | 0.6 | 0.9 | 0.1 | 0.0 | - 2.6 | - 2.3 |
| Spain | 3.2 | 3.3 | - 0.6 | - 0.4 | - 5.1 | - 4.4 |
| Switzerland | 0.8 | 1.5 | - 1.1 | - 0.3 | - 0.2 | 1.5 |

e = estimate
Source: Raiffeisen RESEARCH, Strategy Global Markets, 1st quarter 2017

**Industry situation**

OVB's business activity centres on providing cross-thematic advice and support to the key target group of private households for the long term with respect to basic protection, asset and financial risk protection, retirement provision and asset generation as well as wealth management.

The sale of financial products in Europe faced an environment that continued to be challenging in the year 2016. Although the economies in some countries were improved over the previous years, the euro area as a whole showed little economic dynamics. Unemployment is still high in several countries, for instance in Spain. The financial situation of many private households especially in the countries of Southern, Central and Eastern Europe remains tight and barely leaves room for taking measures of private financial provision. Additional uncertainty was caused by the controversial debate of Europe's refugee policy. The euro kept losing value in the course of the year 2016. Another factor of negative impact is the interest rate level, kept deliberately low by the ECB, decreasing the interest expense of highly indebted countries but making asset generation for the purpose of private provision more difficult. Many financial products currently have only a minimum return which is then even consumed by the price increase entirely or in part. Especially for the sale of financial products, the current debate on commission versus fee-based compensation for financial advice is also not helpful. OVB holds the view that both compensation models are justified while it is a fact that only few people are willing to pay a fee for insurance or financial consulting.

Because of these special challenges combined with an increasing scepticism of the citizens with respect to the stability of the euro, the industry recorded a declining performance in the business of retirement provision in the year 2016.

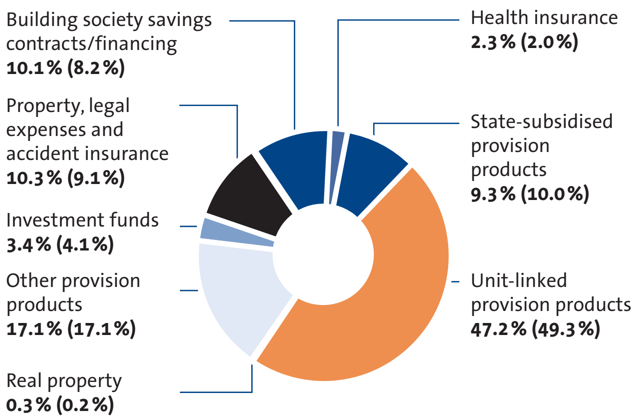
Regardless of all imponderables in the business environment and uncertainty among private households, an almost inscrutable product offering, barely comprehensible conditions for state support plans and the necessity of a continuous review of financial decisions once made in view of changing needs and life situations increase the demand for cross-thematic, competent and comprehensive personal advice. From OVB's vantage, the market for private provision therefore offers long-term market potential and good opportunities for growth despite the currently challenging environment. In this market environment, OVB was noticeably above the prior-year level with total sales commission of Euro 231.8 million in the year under review.

## Business performance

In financial year 2016 OVB expanded its position as one of the leading financial service providers in Europe in a market environment that was challenging in many respects. The Company benefited from its broad international positioning. Declining sales in individual countries were more than compensated for by partly strong increases in sales in other national markets. Total sales commission altogether went up from Euro 224.7 million in 2015 by 3.1 per cent to Euro 231.8 million in financial year 2016. This amount includes commission forwarded to sales agents on behalf of product partners in the amount of Euro 13.1 million (previous year: Euro 14.6 million).

OVB's business model is distinguished by its high stability. The number of supported clients amounted to 3.27 million at the end of 2016 compared to 3.24 million clients twelve months before. The OVB sales force comprises 4,972 full-time financial agents (previous year: 5,062 financial agents).

**Breakdown of income from new business 2016 (2015)**

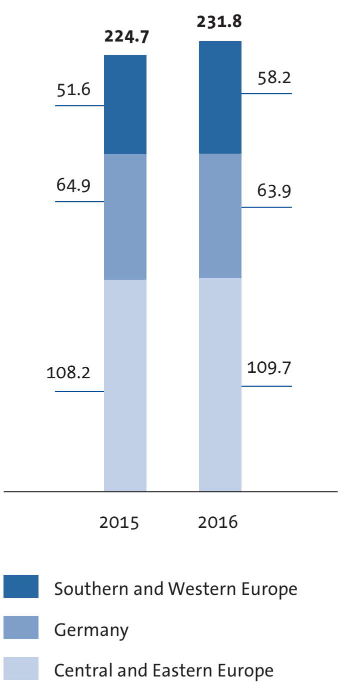



The structure of new business with respect to the type of brokered financial products reflects the focus of advisory services on risk protection, provision and asset generation. Unit-linked provision products continued to dominate the clients' demand throughout Europe. However, this product group's share in the new business went down from 49.3 per cent in the previous year to 47.2 per cent in the year 2016. Other provision products – primarily classic life and pension insurance policies – amounted to unchanged 17.1 per cent of the new business. Property, legal expenses and accident insurance (with a share of 10.3 per cent after 9.1 per cent), building society savings contracts/financing (with a share of 10.1 per cent after 8.2 per cent) and state-subsidised provision products (9.3 per cent of the business brokered in 2016 after 10.0 per cent in the previous year) complete the allfinanz advisory approach in addition to investment funds, health insurance and real property.

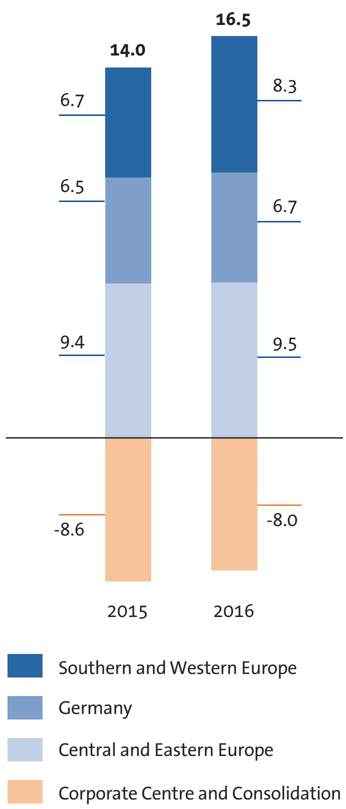
**Central and Eastern Europe segment**

The Central and Eastern Europe segment comprises the seven national markets Croatia, Czech Republic, Hungary, Poland, Romania, Slovakia and Ukraine. In financial year 2016 brokerage income went up from Euro 108.2 million Euro in the previous year by 1.3 per cent to Euro 109.7 million altogether. Business was declining in Slovakia and Poland as well as Ukraine. Contrary to that, OVB managed to achieve significant increase in sales in Hungary, Croatia and Romania. In the Czech Republic, OVB recorded a slight gain as well. The number of clients remained virtually stable compared to the previous year at 2.20 million clients (previous year: 2.21 million clients). They were supported by 2,944 financial agents (previous year: 3,087 financial agents). The clients' product demand continued to focus on unit-linked provision products at 58.3 per cent of new business in 2016 (previous year: 65.3 per cent). Other provision products at 13.2 per cent (previous year: 10.9 per cent) and products in the category of building society savings contracts/financing at 12.8 per cent (previous year: 9.7 per cent) were other important product groups.

**Total sales commission by region**
Euro million, figures rounded




**Earnings before interest and taxes (EBIT) by segment**
Euro million, figures rounded



**Germany segment**
Business in the Germany segment almost reached the prior-year level in 2016. Total sales commission amounted to Euro 63.9 million after Euro 64.9 million in the previous year. The number of financial agents remained virtually unchanged at 1,300 agents (previous year: 1,309 agents). They supported 633,025 clients (previous year: 642,107 clients). Product demand was more diversified than in the other regional segments: 31.7 per cent of the new business in 2016 was accounted for by unit-linked provision products (previous year: 24.4 per cent), 19.8 per cent by other provision products (previous year: 25.9 per cent) and 14.1 per cent by state-subsidised provision products (previous year: 16.7 per cent). Another 13.7 per cent of new business fell to property, legal expenses and accident insurance (previous year: 13.5 per cent), 11.2 per cent came to products from the category building society savings contracts/financing (previous year: 10.4 per cent).

**Southern and Western Europe segment**
The Southern and Western Europe segment comprises the six national markets Austria, France, Greece, Italy, Spain and Switzerland. The dynamic business performance in the Southern and Western Europe segment held its course over the year 2016: Brokerage income climbed considerably from Euro 51.6 million in the previous year by 12.8 per cent to Euro 58.2 million in the year under review. Particularly expansive was the development of business in Spain, Austria and Italy. OVB achieved growth in sales in France, too. Sales fell short of prior-year figures only in Switzerland. The number of OVB clients grew by 11.3 per cent from 388,728 to 432,712 clients. The number of financial agents gained 9.3 per cent from 666 to 728 agents. Unit-linked provision products (38.5 per cent of new business; previous year: 36.0 per cent), state-subsidised provision products (23.9 per cent; previous year: 27.0 per cent) and other provision products (23.2 per cent; unchanged) dominated the clients' product demand in 2016.

## Profit/loss, financial position and assets and liabilities of the OVB Group

**Profit/loss**
OVB generated total sales commission in the amount of Euro 231.8 million in financial year 2016. In the previous year this key sales figure amounted to Euro 224.7 million. Included in total sales commission is commission based on so-called secondary contracts which exist only in the Germany segment. This share in commission came to Euro 13.1 million in 2016 after Euro 14.6 million in the previous year. Brokerage income reported in the income statement was up from Euro 210.1 million by 4.1 per cent to Euro 218.7 million. Other operating income went down from Euro 9.4 million to Euro 8.8 million. Brokerage expenses were up by 3.4 per cent from Euro 139.7 million to Euro 144.5 million, largely parallel to the development of brokerage income. Personnel expense for the Group's employees went down Euro 0.6 million to Euro 26.1 million despite the expanding business (previous year: Euro 26.7 million). Depreciation and amortisation were almost unchanged at Euro 3.6 million (previous year: Euro 3.7 million). Other operating expenses climbed modestly by 4.0 per cent to Euro 36.8 million (previous year: Euro 35.4 million).

Thus the OVB Group's operating result reached Euro 16.5 million in 2016. Compared to the prior-year amount of Euro 14.0 million this equals a significant increase of Euro 2.5 million or rather 17.7 per cent. The EBIT of the Central and Eastern Europe segment, having fallen short of the prior-year figures for most of the year, reported a slight gain over the prior-year amount of Euro 9.4 million with Euro 9.5 million for the full year after a strong final quarter. The EBIT of the Germany segment increased from Euro 6.5 million to Euro 6.7 million. The operating result of the Southern and Western Europe segment showed a considerable 22.7 per cent gain from Euro 6.7 million to Euro 8.3 million. The EBIT loss of Corporate Centre was further reduced from Euro 8.7 million to Euro 8.0 million. In total the Group's EBIT margin based on total sales commission was up from 6.2 per cent in 2015 to 7.1 per cent in financial year 2016.

At higher finance income and finance expenses reduced by more than half, the financial result went up from Euro 0.3 million to Euro 0.7 million. This is accounted for primarily by the disposal of securities. Contrary to that, income tax expenses went down slightly from Euro 4.8 million to Euro 4.6 million. Main reasons for this were the reversal of deferred tax on loss carry-forward in the previous year and a decrease of the income tax rate in Spain. Consolidated net income after non-controlling interests increased from Euro 9.4 million in the previous year by 33.7 per cent to Euro 12.5 million in the year under review 2016. Earnings per share – based respectively on 14,251,314 no-par shares – climbed from Euro 0.66 by 33.7 per cent to Euro 0.88.

The OVB Group's total comprehensive income for the year under review reached Euro 12.4 million after Euro 9.7 million for the previous year. Other comprehensive income had an adverse effect of Euro 0.2 million on total comprehensive income: Negative changes in the revaluation of available-for-sale financial assets in profit or loss came to Euro -0.4 million and thus exceeded positive changes in corresponding assets in profit or loss by Euro 0.2 million.

Executive Board and Supervisory Board will propose to the Annual General Meeting on 2 June 2017 the payment of a dividend of Euro 0.75 per share for financial year 2016, increased by Euro 0.10 from the previous year. Total dividend distribution would thus amount to Euro 10.7 million.

**Financial position**

The OVB Group's cash flow from operating activities decreased in 2016 from Euro 21.3 million in the previous year by Euro 3.4 million to Euro 17.9 million in financial year 2016 even though consolidated earnings gained Euro 2.9 million to Euro 17.3 million (previous year: Euro 14.4 million). This development essentially resulted from a significant increase in trade receivables and other assets by Euro 5.6 million over the previous year. At the same time, trade payables and other liabilities increased by Euro 4.3 million (previous year: Euro 3.1 million).

The cash flow from investing activities recorded cash inflow of Euro 12.6 million for 2016 after an outflow of Euro 4.0 million in the year before. The deciding factor for this change of direction in cash flows were considerably lower payments for securities and other short-term capital investments, dropping from Euro 35.1 million in the previous year to Euro 6.1 million in the year under review. An effect to the contrary was accounted for by payment receipt from securities and other short-term investments, down by Euro 7.0 million to Euro 25.7 million (previous year: Euro 32.7 million) and payments for financial assets, up by Euro 5.3 million to Euro 5.3 million.

The distribution of the dividend determined the cash flow from financing activities in the year under review as in the year before. The outflow of funds increased from Euro 8.8 million to Euro 9.3 million due to a raised dividend. Cash and cash equivalents went up significantly from Euro 48.8 million at the end of the year 2015 by Euro 21.1 million to Euro 69.9 million as of the 2016 reporting date.

**Assets and liabilities**

Total assets of OVB Holding AG went up from Euro 159.3 million at the end of year 2015 by Euro 8.5 million to Euro 167.8 million at the end of 2016 in line with the expansion of business. Non-current assets rose to altogether Euro 23.4 million (previous year: Euro 19.2 million) due to an increase in financial assets by Euro 5.2 million (previous year: Euro 0.2 million). Current assets were up from Euro 140.1 million to Euro 144.4 million. Cash and cash equivalents particularly contributed to this increase with a considerable gain of Euro 21.1 million to Euro 69.9 million (previous year: Euro 48.8 million). Moreover, trade receivables gained Euro 6.0 million to Euro 29.7 million (previous year: Euro 23.8 million). Contrary to that were a decrease in securities and other capital investments due to expired time deposits by Euro 19.6 million to Euro 25.2 million (previous year: Euro 44.7 million) and a reduction of receivables and other assets by Euro 3.2 million to Euro 17.9 million (previous year: Euro 21.1 million).

The Company's equity gained Euro 3.3 million year-on-year as of 31 December 2015/2016 to Euro 88.3 million (previous year: Euro 85.0 million) as a result of an increase in retained earnings to Euro 19.8 million (previous year: Euro 16.5 million). The equity ratio of 52.6 per cent remains at a very solid level (previous year: 53.4 per cent). The extremely low non-current liabilities were unchanged at Euro 0.9 million. Current liabilities expanded from Euro 73.3 million to Euro 78.6 million. Parallel to the higher volume of business, trade payables gained Euro 2.5 million to Euro 11.0 million (previous year: Euro 8.4 million), other liabilities were up by Euro 2.0 million to Euro 33.4 million (previous year: Euro 31.5 million) and other provisions increased by Euro 1.8 million to Euro 32.0 million (previous year: Euro 30.2 million).

## Comparison between forecast and actual development

In the outlook included in the 2015 consolidated management report, released on 17 March 2016, the Executive Board had expressed its expectation that consolidated sales for 2016 would drop in the mid single-digit percentage range and that the operating result / EBIT might reach the prior-year level. The backdrop of this forecast was an anticipated unfavourable development of the general conditions in several national markets. In the outlook presented as part of the three-month financial report, the Executive Board adjusted its forecast for the full year to the effect that now sales close to the prior-year level and an operating result / EBIT slightly above the prior-year level were expected. Regulation in the relevant market of the Czech Republic turned out less disadvantageous than assumed. Therefore the business performance of the Central and Eastern Europe segment was stable. Due to this parameter and a positive business performance in the Southern and Western Europe segment, the Executive Board was able to predict sales slightly above the prior-year level and a considerable increase in the operating result / EBIT for the full year in its outlook included in the half-year financial report. This assessment remained unchanged in the nine-month financial report.

Total sales commission achieved by OVB Holding AG increased by 3.1 per cent to Euro 231.8 million in 2016. The operating result / EBIT went up considerably by 17.7 per cent to Euro 16.5 million. Thus the forecast, adjusted during the past financial year, was met.

## Overall statement

Sales and operating result (EBIT) are above the initial expectations for financial year 2016. Despite challenging general conditions we managed to achieve highly satisfactory results by focusing on the value-adding core of our services, the AAS approach (Analysis, Advice and Service) and on our own actions. The significant increase in the EBIT is primarily attributable to the unexpectedly stable business performance in the Central and Eastern Europe segment and significant increase in earnings in the Southern and Western Europe segment. The Group's financial situation is extremely solid. The OVB business model is intact and offers considerable growth potential for the medium term.

# SUBSEQUENT EVENTS

There have been no reportable significant events or transactions after the reporting date.

# REPORT ON OPPORTUNITIES AND RISKS

## Opportunity management

OVB's corporate culture attaches great importance to entrepreneurially-minded thinking and acting. Particularly OVB's self-employed financial agents consider themselves entrepreneurs. Therefore continuously seeking and seizing business opportunities is among the natural tasks of all OVB financial agents and employees regardless of their respective area and scope of responsibility. The OVB Group's sales subsidiaries are required to identify opportunities at the level of operations arising e.g. in the context of broking activity or from improved market conditions and to exploit them with the goal of achieving an above-target performance of earnings if possible. Strategic opportunities are identified by OVB Holding AG. They are evaluated and measures are developed for exploiting them. It is also the responsibility of the Executive Board of OVB Holding AG to routinely discuss strategic opportunities – in collaboration with the Supervisory Board in many cases – and to take adequate initiative for seizing those opportunities.

## Principles and goals of risk management

Entrepreneurial activity is inconceivable without taking risks. For OVB risk means the threat of possible losses or missed profits.

Such exposure can be caused by internal or external factors. Arising risks should be detected as soon as possible in order to allow for a swift and adequate response. The objectives of risk management are the continuous advancement of the implemented early warning system, systematic preoccupation with existing and potential risks and the promotion of risk-oriented thinking and acting in the entire organisation and thus a deliberate risk-taking based on the comprehensive knowledge of the risks and risk connections. OVB pays attention to keeping a balanced ratio between opportunities and risks.

## Structure and process of risk management

The organisation of risk management, the methods applied and the processes implemented are put down in writing in the Group's general guidance and made available to all employees who assume responsibility in this field. Standardised risk management processes make sure that Executive Board and Supervisory Board are informed in a structured way and in good time about the Group's present risk position.

The Executive Board of OVB Holding AG is responsible for directing the corporate strategy. In collaboration with the management teams of the subsidiaries, the Executive Board determines the Europe-wide strategy for business operations and the risk strategy derived from that.

All operating subsidiaries are obligated to implement and continually review a risk management system which is based on guidance defined by the Group yet taking into account the specific business of the respective subsidiary. Early warning indicators are defined and continuously monitored. An important component of risk management is the system for early risk detection, subject to constant adjustment to new developments, which aggregates identified individual risks into risk categories and assigns each risk to a risk management officer. Material risks are identified, quantified and the measures taken are documented by the respective risk managers of the business divisions or rather by the decentralised risk managers of the operating subsidiaries in the annual risk inventory.

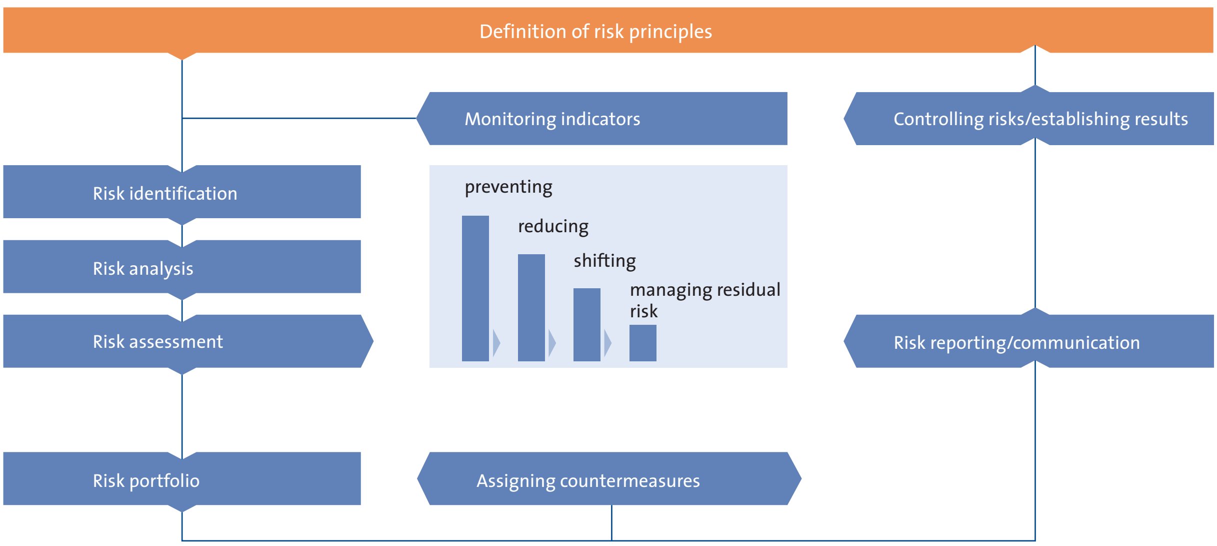
Apart from the direct exchange of information between the Chief Risk Manager and the Executive Board, standardised risk reports are delivered to the Executive Board and the Supervisory Board on OVB's current risk position. Thresholds and reporting protocols have been defined within the scope of risk reporting. Risk analyses are initially conducted at the level of the subsidiaries and the individual areas of responsibility. Routine reporting of the various divisions of the holding company and the subsidiaries is condensed to Group-wide, current and, if necessary, immediate reporting to the Executive Board and the Supervisory Board by the holding company's Chief Risk Manager. At the core of the Group's risk report is the Group's "risk cockpit" where the material risks of the subsidiaries are presented and aggregated into risks at Group level.

Group-wide consultations and regular coordination with the executives of the sales force complement this early warning system. In addition to that, the holding company's Chief Risk Manager is also informed directly by way of ad hoc risk notifications in cases of urgency outside the usual reporting channels.

Within the framework of corporate planning, OVB assesses the potential risks before material business decisions are made while reporting allows for an adequate monitoring of such risks in the context of business activity.

An efficient management accounting process supports the early detection of going-concern risks.

**OVB risk management process**



Further elements of the risk management system are internal auditing and compliance management, assuming monitoring and control functions throughout the Group. Internal Auditing works on behalf of the Group's Executive Board as an independent body responsible for internal auditing throughout the Group, not subject to any instructions or processes. Internal Auditing also operates autonomously with respect to reporting and the evaluation of audit findings. On the basis of its annual audit schedule, Internal Auditing regularly audits the holding company as well as the domestic and international subsidiaries with a focus on risks and controls the resolution of its audit findings. It monitors compliance with the relevant statutory requirements and assesses the risk management, control, management and monitoring systems and processes relevant to financial accounting and advises on their constant improvement.

The paramount goal of compliance management is to prevent or minimise risks from non-compliance with applicable law, internal standards and processes by taking preventive action.

## Development of risk management

The risk management system's constant advancement is a key prerequisite to the option of timely response to changing general conditions of potential direct or indirect impact on the assets, liabilities, the financial position and profit or loss of OVB Holding AG.

An ongoing exchange of information with the decentralised risk managers assures that any new findings will be incorporated into risk management, thus safeguarding its advancement. In addition to that, training measures are an essential element for constantly updating the expertise of the staff involved in these processes.

Risk management of OVB Holding AG is also subject to routine reviews conducted by Internal Auditing. Audit reviews contribute to monitoring the risk management system and produce insight based on which quality is improved and the development of risk management progresses. Apart from risk inventory, all measures for the early detection, management and control of risks were analysed, adjusted and enhanced in response to internal and external developments within the scope of the annual review in the course of the year 2016.

## Internal control system with respect to financial accounting

The internal control system comprises the principles, methods and measures for ensuring the effectiveness and economic efficiency of business activity, truth and fairness in financial accounting and compliance with the applicable legal regulations. Part of this system is internal auditing insofar as it focuses on financial accounting. Like the risk management system of which it is a component, the internal control system with respect to financial accounting addresses the control and monitoring processes in financial accounting, particularly relating to those items in the statement of financial position that are associated with the Company's risk protection.

Key features of the internal control system with respect to financial accounting:

- Clear management and corporate structure: OVB Holding AG provides the centralised management of inter-divisional key functions while the Group's individual companies maintain a large degree of autonomy
- Separation of functions and four-eye-principle as basic principles
- Clear separation and assignment of responsibilities with respect to areas materially involved in financial accounting, namely Local Accounting, Tax, Group Accounting and Management Accounting
- Protection against unauthorised access to any of the systems used in financial accounting
- Utilisation of standard software in the financial systems involved
- Adequate guidance system (e.g. Group handbook, payment guidelines, project management guidelines, purchasing guidelines, Code of Conduct, etc.) subject to constant updates
- Adequate equipment in response to the requirements of all departments and divisions involved in the financial accounting process in terms of both quality and quantity
- Clearly defined workflows as well as documentation and tracking of all matters subject to accounting for the purpose of complete and reviewed financial reporting
- Ensuring that accounting records are checked for mathematical and factual correctness; payment runs shall observe the four-eye-principle

- Monitoring committees (e.g. Internal Auditing and the Audit Committee of the Supervisory Board) have been established for the purpose of compliance and reliability of internal accounting and financial reporting
- Routine checks of financial accounting processes for risks by process-independent Internal Auditing

The internal control system with respect to financial accounting ensures – as part of the risk management system – that business matters and transactions are correctly recorded, processed, evaluated and transferred to financial accounting.

Adequate manpower, the use of appropriate software and clear statutory and corporate guidelines are the basis for a correct, consistent and continuous financial accounting process. The clear separation of areas of responsibility and various subsequent control and audit mechanisms safeguard correct and responsible financial accounting.

Thus it is assured in the individual case that business transactions are recorded, processed and documented in compliance with statutory regulations, the Articles of Association and internal guidance, and that they are entered correctly and promptly in financial reporting. It is ensured at the same time that assets and liabilities are correctly stated, disclosed and measured in the separate financial statements and consolidated financial statements and that dependable and relevant information is made available as a basis both completely and promptly.

## Presentation of opportunities and risks

The following is a description of opportunities and risks that could have material favourable or adverse effects on OVB's assets, liabilities, financial position and profit or loss. Please see section 3.5 of the notes to the consolidated financial statements, "Objectives and methods of financial risk management", for additional quantitative disclosures relating to financial instruments in accordance with IFRS 7.

**Macroeconomic opportunities and risks**

OVB's business environment is affected by changes in the economic and political framework. OVB observes the political, regulatory and economic developments in the markets it operates in and utilises external market analyses and the know-how of external experts and analysts in order to review the strategic and operational orientation in view of such developments. This also applies for the opportunities and risks associated with the development of new markets. OVB's plans for further expansion depend on orderly political and legal conditions prevailing in the respective country and on an economic environment that gives rise to expectations that OVB will be able to profitably forge ahead with its business activities within a timeframe that appears reasonable given the respective market conditions.

In view of the specific risks associated with the economic development, the broad regional positioning of the OVB Group within Europe, able to compensate market risks and downturns in individual countries with opportunities in other markets, plus a broad client base generally help mitigate risks. Accordingly the dependence of the Group's business performance on individual national markets has been reduced over the past years. At the same time, OVB's international orientation opens opportunities for participation in particularly favourable developments of individual markets. The diversification of business activities across highly varied products designed to facilitate basic protection, asset and financial risk protection as well as retirement provision, asset generation and wealth management and tailored to the respective situation in the relevant markets also helps offset risks at least in certain sub-segments.

**Opportunities and risks from the development of Company-specific factors of value**

Company-specific value factors for the business success of the OVB Group's companies are the expansion of the sales team, the development of the number of clients and the structure and quality of the advisory and brokerage business.

OVB focuses on providing advice and support primarily to private households with average to higher incomes in all of the national markets in which it operates. Winning new clients and maintaining long-term client relationships are essential factors of success.

The effects of uncertainty as a result of the persisting difficult debt situation of some countries of the euro area are noticeable in many of the national markets in which OVB operates. Negative effects on economic growth, the income situation of private households and the labour market emanate from this development. Even though the macroeconomic situation in Spain, Italy and France cannot be expected to change substantially, basic structural problems remain unsolved. Among those are high public budget deficits and lacking international competitiveness of businesses.

In the year 2015 the influx of refugees from the Middle East and Africa to Europe had reached an unprecedented dimension. In 2016 this influx slowed down because of different political measures taken. The political and economic risks – and also the opportunities – of this development cannot be assessed at present.

On the whole, OVB sees demand for its services and thus sufficient potential for new business in all countries in which OVB subsidiaries operate due to the continuing necessity of private provision and particularly in view of the demographic trend.

The continuous development of the sales force and the long-term commitment of a sufficient number of motivated and competent financial agents are further factors for OVB's business success and future growth. Demographic effects may have a negative effect on winning new financial advisors. The development of the number of agents is the subject of periodic reporting.

Positive or negative trends are constantly being analysed and assessed by management with regard to their effects. Potential turnover of financial agents in times of a consolidating industry provides both opportunities and risks.

Based on its many years of experience, OVB finds itself capable of countering any potential advisor turnover and committing new financial agents as well. Among such measures are transparent contracts, a competitive commission model for the sales force and international career opportunities.

At the same time, the group companies place great emphasis on the professional training and further education of their financial advisors.

**Industry-specific opportunities and risks**

OVB faces industry-specific opportunities and risks particularly in connection with changes in the markets for pension provision, health care, investments and financing. Tax and socio-political conditions, developments in the capital market and a host of new regulatory requirements influence OVB's business.

On a European scale, new regulations were launched with the intention to create equal competitive conditions for all enterprises involved in the sale of insurance products and to improve consumer protection.

The European Parliament and the European Council signed the Insurance Distribution Directive (IDD) in January 2016, subject to implementation into national law by the member states up to and including 23 February 2018. Parallel to that, the European Commission specifies important IDD provisions in four so-called delegated acts. From OVB's viewpoint the deciding aspect is for the Commission to specify the wording of the directive without restricting or modifying the directive's general provisions determined by the European legislator.

Especially relevant to OVB are the provisions made for commission-based distribution. The IDD does not ban commission-based business models. However, member states are free to introduce such prohibition or not. For Germany, prohibition of commission to be implemented in adopting the IDD is not expected according to a pledge issued by the current ruling political parties. For the other countries in which OVB operates, such clear statements have not been made yet.

Furthermore, the federal cabinet resolved the draft IDD Implementation Act for implementing the Insurance Distribution Directive on 18 January 2017. Adoption of the act is scheduled to take place by mid-2017.

OVB appreciates insofar that the implementation in Germany as planned will remain close to the original objectives of the IDD and govern mandatory further professional training and the expanded information and documentation requirements for financial agents within the meaning of the directive.

At present, the EU Commission has the European Insurance and Occupational Pensions Authority (EIOPA) develop guidelines for the implementation of the directives within the framework of the practice of the supervisory authorities. EIOPA released its recommendations for the EU Commission on 1 February 2017. As part of these recommendations, IDD requirements for the prevention and disclosure of conflicts of interest in the brokerage of insurance investment products are specified and requirements for product introduction and monitoring processes are defined. The Commission is called on to determine, among other issues, which conditions on product oversight and governance (in short: POG) the companies are required to meet and how the financial agents are supposed to get access to the necessary expert knowledge for the distribution of products.

OVB regards the definition of binding provisions leading to more transparency and comparability of products and providers as positive and beneficial to OVB's agents and OVB's clients. The above-mentioned regulations will not remain without effect on financial advice and the intermediation of financial products. It remains to be seen how other European countries will transpose the directives into their respective national law.

For Germany, the federal cabinet resolved the draft laws of a First Financial Markets Amendment Act (FiMaNoG I) on 6 January 2016 and a Second Financial Markets Amendment Act (FiMaNoG II) on 21 December 2016, primarily for the purpose of implementing the amended Markets in Financial Instruments Directive (MiFID II) and the corresponding Markets in Financial Instruments Regulation (MiFIR) into German law. Due to provisions under European law, this legislative process must be concluded by 3 July 2017 and FiMaNoG II must be effective no later than 3 January 2018.

OVB's business model is affected by FiMaNoG I + II only insofar as violations within the context of the Regulation on key information documents (KIDs) for packaged retail and insurance-based investment products (PRIIPs) can be sanctioned in the future. Accordingly, PRIIP financial agents and advisors must ensure that the PRIIP KIDs are handed out to the client in good time before completing the transaction.

On the whole, an intensifying regulation of the financial services market can be expected, pursuing the goal of better investor protection and increasing the pressure on classic commission-based advisory service, obligating providers to disclose costs and commission and expanding statutory requirements with respect to advisory service documentation and information. OVB constantly monitors and analyses particularly the political decision-making processes in order to be able early on to evaluate the effects on its business model and the strategic positioning in the national markets.

There is the risk that excessive regulation might curb the necessary private efforts for provision. However, for OVB there is the opportunity that the Group, due to its experience of many years, its competent employees and its pronounced financial strength, might fulfil the increased regulatory requirements in a better and more efficient way than other market participants, especially the smaller ones. From this scenario, advantages might result for OVB in the competition and in the industry's consolidation process.

OVB has a broad portfolio of high-capacity product partners. The Company brokers financial products provided by more than 100 insurance companies, investment trusts, building societies and banks. Based on this portfolio it is possible to choose and realise the optimal product offers and concepts for each single client.

The risk associated with product selection is contained by working with renowned and internationally experienced product providers based on partnerships with a long-term horizon.

OVB identifies client needs and market trends through extensive market research and then uses its findings to develop competitive products tailored to the clients' needs in cooperation with the product partners. OVB ensures the quality and competitiveness of its product portfolio throughout Europe by maintaining an ongoing communication process with the partners.

OVB combats the risk of diminishing product appeal by continually monitoring client feedback. Established committees liaise with the financial agents and process their experiences and suggestions for improving and developing the product portfolio and the associated support services. OVB can at least partially compensate for declining turnover of individual products through higher turnover of other products.

The premium-select strategy is an important component of OVB's corporate strategy. An especially close co-operation with high-capacity product partners creates the foundation for the development of exclusive products, providing OVB with the opportunity to gain market shares through a pronounced competitive edge.

**Financial risks**

*Bad debt risks* may arise from receivables from business partners and from advance commission payments to sales agents and commission charge-back. In individual cases, commission that has been earned but not yet received is paid to sales agents in order to bridge the gap until payment is received from the product providers. OVB counters bad debt risks by way of risk-sensitive accounts receivable management and the careful selection of its business and product partners. Appropriate allowances are made for receivables that are considered doubtful from today's perspective. Such allowances take into account timely information on the debtor's credit rating, commission expected to be received and the age structure of receivables. The default rate of receivables is 1.22 per cent for the year under review (previous year: 0.96 per cent).

*Cancellation risks* are adequately covered by OVB by retained cancellation reserve and cancellation provisions whose amounts are determined on the basis of commission inflow during the period of liability and the anticipated claims for commission refunds based on past experience.

*Issuer risks* associated with the investment of liquid assets are contained by means of strict credit rating requirements and appropriate investment management. OVB maintains business relationships with several banks belonging to different banking systems. OVB closely monitors the standing of these banks and applies external ratings if available. 94.9 per cent of all investments have at least an “A” rating in accordance with the rating scale of Standard & Poor’s. Unrated capital investments do not represent a material part of our portfolio.

*Market risks* are risks of losses as a result of unfavourable changes in market prices or other price-affecting parameters. Market price risks include interest rate risks, currency risks and stock price risks. Shares, bonds and funds in the portfolio may be primarily exposed to price risk as a result of market price fluctuations. OVB varies investment volumes and issuers in order to counter this risk. Potential effects on earnings as a result of heavy price fluctuations are identified early on by monitoring and assessing the portfolio on an ongoing basis. Containing such risks may also necessitate the full liquidation of individual positions at short notice. Capital investments with an emphasis on real assets are altogether of minor relevance to the group companies. Had the market interest rate of relevance to capital investments been 100 basis points higher (lower) over the full year 2016, earnings would have been Euro 635 thousand higher (lower).

*Currency risks* result from OVB’s international orientation. Therefore OVB constantly monitors the development in the currency markets and deliberates the necessity of additional hedging measures in particular.

*Liquidity risks* are relatively low for OVB because business operations are financed out of the current cash flow and liquidity reports assist in the management and investment of surplus liquidity. These reports provide regular insight into financial developments and the liquidity demands of the subsidiaries and the holding company derived from them.

With these measures OVB also diversifies the risk of being sued under guarantees or letters of comfort given on behalf of its subsidiaries.

**Operational risks**

OVB uses both employees and external contractors as well as technical and structural facilities in order to transact its business.

Binding workflow rules have been defined for processing and settling business transactions. Employees entrusted with confidential information commit themselves to compliance with binding regulations and to responsible conduct in handling such data.

OVB contains the risk of breaches of in-house and external rules and regulations by separating management and control functions from each other. OVB protects itself against damages and potential liability risks by appropriate insurance protection.

**IT risks**

IT structures are largely standardised. OVB utilises up-to-date, primarily industry-specific standard software of well-known providers in order to prevent malfunction, data loss, data manipulation and unauthorised access to the IT network. If necessary, Group-specific in-house developments subject to continuous quality control are used for complementing standard software. Back-up systems, mirror databases and a defined emergency plan keep the database secure and guarantee its availability. The IT systems are protected by special access and authorisation concepts as well as effective and continually updated anti-virus software.

With the administration and management program myOVB currently being implemented Europe-wide, OVB pursues the further homogenisation of the IT tools put to use in all group companies. Because of the ever increasing importance of IT for the support of business processes, OVB invests in existing as well as new IT solutions and also monitors the systems utilised by competitors for that purpose.

**Reputational opportunities and risks**

Reputational risks arise from a loss of reputation either of the entire industry, of OVB itself or of one or several of its operating segments for example among clients, business partners or in the public eye. Advising on financial products and broking them are activities subject to critical public scrutiny on a case-by-case basis. OVB is particularly exposed to the risk that the public’s trust in the Company might be affected if negative media reports were published e.g. with respect to claims against sales agents based on incorrect or allegedly incorrect advice or concerning products distributed by them. Apart from that, human misconduct can never be completely ruled out even by providing strict internal guidance and standards. OVB follows and analyses any such discussion with the aim of taking preventive action to halt any damage to the Company's reputation even before it arises. Professional training standards are compliant with statutory requirements and are constantly being advanced and adapted to a changing legal framework. Documentation of counselling interviews and strict selection criteria for accepting new product providers and new products support this goal.

The flip side of this coin provides OVB with the opportunity to further improve the Company's image as perceived by the general public and potential clients through consistently competent and responsible conduct. The Company's public relations effort serves that same purpose.

**Risks associated with advisory services and liability risk**
Brokerage of financial products generally takes place on the basis of previous advice given to the client. The purpose of this advisory service is to ensure that the client receives a financial product tailored to his or her individual provision requirements and investment profile. Potential risks associated with advisory services are curtailed by continually raising the awareness of and providing continuing education opportunities for our financial agents with a view to providing needs-specific advice and by documenting and recording client meetings as required. The public and extensive debate on the quality of financial advisory services in Europe leads to aggravated legal requirements that might entail increased risk.

OVB closely follows all relevant regulatory efforts at national levels and on the European scale so that potential effects on the business model are recognised in good time and any required adjustments can be initiated.

**Litigation risk**
OVB guards against litigation risk by drawing on comprehensive advice both from in-house specialists and external specialist lawyers and advisors before making business decisions and in structuring business processes. The management of litigation risk is coordinated by our legal department. Its tasks also include the monitoring and assessment of current legal disputes. Constant monitoring and evaluation conducted by our legal department enables OVB to counter risks associated with potentially incorrect advice to clients and brokering financial and insurance products. OVB further reduces its risk of liability in part by taking out adequate financial liability insurance. Adequate provisions were made for all lawsuits including any costs of legal advice. According to our assessment, currently pending cases do not pose risks at present that might have material adverse effects on OVB's assets, liabilities, financial position and profit/loss.

**Tax risk**
For OVB a changing tax framework for advisory services as well as for individual sales subsidiaries might result in tax risk. OVB constantly monitors tax law developments as they become apparent in all of the countries in which it does business, particularly including potential regulatory intervention that would affect the tax treatment of our distribution model, and analyses their potential impact on the Group. Both in-house and external experts monitor the tax requirements applicable to the Company in accordance with the relevant tax provisions and the directives issued in relation to such provisions by the respective tax authorities.

**Estimation risk**
Assumptions and estimates primarily concern the measurement of provisions, the collectability of receivables, the impairment of goodwill, litigation risk, depreciation and amortisation and the determination of the useful lives of assets. Actual values may deviate in the individual case from the assumptions and estimates made. Changes are considered as soon as better information becomes available.

## Overall assessment of opportunities and risks

According to its own firm conviction, OVB operates in growth markets. Fundamental trends – such as the demographic development in Europe – increasingly require private retirement provision. Only a small fraction of the citizens have seen to adequate private pension provision and protection against major risks of life so far.

For OVB this opens up the opportunity for growing numbers of clients, sales and earnings in the future.

With respect to risks, OVB's business performance is essentially influenced by industry-specific and financial risks. OVB's risk management system and the implemented reporting system make a substantial contribution to the fact that the overall risks the Group is exposed to are being controlled and made transparent.

OVB has seen to adequate provision for currently identified material risks. From today's perspective there are no material risks that carry a threat to the Company's continued existence.

Fundamental changes of this risk assessment are not expected at present.

The risk management and control system is subject to constant advancement in order to increase transparency in relation to risks taken and to further improve risk management capabilities.

The presented risks are not necessarily the only risks OVB is exposed to. Risks OVB is currently unaware of or risks that OVB currently regards as immaterial might also have adverse effects on business activities and have a negative impact on the forecasts made in the following outlook.

## OUTLOOK

The economic development in the euro area will not pick up speed in 2017 and 2018 according to the assessment of the International Monetary Fund (IMF). After a 1.7 per cent gain in the year under review, the economic growth in this currency zone is expected to slow down to 1.6 per cent in 2017 and remain at that level in 2018 as well.

### Development in Central and Eastern Europe

In the years 2017 and 2018, economic growth in the countries of the Central and Eastern Europe segment is expected to remain at an altogether sound level. Ukraine's economy could improve again as well. The development of consumer prices and public budget deficits is assumed to remain within an acceptable range. The macroeconomic development should support our business activity in this segment on balance. However, further regulatory changes might have a negative effect on the business performance. Therefore OVB expects sales at the prior-year level and a slightly lower operating result than in 2016 for the Central and Eastern Europe segment in the year 2017.

### Development in Germany

According to the International Monetary Fund (IMF), the economic growth in Germany will continue in 2017 and 2018 at a somewhat slower pace of probably 1.5 per cent each year. A favourable situation in the job market as well as low interest rates can be expected to have a positive effect on the financial situation of private households. This should coincide with more room for saving for retirement provision on one's own initiative. However, there are burdening factors as well: The persisting low interest rate environment affects the motivation among consumers to take initiative for urgently required savings for retirement. Political and economic uncertainty has grown as well. In 2017 private households will probably place higher emphasis on consumption than on creating reserves and seeing to long-term provision again. OVB will keep intensifying sales activities efforts and its continuous efforts for efficiency increase. Yet further commission cuts must be expected within the framework of the Life Insurance Reform Act (LVRG). Therefore the Executive Board anticipates sales insignificantly below the prior-year level and an operating result slightly below the prior-year level for financial year 2017.

**Development in Central and Eastern Europe**

| | Real GDP Change in % | | Consumer prices Change in % | | Public budget deficit (in % of GDP) | |
|---|---|---|---|---|---|---|
| | 2017f | 2018f | 2017f | 2018f | 2017f | 2018f |
| Croatia | 2.8 | 2.8 | 1.3 | 2.2 | - 2.9 | - 2.8 |
| Czech Republic | 2.7 | 2.5 | 2.0 | 2.0 | - 0.2 | 0.0 |
| Hungary | 3.2 | 3.4 | 2.5 | 3.0 | - 2.5 | - 3.0 |
| Poland | 3.0 | 2.5 | 1.1 | 2.0 | - 3.1 | - 3.4 |
| Romania | 3.6 | 3.0 | 1.2 | 2.4 | - 3.2 | - 3.0 |
| Slovakia | 3.3 | 4.0 | 1.1 | 2.0 | - 2.0 | - 2.0 |
| Ukraine | 2.0 | 3.0 | 10.7 | 7.5 | - 4.0 | - 3.0 |

f = forecast
Source: Raiffeisen RESEARCH, Strategy Austria & CEE, 1st quarter 2017

**Development in Southern and Western Europe**

| | Real GDP Change in % | | Consumer prices Change in % | | Public budget deficit (in % of GDP) | |
|---|---|---|---|---|---|---|
| | 2017f | 2018f | 2017f | 2018f | 2017f | 2018f |
| Austria | 1.3 | 1.5 | 2.0 | 2.1 | - 1.2 | - 1.1 |
| France | 1.4 | 1.5 | 1.4 | 1.3 | - 2.9 | - 3.1 |
| Greece | 1.3 | 1.7 | 0.9 | 1.1 | - 1.0 | 0.9 |
| Italy | 0.6 | 1.0 | 1.3 | 1.4 | - 2.6 | - 2.5 |
| Spain | 2.5 | 1.9 | 1.7 | 1.6 | - 3.4 | - 3.2 |
| Switzerland | 1.7 | 1.7 | 0.5 | 0.7 | - 0.2 | 0.0 |

f = forecast
Source: Raiffeisen RESEARCH, Strategy Global Markets, 1st quarter 2017

### Development in Southern and Western Europe

The improvement of the macroeconomic situation in the euro area is hardly progressing. Greece might return to economic growth in 2017. However, it is questionable for how long the European Central Bank (ECB) can continue its policy of cheap money while the U.S. Federal Reserve is increasing the interest rate level. If and to what extent negative effects on the economic development will show cannot be assessed at present. OVB aims at continuing the sales successes achieved in the countries of the Southern and Western Europe segment over the past few years. Even if the dynamic growth of total sales commission might slow down slightly, OVB expects dynamic increases in sales and a fast growing operating result for financial year 2017 based on the Company's good starting position in the markets of this segment.

### Development of Corporate Centre

For the Corporate Centre segment, OVB Holding AG expects a significantly higher loss for 2017 compared to the previous year in view of strategic measures to be taken for strengthening the sustainability of OVB's business model.

### Development of the Group

One essential strength of the OVB Group is its broad international positioning over 14 European countries. Market conditions remain altogether challenging. Despite the enormous demand for private provision it cannot be ruled out that clients will continue to act cautiously with respect to long-term investment decisions. OVB will make every effort to set the course for growth. In doing so, the Company's strategy pursues several objectives:

- OVB wants to increase the penetration of the markets in which it already operates;
- OVB wants to tap into new, promising markets in case of suitable general conditions;
- OVB presents itself as an attractive and reliable partner with its infrastructure and demand-suited product portfolio to smaller sales organisations and individual financial agents looking for new orientation;
- OVB keeps improving the efficiency of its business processes.

The long-term business potential in the market of private saving for retirement provision remains unchanged. OVB works with great commitment at further developing this potential for the Company. Excessive and inappropriate regulation might have a negative effect on OVB's growth dynamics. Based on stable to positive business performances in all three segments, we anticipate a slight increase in sales for the Group. OVB will launch strategic measures in 2017 for strengthening sustainability. Therefore the Group's operating result is expected to come to the prior-year level.

## REMUNERATION REPORT

The remuneration report presents the governing principles of the determination of the remuneration of the members of Executive Board and Supervisory Board and explains the structure and amounts of the remuneration of the Executive Board members. The basic principles and the amounts of the remuneration of the Supervisory Board members are disclosed as well. The remuneration report is part of the management report and can be found in the chapter "Corporate governance" of the 2016 Annual Report of OVB Holding AG.

The remuneration report is also available on the internet at www.ovb.eu/english/investor-relations/corporate-governance.

# STATEMENT ON CORPORATE GOVERNANCE

Executive Board and Supervisory Board have released the statement on corporate governance. It is available on the internet at www.ovb.eu/english/investor-relations/corporate-governance.

# DISCLOSURES PURSUANT TO SECTIONS 289 (4), 315 (4) HGB AND EXPLANATORY REPORT

## Composition of subscribed capital

The Company's share capital was Euro 14,251,314.00 as of 31 December 2016, divided into 14,251,314 no-par value bearer shares. Each share carries the same rights and represents one vote in the General Meeting of shareholders.

## Shareholdings in excess of 10.0 per cent of the voting rights

OVB Holding AG has been notified of the following shareholdings that carry more than 10.0 per cent of the voting rights in OVB Holding AG. The following groups of shareholders are also referred to as principal shareholders.

Basler Beteiligungsholding GmbH, Hamburg, holds roughly 32.57 per cent of the shares. This investment is attributed to Basler Sachversicherungs-Aktiengesellschaft, Bad Homburg, Basler Lebensversicherungs-Aktiengesellschaft, Hamburg, Basler Sach Holding AG, Hamburg, Basler Versicherung Beteiligungen B.V. & Co. KG, Hamburg, Bâloise Delta Holding S.a.r.l., Bartingen, Luxembourg, and Bâloise Holding AG, Basel, Switzerland, in accordance with Sections 21, 22 (1) WpHG (Securities Trading Act).

IDUNA Vereinigte Lebensversicherung aG für Handwerk, Handel und Gewerbe, Hamburg, holds roughly 31.67 per cent of the shares directly. As the insurance companies of the SIGNAL IDUNA Group represent a horizontal group ("Gleichordnungskonzern") within the meaning of Section 18 (2) AktG (Stock Corporation Act), IDUNA Vereinigte Lebensversicherung aG für Handwerk, Handel und Gewerbe, Hamburg, indirectly holds 52.94 per cent of the shares. Deutscher Ring Krankenversicherungsverein a.G., Hamburg, holds roughly 21.27 per cent of the shares directly. In accordance with Sections 21 (1), 22 (2) WpHG, the shares held directly by Deutscher Ring Krankenversicherungsverein a.G. and IDUNA Vereinigte Lebensversicherung aG are also attributed to SIGNAL Unfallversicherung a.G., Dortmund, and SIGNAL Krankenversicherung a.G., Dortmund, so that these entities have respective indirect holdings of roughly 52.94 per cent of the shares.

Generali Lebensversicherung AG, Munich, holds roughly 11.48 per cent of the shares directly, attributed to Generali Deutschland AG, Munich, Generali Beteiligungs-GmbH, Aachen, and Assicurazioni Generali S.p.A., Triest, Italy, in accordance with Sections 21, 22 (1) no. 1 WpHG.

The free float as defined by Deutsche Börse AG amounts to roughly 3.01 per cent based on the information available to OVB Holding AG.

## Restrictions on voting rights or share assignment

Principal shareholders Basler Group and SIGNAL IDUNA Group have concluded a shareholder voting agreement under which the contracting parties are obligated to exercise their votes in the General Meeting's elections to the Supervisory Board in such a way that two representatives of the Bâloise Group, two representatives of the SIGNAL IDUNA Group, one representative of Generali, and one independent member with expert knowledge in the fields of financial accounting or audits of financial statements are represented on the Supervisory Board at all times. The contracting parties have also committed themselves to sell their shares only if the purchaser of shares enters into the shareholder voting agreement.

## Appointment and dismissal of members of the Executive Board and amendments to the Articles of Association

The Executive Board, consisting of at least two members pursuant to Section 7 (1) of the Articles of Association, is appointed and dismissed exclusively in accordance with the relevant statutory provisions (Sections 84 and 85 AktG (Stock Corporation Act)). The Supervisory Board has sole responsibility for the appointment and dismissal of Executive Board members, determines the number of Executive Board members and appoints members for a maximum term of five years. Executive Board members may be reappointed or their terms of office extended, in each case for no more than five years.

The Articles of Association may be amended by resolution of the General Meeting of shareholders. Amendments become effective upon entry in the commercial register pursuant to Section 181 (3) AktG. In accordance with Section 179 (2) AktG in conjunction with Section 18 (2) of the Articles of Association, resolutions passed by the General Meeting to amend the Articles of Association must be adopted by a simple majority of the share capital represented at the vote unless the German Stock Corporation Act determines a larger majority as mandatory. Under Section 11 (3) of the Articles of Association, the Supervisory Board has the power to amend the Articles of Association insofar as only their wording is concerned.

## The Executive Board's authorisations to issue and buy back shares

At present OVB Holding AG has neither contingent nor authorised capital. The Annual General Meeting of 3 June 2015 authorised the Company to acquire a total of up to 300,000 treasury shares up to and including 10 June 2020. The shares may be acquired on the stock exchange or by means of a public purchase offer directed towards all shareholders. The Company may also use intermediaries to acquire shares on the stock exchange, provided those intermediaries comply with the following restrictions.

If shares are purchased on the stock exchange, the purchase price per share (not including transaction costs) must neither exceed nor undercut the average share price (closing auction prices for OVB shares on the Xetra trading platform or a functionally equivalent system that supersedes Xetra at the Frankfurt Stock Exchange) by more than five per cent respectively over the last five trading days before the purchase obligation was assumed.

In case of a public purchase offer, the purchase price must neither exceed nor undercut the average share price (closing auction prices for OVB shares on the Xetra trading platform or a functionally equivalent system that supersedes Xetra at the Frankfurt Stock Exchange) by more than 10 per cent respectively between the 4th and 10th trading day prior to the day on which the bid was announced. A limit may be placed on the volume of shares subject to the bid. If the offer is over-subscribed, acceptance must be proportionate to the number of shares respectively offered. The Company may give priority to shareholders seeking to sell smaller allotments of up to 100 shares in the Company.

Subject to the Supervisory Board's consent, the Executive Board is authorised to use the shares bought back in accordance with the above authorisation as follows:

With the Supervisory Board's consent, the Executive Board may use the repurchased shares as (partial) consideration in connection with company mergers or in order to acquire enterprises, equity interests in enterprises, divisions of enterprises or other business assets. The Executive Board may also use the repurchased shares in order to fulfil the obligations under any plans for share-based payment in favour of members of management, other executives and the self-employed sales agents of OVB Holding AG and its domestic and foreign subsidiaries (within the meaning of Sections 15 et seq. AktG).

The Executive Board may also, with the Supervisory Board's consent, retire the repurchased shares without another resolution of the Annual General Meeting being required. The Executive Board may elect to retire only a part of the acquired shares; the authorisation to retire shares may be exercised once or more than once.

The retirement of shares may be executed in such a way that the share capital does not change but rather the interest in the share capital represented by the remaining shares is increased.

The shareholders' subscription rights to the Company's treasury shares are excluded, provided such shares are used in accordance with the authorisations described above.

## CHANGE OF CONTROL

Public bids to acquire shares in the Company are governed exclusively by law and the Articles of Association, including the provisions of the German Securities Acquisition and Takeover Act (WpÜG). The General Meeting of shareholders has not authorised the Executive Board to take actions falling within the shareholders' powers so as to prevent any successful takeover bids.

The Company has not entered into any compensation agreements in the event of a takeover bid with the members of the Executive Board.

## STATEMENT OF THE EXECUTIVE BOARD PURSUANT TO SECTION 312 (3) AKTG

With respect to business transactions or measures reportable in accordance with Section 312 AktG (Stock Corporation Act), the Company has received appropriate consideration for each business transaction and was not disadvantaged in any measure taken or deliberately not taken according to the circumstances known to the Company at the time the respective transaction or measure was taken or deliberately not taken.

## RESPONSIBILITY STATEMENT PURSUANT TO SECTION 297 (2) SENTENCE 4 HGB

To the best of their knowledge, the legal representatives assure that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group in accordance with the applicable reporting principles and that the consolidated management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Cologne, 24 February 2017

| | | |
|---|---|---|
| Mario Freis | Oskar Heitz | Thomas Hücker |
| CEO | CFO | COO |

*"The quality of our goals determines the quality of our future."*


Parties have "sealed" their contracts ever since the old days. A seal promises commitment to the contract and the observance of quality standards.

# Quality of product partners and products

“OVB – simply better allfinanz solutions” – OVB makes this promise in each of its 14 national markets. Active product management assures that a market leading product portfolio in line with the respective general conditions is made available to our clients. In order to achieve this goal, we have developed the premium-select strategy. It comprises a systematic review and selection of our product partners and their products according to a consistent concept implemented throughout the Group.

Products brokered by OVB present an attractive service package with added value at a fair price. Products are also required to be transparent and as comprehensible as possible. OVB’s allfinanz advisory approach includes the advisory components existential risk protection, asset generation, asset protection and wealth management. The strategic product management sees to it that a sufficient number of attractive products from different product partners is available for each of these advisory components. Based on its close relationship with the clients and a great number of client meetings held every day, OVB knows precisely which products with which performance characteristics suit the clients’ demands best.

Product quality and the quality of product partners go hand in hand. Great financial strength, a solid ownership structure and above-average quality of services are but a few criteria to be applied in the selection process. OVB’s premium-select strategy gives our clients security and supplies a practical benefit.

# Consolidated financial statements 2016

## Consolidated statement of financial position

of OVB Holding AG as of 31 December 2016 according to IFRS

### Assets

| Note | in EUR'000 | 31/12/2016 | 31/12/2015 |
|---|---|---|---|
| | **A. Non-current assets** | | |
| 1 | Intangible assets | 9,738 | 10,028 |
| 2 | Tangible assets | 4,166 | 4,207 |
| 3 | Investment property | 0 | 611 |
| 4 | Financial assets | 5,223 | 159 |
| 5 | Deferred tax assets | 4,250 | 4,149 |
| | | **23,377** | **19,154** |
| | **B. Current assets** | | |
| 6 | Trade receivables | 29,742 | 23,766 |
| 7 | Receivables and other assets | 17,887 | 21,084 |
| 8 | Income tax assets | 1,656 | 1,730 |
| 9 | Securities and other capital investments | 25,168 | 44,722 |
| 10 | Cash and cash equivalents | 69,938 | 48,804 |
| | | **144,391** | **140,106** |
| | **Total assets** | **167,768** | **159,260** |

*Note*

## Equity and liabilities

| Note | in EUR'000 | 31/12/2016 | 31/12/2015 |
|---|---|---|---|
| | **A. Equity** | | |
| 11 | Subscribed capital | 14,251 | 14,251 |
| 12 | Capital reserve | 39,342 | 39,342 |
| 13 | Treasury shares | 0 | 0 |
| 14 | Revenue reserves | 13,663 | 13,663 |
| 15 | Other reserves | 738 | 897 |
| 16 | Non-controlling interests | 524 | 370 |
| 17 | Retained earnings | 19,752 | 16,479 |
| | | **88,270** | **85,002** |
| | **B. Non-current liabilities** | | |
| 18 | Provisions | 762 | 806 |
| 19 | Other liabilities | 141 | 112 |
| 20 | Deferred tax liabilities | 1 | 8 |
| | | **904** | **926** |
| | **C. Current liabilities** | | |
| 21 | Provisions for taxes | 998 | 1,765 |
| 22 | Other provisions | 31,954 | 30,156 |
| 23 | Income tax liabilities | 1,228 | 1,523 |
| 24 | Trade payables | 10,978 | 8,430 |
| 25 | Other liabilities | 33,436 | 31,458 |
| | | **78,594** | **73,332** |
| | **Total equity and liabilities** | **167,768** | **159,260** |

▲
*Note*

# Consolidated income statement

of OVB Holding AG for the period from 1 January to 31 December 2016 according to IFRS

| Note | in EUR'000 | 2016 | 2015 |
|---|---|---|---|
| 26 | Brokerage income | 218,693 | 210,108 |
| 27 | Other operating income | 8,845 | 9,379 |
| | **Total income** | **227,538** | **219,487** |
| 28 | Brokerage expenses | -144,509 | -139,739 |
| 29 | Personnel expenses | -26,128 | -26,678 |
| 30 | Depreciation and amortisation | -3,610 | -3,683 |
| 31 | Other operating expenses | -36,775 | -35,352 |
| | **Earnings before interest and taxes (EBIT)** | **16,516** | **14,035** |
| | Finance income | 882 | 637 |
| | Finance expenses | -144 | -298 |
| 32 | **Financial result** | **738** | **339** |
| | **Consolidated income before income tax** | **17,254** | **14,374** |
| 33 | Taxes on income | -4,564 | -4,779 |
| 34 | **Consolidated net income** | **12,690** | **9,595** |
| 35 | Thereof non-controlling interests | -154 | -217 |
| 36 | **Consolidated net income after non-controlling interests** | **12,536** | **9,378** |
| 37 | Basic earnings per share in Euro | 0.88 | 0.66 |

Note

# Consolidated statement of comprehensive income

of OVB Holding AG for the period from 1 January to 31 December 2016 according to IFRS

| in EUR'000 | 2016 | 2015 |
|---|---|---|
| **Consolidated net income** | **12,690** | **9,595** |
| Revaluation effect from provisions for pensions | 50 | -15 |
| Deferred tax due to revaluation effect from provisions for pensions | -3 | -5 |
| **Other comprehensive income not to be reclassified to the income statement** | **47** | **-20** |
| Change from revaluation of available-for-sale financial assets outside profit or loss | 173 | 121 |
| Change from revaluation of available-for-sale financial assets through profit or loss | -376 | 0 |
| Change in deferred taxes on unrealised gains and losses from capital investments outside profit or loss | -23 | 0 |
| Change in currency translation reserve outside profit or loss | 20 | 244 |
| **Other comprehensive income to be reclassified to the income statement** | **-206** | **365** |
| **Total comprehensive income before non-controlling interests** | **12,531** | **9,940** |
| Total comprehensive income attributable to non-controlling interests | -154 | -217 |
| **Total comprehensive income** | **12,377** | **9,723** |

# Consolidated statement of cash flows

of OVB Holding AG for the period from 1 January to 31 December 2016 according to IFRS

| in EUR'000 | 2016 | 2015 |
|---|---|---|
| Consolidated income before income tax | 17,254 | 14,374 |
| +/- Depreciation, amortisation and impairment / Appreciation in value and reversal of impairment loss of non-current assets | 3,641 | 3,649 |
| - Financial result | -738 | -339 |
| -/+ Unrealised currency gains/losses | 83 | -264 |
| +/- Allocation to/reversal of valuation allowances for receivables | 2,920 | 2,765 |
| -/+ Increase/decrease in deferred tax assets | -101 | 492 |
| +/- Increase/decrease in deferred tax liabilities | -7 | -72 |
| - Other non-cash financial expenses | -83 | -60 |
| +/- Increase/decrease in provisions | 987 | 3,230 |
| +/- Increase/decrease of unrealised gains/losses in equity (net) | -179 | 101 |
| +/- Expenses/income from the disposal of intangible and tangible assets (net) | 76 | 90 |
| +/- Decrease/increase in trade receivables and other assets | -5,626 | -751 |
| +/- Increase/decrease in trade payables and other liabilities | 4,260 | 3,068 |
| - Interest paid | -61 | -238 |
| - Income tax paid | -4,564 | -4,779 |
| **= Cash flow from operating activities** | **17,862** | **21,266** |
| + Payments received from disposal of investment property | 580 | 0 |
| + Payments received from disposal of tangible assets and intangible assets | 141 | 84 |
| + Payments received from disposal of financial assets | 215 | 192 |
| + Payments received for expenditure on securities and other short-term capital investments | 25,672 | 32,690 |
| - Payments for expenditure on tangible assets | -1,320 | -1,047 |
| - Payments for expenditure on intangible assets | -2,180 | -1,433 |
| - Payments for expenditure on financial assets | -5,279 | -27 |
| - Payments for expenditure on securities and other short-term capital investments | -6,118 | -35,102 |
| + Other finance income | 490 | 171 |
| + Interest received | 392 | 466 |
| **= Cash flow from investing activities** | **12,593** | **-4,006** |
| - Dividends paid | -9,263 | -8,551 |
| +/- Payments received/Repayments from the issue of bonds and taking out (financial) loans | 0 | -219 |
| **= Cash flow from financing activities** | **-9,263** | **-8,770** |
| **Overview:** | | |
| Cash flow from operating activities | 17,862 | 21,266 |
| Cash flow from investing activities | 12,593 | -4,006 |
| Cash flow from financing activities | -9,263 | -8,770 |
| **= Net change in cash and cash equivalents** | **21,192** | **8,490** |
| Exchange rate changes in cash and cash equivalents | -57 | 457 |
| + Cash and cash equivalents at end of the prior year | 48,790 | 39,843 |
| **= Cash and cash equivalents at the end of the period** | **69,925** | **48,790** |

# Consolidated statement of changes in equity

## of OVB Holding AG as of 31 December 2016 according to IFRS

| in EUR'000 | Subscribed capital | Capital reserve | Retained profits brought forward | Statutory reserve | Other revenue reserves | Available-for-sale reserve/ revaluation reserve |
|---|---|---|---|---|---|---|
| **31/12/2015** | **14,251** | **39,342** | **7,101** | **2,531** | **11,132** | **448** |
| | | | | | | |
| Consolidated profit | | | 9,378 | | | |
| Treasury shares | | | | | | |
| Corporate actions | | | | | | |
| Dividends paid | | | -9,263 | | | |
| Change in available-for-sale reserve | | | | | | -203 |
| Allocation to other reserves | | | | | | |
| Change in currency translation reserve | | | | | | |
| Revaluation effect from provisions for pensions | | | | | | |
| Consolidated net income | | | | | | |
| | | | | | | |
| **Balance as at 31/12/2016** | **14,251** | **39,342** | **7,216** | **2,531** | **11,132** | **245** |

## of OVB Holding AG as of 31 December 2015 according to IFRS

| in EUR'000 | Subscribed capital | Capital reserve | Retained profits brought forward | Statutory reserve | Other revenue reserves | Available-for-sale reserve/ revaluation reserve |
|---|---|---|---|---|---|---|
| **31/12/2014** | **14,251** | **39,342** | **6,809** | **2,653** | **11,132** | **327** |
| | | | | | | |
| Consolidated profit | | | 8,721 | | | |
| Treasury shares | | | | | | |
| Corporate actions | | | | | | |
| Dividends paid | | | -8,551 | | | |
| Change in available-for-sale reserve | | | | | | 121 |
| Allocation to other reserves | | | 122 | -122 | | |
| Change in currency translation reserve | | | | | | |
| Revaluation effect from provisions for pensions | | | | | | |
| Consolidated net income | | | | | | |
| | | | | | | |
| **Balance as at 31/12/2015** | **14,251** | **39,342** | **7,101** | **2,531** | **11,132** | **448** |

| Reserve from provisions for pensions | Deferred tax on unrealised gains/losses | Currency translation reserve | Total income recognised directly in equity | Consolidated net income after non-controlling interests | Total compre-hensive income | Equity of the shareholders of OVB Holding AG | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|---|
| **-571** | **107** | **913** | | **9,378** | | **84,632** | **370** | **85,002** |
| | | | | | | | | |
| | | | | -9,378 | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | -9,263 | | -9,263 |
| | -23 | | -226 | | -226 | -226 | | -226 |
| | | | | | | | | |
| | | 20 | 20 | | 20 | 20 | | 20 |
| 50 | -3 | | 47 | | 47 | 47 | | 47 |
| | | | | 12,536 | 12,536 | 12,536 | 154 | 12,690 |
| | | | | | | | | |
| **-521** | **81** | **933** | **-159** | **12,536** | **12,377** | **87,746** | **524** | **88,270** |

| Reserve from provisions for pensions | Deferred tax on unrealised gains/losses | Currency translation reserve | Total income recognised directly in equity | Consolidated net income after non-controlling interests | Total compre-hensive income | Equity of the shareholders of OVB Holding AG | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|---|
| **-556** | **112** | **669** | | **8,721** | | **83,460** | **153** | **83,613** |
| | | | | | | | | |
| | | | | -8,721 | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | -8,551 | | -8,551 |
| | | | 121 | | 121 | 121 | | 121 |
| | | | | | | | | |
| | | 244 | 244 | | 244 | 244 | | 244 |
| -15 | -5 | | -20 | | -20 | -20 | | -20 |
| | | | | 9,378 | 9,378 | 9,378 | 217 | 9,595 |
| | | | | | | | | |
| **-571** | **107** | **913** | **345** | **9,378** | **9,723** | **84,632** | **370** | **85,002** |

*“Quality is no coincidence.
Quality is the result
of hard work.“*


High-grade watches impress with the quality of their movement. They can consist of more than thousand parts that are perfectly aligned with each other. Precision and reliability are the result.

# Quality of business processes

For each large organisation – and this applies for a company with a broad international base such as OVB all the more –, efficient processes are an important foundation of economic success. Our claim is to improve the quality of the processes at OVB continuously. This benefits our

- clients by improved quality of our advisory services and support;
- financial agents by providing professional sales support;
- shareholders by improved profitability and a sustainable increase in value.

Over three million clients throughout Europe, countless client meetings, some 5,000 full-time financial agents and more than 100 product partners lead to millions of business processes. These cornerstones illustrate the challenges faced by process optimisation and IT support at OVB. Efficiently designed, reliable and precise operational processes are the prerequisite for effective and slim IT applications.

# Notes to the consolidated financial statements for financial year 2016

## I. GENERAL INFORMATION

### 1. General information on the OVB Group

OVB Holding AG (hereinafter also referred to as "OVB" or "the Company") is a German stock corporation with its registered office in Cologne, Germany, at Heumarkt 1. The Company is recorded in Part B of the commercial register maintained at the Cologne Local Court (Amtsgericht) under registration number 34649. The Company's business is the management of enterprises involved particularly in providing advisory and brokerage services in connection with capital investments, building society savings contracts and insurance contracts as well as in providing advisory and brokerage services in relation to real property of all kinds.

The consolidated financial statements of OVB Holding AG for the financial year ended 31 December 2016 are released for publication on 21 March 2017 pursuant to a resolution of the Executive Board with the approval of the Supervisory Board.

### 2. Summary of basic principles of financial accounting

As a listed parent company whose shares are admitted to trading on an organised market within the meaning of Section 2 (5) WpHG (Securities Trading Act), OVB Holding AG, pursuant to Section 315a HGB (Commercial Code), has prepared its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union, released by the International Accounting Standards Board (IASB). All International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) subject to mandatory application for financial year 2016 as well as the interpretations released by the IFRS Interpretations Committee and the Standing Interpretations Committee (SIC) have been taken into account. The requirements under Section 315a (1) HGB have also been considered.

The separate IFRS financial statements of the subsidiaries included in the consolidated financial statements of OVB Holding AG are based on consistent accounting and valuation principles. The IFRS financial statements have the same reporting date as the consolidated financial statements and were reviewed by independent auditors, provided those companies permanently provide brokerage services or assume material functions within the Group.

All figures in the consolidated financial statements are stated in euros. Unless stated otherwise, all figures are rounded up or down to the nearest thousand euros (EUR'000) in accordance with commercial rounding principles. As the figures are presented in thousand euro increments, rounding discrepancies may arise in the individual case when single values are added up.

In addition to the consolidated statement of financial position and the consolidated income statement, the consolidated financial statements include the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the notes to consolidated financial statements including segment reporting.

#### 2.1 Mandatory accounting standards

In consideration of the following standards subject to first-time application, the accounting and valuation methods applied are the same as those applied in the previous year.

**Standards applied for the first time**

- Improvements to IFRS

Within the framework of its Annual Improvements project intended to introduce minor improvements to standards and interpretations, the IASB has released two more collections of "Improvements to IFRS" (cycle 2010 – 2012 and cycle 2012 - 2014), resulting in minor amendments to 11 standards altogether. These amendments have no material effect on the consolidated financial statements.

- IAS 1 Presentation of Financial Statements (amendment)

With the amended standard as released, changes to IAS 1 Presentation of Financial Statements are implemented. The amendments are concerned with the materiality and summarisation of items, subtotals, the structure of the notes and information on accounting methods as well as the equity method. The amendments are applied by the Group but have no material effect on the consolidated financial statements.

- IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (amendment)

The amendment is intended to clarify which methods are appropriate with respect to the depreciation of property, plant and equipment, or tangible assets, and the amortization of intangible assets. Accordingly, depreciation of tangible assets property, plant and equipment based on sales generated by the assets produced is not appropriate. With two exceptions, this clarification is also included in IAS 38 for the amortisation of intangible assets with finite useful lives. This amendment has no effect on the Group's assets and liabilities, financial position and profit/loss.

- IAS 19 Employee Benefits (amendment)

The IASB has released an amendment to IAS 19R (2011) Employee Benefits. The amendment introduces to the standard a right to choose with respect to the accounting treatment of defined benefit obligations in which employees (or third parties) participate by obligatory contributions. The amendments have no effect on the Group's assets and liabilities, financial position and profit/loss.

**Released standards not yet subject to mandatory application**

The following standards have been released but are not yet subject to mandatory application or may only be applied in future reporting periods after their endorsement by the EU.

- Improvements to IFRS

Within the framework of its Annual Improvements project intended to introduce minor improvements to standards and interpretations, the IASB has released another collection of "Improvements to IFRS" (cycle 2014 - 2016), resulting in minor amendments to three standards altogether. The amendments concern IAS 28, IFRS 1 and IFRS 12 and are, subject to pending EU endorsement, applicable for reporting periods beginning on or after 1 January 2017 or rather 1 January 2018. They will have no effect on the consolidated financial statements.

- IAS 7 Statement of Cash Flows (amendments)

According to amendments to IAS 7, enhanced disclosures will be required in the future with respect to changes in such debt securities entered in the statement of financial position over the reporting period for which respective payments have been or will be reported in the statement of cash flows under cash flow from financing activities. Disclosures will also be extended for financial assets for which respective payments are subject to reporting under cash flow from financing activities. The amendments are effective, subject to pending EU endorsement, for financial years beginning on or after 1 January 2017. Extended disclosures are not expected to apply for the Group from these amendments as there are no debt securities at present whose payments would be classifiable to the cash flow from financing activities.

- IAS 12 Income Taxes (amendments)

The amendments to IAS 12 include clarifications on the issue of the measurement of deferred tax on temporary differences from unrealised losses. Among other items, the amendments concern the measurement of deferred tax on unrealised losses from debt instruments classified as "available for sale" in accordance with IAS 39 and measured at fair value. These amendments are effective, subject to pending EU endorsement, beginning on or after 1 January 2017. Potential effects on the Group's assets and liabilities, financial position and profit/loss are considered manageable.

- IAS 40 Investment Property (amendments)

IAS 40.57, dealing with transfers from or to investment property, has been amended as follows: Transfers to or from investment property shall be made only if there is an evident change in use. It is further clarified that the examples of an evident change in use listed under IAS 40.57 shall not represent an exhaustive list.

The amended standard is effective, subject to pending EU endorsement, for reporting periods beginning on or after 1 January 2018; early adoption is permitted. As the consolidated financial statements currently do not include investment property, no effects are to be expected from adoption.

- IFRS 9 Financial Instruments

IFRS 9 in its final version was released in 2014 and will supersede IAS 39 Financial Instruments: Recognition and Measurement. The new standard addresses the classification and measurement of financial assets and financial liabilities, the accounting treatment of the impairment of financial assets and the accounting treatment of hedging relationships. First-time application is mandatory for financial years beginning on or after 1 January 2018. The standard was endorsed for use in the European Union in November 2016. Application of the new standard will have no effect on the Group's assets and liabilities, financial position and profit/loss with respect to the present portfolio of financial instruments. Changes will affect the measurement of investments in funds, to be recognised through profit or loss.

- IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (amendment)

This amendment eliminates a previously existing inconsistency between both standards, permitting the investor's recognition of gains or losses in the full amount in the future if the transaction concerns a business within the meaning of IFRS 3 Business Combinations. If this is not the case and the transaction concerns assets instead that do not represent a business, only the proportionate profit/loss has to be recognised. This amendment has currently no effect on the consolidated financial statements. The date of first-time application has not been announced yet. Due to pending EU endorsement, the amendments are not yet applicable.

- IFRS 15 Revenue from Contracts with Customers

IFRS 15 governs the reporting of sales and defines uniform principles for the presentation of information of relevance to financial statements regarding the type, amount and time of recognition as well as the uncertainties connected to the recognition of sales from contracts with customers. According to IFRS 15, sales have to be recognised only if and when the customer has the authority to dispose of the agreed assets and services and is able to benefit from them. The standard supersedes previous IAS 18 and IAS 11 (including corresponding interpretations) and is applicable to financial years beginning on or after 1 January 2018; early adoption is permitted. The standard was endorsed for use in the European Union in September 2016. The effects of IFRS 15 are currently being evaluated. The analysis will particularly focus on the accounting treatment of new business commission, policy service commission and dynamic commission. Depending on contractually defined obligations, changes may result in part regarding the time to recognize sales with respect to individual contracting parties. The effects of this standard are still being scrutinised as industry literature has not produced a clear picture yet. Compared to IAS 18, the amended IFRS 15 provides for a five-step model for the recognition of sales. Among other aspects, it emphasises the contractual basis in line with the current approach. For the future, OVB expects a higher degree of detail in the notes to the consolidated financial statements in order to accommodate the new standard's extensive disclosure requirements.

- IFRS 16 Leases

IFRS 16 was released in January 2016 and defines principles for the recognition, measurement and reporting as well as the scope and content of the notes with respect to existing leases. The key requirement of IFRS 16 has the lessee generally recognise all leases and the respective contractual rights and obligations in the statement of financial position. Thus assets previously classified as operating leases might have to be entered in the statement of financial position. This does not apply to assets valued below 5,000 US dollars or with terms of less than twelve months. Upon its entry into force, IFRS 16 supersedes IAS 17 (including corresponding interpretations) and is applicable, subject to pending EU endorsement, for financial years beginning on or after 1 January 2019. OVB Holding AG is currently still assessing the effects of future application. Minimum lease payments over more than one year amount to EUR 4,129 thousand in financial year 2016 (previous year: EUR 4,289 thousand) and primarily comprise the Group companies' future lease payments for headquarters office space.

- IFRIC 22 Foreign Currency Transactions and Advance Consideration

IFRIC 22 was released by the IFRS Interpretations Committee on 8 December 2016. This interpretation clarifies which exchange rate has to be applied for a foreign currency transaction in functional currency if the entity has made or received advance payments in a foreign currency. Subject to pending EU endorsement, the interpretation is effective for reporting periods beginning on or after 1 January 2018.

Furthermore, the standards IFRS 2 (Share-based Payment) and IFRS 4 (Insurance Contracts) have also been amended but are not subject to mandatory adoption in their current versions yet. As these amended standards have not been adopted, no effects from their application are to be expected. There are no other standards or interpretations not yet subject to mandatory application that have a potential material effect on the Group.

## 2.2 Principles of consolidation

The consolidated financial statements for the financial year ended 31 December 2016 incorporate OVB Holding AG and the entities under its control. Control applies if OVB directly or indirectly holds more than 50 per cent of the voting rights in an entity or if it can influence the financial and operating policies of an entity in such a way that it benefits from the entity's activities.

The consolidated financial statements contain all assets and (contingent) liabilities as well as all expenses and income of OVB Holding AG and the subsidiaries under its control after elimination of all intra-group transactions by way of consolidation of investments, liabilities, expenses and income as well as the elimination of interim results.

Subsidiaries are fully consolidated as of the date when OVB Holding AG assumes control. Inclusion in the consolidated financial statements by way of full consolidation ends as soon as an entity is no longer controlled by the parent.

In addition to OVB Holding AG, the following subsidiaries have been included in the consolidated financial statements:

| Consolidated entities | Investment in per cent 2016 | Investment in per cent 2015 | Subscribed capital in EUR'000 31/12/2016 |
|---|---|---|---|
| Nord-Soft EDV-Unternehmensberatung GmbH, Horst | 50.40 | 50.40 | 77 |
| Nord-Soft Datenservice GmbH, Horst | 50.40 | 50.40 | 26 |
| OVB Informatikai Kft., Budapest | 100 | 100 | 51 |
| MAC Marketing und Consulting GmbH i.L., Salzburg | 100 | 100 | 500 |
| EF-CON Insurance Agency GmbH, Vienna | 100 | 100 | 100 |
| OVB SW Services s.r.o., Prague | 100 | 100 | 8 |
| OVB Vermögensberatung AG, Cologne | 100 | 100 | 10,000 |
| Advesto GmbH, Cologne | 100 | 100 | 400 |
| Eurenta Holding GmbH Europäische Vermögensberatung, Cologne | 100 | 100 | 75 |
| OVB Allfinanz a.s., Prague | 100 | 100 | 570 |
| OVB Allfinanz Slovensko a.s., Bratislava | 100 | 100 | 849 |
| OVB Allfinanz Polska Społka Finansowa Sp. z o.o., Warsaw | 100 | 100 | 245 |
| OVB Vermögensberatung A.P.K. Kft., Budapest | 100 | 100 | 134 |
| TOB OVB Allfinanz Ukraine, Kiev | 100 | 100 | 1,439 |
| OVB Allfinanz Romania Broker de Asigurare S.R.L., Cluj | 100 | 100 | 297 |
| OVB Imofinanz S.R.L., Cluj | 100 | 100 | 149 |
| OVB Allfinanz Croatia d.o.o., Zagreb | 100 | 100 | 715 |
| OVB Allfinanz Zastupanje d.o.o., Zagreb | 100 | 100 | 3 |
| OVB Allfinanzvermittlungs GmbH, Wals near Salzburg | 100 | 100 | 1,500 |
| OVB Vermögensberatung (Schweiz) AG, Cham | 100 | 100 | 1,177 |
| OVB-Consulenza Patrimoniale SRL, Verona | 100 | 100 | 100 |
| OVB Allfinanz España, S.A., Madrid | 100 | 100 | 501 |
| OVB (Hellas) Allfinanz Vermittlungs GmbH & Co. KG, Bankprodukte, Athens | 100 | 100 | 721 |
| Eurenta Hellas Monoprosopi Eteria Periorismenis Efthynis Asfalistiki Praktores, Athens | 100 | 100 | 500 |
| OVB Hellas Allfinanz Vermittlungs GmbH, Athens | 100 | 100 | 18 |
| OVB Conseils en patrimoine France Sàrl, Strasbourg | 100 | 100 | 300 |

Indicated investments correspond to the voting rights share with respect to all subsidiaries.

Equity and net income for the period attributable to non-controlling shareholders are reported separately in the statement of financial position, the income statement and the statement of comprehensive income respectively. Assets and liabilities of consolidated entities with non-controlling shareholders are as follows:

| | Nord-Soft EDV-Unternehmensberatung GmbH | | Nord-Soft Datenservice GmbH | |
|---|---|---|---|---|
| in EUR'000 | 31/12/2016 | 31/12/2015 | 31/12/2016 | 31/12/2015 |
| Non-current assets | 364 | 390 | 0 | 0 |
| Current assets | 1,060 | 644 | 30 | 35 |
| Non-current liabilities | 0 | 8 | 0 | 0 |
| Current liabilities | 394 | 305 | 6 | 11 |

Non-current assets of Nord-Soft EDV-Unternehmensberatung GmbH essentially include own-use property with a book value of EUR 335 thousand as of 31 December 2016 (previous year: EUR 376 thousand). Sales generated with third parties in the year under review amount to EUR 725 thousand for Nord-Soft EDV-Unternehmensberatung GmbH (previous year: EUR 1,014 thousand) and EUR 167 thousand for Nord-Soft Datenservice GmbH (previous year: EUR 63 thousand).

## 2.3 Foreign currency translation

### 2.3.1 Foreign currency transactions

Foreign currency transactions are generally translated at the closing exchange rate of the transaction date. Monetary items denominated in foreign currencies (e.g. liquid assets, receivables, liabilities) are consequently translated at the respective closing exchange rates and any translation differences are recognised in profit or loss. Non-monetary items valued at historical cost continue to be translated at historical exchange rates. The historical exchange rate equals the exchange rate as of the item’s first-time recognition.

### 2.3.2 Foreign entities

Separate financial statements in a foreign currency are translated according to the functional currency approach under IAS 21 in application of the modified closing rate method. The assets and liabilities of the consolidated foreign entities, all of which are financially independent as well as independently organised and operated, are translated at the closing exchange rate of the reporting date while expenses and income are translated at average annual exchange rates and equity items are translated at historical rates. Translation differences are recognised in equity outside profit or loss.

The exchange rates of relevance to the consolidated financial statements have developed in relation to the euro as follows:

| EUR | Closing rate 31/12/2016 | Closing rate 31/12/2015 | Change in % | Average rate 2016 | Average rate 2015 | Change in % |
|---|---|---|---|---|---|---|
| CHF | 0.932436 | 0.923500 | 0.97 | 0.917280 | 0.936800 | -2.08 |
| CZK | 0.036941 | 0.037000 | -0.16 | 0.036970 | 0.036600 | 1.01 |
| HUF | 0.003223 | 0.003200 | 0.72 | 0.003210 | 0.003200 | 0.31 |
| HRK | 0.132367 | 0.130300 | 1.59 | 0.132300 | 0.131200 | 0.84 |
| PLN | 0.226455 | 0.234400 | -3.39 | 0.229010 | 0.238900 | -4.14 |
| RON | 0.220087 | 0.220600 | -0.23 | 0.222360 | 0.224700 | -1.04 |
| UAH | 0.034578 | 0.037800 | -8.52 | 0.035040 | 0.041300 | -15.16 |

# 3. Summary of essential accounting policies and valuation methods

## 3.1 Historical cost convention and fair value

Generally speaking, the amortised acquisition cost or historical cost of assets and liabilities constitutes the maximum value at which they can be reported.

However, available-for-sale securities and investment property are exceptions to this rule as they are recognised at fair value. The fair value is defined as the amount that would be received for the sale of an asset or paid for the transfer of a liability in a business transaction between market participants as of the cut-off date.

With respect to available-for-sale securities, the fair value of all securities held corresponds to the listed market price in an active market (level 1). If no such market prices are available, fair value is determined on the basis of the requirements defined by IFRS 13.61 according to an appropriate valuation model. Unrealised gains or losses are generally recognised in equity outside profit or loss. If such a security is disposed of, the cumulative gains or losses previously recognised directly in equity are then reclassified to the income statement through profit or loss. If the security is permanently impaired, the cumulative losses previously recognised outside profit or loss are then also reclassified to the income statement.

The fair value of investment property is established on the basis of an independent valuer’s report. Gains or losses derived from changes in the fair value of investment property are recognised in profit or loss in the year in which they accrue or incur.

## 3.2 Financial instruments

Financial assets and liabilities are recognised in the consolidated statement of financial position only when a company of the OVB Group becomes a contracting party with respect to the contractual provisions of the respective financial instrument. Recognition thus takes place as of the settlement date.

The OVB Group's financial instruments can be divided into the following categories which particularly determine subsequent measurement of the financial instruments.

**Loans and receivables**

Loans and receivables are recognised upon their addition at cost. For non-interest-bearing and low-interest loans and receivables with terms to maturity of more than one year, valuation considers the cash value. After first-time recognition, they are measured at amortised cost. That is the amount at which a financial asset was valuated upon first-time recognition, less repayments, plus or less the cumulative amortisation of any difference between the originally assigned value and the amount repayable at final maturity based on the effective interest method, and less any valuation allowances for impairment. In case of objective substantial indicators of impairment ("triggering events"), an individual assessment of the need for impairment is made in a second step: All future cash flows to maturity are discounted and the current cash value is determined and compared to the book value.

Receivables and liabilities to and from any individual former financial agent are offset if they have the same maturity, irrespective of the legal basis for such receivables and liabilities. This concerns the items 7.1 "Other receivables", 25 "Trade payables" and 26 "Other liabilities" in the statement of financial position.

**Available-for-sale financial assets**

Available-for-sale financial assets are recognised at fair value. Unrealised valuation gains and losses are recognised outside profit or loss until the time of their disposal unless the conditions for impairment are met. Appreciation in value up to amortised cost after previously recognised impairment of debt securities is recognised in profit or loss while the appreciation of equity securities is generally recognised outside profit or loss through the revaluation reserve.

**Financial liabilities**

After their initial recognition at cost, financial liabilities are generally measured at amortised cost in the following period in application of the effective interest method.

### 3.2.1 Impairment and reversal of impairment loss of financial assets

The carrying amounts of financial assets are reviewed as of each reporting date to determine whether there are substantial objective indications for impairment, so-called triggering events. In this context, objective indications for impairment include for example a debtor's material financial difficulties, significant changes in the issuer's market environment or the permanent decline of the fair value of a financial asset below amortised cost. If there are such objective indications, an individual evaluation follows in a second step that may result in the assessment of the existence of actual impairment.

If impairment loss was recognised in profit or loss in respect of any "available-for-sale" debt securities held by OVB, the impairment loss is reversed through profit or loss in subsequent periods if the reasons for impairment cease to exist. Reversal of impairment loss must not exceed the amortised cost that would have to be recognised if no impairment loss had been recorded. Any excess amount is recognised in the revaluation reserve.

Impairment losses are not reversed through profit or loss for "available-for-sale financial assets" in the form of equity securities. Changes in fair value must rather be recognised in the revaluation reserve in subsequent periods unless further impairment has to be taken into account.

With respect to financial assets attributed to the category loans and receivables for which impairment loss was recognised in profit or loss, impairment loss is reversed through profit or loss up to the amount of amortised cost if the reasons for impairment cease to exist.

## 3.3 Recognition of sales

Sales are generally recognised at the time the agreed performances have been provided and the claim for payment arises against the respective product partner. In case of uncertainty with respect to the recognition of sales, the date of actual cash inflow is taken into account. In the event that commissions are refunded to a product partner if contracts are cancelled or in the event of non-payment, provisions are made on the basis of historical figures (provisions for cancellation risk). Changes in provisions for cancellation risk are recognised on account of sales.

In the case of commissions received in instalments, back payments can usually be expected for subsequent years after conclusion of the contract. Commissions received in instalments are recognised at the fair value of the received or claimable amount at the time the claim for payment arises.

## 3.4 Discretionary decisions

All of the necessary estimates and assessments in connection with accounting treatment and valuation in accordance with the IFRS comply with the respective accounting standard. Estimates are continually reviewed and are based on experience as to future events. Estimates also consider all events with historical origins known as of the reporting date that have a material effect on future periods.

In preparing the consolidated financial statements, assumptions have been made and estimates utilised that had an effect on the disclosure and value of assets and contingent liabilities as entered in the statement of financial position.

The following is an explanation of the most significant forward-looking assumptions and other material sources of estimate uncertainty as of the reporting date which entail the estimation risk that a material adjustment might have to be made to the carrying amounts of assets and liabilities within the next financial year.

These assumptions and estimates essentially relate to the measurement of provisions and legal risks, the collectability of receivables and deferred taxes on loss carry-forward, impairment of goodwill and depreciation/amortisation or rather the determination of the useful lives of assets, especially of intangible assets. Actual values may deviate in the individual case from the assumptions and estimates made. Changes are recognised at the time better information becomes available.

When provisions are made, estimates of the expected expense required in fulfilment of the current obligation as of the reporting date are made annually, with reasonable regard to the risk involved. If the probability of occurrence is known for a large number of contingencies, an estimated value is determined, and if a bandwidth is known and the probability of occurrence is equally high for each item within this bandwidth, an average amount is determined. In all other cases, the best estimate corresponds to the most probable value. For the calculation of provisions for cancellation risk, historical data for cancellation rates and the probability of cancellation are considered as the basis of estimated future cancellations of contracts. Future cancellation behaviour may vary from the estimate made as of the reporting date. Ceteris paribus an increase of the cancellation rate leads to a straight-line increase of the provisions for cancellation risk. Furthermore, periods of liability for separate product groups and current agreements with respect to liability rates are considered. The book value of provisions for cancellation risk can be found under note 23 in the notes to the consolidated statement of financial position.

Receivables are recognised at amortised cost less any necessary valuation allowance. Specific valuation allowances are calculated on the basis of individual risk assessment in consideration of all available information on the credit rating of the debtor and the age structure of the receivables. Because of the large number of receivables due from different individual sources, lump sum valuation allowances are also made on the basis of a homogeneous classification of non-significant receivables that share a consistent profile relating to risks and opportunities, based on an assessment of the respective debtor's value-defining factors. The book value of receivables can be found under notes 6 and 7 in the notes to the consolidated statement of financial position.

The annual impairment tests of goodwill are based on multi-year budget figures that are generally subject to a certain degree of quantitative uncertainty. Impairment testing requires an estimate of the value in use of the respective cash-generating unit. For the determination of the value in use, estimates of expected future cash flows are required. In addition to that, the parameters required for calculating value in use must also be determinated. These parameters primarily include the risk-free interest rate and a risk premium. The book value of goodwill can be found under note 1 in the notes to the consolidated statement of financial position

For the capitalisation of deferred tax on loss carry-forward, the taxable income of future years must be estimated. This estimate is based on the multi-year budget planning of the individual group divisions. Actually realisable future sales may vary from the budget figures. The book value of deferred tax assets can be found under note 5 in the notes to the consolidated statement of financial position

Insofar as estimates were necessary to a larger extent, the underlying assumptions are explained in detail in the following explanatory notes to the respective item.

## 3.5 Objectives and methods of financial risk management

The objectives of capital management are based on OVB's financial strategy, components of which are safeguarding liquidity in day-to-day operations and guaranteeing access to the capital market at any time. Measures for reaching the targets of capital management are dividend policy, equity transactions, providing liquid assets for acquisition and avoiding interest-bearing debt. OVB pursues a corporate policy according to which the Company's shareholders participate adequately in the business success. The Executive Board has the objective to keep distributing the Company's profits to the shareholders. In the past financial year, a dividend was paid that was five cents higher than the previous year's dividend. There is still no need for either short-term or long-term outside financing. Our financial management is oriented towards the high degree of equity financing determined in our financial strategy. The capital structure of OVB Holding AG is distinguished by a solid equity ratio of 52.6 per cent (previous year 53.4 per cent). The Group utilises various financial instruments that are a direct result of its business activities. The material risks to which the Group is exposed in connection with financial instruments include liquidity risk, currency risk, credit risk and interest rate risk. By means of the risk management system implemented by the Company's management, risks are routinely analysed and promptly reported. The risk management system identifies gross exposure, i.e. the risks that will materialise if no measures are taken by the Company, and net risk, i.e. the residual risk that remains after appropriate measures have been taken. The risk report is delivered at regular intervals; reports are given directly to the Company's management in case of increased individual risks. Management decides on strategies and procedures for managing individual types of risk explained below in the respective subsections.

The following table shows the book values of all financial assets reported in the consolidated financial statements.

| in EUR'000 | | Book value 2016 | Book value 2015 |
|---|---|---|---|
| Financial assets | L+R | 5,223 | 159 |
| Trade receivables | L+R | 29,742 | 23,766 |
| Receivables and other assets | | 17,887 | 21,084 |
| Receivables | L+R | 12,460 | 14,287 |
| Other assets | | 5,427 | 6,797 |
| Securities and other capital investments | | 25,168 | 44,722 |
| Securities | AfS | 8,619 | 5,572 |
| Other capital investments | L+R | 16,549 | 39,150 |
| Cash and cash equivalents | L+R | 69,938 | 48,804 |

L+R = Loans and Receivables;
AfS = Available for Sale

All book values of financial assets correspond to the respective fair value. Pursuant to IFRS 13, securities are measured according to level 1 at market or stock market prices.

Aggregated according to the categories defined under IAS 39, the book values of financial instruments can be broken down as follows:

| in EUR'000 | Book value 2016 | Amortised cost | Historical cost | Change in value outside profit or loss | Change in value through profit or loss |
|---|---|---|---|---|---|
| Loans and receivables | 133,912 (previous year: 126,166) | 133,912 (previous year: 126,166) | - | - | -19,937 (previous year: -19,055) |
| Available-for-sale financial assets | 8,619 (previous year: 5,572) | - | 9,200 (previous year: 6,139) | 246 (previous year: 448) | -827 (previous year: -1,015) |
| Financial liabilities | 42,981 (previous year: 38,648) | 42,981 (previous year: 38,648) | - | - | - |

The Company's current liabilities fall under the category "financial liabilities", measured at amortised cost. "Loans and receivables" include all of the Company's financial receivables, loans reported as financial assets, fixed-term deposits and liquid assets with a maturity of more than three months reported as other short-term capital investments, short-term loans and cash and cash equivalents. In order to improve comparability with the following tables, the book values shown for each asset category are the net carrying amounts, i.e. after consideration of impairment. All securities are classified as "available-for-sale financial assets".

Neither in the year under review nor in the previous year were financial assets reclassified in accordance with IFRS 7.12.

As of 31 December 2016 receivables with a book value of EUR 7 thousand were overdue but not impaired (previous year: EUR 6 thousand). These receivables are essentially only a few days overdue based on invoicing processes.

Financial assets with a book value of EUR 3,631 thousand (previous year: EUR 3,099 thousand) were pledged as collateral. Collateral is granted to individual product partners for protection against discount risk. The amount is based on the respective business volume of previous reporting periods.

The fair values of the available-for-sale financial assets stated in the financial statements were determined on the basis of existing market and stock market prices.

The following table shows the net result from financial instruments broken down by measurement category:

| in EUR'000 | From interest and similar income | From subsequent measurement: At fair value | From subsequent measurement: Valuation allowance / Appreciation in value | From disposal | Net result: Total |
|---|---|---|---|---|---|
| Loans and receivables | 392 (previous year: 466) | - | -2,035 (previous year: -2,074) | -755 (previous year: -549) | -2,398 (previous year: -2,157) |
| Available-for-sale financial assets | 115 (previous year: 114) | 185 (previous year: 103) | -52 (previous year: -60) | 356 (previous year: 9) | 604 (previous year: 166) |
| Financial liabilities | -61 (previous year: -238) | - | - | 1,173 (previous year: 1,124) | 1,112 (previous year: 886) |
| Total | 446 (previous year: 342) | 185 (previous year: 103) | -2,087 (previous year: -2,134) | 774 (previous year: 584) | -682 (previous year: -1,105) |

Foreign currency effects included in the net result are immaterial and therefore not reported separately. The net result includes EUR 203 thousand (previous year: EUR 121 thousand) recognised outside profit or loss in equity.

OVB reports the above-mentioned expenses and income included in the net result under "financial result" with the exception of:

- valuation allowances for receivables assigned to the category "loans and receivables" that are reported under distribution expenses as essentially receivables from sales agents are concerned,
- income from cancelled liabilities reported under other operating income and
- adjustments to the fair value of available-for-sale financial instruments recognised outside profit or loss.

The net result from valuation allowances on loans and receivables consists of expenses for valuation allowances and income from appreciation in value.

Total interest income from financial assets amounted to EUR 507 thousand in the year under review (previous year: EUR 580 thousand). Total interest expense for financial liabilities was EUR 61 thousand (previous year: EUR 238 thousand).

### 3.5.1 Credit risk

The group companies are exposed to default risks relating to receivables from sales agents. OVB counters these risks by retaining securities, running an active accounts receivable management at the respective subsidiaries and practising a careful selection of financial agents. Credit risk relating to product partners is curtailed by a restrictive selection process. Adequate risk provisions have been made for receivables associated with a "triggering event" upon which impairment loss has been identified.

Cancellation risks are adequately covered by corresponding provisions. With respect to the Group's other financial assets such as cash, cash equivalents and financial assets, the maximum credit risk in the event of counterparty default is the carrying amount of these instruments. Subsequent to their initial recognition they are measured at amortised cost. This is the amount at which a financial asset was initially valuated, less repayments, plus or less the cumulative amortisation of any premium/discount and less any allowances for impairment.

The maximum default risk in the category "loans and receivables" is equivalent to the carrying amount of EUR 133,912 thousand (previous year: EUR 126,166 thousand) and to receivables from third parties arising in case of the utilization of guarantees if applicable (cf. IV. Other information). Securities held as collateral for this purpose come to EUR 9,945 thousand (previous year: EUR 8,739 thousand) so that the residual risk amounts to EUR 123,967 thousand (previous year: EUR 117,373 thousand). Material terms and conditions were not renegotiated in the year under review.

The maximum amount of exposure in the category "available-for-sale financial assets" as of 31 December 2016 is equivalent to the carrying amount of EUR 8,619 thousand (previous year: EUR 5,572 thousand).

The credit quality of financial assets that are neither overdue nor impaired is determined on the basis of the subsidiaries' management assessment within a scale from "AAA" to "lower than BBB", according to Standard & Poor's ratings categories, as follows:

| in EUR'000 | AAA | AA | A | BBB | Lower than BBB | No rating | Total |
|---|---|---|---|---|---|---|---|
| Loans and receivables | 7,942 (previous year: 6,293) | 4,779 (previous year: 2,207) | 104,097 (previous year: 98,810) | 8,167 (previous year: 7,427) | 634 (previous year: 588) | 799 (previous year: 1,794) | 126,418 (previous year: 117,119) |
| Available-for-sale financial assets | 0 (previous year: 0) | 0 (previous year: 712) | 3,322 (previous year: 804) | 0 (previous year: 0) | 0 (previous year: 0) | 0 (previous year: 0) | 3,322 (previous year: 1,516) |

For the monitoring of risks associated with receivables from financial agents and receivables from employees, please refer to the explanatory notes on valuation allowances for other receivables.

As of the reporting date there were no receivables whose conditions had been renegotiated in the year under review and that would otherwise have been overdue or impaired.

The individually impaired financial assets as of the reporting date can be broken down as follows:

| in EUR'000 | Gross amount | Valuation allowance | Book value (net) |
|---|---|---|---|
| Loans and receivables | 27,424 (previous year: 28,095) | -19,937 (previous year: -19,055) | 7,487 (previous year: 9,040) |
| Available-for-sale financial assets | 6,121 (previous year: 5,067) | -823 (previous year: -1,011) | 5,298 (previous year: 4,056) |

With regard to receivables, other assets and financial assets that were neither impaired nor overdue, there are no circumstances as of the reporting date to suggest that the respective debtors will not meet their payment obligations.

### 3.5.2 Currency risk

Currency risks within the meaning of IFRS 7 arise as a result of financial instruments denominated in a currency other than the functional currency.

In the context of business operations, the individual group companies process and settle transactions almost exclusively in their respective functional currency. Material financial instruments (liquid assets, receivables, interest-bearing securities or debt capital instruments held, interest-bearing and non-interest-bearing liabilities) are also held almost exclusively in the functional currency. Immediately after the end of each financial year, the subsidiaries largely distribute their profits to the parent company.

The Group generates 35 per cent of sales (previous year: 36 per cent) in functional currencies other than the euro. Translation differences from changes in exchange rates compared to the previous year were EUR 93 thousand in consolidated sales and EUR 5 thousand in consolidated net income. Changes in exchange rates between functional currencies and the euro may have an impact on consolidated net income and the consolidated statement of financial position. Exchange rates are constantly monitored
and foreign currency holdings are continuously revalued in order to make allowance for currency risks arising from changes in exchange rates.

### 3.5.3 Interest rate risk

The Group is exposed to interest rate risks in the form of potential interest rate fluctuations. Interest rate risks are presented by way of sensitivity analyses in accordance with IFRS 7. They show the effects of changes in market interest rates on interest income and expense, other income components and, if applicable, on equity. For the sensitivity analysis with respect to fixed-interest securities, information on changes in prices at corresponding changes in market interest rates is taken into consideration (basis point value).

As of the reporting date, the Company had variable-interest assets valued at EUR 63,680 thousand (previous year: EUR 34,641 thousand) and variable-interest liabilities of EUR 142 thousand (previous year: EUR 0 thousand). If market interest rates for the full year 2016 had been 100 basis points higher (lower), the net income would have been EUR 635 thousand (previous year: EUR 346 thousand) higher (lower).

### 3.5.4 Liquidity risk

The Group constantly monitors the risk of a potential liquidity squeeze by means of a liquidity planning report. This report is prepared weekly or monthly and takes into account the terms to maturity of financial investments and financial assets (e.g. receivables, other financial assets) as well as anticipated cash flows from operating activities. No liquidity shortfalls were identified at any time during the reporting period.

### 3.5.5 Tax risk

Tax risk may result in particular from tax audit risks and risks from fiscal court proceedings. Tax risk especially comprises tax on wages and value-added tax for participation of office staff and business partners in incentives and events. There is also the latent income tax risk concerning the acceptance of cross-border cost allocation. These risks are reported in accordance with the general principles of recognition of liabilities if more reasons speak in favour of utilisation than against it as of the reporting date.

# 4. Consolidated assets

## 4.1 Non-current assets

Tangible and intangible non-current assets with a low cost base were written off in full in the year of acquisition and recognised as disposals.

### 4.1.1 Intangible assets

Intangible assets include both purchases and in-house developments of software, purchased trademarks and goodwill.

The following conditions must be met for the capitalisation of in-house developments of intangible assets:

- An intangible asset must be identifiable, i.e. it can be separated from the Company and sold, transferred, licensed, let or swapped.
- Completion of the intangible asset is technically feasible to a degree that it can be used or sold.
- Intent to complete and use or sell the intangible asset.
- Ability to use or sell the intangible asset and to restrict access of third parties to this benefit.
- Reliable determination of acquisition or production cost.
- Availability of adequate technical, financial and other resources toward the completion of development and the intangible asset's use or sale.
- Probability is given that the in-house generated asset will yield future economic benefit.

In accordance with IAS 38.21, software development costs are capitalised in the OVB Group if inflow of an economic benefit attributable to the created software is probable and the cost can be determined reliably. If these criteria for capitalisation are not met, the expenditure on the item is recognised in profit or loss in the year it is incurred.

Software and other intangible assets (not including goodwill) are initially measured at acquisition cost including incidental transaction costs.

Software and other intangible assets (not including goodwill) are measured at cost less cumulative amortisation and impairment as of subsequent reporting dates.

Unless special circumstances make deviation necessary, amortisation of intangible assets is calculated under the straight-line method on the basis of the following useful lives:

| | Estimated useful lives |
|---|---|
| Software | 3 – 10 years |
| Other intangible assets | 3 – 10 years |
| Goodwill | No amortisation (IFRS 3) |

In 2010 a group-wide uniform administration and management program was introduced at several subsidiaries of the OVB Group. The software is gradually amortised over 10 years, according to its introduction at the respective subsidiary, in application of the straight-line method. The period of the software's introduction extends over seven years. As the individualised national market modules are introduced subsequently and the software is constantly updated, the total amortisation period for this asset will come to 16 years due to the scheduled introduction period throughout the Group.

Advance payments for software are measured at face value.

Until 31 December 2004 goodwill was amortised through profit or loss under the straight-line method over its useful life provided there was no impairment.

Due to the introduction of IFRS 3, existing goodwill was recognised at its value as of 31 December 2004 and amortisation was discontinued after that date. The assigned value is deemed the new cost. Instead of amortisation under the straight-line method, goodwill is subject to so-called impairment testing in accordance with IAS 36 at least once a year. Impairment testing involves justifying the value assigned to the respective asset ("impairment only approach"). Impairment testing for the period entails testing the relevant cash-generating units for impairment. Cash-generating units for the purpose of goodwill impairment tests are the entities forming the basis of the goodwill or divisions of these entities. These scheduled impairment tests are conducted regularly on the basis of recent multi-year budget figures. Within the framework of the most recent impairment tests, the value in use was determined as the recoverable amount. OVB applies a DCF procedure for determining the value in use. If there are indications of impairment, additional tests are carried out during the reporting period independently of the mandatory annual impairment test.

The asset schedule shows how the values of intangible assets have changed over the financial year. There were no restrictions on disposal or pledges.

### 4.1.2 Tangible assets

Tangible assets are initially valuated at cost including incidental transaction costs.

Tangible assets are subsequently measured at cost less cumulative depreciation and impairment plus any reversal of impairment loss as of the following reporting dates.

Gains or losses upon asset disposal are determined by comparing sale proceeds with the carrying amount and recognised in profit or loss.

The estimated useful life is determined on the basis of anticipated physical wear and tear, technological obsolescence and legal and contractual restrictions.

Non-current assets are depreciated under the straight-line method over the following useful lives:

| | Estimated useful lives |
|---|---|
| Own-use property | 25 – 50 years |
| Machinery, equipment, furniture, vehicles, other | 4 – 10 years |
| IT equipment | 3 – 5 years |
| Tenant fixtures and fittings | 5 – 13 years |
| Leased property | 3 – 5 years |

### 4.1.3 Investment property

Investment property is capitalised at cost including incidental transaction costs, representing the investment's market value at the time of acquisition. Investment property is capitalised only if it is probable that future economic benefits associated with the property will flow to the entity and if the cost of the property can be reliably measured.

Investment property is re-measured at fair value as of subsequent reporting dates (fair value model). Unless there are reasons suggesting that revaluation should be applied substantially earlier, revaluations are carried out at least once a year by an independent valuer. Pursuant to IAS 40 investment property is therefore not subject to depreciation.

Revaluation is generally provided by means of an independent valuer's recent report utilising accepted real property valuation methods and taking into account property-specific distinctive features. For further explanations of the methods applied to investment property valuation please refer to the presentation of the corresponding asset item.

### 4.1.4 Financial assets

Financial assets relate to loans to office staff and sales agents granted at market interest rates as well as an acquired bonded loan. Measurement is based on amortised cost less impairment if applicable.

### 4.1.5 Leases

Leases where all material risks and benefits incident to asset ownership are transferred to the lessee are classified as finance leases. The lessee depreciates the capitalised leased assets over their useful lives. If a shorter term is agreed under the lease contract, that term is applied. Any liabilities under lease agreement are recognised accordingly and reduced by the repayment amount of the lease payments made.

If the above criteria are not met, the lease is classified as an operating lease. OVB is currently the lessee under operating as well as finance lease agreements.

Rental income under operating leases where OVB acts as lessor is recognised in profit or loss under "other operating income".

### 4.1.6 Impairment

Non-financial assets are reviewed for impairment within the meaning of IAS 36 according to risk management guidance if so-called triggering events indicate that the asset's carrying amount may not be recoverable (impairment test). Such objective indications or triggering events would include, for example, changes in market value, changes in market and business environment, changes in market interest rates or substantial indications in the Company's internal reporting that the ability to use the asset has changed for the worse or that the asset's earning capacity has diminished. Impairment loss is recognised as soon as it is determined in the context of impairment testing that an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's net selling price and value in use. The net selling price is the amount obtainable by selling the asset under market conditions less cost to sell. The value in use is the cash or present value of estimated future cash flows expected to arise from the continued use of an asset and from its disposal at the end of its useful life. The recoverable amount is determined for each asset individually if possible or otherwise for the cash-generating unit the asset belongs to.

Goodwill recognised in the statement of financial position is reviewed for its future economic benefit in accordance with the methods described under note 4.1.1. The future economic benefit is determined on the basis of the recoverable amount. Impairment loss is recognised in profit or loss if the recoverable amount is lower than the carrying amount of the respective cash-generating unit.

## 4.2 Current assets

### 4.2.1 Receivables and other assets

Receivables and other assets are recognised at amortised cost less any necessary valuation allowance. Valuation allowances are determined on the basis of individual risk assessment and past experience.

Claims for commission acquired from financial agents against payment are recognised according to their nature as either non-financial assets or financial assets at amortised cost less commission expense saved. The reduction of the carrying amount by saved commission expense increases brokerage expenses by the full corresponding amount.

### 4.2.2 Securities

Pursuant to IAS 39, securities can be classified into the categories "at fair value through profit or loss", "held-to-maturity", "available-for-sale" and "loans and receivables".

Given the incidental nature of OVB's capital investments, only such securities are purchased that can be disposed of at any time. All securities and other capital investments are thus classified as "available for sale".

Financial assets are valuated at fair value plus incidental transaction costs upon their first-time recognition.

"Available-for-sale" financial assets are subsequently measured at fair value provided the fair value can be reliably determined. Changes in the market value of "available-for-sale" financial assets are recognised in the revaluation reserve in equity and reclassified through profit or loss only if and when gains or losses are realised. A loss is deemed realised even without the sale of the security if there are objective indications (triggering events) and impairment has accordingly been identified (IAS 39.58).

Premiums and discounts are attributed directly to the respective financial assets and allocated over the remaining term with a constant effective interest rate. If there are objective indications of impairment, assessments are made with respect to actual impairment and impairment loss is recognised if necessary.

### 4.2.3 Cash and cash equivalents

Cash and short-term deposits recognised in the statement of financial position include cash-in-hand, bank balances and short-term deposits with original terms to maturity of less than three months. These items are recognised at face value.

Cash and cash equivalents as reported in the statement of cash flows comprise cash-in-hand and bank balances with terms to maturity of less than three months less current liabilities to banks.

# 5. Consolidated equity and liabilities

## 5.1 Non-current liabilities

Non-current liabilities are liabilities that fall due more than twelve months after the reporting date or whose payment OVB can postpone by at least twelve months from the reporting date as well as liabilities paid outside the ordinary course of business.

### 5.1.1 Non-current provisions

**Provisions for pensions**

The calculation of provisions for pensions is based on the project unit credit method in accordance with IAS 19. Future obligations are measured on the basis of actuarial estimates. Such estimates take into account current mortality, disability and staff turnover rates. The interest rate applied in order to calculate the present value of pension obligations is based on the interest rate applicable to long-term first-class corporate bonds and comes to 0.60 per cent (previous year: 0.80 per cent).

**Provisions for employee benefits**

Provisions for long-term benefits due to employees are particularly provisions for anniversary benefits that do not fall due within 12 months of the reporting date. They are generally measured at the present value of estimated future cash flows. The discount interest rate is oriented towards the interest rate applicable to long-term first-class corporate bonds.

## 5.2 Current liabilities

### 5.2.1 Provisions for taxes / Tax liabilities

If certain facts or circumstances are in dispute between the reporting entity and the respective tax authority, provisions are made for the income taxes of the individual entities based on the respective applicable domestic taxation.

Taxes on income from current and previous periods that have been assessed but not yet paid are stated as tax liabilities.

Deferred tax liabilities are reported under tax deferrals.

### 5.2.2 Other provisions

**Cancellation risk**

Provisions for cancellation risk are made for discounted commission relating to events after the reporting date as commission must be repaid in full or in part if a product partner claims a commission refund on the basis of contracts that have been cancelled. The amount of the provision is determined by the respective subsidiary based on nationally specific aspects (esp. period of liability, the subsidiary's historical cancellation rates, the expected timing of cancellations, etc.) as of each reporting date according to a uniform process implemented in the Group. The expected non-current portion of the provision is subject to discounting. The discount rate applied, appropriate to the term to maturity, is 0.03 per cent (previous year: 0.15 per cent).

**Unbilled liabilities**

Provisions are made for unbilled liabilities if the amount of the liability can only be estimated because the billable quantities and/or prices are unknown. This item primarily relates to unsettled accounts with financial agents. If specific details cannot be provided in the individual case, the provisions are measured at the average share of commission usually attributable to the sales force. Provisions are reviewed as of each reporting date and adjusted in accordance with the best available estimate at the time.

#### Litigation

Provisions are set aside for litigation in each case where OVB is the defendant in pending court proceedings as of the reporting date. The provision reflects the probable outcome of the legal dispute with due regard to the associated litigation risk. Provisions are reviewed as of each reporting date and adjusted in accordance with the best available estimate at the time.

#### Obligations to employees

Current provisions are recognised for obligations to employees if the maturity date and/or the amount of such obligations are uncertain. Provisions are reviewed as of each reporting date and adjusted in accordance with the best available estimate at the time.

#### Costs for financial statements / Audit cost

Companies of the OVB Group have the obligation under commercial law and tax law to prepare separate annual financial statements in accordance with the applicable domestic provisions as well as consolidated financial statements and, if the entity exceeds a certain size, to have financial statements audited. This item also includes the anticipated cost of the audit of the 2016 consolidated financial statements.

#### Other obligations

Other obligations arise from accounts that are outstanding, particularly for goods and services that were supplied before the reporting date but have not yet been billed. Such provisions are recognised at expected settlement amounts.

### 5.2.3 Other liabilities

#### Trade payables

Trade payables are recognised at settlement amounts.

#### Loans

Interest-bearing bank loans are recognised at the disbursed amount at the time the loan is received. This amount usually equals the valued amount. Loans are subsequently appreciated in value up to the amount to be repaid by applying the effective interest method.

# 6. Consolidated income statement

The consolidated income statement has been prepared in application of the total cost method.

## 6.1 Income / Expenses

Please refer to note 3.3 for the recognition of sales.

The offsetting expense items are recognised on an accrual basis.

## 6.2 Financial result

Finance expense and finance income are recognised on an accrual basis.

## 6.3 Taxes on income

Actual income tax expense is calculated on the basis of earnings for the period as reported in the separate financial statements of the individual entities. Earnings before taxes are adjusted for tax-free and non-deductible items. The tax rates applicable as of the reporting date are applied in order to calculate income tax.

Deferred tax is calculated on the basis of the internationally recognised liability method. According to this method, deferred tax items are recognised for all temporary and quasi-temporary differences between the book values of an asset or liability according to IFRS and its tax base as reported by the individual entity, as well as for selected consolidation transactions. Furthermore, deferred tax assets are recognised for the future benefit of tax loss carry-forwards. However, a deferred tax asset will be recognised for accounting and valuation differences and for tax loss carry-forwards only to the extent that realisation is sufficiently probable. Calculation was based on the budgeted medium-term earnings of the respective companies. Deferred taxes are measured on the basis of the respective expected domestic income tax rate.

As prescribed by IAS 12.53, deferred tax assets and tax liabilities are not discounted. Deferred tax assets and tax liabilities are reported in the consolidated statement of financial position as non-current assets and non-current liabilities.

If the temporary difference arising from first-time recognition of an asset or liability does not affect the taxable earnings, no deferred taxes are recognised unless the temporary difference arises in connection with a business acquisition.

Such items are generally recognised as tax income or expense in the income statement. An exception to this rule are items that are allocated to other comprehensive income outside profit or loss, in which case deferred tax on these items is recognised accordingly.

Deferred tax assets can be offset against deferred tax liabilities in accordance with IAS 12.74 if the entity has the legal right to settle on a net basis, the matter involves income taxes levied by the same taxing authority and the entity intends to realise the asset and settle the liability at the same time.

## 7. Explanatory notes and information on segment reporting

The principal business activity of OVB's operating subsidiaries consists of advising clients in structuring their finances and broking various financial products offered by insurance companies and other enterprises in this context. It is not feasible to break down the services provided to clients by product type. Within the group companies there are no identifiable and distinctive key sub-activities at group level. For this reason, the individual companies are each categorised as single-product companies. Consequently segment reporting is based exclusively on geographic aspects as corporate governance and internal reporting to group management are also structured according to these criteria exclusively. In this regard, the operating subsidiaries represent operating segments for the purpose of IFRS 8 and have been aggregated in three reportable segments in accordance with the criteria for aggregation provided by IFRS 8.12. All entities not involved in brokerage service operations are aggregated in the fourth segment, Corporate Centre. Compliant with IFRS, internal reporting to the Company's management is a condensed presentation of the income statement, presented more elaborately in segment reporting. The companies' earnings are monitored separately by the Company's management in order to measure and assess profitability. Due to the Improvements to International Financial Reporting Standards adopted by the EU by Commission Regulation No. 243/2010 of 23 March 2010, segment assets are not disclosed in the presentation of segment reporting compliant with IFRS 8.23 as this disclosure is not part of internal reporting.

The "Central and Eastern Europe" segment includes: OVB Vermögensberatung A.P.K. Kft., Budapest; OVB Allfinanz a.s., Prague; OVB Allfinanz Slovensko a.s., Bratislava; OVB Allfinanz Polska Społka Finansowa Sp. z o.o., Warsaw; OVB Allfinanz Romania Broker de Asigurare S.R.L., Cluj; OVB Imofinanz S.R.L., Cluj; OVB Allfinanz Croatia d.o.o., Zagreb; OVB Allfinanz Zastupanje d.o.o., Zagreb and TOB OVB Allfinanz Ukraine, Kiev. Essential contributions to the brokerage income of the Central and Eastern Europe segment are generated by OVB Allfinanz a.s., Prague at EUR 39,592 thousand (previous year: EUR 39,387 thousand) and OVB Allfinanz Slovensko a.s., Bratislava at EUR 36,411 thousand (previous year: EUR 37,306 thousand).

The "Germany" segment comprises OVB Vermögensberatung AG, Cologne; Advesto GmbH, Cologne and Eurenta Holding GmbH, Cologne. In this segment brokerage income is primarily generated by OVB Vermögensberatung AG, Cologne.

The "Southern and Western Europe" segment includes the following companies: OVB Allfinanzvermittlungs GmbH, Wals near Salzburg; OVB Vermögensberatung (Schweiz) AG, Cham; OVB-Consulenza Patrimoniale SRL, Verona; OVB Allfinanz España S.A., Madrid; OVB (Hellas) Allfinanz Vermittlungs GmbH & Co. KG, Bankprodukte, Athens; OVB Hellas Allfinanzvermittlungs GmbH, Athens; OVB Conseils en patrimoine France Sàrl., Strasbourg and Eurenta Hellas Monoprosopi EPE Asfalistiki Praktores, Athens. An essential contribution to the brokerage income of the Southern and Western Europe segment is generated by OVB Allfinanz España S.A., Madrid in the amount of EUR 22,503 thousand (previous year: EUR 19,514 thousand).

The "Corporate Centre" segment includes OVB Holding AG, Cologne; Nord-Soft EDV-Unternehmensberatung GmbH, Horst; Nord-Soft Datenservice GmbH, Horst; OVB Informatikai Kft., Budapest; MAC Marketing und Consulting GmbH, under liquidation, Salzburg; EF-CON Insurance Agency GmbH, Vienna and OVB SW Services s.r.o., Prague. The companies of the Corporate Centre segment are not involved in broking financial products but primarily concerned with providing services to the OVB Group. The range of services comprises particularly management and consulting services, software and IT services as well as marketing services.

Corresponding to the presentation in internal reporting to the Executive Board, the separate items are presented in segment reporting after consolidation of investments, inter-segment liabilities and expense and income and after the elimination of interim results. Intra-group dividend distributions are not taken into account. For intra-group allocations an appropriate additional overhead charge is levied on the individual cost items incurred.

Reconciliations of segment items to corresponding consolidated items are made directly in the consolidation column in segment reporting. Recognition, disclosure and measurement of the consolidated items in segment reporting correspond to the items presented in the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity.

Please refer to the disclosures of related-party transactions for information about relevant product partners.

# Segment reporting 2016

of OVB Holding AG according to IFRS

| in EUR'000 | Central and Eastern Europe | Germany | Southern and Western Europe | Corporate Centre | Consolidation | Consolidated |
|---|---|---|---|---|---|---|
| **Segment income** | | | | | | |
| Income from business with third parties | | | | | | |
| - Brokerage income | 109,663 | 50,795 | 58,235 | 0 | 0 | 218,693 |
| Other operating income | 1,623 | 3,037 | 2,003 | 2,380 | -198 | 8,845 |
| Income from inter-segment transactions | 46 | 928 | 5 | 9,608 | -10,587 | 0 |
| **Total segment income** | **111,332** | **54,760** | **60,243** | **11,988** | **-10,785** | **227,538** |
| **Segment expenses** | | | | | | |
| Brokerage expense | | | | | | |
| - Current commission for sales force | -69,642 | -26,506 | -32,755 | 0 | 0 | -128,903 |
| - Other commission for sales force | -8,041 | -3,757 | -3,808 | 0 | 0 | -15,606 |
| Personnel expenses | -7,160 | -6,700 | -4,409 | -7,859 | 0 | -26,128 |
| Depreciation/amortisation | -655 | -478 | -356 | -2,121 | 0 | -3,610 |
| Other operating expenses | -16,326 | -10,598 | -10,644 | -10,015 | 10,808 | -36,775 |
| **Total segment expenses** | **-101,824** | **-48,039** | **-51,972** | **-19,995** | **10,808** | **-211,022** |
| **Earnings before interest and taxes (EBIT)** | **9,508** | **6,721** | **8,271** | **-8,007** | **23** | **16,516** |
| Interest income | 106 | 110 | 92 | 128 | -44 | 392 |
| Interest expenses | -9 | -57 | -32 | -6 | 43 | -61 |
| Other financial result | 0 | 34 | -2 | 375 | 0 | 407 |
| **Earnings before taxes (EBT)** | **9,605** | **6,808** | **8,329** | **-7,510** | **22** | **17,254** |
| Taxes on income | -2,082 | 30 | -2,413 | -99 | 0 | -4,564 |
| Non-controlling interests | 0 | 0 | 0 | -154 | 0 | -154 |
| **Segment result** | **7,523** | **6,838** | **5,916** | **-7,763** | **22** | **12,536** |
| **Additional disclosures** | | | | | | |
| Capital expenditures for intangible and tangible assets | 1,348 | 124 | 375 | 1,653 | 0 | 3,500 |
| Material non-cash expenses (-) and income (+) | 961 | -159 | -493 | 51 | 0 | 360 |
| Impairment expenses | -1,398 | -1,164 | -1,086 | -96 | 0 | -3,744 |
| Reversal of impairment loss | 71 | 683 | 182 | 66 | 58 | 1,060 |

# Segment reporting 2015

of OVB Holding AG according to IFRS

| in EUR'000 | Central and Eastern Europe | Germany | Southern and Western Europe | Corporate Centre | Consolidation | Consolidated |
|---|---|---|---|---|---|---|
| **Segment income** | | | | | | |
| Income from business with third parties | | | | | | |
| - Brokerage income | 108,213 | 50,288 | 51,607 | 0 | 0 | 210,108 |
| Other operating income | 1,553 | 3,687 | 1,954 | 2,167 | 18 | 9,379 |
| Income from inter-segment transactions | 54 | 1,081 | 3 | 9,154 | -10,292 | 0 |
| **Total segment income** | **109,820** | **55,056** | **53,564** | **11,321** | **-10,274** | **219,487** |
| **Segment expenses** | | | | | | |
| Brokerage expense | | | | | | |
| - Current commission for sales force | -69,807 | -26,947 | -29,615 | 0 | 0 | -126,369 |
| - Other commission for sales force | -6,252 | -3,639 | -3,479 | 0 | 0 | -13,370 |
| Personnel expenses | -7,062 | -7,207 | -4,140 | -8,269 | 0 | -26,678 |
| Depreciation/amortisation | -865 | -689 | -351 | -1,778 | 0 | -3,683 |
| Other operating expenses | -16,401 | -10,043 | -9,237 | -10,000 | 10,329 | -35,352 |
| **Total segment expenses** | **-100,387** | **-48,525** | **-46,822** | **-20,047** | **10,329** | **-205,452** |
| **Earnings before interest and taxes (EBIT)** | **9,433** | **6,531** | **6,742** | **-8,726** | **55** | **14,035** |
| Interest income | 167 | 138 | 107 | 145 | -91 | 466 |
| Interest expenses | -14 | -116 | -19 | -178 | 89 | -238 |
| Other financial result | 0 | 6 | 22 | 83 | 0 | 111 |
| **Earnings before taxes (EBT)** | **9,586** | **6,559** | **6,852** | **-8,676** | **53** | **14,374** |
| Taxes on income | -2,016 | 223 | -2,038 | -948 | 0 | -4,779 |
| Non-controlling interests | 0 | 0 | 0 | -217 | 0 | -217 |
| **Segment result** | **7,570** | **6,782** | **4,814** | **-9,841** | **53** | **9,378** |
| **Additional disclosures** | | | | | | |
| Capital expenditures for intangible and tangible assets | 767 | 259 | 520 | 934 | 0 | 2,480 |
| Material non-cash expenses (-) and income (+) | 400 | -535 | -695 | 737 | 0 | -93 |
| Impairment expenses | -1,250 | -1,844 | -576 | -119 | 0 | -3,789 |
| Reversal of impairment loss | 34 | 555 | 256 | 110 | 0 | 955 |

# II. NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## ASSETS

### A Non-current assets

| | |
|---|---|
| **2016: EUR'000** | **23,377** |
| 2015: EUR'000 | 19,154 |

### 1 Intangible assets

1

| | |
|---|---|
| **2016: EUR'000** | **9,738** |
| 2015: EUR'000 | 10,028 |

| in EUR'000 | 31/12/2016 | 31/12/2015 |
|---|---|---|
| Software | | |
| Software purchased from third parties | 8,889 | 9,340 |
| In-house software developments | 20 | 5 |
| Payments on account for software | 237 | 367 |
| Goodwill | 147 | 147 |
| Other intangible assets | 445 | 169 |
| | **9,738** | **10,028** |

Purchased software essentially relates to a group-wide uniform administration and management program and a software solution for sales support. The carrying amount of the administration and management program called myOVB is EUR 5,929 thousand as of 31 December 2016 (previous year: EUR 6,615 thousand). The carrying amount of the sales-support software comes to EUR 1,530 thousand as of 31 December 2016 (previous year: EUR 1,556 thousand).

Goodwill is subject to impairment test in accordance with IAS 36. The risk-free discount rate applied to goodwill for the determination of its value in use is 0.80 per cent (previous year: 1.41 per cent) at a detailed planning horizon of five years.

Changes in intangible assets during the financial year are presented in the asset schedule.

Goodwill accounted for at EUR 147 thousand in the Germany segment faces the expected future receipt of payments that substantiates the carrying amount as of 31 December 2016.

### 2 Tangible assets

2

| | |
|---|---|
| **2016: EUR'000** | **4,166** |
| 2015: EUR'000 | 4,207 |

| in EUR'000 | 31/12/2016 | 31/12/2015 |
|---|---|---|
| Land, land rights and buildings | | |
| - Own-use property | 1,329 | 1,432 |
| Other equipment, office and operating equipment | | |
| - Machinery, equipment, furniture, vehicles, other | 1,241 | 1,452 |
| - IT equipment | 1,168 | 976 |
| - Leased assets under finance lease | 114 | 88 |
| - Tenant fixtures and fittings | 238 | 257 |
| - Payments on account for tangible assets under construction | 76 | 2 |
| | **4,166** | **4,207** |

A land charge is entered for one property under the Company's own use in the amount of EUR 715 thousand (previous year: EUR 715 thousand) as the bank's collateral. The land charge is not linked to any underlying values.

Depreciation of EUR 101 thousand (previous year: EUR 101 thousand) was recognized for own-use property.

Please refer to the asset schedule for further details on the development of non-current assets.

**Finance lease**

The carrying amount of the leased assets allocated to the Group in accordance with IAS 17 is EUR 115 thousand as of 31 December 2016 (previous year: EUR 88 thousand). The total cash value of minimum lease payments due within one year is EUR 26 thousand (previous year: EUR 24 thousand) and the amount due in between one and five years is EUR 103 thousand (previous year: EUR 63 thousand).

There were no future minimum lease payments under non-cancellable finance leases payable for more than five years.

Finance leases relate to vehicles. Once the leases have expired there is an option to purchase the assets; other options are not provided for.

3

## 3 Investment property

| | |
|---|---|
| **2016: EUR'000** | **0** |
| 2015: EUR'000 | 611 |

The sale of investment property in the shape of land and an office building in Hamburg, Germany results in the following disclosures as of the reporting date 31 December 2016.

| in EUR'000 | 2016 | 2015 |
|---|---|---|
| Rental income from investment property | 18 | 38 |
| Corresponding operating expenses | -29 | -24 |
| Net gains or losses from adjustment to fair value | -31 | 34 |

The fair value attributable to investment property as of 31 December 2015 was based on an independent valuer's report and was allocated to level 3 of the fair value hierarchy according to IFRS 13.

The purchase agreement was signed and notarised on 29 February 2016 and provides for a purchase price of EUR 580 thousand.

The loss of EUR 31 thousand resulting from the revaluation of the property for the first quarter of 2016 as well as the operating net result of EUR -11 thousand as of the reporting date (previous year: EUR 14 thousand) are included in the financial result of the Corporate Centre segment through profit or loss.

The following table shows the valuation technique applied for determining the fair value of investment property as of 31 December 2015 as well as the material unobservable input parameters applied. The fair value was determined according to an income approach ("Ertragswertverfahren") in 2015 considering the earnings value. The measurement parameters indicated were considered in 2016 for negotiating the purchase price of EUR 580 thousand.

| Valuation technique | Material unobservable inputs | Connection between material unobservable inputs and fair value measurement |
|---|---|---|
| Gross rental method: The determination of gross rental value is based on sustainable annual income, esp. rent (gross rental income), achievable with the investment property less operating expenses. The net income thus determined is considered for the calculation of the capitalised value through calculating the present value of annuity by applying property yield and remaining useful life. | 1. Net cold rent (sustainable market rent): EUR 7/sqm (previous year: EUR 7/sqm) | 1. As the rent increases, the fair value of investment property is rising. |
| | 2. Operating expenses: 17 % of net cold rent (previous year: 17 %) | 2. As operating expenses increase, the fair value of investment property is going down. |
| | 3. Property rate: 6.1 % (previous year: 6.1 %) | 3. As the property rate increases, the fair value of investment property is going down. |
| | 4. Remaining useful life: 29 years (previous year: 33 years) | 4. As the remaining useful life decreases, the fair value of investment property is going down. |
| | 5. Specific features of the land | 5. Improved specific features of the land increase the fair value of investment property. |

The following table presents the reconciliation statement for investment property from the beginning to the end of the year 2016:

| in EUR'000 | Investment property |
|---|---|
| **1 January 2016** | **611** |
| (-/+) Depreciation/Appreciation in value | -31 |
| (-/+) Disposal/Addition | -580 |
| **31 December 2016** | **0** |

4

## 4 Financial assets

| | |
|---|---|
| **2016: EUR'000** | **5,223** |
| 2015: EUR'000 | 159 |

Financial assets relate to loans to office staff and sales agents granted at market interest rates and with terms to maturity of more than one year as well as a bonded loan over EUR 5,000 thousand acquired in the third quarter of 2016 with a book value of EUR 5,005 thousand as of 31 December 2016.

Subsequent measurement of the bonded loan is based on amortised cost in application of the effective interest method.

5

## 5 Deferred tax assets

| | |
|---|---|
| **2016: EUR'000** | **4,250** |
| 2015: EUR'000 | 4,149 |

Deferred tax assets can be broken down by reported item as follows:

| in EUR'000 | 31/12/2016 | 31/12/2015 |
|---|---|---|
| Goodwill | 6 | 16 |
| Tangible assets and other intangible assets | 22 | 19 |
| Financial assets | 1 | 1 |
| Financial instruments | 740 | 370 |
| Other assets | 52 | 37 |
| Provisions | 2,450 | 2,338 |
| Liabilities | 1,593 | 2,092 |
| Tax loss carry-forward | 178 | 244 |
| | **5,042** | **5,117** |
| Net of deferred tax liabilities | -792 | -968 |
| | **4,250** | **4,149** |

Deferred taxes are recognised for so far unused loss carry-forward to the extent that it is probable according to current planning that taxable income will be available within the planning period of five years against which unused tax loss can be offset; taxable income is assumed after the end of the planning period.

As of 31 December 2016 deferred income tax liabilities have been offset against equity outside profit or loss in the amount of EUR 23 thousand (previous year: EUR 0 thousand).

All in all, no deferred taxes were recognised for loss carry-forward in the amount of EUR 21,914 thousand (previous year: EUR 22,949 thousand) for group companies. This would have corresponded to deferred tax assets of EUR 6,134 thousand (previous year: EUR 6,308 thousand).

Of this loss carry-forward, the amount of EUR 2,470 thousand (previous year: EUR 3,307 thousand) can be utilised over a period of between 5 and 15 years. The amount of EUR 19,444 thousand (previous year: EUR 19,642 thousand) can be carried forward indefinitely.

## B Current assets

| | 2016: EUR'000 | 144,391 |
|---|---|---|
| | 2015: EUR'000 | 140,106 |

6

## 6 Trade receivables

| | 2016: EUR'000 | 29,742 |
|---|---|---|
| | 2015: EUR'000 | 23,766 |

| in EUR'000 | 31/12/2016 | 31/12/2015 |
|---|---|---|
| Trade receivables | | |
| 1. Receivables from insurance brokerage | 27,448 | 21,366 |
| 2. Receivables from other brokerage | 1,116 | 1,113 |
| 3. Other trade receivables | 1,178 | 1,287 |
| | **29,742** | **23,766** |

The development of valuation allowances for trade receivables is as follows:

| in EUR'000 | 2016 | 2015 |
|---|---|---|
| Valuation allowances as of 1 January | 155 | 128 |
| Exchange rate differences | 0 | 0 |
| Allocation (valuation allowance expense) | 0 | 30 |
| Consumption | 21 | 0 |
| Reversals | 22 | 3 |
| **Valuation allowances as of 31 December** | **112** | **155** |

Trade receivables in the amount of EUR 6,481 thousand (previous year: EUR 8,586 thousand) have remaining terms to maturity of more than one year.

### *1. Receivables from insurance brokerage*

Receivables from insurance brokerage relate primarily to claims for commission and claims from retained securities (cancellation reserve) against product providers. Commission claims do not bear interest and are generally due within 30 days. Claims from retained securities are usually interest-bearing.

### *2. Receivables from other brokerage*

Receivables from other brokerage relate primarily to claims for commission against product providers that are not insurance companies. Those receivables do not bear interest and generally fall due within 30 days.

### *3. Other trade receivables*

Other trade receivables include all receivables that do not relate to brokerage services.

7

## 7 Receivables and other assets

| | 2016: EUR'000 | 17,887 |
|---|---|---|
| | 2015: EUR'000 | 21,084 |

| in EUR'000 | 31/12/2016 | 31/12/2015 |
|---|---|---|
| 7.1 Other receivables | 12,460 | 14,287 |
| 7.2 Other assets | 5,427 | 6,797 |
| | **17,887** | **21,084** |

Receivables and other assets usually have remaining terms to maturity of less than one year. An exception are acquired claims for commission of former financial agents, valued altogether at EUR 3,878 thousand as of the reporting date (previous year: EUR 6,389 thousand). Of this total, claims over EUR 1,772 thousand (previous year: EUR 4,359 thousand) have terms to maturity of more than one year.

# Schedule of Group non-current assets

of OVB Holding AG as of 31 December 2016

| | | | | | | Intangible assets |
|---|---|---|---|---|---|---|
| | | | Software | Goodwill | Other intangible assets | Total |
| in Euro'000 | Purchased software from external third parties | Self-created software | Payments on account of software | | | |
| **Historical cost** | | | | | | |
| 31/12/2015 | 32,016 | 3,913 | 725 | 10,378 | 2,608 | 49,640 |
| Currency translation differences | 2 | -12 | 3 | 0 | 3 | -4 |
| 01/01/2016 | 32,018 | 3,901 | 728 | 10,378 | 2,611 | 49,636 |
| Change in consolidated Group | 0 | 0 | 0 | 0 | 0 | 0 |
| Additions | 1,673 | 20 | 291 | 0 | 196 | 2,180 |
| Disposals | 210 | 0 | 117 | 0 | 4 | 331 |
| Transfers | 32 | 2 | -304 | 0 | 270 | 0 |
| **31/12/2016** | **33,513** | **3,923** | **598** | **10,378** | **3,073** | **51,485** |
| **Accumulated depreciation/ amortisation** | | | | | | |
| 31/12/2015 | 22,670 | 3,841 | 358 | 9,416 | 2,273 | 38,558 |
| Currency translation differences | 1 | -12 | 3 | 0 | 3 | -5 |
| 01/01/2016 | 22,671 | 3,829 | 361 | 9,416 | 2,276 | 38,553 |
| Change in consolidated Group | 0 | 0 | 0 | 0 | 0 | 0 |
| Additions | 2,150 | 5 | 0 | 0 | 198 | 2,353 |
| Disposals | 202 | 0 | 0 | 0 | 5 | 207 |
| Transfers | 5 | 2 | 0 | 0 | -7 | 0 |
| **31/12/2016** | **24,624** | **3,836** | **361** | **9,416** | **2,462** | **40,699** |
| **Accumulated impairments** | | | | | | |
| 31/12/2015 | 6 | 67 | 0 | 815 | 166 | 1,054 |
| Currency translation differences | 0 | 0 | 0 | 0 | 0 | 0 |
| 01/01/2016 | 6 | 67 | 0 | 815 | 166 | 1,054 |
| Change in consolidated Group | 0 | 0 | 0 | 0 | 0 | 0 |
| Additions | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals | 0 | 0 | 0 | 0 | 0 | 0 |
| Transfers | 6 | 0 | 0 | 0 | 0 | 6 |
| **31/12/2016** | **0** | **67** | **0** | **815** | **166** | **1,048** |
| **Book value 31/12/2016** | **8,889** | **20** | **237** | **147** | **445** | **9,738** |
| **Book value 31/12/2015** | **9,340** | **5** | **367** | **147** | **169** | **10,028** |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | **Tangible assets** | **Investment property** | | | **Financial assets** |
| | | | | | **Operating and office equipment** | **Total** | | **Securities** | **Loans** | **Total** |
| **Own-use property** | **Machinery, equipment, furniture, vehicles, other** | **IT equip-ment** | **Leased assets under finance lease** | **Tenant fixtures and fittings** | **Payments on account of tangible assets in progress** | | | | | |
| 3,274 | 6,983 | 4,737 | 212 | 1,727 | 2 | 16,934 | 1,101 | 0 | 159 | 159 |
| -3 | 2 | 4 | 0 | -2 | 0 | 1 | 0 | 0 | 0 | 0 |
| 3,271 | 6,985 | 4,741 | 212 | 1,725 | 2 | 16,936 | 1,101 | 0 | 159 | 159 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 388 | 696 | 101 | 59 | 76 | 1,320 | 0 | 5,005 | 274 | 5,279 |
| 0 | 527 | 184 | 129 | 13 | 2 | 855 | 1,101 | 0 | 215 | 215 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **3,271** | **6,846** | **5,253** | **184** | **1,771** | **76** | **17,401** | **0** | **5,005** | **218** | **5,223** |
| | | | | | | | | | | |
| 1,842 | 5,503 | 3,761 | 124 | 1,459 | 0 | 12,689 | 0 | 0 | 0 | 0 |
| -1 | 5 | 4 | 0 | -2 | 0 | 6 | 0 | 0 | 0 | 0 |
| 1,841 | 5,508 | 3,765 | 124 | 1,457 | 0 | 12,695 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 101 | 540 | 500 | 38 | 78 | 0 | 1,257 | 0 | 0 | 0 | 0 |
| 0 | 444 | 180 | 92 | 2 | 0 | 718 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **1,942** | **5,604** | **4,085** | **70** | **1,533** | **0** | **13,234** | **0** | **0** | **0** | **0** |
| | | | | | | | | | | |
| 0 | 27 | 0 | 0 | 11 | 0 | 38 | 490 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 27 | 0 | 0 | 11 | 0 | 38 | 490 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 1 | 0 | 0 | 0 | 0 | 1 | 31 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 27 | 0 | 0 | 11 | 0 | 38 | 521 | 0 | 0 | 0 |
| **0** | **1** | **0** | **0** | **0** | **0** | **1** | **0** | **0** | **0** | **0** |
| | | | | | | | | | | |
| **1,329** | **1,241** | **1,168** | **114** | **238** | **76** | **4,166** | **0** | **5,005** | **218** | **5,223** |
| **1,432** | **1,453** | **976** | **88** | **257** | **2** | **4,207** | **611** | **0** | **159** | **159** |

# Schedule of Group non-current assets

of OVB Holding AG as of 31 December 2015

| | Intangible assets | | | | | |
|---|---|---|---|---|---|---|
| | Software | | | Goodwill | Other intangible assets | Total |
| in Euro'000 | Purchased software from external third parties | Self-created software | Payments on account of software | | | |
| **Historical cost** | | | | | | |
| 31/12/2014 | 31,149 | 3,972 | 387 | 11,207 | 2,616 | 49,331 |
| Currency translation differences | 50 | 4 | 37 | 20 | 31 | 142 |
| 01/01/2015 | 31,199 | 3,976 | 424 | 11,227 | 2,647 | 49,473 |
| Change in consolidated Group | 0 | 0 | 0 | 0 | 0 | 0 |
| Additions | 1,127 | 0 | 306 | 0 | 0 | 1,433 |
| Disposals | 310 | 63 | 5 | 849 | 39 | 1,266 |
| Transfers | 0 | 0 | 0 | 0 | 0 | 0 |
| **31/12/2015** | **32,016** | **3,913** | **725** | **10,378** | **2,608** | **49,640** |
| **Accumulated depreciation/ amortisation** | | | | | | |
| 31/12/2014 | 20,552 | 3,896 | 322 | 9,416 | 2,293 | 36,479 |
| Currency translation differences | 35 | 5 | 36 | 0 | 31 | 107 |
| 01/01/2015 | 20,587 | 3,901 | 358 | 9,416 | 2,324 | 36,586 |
| Change in consolidated Group | 0 | 0 | 0 | 0 | 0 | 0 |
| Additions | 2,065 | 3 | 0 | 0 | 184 | 2,252 |
| Disposals | 178 | 63 | 0 | 0 | 39 | 280 |
| Transfers | 196 | 0 | 0 | 0 | -196 | 0 |
| **31/12/2015** | **22,670** | **3,841** | **358** | **9,416** | **2,273** | **38,558** |
| **Accumulated impairments** | | | | | | |
| 31/12/2014 | 0 | 67 | 0 | 1,518 | 135 | 1,720 |
| Currency translation differences | 0 | 0 | 0 | 20 | 0 | 20 |
| 01/01/2015 | 0 | 67 | 0 | 1,538 | 135 | 1,740 |
| Change in consolidated Group | 0 | 0 | 0 | 0 | 0 | 0 |
| Impairments | 6 | 0 | 0 | 126 | 31 | 163 |
| Impairment loss reversal | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals | 0 | 0 | 0 | 849 | 0 | 849 |
| **31/12/2015** | **6** | **67** | **0** | **815** | **166** | **1,054** |
| **Book value 31/12/2015** | **9,340** | **5** | **367** | **147** | **169** | **10,028** |
| **Book value 31/12/2014** | **10,597** | **9** | **65** | **273** | **188** | **11,132** |

| | | | | | | Tangible assets | Investment property | | | Financial assets |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Operating and office equipment | Total | | Securities | Loans | Total |
| Own-use property | Machinery, equipment, furniture, vehicles, other | IT equipment | Leased assets under finance lease | Tenant fixtures and fittings | Payments on account of tangible assets in progress | | | | | |
| 3,227 | 6,991 | 4,704 | 181 | 1,531 | 0 | 16,633 | 1,101 | 0 | 321 | 321 |
| 45 | 84 | 47 | 0 | 1 | 0 | 177 | 0 | 0 | 3 | 3 |
| 3,272 | 7,075 | 4,751 | 181 | 1,532 | 0 | 16,810 | 1,101 | 0 | 324 | 324 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2 | 418 | 399 | 31 | 195 | 2 | 1,047 | 0 | 0 | 27 | 27 |
| 0 | 510 | 413 | 0 | 0 | 0 | 923 | 0 | 0 | 192 | 192 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **3,274** | **6,983** | **4,737** | **212** | **1,727** | **2** | **16,934** | **1,101** | **0** | **159** | **159** |
| | | | | | | | | | | |
| 1,723 | 5,266 | 3,716 | 91 | 1,407 | 0 | 12,203 | 0 | 0 | 0 | 0 |
| 18 | 77 | 46 | 0 | 0 | 0 | 141 | 0 | 0 | 0 | 0 |
| 1,741 | 5,343 | 3,762 | 91 | 1,407 | 0 | 12,344 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 101 | 635 | 409 | 33 | 52 | 0 | 1,230 | 0 | 0 | 0 | 0 |
| 0 | 475 | 410 | 0 | 0 | 0 | 885 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **1,842** | **5,503** | **3,761** | **124** | **1,459** | **0** | **12,689** | **0** | **0** | **0** | **0** |
| | | | | | | | | | | |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 524 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 524 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 27 | 0 | 0 | 11 | 0 | 38 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 34 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **0** | **27** | **0** | **0** | **11** | **0** | **38** | **490** | **0** | **0** | **0** |
| **1,432** | **1,453** | **976** | **88** | **257** | **2** | **4,207** | **611** | **0** | **159** | **159** |
| **1,504** | **1,725** | **987** | **90** | **124** | **0** | **4,430** | **577** | **0** | **321** | **321** |

### 7.1 Other receivables

| **in EUR'000** | **31/12/2016** | **31/12/2015** |
|---|---|---|
| Other receivables | | |
| 1. Receivables from financial agents | 8,450 | 10,354 |
| 2. Receivables from employees | 190 | 150 |
| 3. Miscellaneous other receivables | 3,325 | 3,587 |
| 4. Other taxes | 495 | 196 |
| | **12,460** | **14,287** |

Changes in valuation allowances for other receivables are as follows:

| **in EUR'000** | **2016** | **2015** |
|---|---|---|
| Valuation allowances as of 1 January | 18,900 | 19,341 |
| Exchange rate differences | -32 | 52 |
| Allocation (valuation allowance expense) | 2,804 | 2,464 |
| Consumption | 1,231 | 2,429 |
| Reversals | 616 | 528 |
| **Valuation allowances as of 31 December** | **19,825** | **18,900** |

Allocations to valuation allowances for other receivables relate to receivables from financial agents. Risk provisions are made with regard to all available information concerning the credit rating of the debtors and the age structure of the receivables. In addition to the analysis of the age structure, individual valuation allowances are made on the basis of legal opinions provided by in-house and external experts.

*1. Receivables from financial agents*

Receivables from financial agents primarily relate to advance payments of commission and claims for commission refunds. They usually fall due within 30 days. Receivables from an individual former financial agent are offset against liabilities to that same financial agent if they fall due at the same time, irrespective of the legal basis on which the receivables and liabilities arose. Any resulting net receivable is recognised under other receivables. Any resulting net liability is recognised under trade payables. Provisions for cancellation risk with respect to active financial agents serve the purpose of covering potential future commission refund claims and are disclosed under other liabilities.

Individual valuation allowances are made with regard to all available information concerning the credit rating of the debtors and the age structure of the receivables. A distinction is also made between active and former financial agents. Due to the large number of individual receivables due from financial advisors, lump sum valuation allowances are also made up to a certain amount based on receivables categories which are determined on the basis of an assessment of the respective debtor's value-defining factors.

*2. Receivables from employees*

Receivables from employees generally relate to receivables arising as a result of short-term loans.

*3. Miscellaneous other receivables*

Miscellaneous other receivables include all receivables from third parties as of the reporting date not attributed to any other item in the statement of financial position. The item also comprises the portion of acquired commission claims of former financial advisors allotted to brokerage agreements concluded as of the acquisition date.

*4. Other taxes*

Other taxes only include other actual tax assets e.g. for overpaid income tax, value-added tax and property tax that can be determined exactly or for which there is a tax assessment notice.

### 7.2 Other assets

| | |
|---|---|
| **2016: EUR'000** | **5,427** |
| 2015: EUR'000 | 6,797 |

| in EUR'000 | 31/12/2016 | 31/12/2015 |
|---|---|---|
| Other assets | | |
| 1. Accrued investment income | 10 | 7 |
| 2. Other accrued income | 596 | 510 |
| 3. Advertising and office supplies | 446 | 434 |
| 4. Payments on account | 449 | 484 |
| 5. Acquired future commission claims | 3,878 | 5,156 |
| 6. Miscellaneous other assets | 48 | 206 |
| | **5,427** | **6,797** |

*1. Accrued investment income*

Accrued investment income includes accrued income from financial assets and short-term capital investments.

*2. Other accrued income*

Other accrued income relates primarily to prepaid office rent for the following year and insurance premiums.

*3. Advertising and office supplies*

This item includes advertising materials for the sales force and other material used in sales and administration.

*4. Payments on account*

This item primarily relates to short-term advance payments for incentive events.

*5. Acquired future commission claims*

This item regards the portion of commission claims of financial agents acquired against payment and relating to the probable brokerage of contracts after the acquisition date.

*6. Miscellaneous other assets*

Miscellaneous other assets comprise all assets that exist as of the reporting date and are not attributed to any other item in the statement of financial position.

8

## 8 Income tax assets

| | |
|---|---|
| **2016: EUR'000** | **1,656** |
| 2015: EUR'000 | 1,730 |

Income tax receivables primarily relate to income tax payments on account. Such receivables exist in particular for OVB Allfinanz a.s., Prague and OVB-Consulenza Patrimoniale SRL, Verona.

9

## 9 Securities and other capital investments

| | |
|---|---|
| **2016: EUR'000** | **25,168** |
| 2015: EUR'000 | 44,722 |

| in EUR'000 | 2016 | | | 2015 | | |
|---|---|---|---|---|---|---|
| | Securities | Other capital investments | Total | Securities | Other capital investments | Total |
| **Historical cost** | **9,200** | **16,549** | **25,749** | **6,139** | **39,150** | **45,289** |
| Revaluation reserve | 246 | | 246 | 448 | | 448 |
| Impairment | -827 | | -827 | -1,015 | | -1,015 |
| **Market value** | **8,619** | **16,549** | **25,168** | **5,572** | **39,150** | **44,722** |
| **Book value** | **8,619** | **16,549** | **25,168** | **5,572** | **39,150** | **44,722** |

Securities include interest in investment funds in the following amounts:

| | 2016 | | |
|---|---|---|---|
| Investment | Pension fund | Balanced fund | Equity fund |
| Number of investment funds | 3 | 2 | 1 |
| Fund assets as of the reporting date | Euro 28.8 – 418 million | Euro 31.9 – 32.3 million | Euro 215.8 million |
| Book values as of the reporting date | Euro 2.70 million | Euro 1.11 million | Euro 1.75 million |
| Interest in the funds | 0.16 – 2.54 % | 1.51 – 1.96 % | 0.81 % |

| | 2015 | |
|---|---|---|
| Investment | Pension fund | Balanced fund |
| Number of investment funds | 3 | 2 |
| Fund assets as of the reporting date | Euro 7.5 – 418 million | Euro 28.8 – 33.4 million |
| Book values as of the reporting date | Euro 2.20 million | Euro 1.20 million |
| Interest in the funds | 0.11 – 5.79 % | 1.47 – 2.47 % |

The maximum risk exposure corresponds to the book value

In the past financial year write-downs on securities were recognised in profit or loss in the amount of EUR 52 thousand (previous year: EUR 60 thousand). The write-downs are included in the financial result in "investment expenses" under item 33. The reversal of impairment loss on securities is disclosed in the financial result, item 33, under "reversal of impairment loss on investments".

The revaluation reserve increased by the amount of EUR 203 thousand in the past financial year (previous year: EUR 121 thousand). Net gains were realised in the amount of EUR 387 thousand in the financial year (previous year: EUR 18 thousand).

Other capital investments particularly include fixed-term deposits and cash equivalents with a maturity of more than three months as well as short-term loans. Interest-bearing investments are recognised at cost if market interest rates apply or otherwise at their cash value.

The determination of the fair value of securities held in the amount of EUR 8,619 thousand is allocated to level 1 of the valuation hierarchy according to IFRS 13 and considers market or stock market prices.

No reclassifications between valuation hierarchy levels have been made in the current financial year.

10

## 10 Cash and cash equivalents

| | |
|---|---|
| **2016: EUR'000** | **69,938** |
| 2015: EUR'000 | 48,804 |

| in EUR'000 | 31/12/2016 | 31/12/2015 |
|---|---|---|
| Cash | 30 | 31 |
| Cash equivalents | 69,908 | 48,773 |
| | **69,938** | **48,804** |

Cash means cash-in-hand of the group companies as of the reporting date in domestic and foreign currencies. Cash equivalents are assets that can be immediately converted to cash. They include bank balances in domestic and foreign currencies with maturities of three months or less, cheques and stamps. Cash and cash equivalents are measured at face value. Foreign currencies are translated into euros at the closing rate.

Liquid assets consist of cash and cash equivalents less current liabilities to banks of EUR 14 thousand (previous year: 14 thousand Euro).

# EQUITY AND LIABILITIES

## A Equity

| | 2016: EUR'000 | 88,270 |
|---|---|---|
| | 2015: EUR'000 | 85,002 |

The development of equity is shown in the statement of changes in equity.

11

### 11 Subscribed capital

| | 2016: EUR'000 | 14,251 |
|---|---|---|
| | 2015: EUR'000 | 14,251 |

The subscribed capital (share capital) of OVB Holding AG amounts to EUR 14,251 thousand as of 31 December 2016, is fully paid up and consists of 14,251,314 no-par value bearer shares (previous year: 14,251,314 shares).

12

### 12 Capital reserve

| | 2016: EUR'000 | 39,342 |
|---|---|---|
| | 2015: EUR'000 | 39,342 |

The capital reserve essentially comprises premiums from the issue of shares in circulation.

13

### 13 Treasury shares

OVB Holding AG did not hold any treasury shares in the year under review. There were no transactions in the Company's ordinary shares or options on its ordinary shares in the period between the reporting date and the date of preparing the consolidated financial statements.

The Annual General Meeting of OVB Holding AG of 3 June 2015 authorised the Executive Board to acquire, subject to the Supervisory Board's approval, up to a total of 300,000 of the Company's bearer shares in one or several transactions up to and including 10 June 2020. Shares acquired on the basis of this authorisation may also be retired. So far no use has been made of this option.

14

### 14 Revenue reserves

| | 2016: EUR'000 | 13,663 |
|---|---|---|
| | 2015: EUR'000 | 13,663 |

15

### 15 Other reserves

| | 2016: EUR'000 | 738 |
|---|---|---|
| | 2015: EUR'000 | 897 |

Other reserves essentially comprise currency translation reserve, pension provision reserve and the available-for-sale reserve / revaluation reserve.

Unrealised gains and losses from financial instruments are recognised in the revaluation reserve after accounting for deferred tax.

Changes in revaluation reserve, currency translation reserve and pension provision reserve over the reporting period are disclosed in the statement of changes in equity.

16

### 16 Non-controlling interests

| | 2016: EUR'000 | 524 |
|---|---|---|
| | 2015: EUR'000 | 370 |

Other shareholders hold non-controlling interests in Nord-Soft EDV-Unternehmensberatung GmbH in the amount of EUR 511 thousand (previous year: EUR 358 thousand) and in Nord-Soft Datenservice GmbH in the amount of EUR 12 thousand (previous year: EUR 12 thousand).

Changes from the previous year represent the proportionate share in the net income of the Nord-Soft entities for the year under review.

17

## 17 Retained earnings

| | |
|---|---|
| **2016: EUR'000** | **19,752** |
| 2015: EUR'000 | 16,479 |

**Distributable profits and dividends**

Distributable amounts relate to the retained earnings of OVB Holding AG determined in accordance with German commercial and stock corporation law.

At the Annual General Meeting of 3 June 2016, shareholders adopted the resolution on the appropriation of the retained earnings of OVB Holding AG for financial year 2015.

On 6 June 2016 a dividend of EUR 9,263 thousand was distributed to the shareholders, equivalent to EUR 0.65 per no-par share (previous year: EUR 0.60 per no-par share).

In accordance with Section 170 AktG (Stock Corporation Act), the Executive Board of OVB Holding AG proposes the following appropriation of the retained earnings as reported in the financial statements of OVB Holding AG as of 31 December 2016:

| in EUR | 2016 |
|---|---|
| Distribution to shareholders | 10,688,485.50 |
| Profit carry-forward | 7,761,094.67 |
| **Retained earnings** | **18,449,580.17** |

The dividend payout is thus equivalent to EUR 0.75 per share (previous year: EUR 0.65 per share).

The number of shares entitled to dividend and thus the amount distributable to shareholders may change prior to the Annual General Meeting due to the Executive Board's option to purchase treasury shares.

## B Non-current liabilities

| | |
|---|---|
| **2016: EUR'000** | **904** |
| 2015: EUR'000 | 926 |

Non-current liabilities are reclassified into "current liabilities" if the remaining term to maturity is less than twelve months.

The following liabilities schedule shows non-current liabilities broken down by remaining term to maturity:

**Maturity of liabilities as of 31 December 2016**

| in EUR'000<br>Type of liability | Total amount | 1 year to less than 3 years | 3 years to less than 5 years | 5 and more years | No maturity | Secured amount |
|---|---|---|---|---|---|---|
| Liabilities to banks | 0 | 0 | 0 | 0 | 0 | 0 |
| Other liabilities | 141 | 97 | 44 | 0 | 0 | 0 |

**Maturity of liabilities as of 31 December 2015**

| in EUR'000<br>Type of liability | Total amount | 1 year to less than 3 years | 3 years to less than 5 years | 5 and more years | No maturity | Secured amount |
|---|---|---|---|---|---|---|
| Liabilities to banks | 0 | 0 | 0 | 0 | 0 | 0 |
| Other liabilities | 112 | 39 | 73 | 0 | 0 | 0 |

18

## 18 Provisions

| | |
|---|---|
| **2016: EUR'000** | **762** |
| 2015: EUR'000 | 806 |

| in EUR'000 | 31/12/2016 | 31/12/2015 |
|---|---|---|
| Provisions for pensions | 387 | 402 |
| Long-term provisions for employee benefits | 368 | 393 |
| Other long-term provisions | 7 | 11 |
| | **762** | **806** |

| in EUR'000 | 01/01/2016 | Exchange rate differences | Allocation | Consumption | Reversal | 31/12/2016 |
|---|---|---|---|---|---|---|
| Provisions for pensions | 402 | 4 | 0 | 19 | 0 | 387 |
| Long-term provisions for employee benefits | 393 | 0 | 50 | 75 | 0 | 368 |
| Other long-term provisions | 11 | 0 | 7 | 11 | 0 | 7 |
| | **806** | **4** | **57** | **104** | **0** | **762** |

The interest effects included in allocations are immaterial.

*Provisions for pensions*

OVB Vermögensberatung (Schweiz) AG, Cham is under statutory obligation to pay pension benefits to six commercial employees as well as nine financial agents. The following pension benefits are granted to the beneficiaries:

- Retirement benefits
- Pensions for surviving dependents
- Disability pension

Provisions for pensions developed as follows:

| **Pension provisions as of 31/12**<br>**in EUR'000** | **2016** | **2015** |
|---|---|---|
| **Present value of defined benefit obligations as of 01/01** | **1,353** | **1,817** |
| Exchange rate changes | 13 | 117 |
| Service cost | 116 | 106 |
| Past service cost | -9 | 0 |
| Interest expense/income | 11 | 13 |
| Gains (-) and losses (+) from revaluation: | | |
| - Actuarial gains and losses from changes in demographic assumptions | -69 | 0 |
| - Actuarial gains and losses from changes in financial assumptions | 36 | 52 |
| - Actuarial gains and losses from experience-based adjustments | 12 | 18 |
| Transfer | 0 | -21 |
| Contributions: | | |
| - Employer | 0 | 0 |
| - Plan participants | 38 | 42 |
| Pension plan payments: | | |
| - Current payments | -35 | -45 |
| - Compensation | 0 | -746 |
| **Present value of defined benefit obligations as of 31/12** | **1,465** | **1,353** |
| | | |
| **Plan assets as of 01/01** | **950** | **756** |
| Exchange rate changes | 9 | 84 |
| Contributions: | | |
| - Employer | 80 | 83 |
| - Plan participants | 38 | 42 |
| Expected investment income | 0 | 0 |
| Pension plan payments: | | |
| - Current payments | -35 | -45 |
| - Compensation | 0 | 0 |
| Interest expense/income | 8 | 9 |
| Gains (-) and losses (+) from revaluation: | | |
| - Income from plan assets not including interest income | 28 | 22 |
| **Plan assets as of 31/12** | **1,078** | **950** |
| **Pension provisions as of 31/12** | **387** | **402** |

The asset ceiling does not have any effect.

The actuarial expert report was prepared by the firm Helvetia Consulta Gesellschaft für Vorsorgeberatung AG, Basel (Switzerland). The report is based on the following actuarial assumptions:

| | **2016** | **2015** |
|---|---|---|
| Discount rate | 0.60 % | 0.80 % |
| Expected inflation rate | 0.80 % | 0.80 % |
| Expected future salary increase | 1.00 % | 1.00 % |
| Expected pension adjustment | 0.00 % | 0.00 % |

The expert reports' underlying assumptions with respect to mortality are based in Switzerland on "BVG 2015".

Current service cost is included in personnel expense. The interest expense of the defined benefit obligations is included in finance expense.

Plan assets of OVB Switzerland are divided into the following categories:

- Liquid assets and fixed deposits 0.9 per cent (previous year: 2.7 per cent)
- Fixed-interest securities 41.5 per cent (previous year: 46.0 per cent)
- Shares 31.4 per cent (previous year: 29.5 per cent)
- Real property 12.1 per cent (previous year: 11.8 per cent)
- Alternative investments 14.1 per cent (previous year: 10.0 per cent).

For 99.1 per cent of the plan assets there is a market price in an active market (previous year: 97.3 per cent).

| in EUR'000 | | Amount of obligation | |
|---|---|---|---|
| | Changes in assumption | Increase in assumption | Decrease in assumption |
| Discount rate | 0.25 % points | 1,410 | 1,524 |
| Expected future salary increase | 0.25 % points | 1,476 | 1,455 |
| Expected future pension adjustment | 0.25 % points | 1,501 | 1,431 |

The sensitivity analysis presented above is based on changes in one parameter as the other parameters remain constant. This isolated constellation would be extremely rare in reality as input parameters are often connected. Sensitivity assessment applies the projected unit credit method that is also applied for determining the defined benefit obligation.

The funding of the acquired benefit claims at OVB Switzerland is provided by employer and employees at 50 per cent each with respect to the basic plan. The employer pays the contributions to the staff plan in full. Basic provision is obligatory for all employees with statutory pension insurance while participation in the staff plan is optional.

Expected contributions to the pension plans for benefits after termination of employment altogether amount to EUR 88 thousand for the financial year ended 31 December 2017.

The weighted average term of the defined benefit obligations is 15.7 years (previous year: 16.5 years).

*Long-term provisions for employee benefits*

Long-term provisions for employee benefits primarily relate to provisions set aside for anniversary bonus payments.

19

## 19 Other liabilities

| | |
|---|---|
| **2016: EUR'000** | **141** |
| 2015: EUR'000 | 112 |

Other liabilities relate to capitalised lease liabilities and equate to the present value of future lease payments.

20

## 20 Deferred tax liabilities

| | |
|---|---|
| **2016: EUR'000** | **1** |
| 2015: EUR'000 | 8 |

Deferred tax liabilities concern the following items in the statement of financial position:

| in EUR'000 | 31/12/2016 | 31/12/2015 |
|---|---|---|
| Goodwill | 48 | 48 |
| Tangible and intangible assets | 28 | 26 |
| Financial instruments | 231 | 654 |
| Other assets | 0 | 0 |
| Provisions | 410 | 170 |
| Liabilities | 36 | 78 |
| Tax loss carry-forward | 40 | 0 |
| | **793** | **976** |
| Net of deferred tax assets | -792 | -968 |
| | **1** | **8** |

Deferred tax liabilities have no determinable terms to maturity for the most part.

## C Current liabilities

| | |
|---|---|
| **2016: EUR'000** | **78,594** |
| 2015: EUR'000 | 73,332 |

Liabilities with a remaining term to maturity of less than twelve months are classified as current liabilities.

21

### 21 Provisions for taxes

| | |
|---|---|
| **2016: EUR'000** | **998** |
| 2015: EUR'000 | 1,765 |

| in EUR'000 | 31/12/2016 | 31/12/2015 |
|---|---|---|
| Income tax provisions | 743 | 695 |
| Other tax provisions | 255 | 1,070 |
| | **998** | **1,765** |

The development of provisions for taxes is altogether as follows:

| in EUR'000 | 01/01/2016 | Exchange rate differences | Allocation | Consumption | Reversal | 31/12/2016 |
|---|---|---|---|---|---|---|
| Tax provisions | 1,765 | -3 | 678 | 770 | 672 | 998 |

22

### 22 Other provisions

| | |
|---|---|
| **2016: EUR'000** | **31.954** |
| 2015: EUR'000 | 30.156 |

| in EUR'000 | 31/12/2016 | 31/12/2015 |
|---|---|---|
| 1. Cancellation risk | 15,902 | 15,037 |
| 2. Unbilled liabilities | 11,584 | 10,964 |
| 3. Legal disputes | 1,671 | 1,279 |
| | **29,157** | **27,279** |
| 4. Others | | |
| - Obligations to employees | 1,123 | 1,327 |
| - Costs associated with annual financial statements / Audit cost | 616 | 638 |
| - Other obligations | 1,058 | 911 |
| | **2,797** | **2,877** |
| | **31,954** | **30,156** |

| in EUR'000 | 01/01/2016 | Exchange rate differences | Allocation | Consumption | Reversal | 31/12/2016 |
|---|---|---|---|---|---|---|
| 1. Cancellation risk | 15,037 | -11 | 1,528 | 652 | 0 | 15,902 |
| 2. Unbilled liabilities | 10,964 | 1 | 9,007 | 8,106 | 282 | 11,584 |
| 3. Legal disputes | 1,279 | 3 | 813 | 230 | 194 | 1,671 |
| 4. Other | 2,876 | -3 | 2,023 | 1,927 | 173 | 2,797 |
| | **30,156** | **-10** | **13,371** | **10,915** | **649** | **31,954** |

Allocations include expenses from the accumulation of interest on provisions in the amount of EUR 15 thousand (previous year: EUR 22 thousand). Provisions for cancellation risk are generally recognised as current provisions due to uncertainty in respect of the time and extent of their utilisation. Assuming that the clients' cancellation behaviour equals that of the recent past, the resulting non-current portion would amount to approx. EUR 5,620 thousand (previous year: EUR 5,158 thousand).

Provisions for litigation essentially concerns legal disputes involving clients and former financial agents. The time aspect and the exact amounts of the outflow of economic benefits of such litigation are uncertain

23

## 23 Income tax liabilities

| | |
|---|---|
| **2016: EUR'000** | **1,228** |
| 2015: EUR'000 | 1,523 |

Income tax liabilities primarily originate from taxation of earnings generated over the previous years.

24

## 24 Trade payables

| | |
|---|---|
| **2016: EUR'000** | **10,978** |
| 2015: EUR'000 | 8,430 |

This item includes commission billed by financial agents unless categorised as retained security as well as bonuses accrued as of the reporting date but not yet paid. Liabilities are measured at payable amounts.

Trade payables also include liabilities based on recurrent and period-based payments such as insurance premiums, telephone charges, electricity charges and rent.

**Maturity of liabilities as of 31 December 2016:**

| in EUR'000<br>Type of liability | Total amount | Overdue | Due daily | Less than 3 months | 3–6 months | 6–12 months | No maturity |
|---|---|---|---|---|---|---|---|
| Trade payables | 10,978 | 225 | 636 | 3,110 | 1,209 | 484 | 5,314 |

**Maturity of liabilities as of 31 December 2015:**

| in EUR'000<br>Type of liability | Total amount | Overdue | Due daily | Less than 3 months | 3–6 months | 6–12 months | No maturity |
|---|---|---|---|---|---|---|---|
| Trade payables | 8,430 | 121 | 568 | 2,217 | 0 | 0 | 5,524 |

25

## 25 Other liabilities

| | |
|---|---|
| **2016: EUR'000** | **33,436** |
| 2015: EUR'000 | 31,458 |

**Maturity of liabilities as of 31 December 2016:**

| in EUR'000<br>Type of liability | Total amount | Overdue | Due daily | Less than 3 months | 3–6 months | 6–12 months | No maturity |
|---|---|---|---|---|---|---|---|
| 1. Retained security | 29,026 | 540 | 443 | 2,197 | 29 | 63 | 25,754 |
| 2. Other tax liabilities | 895 | 0 | 275 | 569 | 0 | 0 | 51 |
| 3. Liabilities to employees | 2,427 | 16 | 367 | 1,237 | 355 | 254 | 198 |
| 4. Liabilities to product partners | 372 | 0 | 11 | 2 | 0 | 0 | 359 |
| 5. Liabilities to banks | 14 | 0 | 14 | 0 | 0 | 0 | 0 |
| 6. Other liabilities to sales agents | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 7. Miscellaneous liabilities | 702 | 0 | 483 | 172 | 3 | 0 | 44 |
| **Total** | **33,436** | **556** | **1,593** | **4,177** | **387** | **317** | **26,406** |

**Maturity of liabilities as of 31 December 2015:**

| in EUR'000<br>Type of liability | Total amount | Overdue | Due daily | Less than 3 months | 3–6 months | 6–12 months | No maturity |
|---|---|---|---|---|---|---|---|
| 1. Retained security | 27,180 | 49 | 121 | 2,636 | 42 | 97 | 24,235 |
| 2. Other tax liabilities | 872 | 0 | 318 | 492 | 0 | 0 | 62 |
| 3. Liabilities to employees | 2,187 | 0 | 273 | 1,189 | 374 | 226 | 125 |
| 4. Liabilities to product partners | 473 | 0 | 4 | 33 | 40 | 0 | 396 |
| 5. Liabilities to banks | 14 | 0 | 14 | 0 | 0 | 0 | 0 |
| 6. Other liabilities to sales agents | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 7. Miscellaneous liabilities | 732 | 0 | 280 | 308 | 75 | 28 | 41 |
| **Total** | **31,458** | **49** | **1,010** | **4,658** | **531** | **351** | **24,859** |

There are no liabilities with terms to maturity of more than 12 months.

### *1. Retained security*

Retained security includes provisions for cancellation risk set aside on account of financial advisors. This security is retained in order to cover anticipated commission refund claims.

### *2. Other tax liabilities*

Tax liabilities only include other actual tax liabilities that can be exactly determined or that have already been assessed.

### *3. Liabilities to employees*

Payments to employees due in the short term for work performed, such as holiday pay, bonuses or premiums as well as benefits paid to employees due to the termination of employment are reported under this item at estimated settlement amounts.

### *4. Liabilities to product partners*

Liabilities to product partners that are not affiliates generally result from the reversal of commission entries and are paid by OVB as they arise over the course of business. These liabilities are measured at face value.

### *5. Liabilities to banks*

Current liabilities to banks are those with a maturity of twelve months or less from the reporting date. They are measured at face value.

### *6. Other liabilities to sales agents*

Current liabilities to the sales force that do not result from brokerage services were recognised as “other liabilities to sales agents”.

### *7. Miscellaneous liabilities*

Miscellaneous liabilities comprise all liabilities that are not attributable to any of the above sub-positions. The item essentially includes liabilities from social security contributions and deferred income.

# III. NOTES TO THE CONSOLIDATED INCOME STATEMENT

26

## 26 Brokerage income

| | 2016: EUR'000 | 218,693 |
|---|---|---|
| | 2015: EUR'000 | 210,108 |

All income from product partners is recognised as brokerage income. Apart from commission, it also includes bonuses and other sales-related benefits paid by product partners. To provide for the case of reimbursements of commission to product partners upon contract cancellation/default, corresponding provisions are made on the basis of past experience (provisions for cancellation risk). Changes in provisions for cancellation risk are credited or charged on account of brokerage income.

27

## 27 Other operating income

| | 2016: EUR'000 | 8,845 |
|---|---|---|
| | 2015: EUR'000 | 9,379 |

| in EUR'000 | 2016 | 2015 |
|---|---|---|
| Refunds from financial agents | 2,914 | 2,651 |
| Income from reversal of provisions | 1,226 | 1,179 |
| Own work capitalised | 67 | 25 |
| Income from cancelled liabilities | 1,173 | 1,124 |
| Rental income from sub-leases | 32 | 47 |
| Income from the disposal of intangible and tangible assets | 50 | 49 |
| Reversals of impairment loss | 768 | 674 |
| Income from currency translation | 35 | 116 |
| Partners' contributions to costs | 681 | 581 |
| Miscellaneous | 1,899 | 2,933 |
| | **8,845** | **9,379** |

Refunds from financial agents generally arise in connection to participation in seminars, use of materials and the lease of IT equipment.

Income from reversal of provisions in the year under review essentially results from the reversal of a tax provision and the reversal of outstanding accounts for not accepted performances.

Own work capitalised relates to an administration and management program (cf. the asset schedule).

Reversals of impairment loss primarily concern receivables from financial advisors.

Partners' contributions to costs relate to contributions made by product partners toward the cost of materials, personnel, representation, training and events as well as insurance payouts.

Miscellaneous other operating income essentially includes sales generated by the service companies with third parties.

28

## 28 Brokerage expenses

| | 2016: EUR'000 | -144,509 |
|---|---|---|
| | 2015: EUR'000 | -139,739 |

| in EUR'000 | 2016 | 2015 |
|---|---|---|
| Current commission | -128,903 | -126,369 |
| Other commission | -15,506 | -13,370 |
| | **-144,509** | **-139,739** |

This item includes all payments to financial advisors. Current commission comprises all directly performance-based commission, i.e. new business commission, dynamic commission and policy service commission. All other commission linked to a specific purpose, e.g. other performance-based remuneration, is reported under "other commission".

29

## 29 Personnel expense

| | |
|---|---|
| **2016: EUR'000** | **-26,128** |
| 2015: EUR'000 | -26,678 |

| in EUR'000 | 2016 | 2015 |
|---|---|---|
| Wages and salaries | -21,802 | -22,328 |
| Social security | -4,088 | -4,005 |
| Expenses for retirement provision | -238 | -345 |
| | **-26,128** | **-26,678** |

30

## 30 Depreciation and amortisation

| | |
|---|---|
| **2016: EUR'000** | **-3,610** |
| 2015: EUR'000 | -3,683 |

| in EUR'000 | 2016 | 2015 |
|---|---|---|
| Amortisation/Impairment of intangible assets | -2,353 | -2,415 |
| Depreciation/Impairment of tangible assets | -1,257 | -1,268 |
| | **-3,610** | **-3,683** |

Depreciation and amortisation in financial year 2016 are disclosed in the asset schedule.

31

## 31 Other operating expenses

| | |
|---|---|
| **2016: EUR'000** | **-36,775** |
| 2015: EUR'000 | -35,352 |

| in EUR'000 | 2016 | 2015 |
|---|---|---|
| **Administrative expenses** | | |
| Legal, financial statement and consulting expenses | -5,407 | -3,700 |
| Facility expenses | -2,816 | -2,676 |
| Communication costs | -994 | -983 |
| IT expenses | -4,503 | -4,373 |
| Vehicle expenses | -592 | -591 |
| Rent for furniture and equipment | -137 | -131 |
| Other administrative expenses | -3,868 | -3,590 |
| | **-18,317** | **-16,044** |
| **Sales and marketing costs** | | |
| Seminars, competitions, functions | -8,393 | -7,908 |
| Advertising cost, public relations | -1,430 | -1,694 |
| Write-down on/Valuation allowances for receivables | -3,559 | -3,296 |
| Other sales and marketing costs | -2,130 | -3,122 |
| | **-15,512** | **-16,020** |
| **Miscellaneous operating expenses** | | |
| Foreign currency loss | -71 | -62 |
| Supervisory Board remuneration | -118 | -114 |
| Losses from disposal of investments | -126 | -139 |
| Other miscellaneous operating expenses | -73 | -171 |
| | **-388** | **-486** |
| **Non-income-based taxes** | | |
| Value-added tax on purchased goods/services | -2,258 | -2,596 |
| Other non-income-based tax | -300 | -206 |
| | **-2,558** | **-2,802** |
| | **-36,775** | **-35,352** |

Other administrative expenses essentially relate to travel expenses, expenses for insurance, fees and contributions, money transfer costs and office supplies.

Other sales and marketing costs particularly relate to cost of materials, entertainment expenses and expenses for sales support.

Other miscellaneous expenses include expenses for the preparation of financial reports and the Annual General Meeting as well as all expenses that are not attributable to any of the above positions.

Other non-income-based tax essentially relates to taxes on wages, vehicle tax and property tax.

### Operating leases

Future minimum lease payments under non-cancellable operating leases essentially comprise future lease payments of group companies for office space of the respective headquarters and can be broken down as follows:

| in EUR'000 | 31/12/2016 | 31/12/2015 |
|---|---|---|
| Twelve months or less | 2,323 | 2,246 |
| More than one year to five years | 4,048 | 4,289 |
| More than five years | 81 | 0 |
| | **6,452** | **6,535** |

Payments under leases recognised in profit or loss can be broken down as follows:

| in EUR'000 | 2016 | 2015 |
|---|---|---|
| Minimum amount of lease payments | 2,554 | 2,922 |
| Contingent rent | -2 | 2 |
| | **2,552** | **2,924** |
| Sub-lease payments | 24 | 21 |
| | **2,576** | **2,945** |

Payments were made under operating leases for the following commodities: vehicles, telephone equipment, photocopiers and other operating and office equipment as well as office space. The terms of these leases range between 3 and 36 months. Contingent rent essentially includes payments for contract provisions that consider actual use of photocopiers and extra mileage for vehicles..

32

## 32 Financial result

| | |
|---|---|
| **2016: EUR'000** | **738** |
| 2015: EUR'000 | 339 |

| in EUR'000 | 2016 | 2015 |
|---|---|---|
| **Finance income** | | |
| Bank interest | 161 | 257 |
| Income from securities | 502 | 123 |
| Reversal of impairment loss on capital investments | 0 | 0 |
| Income from investment property (net) | -12 | 48 |
| Interest income from loans | 37 | 37 |
| Other interest income and similar income | 194 | 172 |
| | **882** | **637** |
| **Finance expense** | | |
| Interest expense and similar expenses | -61 | -238 |
| Expenses for capital investments | -83 | -60 |
| | **-144** | **-298** |
| **Financial result** | **738** | **339** |

Interest income and interest expense are recognised on an accrual basis.

Income from securities primarily relates to interest credits and dividends as well as distributions from investment funds.

## 33 Taxes on income

| | |
|---|---|
| **2016: EUR'000** | **-4,564** |
| 2015: EUR'000 | -4,779 |

| in EUR'000 | 2016 | 2015 |
|---|---|---|
| Current income tax | -4,714 | -4,343 |
| Deferred income tax | 150 | -436 |
| | **-4,564** | **-4,779** |

Tax expense includes foreign current taxes in the amount of EUR 4,597 thousand (previous year: EUR 4,222 thousand) and foreign deferred tax assets of EUR 99 thousand (previous year: EUR 126 thousand).

Current and deferred taxes are determined on the basis of domestic tax rates applicable in the respective country. Deferred taxes for domestic companies were calculated on the basis of a company tax rate of 15.0 per cent (previous year: 15.0 per cent), the solidarity surcharge of 5.5 per cent (previous year: 5.5 per cent) and an average trade tax rate of 16.625 per cent (previous year: 16.625 per cent).

In addition to the amount recognised in the consolidated income statement, deferred taxes of EUR -26 thousand (previous year: EUR 5 thousand) relating to items recognised outside profit or loss were settled directly in equity.

The effective income tax rate applied to the result from ordinary business activities before income taxes comes to 26.45 per cent (previous year: 33.25 per cent). Included is an income tax decrease in Spain by altogether 5 percentage points compared to the previous year.

The following reconciliation statement shows the connection between the result from ordinary business activities and taxes on income in the financial year. The anticipated tax expense is calculated on the basis of the combined German income tax rate of currently 32.45 per cent.

**Reconciliation statement**

| in EUR'000 | 2016 | 2015 |
|---|---|---|
| Earnings before income tax according to IFRS | 17,254 | 14,374 |
| Consolidated income tax rate | 32.45 % | 32.45 % |
| **Theoretical income tax expense in the financial year** | **-5,599** | **-4,664** |
| Taxes based on non-deductible expenses (-) / tax-free income (+) | -547 | -483 |
| Effects of other tax rates applicable to domestic and foreign operating subsidiaries | 2,074 | 1,668 |
| Prior-period income tax | -213 | 10 |
| Changes in tax effects from temporary differences and tax loss for which no deferred tax assets were recognised (-) / Capitalisation of deferred tax in financial year on loss carry-forward from previous year for which no deferred tax was recognised in previous year (+) | -168 | -765 |
| Other | -111 | -545 |
| **Taxes on income** | **-4,564** | **-4,779** |

## 34 Consolidated net income

| | |
|---|---|
| **2016: EUR'000** | **12,690** |
| 2015: EUR'000 | 9,595 |

## 35 Consolidated net income attributable to non-controlling interests

| | |
|---|---|
| **2016: EUR'000** | **-154** |
| 2015: EUR'000 | -217 |

This item relates to non-controlling interests in Nord-Soft EDV Unternehmensberatung GmbH in the amount of EUR -154 thousand (previous year: EUR -217 thousand) and Nord-Soft Datenservice GmbH in the amount of EUR 0 thousand (previous year: EUR 0 thousand); both entities have their registered offices in Germany.

36

| 36 Consolidated net income after non-controlling interests | 2016: EUR'000 | 12,536 |
|---|---|---|
| | 2015: EUR'000 | 9,378 |

37

**37 Earnings per share (basic/diluted)**

Basic/diluted earnings per share are calculated on the basis of the following data:

| in EUR'000 | 2016 | 2015 |
|---|---|---|
| **Earnings** | | |
| Basis for basic/diluted earnings per share (consolidated net income for the period attributable to owners of the parent) | 12,536 | 9,378 |

| Number of shares | 2016 | 2015 |
|---|---|---|
| Weighted average number of shares for determination of basic/diluted earnings per share | 14,251,314 | 14,251,314 |
| Basic earnings per share in EUR | 0.88 | 0.66 |

Diluted earnings equal basic earnings per share as no dilutive effects materialised in the year under review.

# IV. OTHER INFORMATION

## Contingent liabilities

### Guarantees and assumed liabilities

OVB Holding AG and some of its subsidiaries have given guarantees and assumed liabilities on behalf of financial agents in the ordinary course of business. The associated risks are recognised in "other provisions" to the extent that they give rise to obligations whose value can be reliably estimated. Guarantees and assumed liabilities to third parties total EUR 2,108 thousand as of the reporting date (previous year: EUR 2,282 thousand).

### Litigation risk

Some group companies are currently involved in various legal disputes arising from the ordinary course of business, primarily in connection with the settlement of accounts for brokerage services provided by financial agents.

Management holds the view that contingent liabilities arising from such legal disputes are adequately covered by provisions and that no material effects on the Group's assets and liabilities will result beyond that.

## Average number of employees

In the year under review, the Group had a commercial staff of 431 employees on average (previous year: 425) of which 43 (previous year: 44) filled executive positions.

## Executive Board and Supervisory Board

**Members of the Executive Board of OVB Holding AG are:**

- Mario Freis, Chairman of the Executive Board (in this capacity since 04 February 2016)
- Oskar Heitz, Deputy Chairman of the Executive Board
- Thomas Hücker, Operations
- Michael Rentmeister, Chairman of the Executive Board (until 04 February 2016)

**Members of the Supervisory Board of OVB Holding AG are:**

- Michael Johnigk (Chairman of the Supervisory Board); Member of the Executive Boards of Deutscher Ring Krankenversicherungsverein a.G., Hamburg; SIGNAL Krankenversicherung a. G., Dortmund; IDUNA Vereinigte Lebensversicherung aG für Handwerk, Handel und Gewerbe, Hamburg; SIGNAL Unfallversicherung a. G., Dortmund; SIGNAL IDUNA Allgemeine Versicherung AG, Dortmund; SIGNAL IDUNA Holding AG, Dortmund
- Dr. Thomas A. Lange (Deputy Chairman of the Supervisory Board); Chairman of the Executive Board of NATIONAL-BANK AG, Essen
- Markus Jost, Member of the Executive Boards of Basler Lebensversicherungs-AG, Hamburg; Basler Sachversicherungs-AG, Bad Homburg; Basler Sach Holding AG, Hamburg; Managing Director of Basler Saturn Management B.V. in its capacity as general partner of Basler Versicherung Beteiligungen B.V. & Co. KG, Hamburg
- Wilfried Kempchen, businessman, ret.; former Chairman of the Executive Board of OVB Holding AG, Düren
- Winfried Spies, graduate mathematician, ret.; former Chairman of the Executive Boards of Generali Versicherung AG, Munich; Generali Lebensversicherung AG, Munich; Generali Beteiligungs- und Verwaltungs AG, Munich
- Dr. Alexander Tourneau, Member of the Executive Boards of Basler Lebensversicherungs-AG, Hamburg; Basler Sachversicherungs-AG, Bad Homburg; Basler Sach Holding AG, Hamburg; Managing Director of Basler Saturn Management B.V. in its capacity as general partner of Basler Versicherung Beteiligungen B.V. & Co.KG, Hamburg

**Remuneration of Supervisory Board and Executive Board**

Remuneration of the Supervisory Board amounted to EUR 98 thousand in the year under review (previous year: EUR 84 thousand).

The members of the Executive Board of OVB Holding AG received the following remuneration:

| in EUR'000 | Mario Freis | Oskar Heitz | Thomas Hücker | Michael Rentmeister (until 02/2016) |
|---|---|---|---|---|
| Fixed remuneration | 490 (previous year: 383) | 393 (previous year: 353) | 282 (previous year: 221) | 138 (previous year: 564) |
| Variable remuneration | 253 (previous year: 168) | 157 (previous year: 135) | 135 (previous year: 102) | 293 (previous year: 360) |
| **Total remuneration** | **743 (previous year: 551)** | **550 (previous year: 488)** | **417 (previous year: 323)** | **431 (previous year: 924)** |

Variable remuneration of the members of the Executive Board is based on individual targets defined for the financial year.

In the year under review, EUR 100 thousand (previous year: EUR 0 thousand) were paid upon termination of an employment relationship in accordance with IAS 24.17(d). Apart from that, long-term benefits were granted in the amount of EUR 507 thousand (previous year: EUR 264 thousand). No share-based payments were made.

## Consulting expenses and audit fees

The item "legal, financial statement and consulting expenses" includes the fee of the auditor, PricewaterhouseCoopers AG, Düsseldorf, in the total amount of EUR 322 thousand (previous year: EUR 406 thousand). The auditor's fees comprise the following positions in the 2016 financial year:

| in EUR'000 | 2016 | 2015 |
|---|---|---|
| Audit services | 322 | 304 |
| thereof OVB Vermögensberatung AG, Cologne | 65 | 81 |
| Other certifications and assessments | 0 | 102 |
| thereof OVB Vermögensberatung AG, Cologne | 0 | 0 |
| Tax consulting | 0 | 0 |
| thereof OVB Vermögensberatung AG, Cologne | 0 | 0 |
| Other services | 0 | 0 |
| thereof OVB Vermögensberatung AG, Cologne | 0 | 0 |

## Significant events after the reporting date

There have been no reportable significant events or transactions after the reporting date.

## Related-party transactions

Transactions between the Company and its subsidiaries to be regarded as related parties were eliminated as intra-group transactions through consolidation and are not discussed in these notes.

Principal shareholders as of 31 December 2016 are companies of

- the SIGNAL IDUNA Group
- the Baloise Group
- the Generali Group

The SIGNAL IDUNA Group is a horizontal group (“Gleichordnungsvertragskonzern”). Its parent companies are:

- SIGNAL Krankenversicherung a. G., Dortmund
- IDUNA Vereinigte Lebensversicherung aG für Handwerk, Handel und Gewerbe, Hamburg
- SIGNAL Unfallversicherung a. G., Dortmund
- Deutscher Ring Krankenversicherungsverein a.G., Hamburg.

IDUNA Vereinigte Lebensversicherung aG für Handwerk, Handel und Gewerbe held shares in OVB Holding AG carrying 31.67 per cent of the voting rights as of 31 December 2016. Deutscher Ring Krankenversicherungsverein a.G. held shares in OVB Holding AG carrying 21.27 per cent of the voting rights as of 31 December 2016.

Basler Beteiligungsholding GmbH held shares in OVB Holding AG carrying 32.57 per cent of the voting rights as of 31 December 2016. This company is a group company of the Baloise Group, whose parent is Bâloise Holding AG.

Generali Lebensversicherung AG held shares in OVB Holding AG carrying 11.48 per cent of the voting rights as of 31 December 2016. This company is a group company of the Generali Group, whose parent is Generali Deutschland Holding AG.

OVB has concluded contracts governing the brokerage of financial products with related parties belonging to the SIGNAL IDUNA Group, the Baloise Group and the Generali Group.

From contracts with companies of the SIGNAL IDUNA Group, sales were generated in the amount of EUR 15,150 thousand (previous year: EUR 12,733 thousand), or total sales commission in the amount of EUR 21,288 thousand (previous year: EUR 17,697 thousand).

As of the reporting date, receivables from companies of the SIGNAL IDUNA Group come to EUR 1,806 thousand (previous year: EUR 516 thousand) and liabilities amount to EUR 2 thousand (previous year: EUR 0 thousand).

The item “securities and other investments” (note 9) includes securities of the Signal IDUNA Group in the amount of EUR 1,455 thousand (previous year: EUR 1,399 thousand).

Sales from contracts with companies of the Baloise Group in the amount of EUR 29,974 thousand (previous year: EUR 23,227 thousand), or total sales commission in the amount of EUR 35,176 thousand (previous year: EUR 29,559 thousand), are essentially generated in the Germany segment.

As of the reporting date, receivables from companies of the Baloise Group come to EUR 4,049 thousand (previous year: EUR 1,707 thousand) and liabilities amount to EUR 0 thousand (previous year: EUR 0 thousand).

The item “securities and other investments” (note 9) includes securities of Bâloise Holding AG in the amount of EUR 730 thousand (previous year: EUR 712 thousand).

Sales generated under contracts with companies of the Generali Group in the amount of EUR 20,670 thousand (previous year: EUR 33,364 thousand), or total sales commission in the amount of EUR 20,839 thousand (previous year: EUR 35,396 thousand), essentially involve the Germany and Central and Eastern Europe segments.

As of the reporting date, receivables from companies of the Generali Group come to EUR 3,611 thousand (previous year: EUR 3,447 thousand) and liabilities amount to EUR 147 thousand (previous year: EUR 0 thousand).

As of the reporting date, receivables from members of key management personnel amount to EUR 2 thousand (previous year: EUR 2 thousand) and corresponding liabilities come to EUR 2 thousand (previous year: EUR 1 thousand).

German subsidiary OVB Vermögensberatung AG leased office space in financial year 2012 which is the property of a close relative of a Supervisory Board member. Lease payments (including incidental rental costs) correspond to market conditions and amount to EUR 35 thousand p.a. Of this total amount, EUR 30 thousand (previous year: EUR 30 thousand) are rent and EUR 5 thousand are incidental rental costs.

The terms and conditions of brokerage contracts concluded with related parties are comparable to the terms and conditions of contracts OVB has concluded with suppliers of financial products that are not related parties.

D&O insurance with coverage of EUR 25,000 thousand per insured event has been taken out for the members of the Executive Board and the Supervisory Board.

Items outstanding at the end of the financial year are not secured, do not bear interest and are settled by payment. No guarantees are given on account of receivables from or liabilities to related parties.

OVB Holding AG has reported on the contract relationships with companies of the SIGNAL IDUNA Group in financial year 2016 and in the previous years in accordance with Section 312 AktG (Stock Corporation Act).

## Statement pursuant to Section 161 AktG

The Executive Board and the Supervisory Board of OVB Holding AG have issued the statement required under Section 161 AktG (Stock Corporation Act) for 2016 and made it permanently available to the shareholders on the website of OVB Holding AG (www.ovb.eu).

## Statement pursuant to Section 37v WpHG

The financial statements constitute an annual financial report within the meaning of the German Transparency Directive Implementation Act of 22 December 2011 in accordance with Section 37v WpHG (Securities Trading Act).

## Responsibility statement

We assure that to the best of our knowledge and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the consolidated management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Cologne, 24 February 2017

| | | |
|---|---|---|
| Mario Freis | Oskar Heitz | Thomas Hücker |
| CEO | CFO | COO |

*"Quality starts with you."*

The conductor's guidance makes the orchestra become a harmonious union.

# Quality of leadership

At OVB, great willingness to perform and striving for high specialist and social expertise are of paramount importance. This is the only way we can hold our own against the competition. We train entrepreneurially thinking and acting personalities who support our clients as “entrepreneurs within an enterprise”, continuously expand the client base on their own initiative and win, inspire and successfully lead financial agents.

One’s own performance determines one’s ascent to executive positions at OVB. The success of the team you lead is decisive for your development in OVB’s unique international career system. By constant professional training and further education, OVB safeguards the quality of advisory services and promotes entrepreneurial skills among the sales executives. Another essential component of our corporate culture is a pronounced team spirit shared by all financial agents and executives – as members of the international OVB team, exchanging experiences and giving support to each other. Leadership quality at OVB always means making others successful, too.

# Auditor's report

We have audited the consolidated financial statements prepared by OVB Holding AG, Cologne – comprising consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows, consolidated statement of changes in equity and notes to the consolidated financial statements – together with the consolidated management report for the financial year ended 31 December 2016. The preparation of consolidated financial statements and consolidated management report in accordance with IFRS as adopted by the EU and the additional requirements of commercial law pursuant to Section 315a (1) HGB (Commercial Code) is the responsibility of the Company's Executive Board. It is our responsibility to express an opinion on the consolidated financial statements and the consolidated management report based on our audit.

We have conducted our audit of the consolidated financial statements in accordance with Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (IDW). Those standards require that we plan and perform the audit such that misstatements and violations materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the consolidated management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the consolidated management report are examined primarily on a test basis within the framework of the audit. The audit includes an assessment of the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Executive Board, as well as an evaluation of the overall presentation of the consolidated financial statements and the consolidated management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit, the consolidated financial statements comply with the IFRS as adopted by the EU and the additional requirements of commercial law pursuant to Section 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The consolidated management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Düsseldorf, 2 March 2017

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| Christian Sack | ppa. Thomas Bernhardt |
| (Certified Public Accountant) | (Certified Public Accountant) |

# Report of the Supervisory Board

**Michael Johnigk**, Chairman of the Supervisory Board, OVB Holding AG

Dear shareholders,

in the following report the Supervisory Board would like to inform you about the focus of its work in financial year 2016.

**Cooperation between Executive Board and Supervisory Board**

The Supervisory Board diligently attended to its duties as defined by law, the Articles of Association and the rules of procedure in the year under review. The Supervisory Board routinely advised the Executive Board in managing the Company, supervised the Executive Board's activities closely and continuously and assured itself of the lawfulness, expedience and compliance of the Company's management.

The Supervisory Board was directly involved in all decisions of essential relevance to the Company. The Executive Board extensively discussed and agreed on strategic planning and the Company's orientation with the Supervisory Board.

The Supervisory Board discussed and debated all business transactions of relevance to the Company in depth, based on the information furnished by the Executive Board, in full session. For this purpose, the Executive Board informed the Supervisory Board comprehensively and in good time about all aspects of importance to the Company orally and in writing. Among those topics were particularly the economic and financial performance of the Group and its segments including the corporate planning, business and risk strategy and other substantial factors of business operations, risk management, especially the material risks the OVB Group is exposed to, significant events and business transactions, developments with respect to financial agents and employees, the annual report prepared by Internal Auditing and the annual report provided by the Chief Compliance Manager.

The Executive Board informed the Supervisory Board early on about matters requiring the Supervisory Board's explicit agreement under law, the Articles of Association or the rules of procedure and presented them to the Supervisory Board for the adoption of resolutions in due time. Thus the Supervisory Board always had the opportunity to scrutinise and discuss the reports and resolution proposals of the Executive Board in full session and in the committees and to offer suggestions before casting its vote on the respective resolution proposal following thorough examination and debate. In individual cases of urgency, resolutions were also adopted with the approval of all Supervisory Board members in writing or by phone. All material financials were reported to the Supervisory Board by the Executive Board for each quarter. Insofar as the business performance deviated from planning, the Supervisory Board received detailed explanations both orally and in writing.

The Company's risk position was also presented in detail and analysed on a quarterly basis. Risk reports included the current risk position of the Group in view of profit/loss and assets and liabilities, sales, products, market, competition, regulatory framework and operations and support.

The Chairman of the Supervisory Board and the Chairmen of the Audit Committee and the Nomination and Remuneration Committee maintained regular exchange of information with the CEO and the CFO outside the framework of the meetings. The economic and financial situation of the Company as well as the status of material projects and business transactions were returning subjects of discussions with the Executive Board.

**Supervisory Board meetings**

Five meetings of the Supervisory Board and three conference calls were held in the 2016 financial year. Members who were not able to attend in person participated in the adoption of resolutions by way of written votes. All Supervisory Board members attended more than half of the meetings of the Supervisory Board and the respective committees they are members of. The members of the Executive Board attended Supervisory Board meetings unless the Chairman of the Supervisory Board had decided otherwise.

In the year under review, the Supervisory Board's efforts focused on corporate strategy and the effects of legal changes affecting product sales and commission in a number of countries in which OVB operates.

Subjects of regular and intensive debate were business planning and business performance in the three regional segments as well as the Group's profitability and financial position.

The Supervisory Board concerned itself with issues involving the Executive Board in the meeting of 31 January 2016 and during several conference calls. On 4 February 2016 the Supervisory Board resolved the retirement of Michael Rentmeister by mutual agreement as well as the Executive Board's reorganisation.

The emphasis of the meeting of 15 March 2016 was placed on the presentation and discussion of the separate financial statements and consolidated financial statements 2015 as well as the dividend proposal to the Annual General Meeting. As recommended by the Audit Committee and following explanations by the auditor and the Supervisory Board's own diligent examination, the Supervisory Board adopted the separate financial statements and consolidated financial statements for financial year 2015. The Supervisory Board also dealt with preparing the Annual General Meeting on 3 June 2016. Its agenda including the Executive Board's resolution proposals were adopted. Furthermore, the Executive Board's report on relationships with affiliated companies was among the meeting's topics.

The meeting held on 3 June 2016 primarily served the Executive Board's reporting on the business performance of the first quarter of 2016 and on changes to investments. The focus was also on preparing the Annual General Meeting to be held that same day.

The Supervisory Board meeting of 8 September 2016 took place in Madrid, Spain. By holding meetings at different international OVB locations, the Supervisory Board pursues the aim of gaining first-hand insight into business operations in individual national markets.

In that meeting, the Executive Board gave a report on the current situation of the first half-year 2016, intended essential measures involving investments and IT strategy.

In its meeting of 2 December 2016, the Supervisory Board concerned itself especially with corporate planning for financial year 2017 and multi-year budgeting through 2021 derived from that. Further focal points were a status report by the Executive Board on the strategy process 2017 as well as intensive debate of the results of this year's Supervisory Board efficiency assessment based on the evaluation of a questionnaire. This evaluation came to the conclusion that cooperation and discussions on the Supervisory Board were found to be productive and results-oriented. The Supervisory Board's work and the procedures applied are considered highly efficient.

**Work on the committees of the Supervisory Board**

The Supervisory Board has established two standing committees for the efficient performance of the tasks in its scope of responsibilities, namely the Audit Committee and the Nomination and Remuneration Committee. The committees prepare the Supervisory Board resolutions as well as the topics to be addressed in full session. In addition to that, the Supervisory Board has transferred certain responsibilities for adopting resolutions – to an extent permitted by law – to one of the committees in appropriate cases. The composition of both committees is presented in the Annual Report under „Company boards and board memberships".

In each Supervisory Board meeting, the Chairmen of the committees report on the subjects and outcomes of any preceding committee meetings so that the Supervisory Board has a comprehensive information base for its debates at all times.

**Audit Committee**

Apart from monitoring the financial accounting process, the Audit Committee concerned itself primarily with the effectiveness of the internal control system, the risk management system and the internal auditing system, the audit of financial statements and the compliance management system in the year under review. In addition to that, monitoring the auditor's independence and qualification as well as the inspection of other services additionally rendered by the auditor also belong to the Audit Committee's responsibilities. Furthermore, the committee discusses and examines the interim financial reports (6-month and quarterly reports) in consideration of the auditor's report on the review of these reports.

In the year under review, the Audit Committee held four meetings and three conference calls, prior to the release of the three interim financial reports.

Apart from the members of the Executive Board, certified accountants from the auditor, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf, also participated in the meetings of March and December 2016 for their report on the 2015 audit and the impending 2016 audit of financial statements.

Executives from several Group divisions, e.g. the head of Internal Auditing and the Chief Compliance Manager, made themselves available as well for reports and answers to questions on selected items on the agenda.

Among other topics, the committee's work in the year under review emphasised the audit of separate and consolidated financial statements 2015 and the management reports, the audit reports provided by the auditor and the proposal for the appropriation of retained earnings with the purpose of preparing the respective decisions of the Supervisory Board on these issues. In the committee meeting held in March 2016, the auditor's certified accountants gave oral reports on the audit of financial statements and provided additional annotations to the members of the committee. The committee members concerned themselves with the audit results, audit processes and planning of the Group's Internal Auditing and discussed the report on compliance in the Group. Finally, the Audit Committee dealt with tendering of the audit of financial statements for financial year 2017 and the organisation of the multi-step selection process towards the appointment of a qualified auditor.

In the meeting of December 2016, the debate on the scope, process and focal points of the audit for financial year 2016 was given ample time.

**Nomination and Remuneration Committee**

The Nomination and Remuneration Committee suggests suitable candidates to the Supervisory Board for its election proposals to the Annual General Meeting or for potential requests for the appointment of Supervisory Board members by district court order. The committee also makes suggestions for appointments to the Executive Board and it reviews the structure and amounts of the Executive Board members' remuneration. Furthermore, the committee concerns itself continuously with succession planning.

The Nomination and Remuneration Committee met three times in the past financial year 2016.

In its meeting held in March 2016, the committee focused on the appropriateness of the Executive Board's total remuneration within the framework of conducting comparisons at horizontal and vertical levels, among other topics. The committee also assessed the individual target achievement of all Executive Board members for the payment of the variable remuneration components for 2016. In August 2016 the committee dealt with the modification of corporate policies. These provisions were incorporated into the employment contracts of Executive Board members. Items on the agenda of the meeting held in December 2016 were among others the human resources strategy of OVB Holding and succession planning for the OVB Group.

**Corporate Governance**

The application and advancement of corporate governance standards in the Company and particularly the implementation of the recommendations of the German Corporate Governance Code are routinely monitored and discussed by the Supervisory Board.

After extensive debate and adoption of a resolution, the Supervisory Board released the annual declaration of conformity pursuant to Section 161 (1) AktG together with the Executive Board as of 15 March 2016, made permanently available on the Company's website. Further information on corporate governance in the Company, including the structure and amounts of the remuneration of Supervisory Board and Executive Board members, can be found in the Annual Report under „Corporate Governance“, containing the statement on corporate governance.

**Separate and consolidated financial statements 2016**

The separate financial statements for the financial year ended 31 December 2016, prepared by the Executive Board in accordance with the provisions of the German Commercial Code (HGB), and the management report of OVB Holding AG were audited by the auditor, PricewaterhouseCoopers GmbH, Wirtschaftsprüfungsgesellschaft, Düsseldorf. The auditor issued an unqualified audit opinion.

The consolidated financial statements of OVB Holding AG as of 31 December 2016 and the consolidated management report were prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union for listed companies pursuant to Section 315a HGB. The auditor issued an unqualified audit opinion for the consolidated financial statements and the consolidated management report as well.

The audit reports on the annual financial statements prepared by the auditor as well as all other financial statement documents were submitted to the members of the Supervisory Board in good time prior to its meeting. All the documents were discussed in depth in the meetings of Audit Committee and Supervisory Board, both held on 21 March 2017.

The auditor's certified accountants were present at the Supervisory Board's debates of separate and consolidated financial statements. They reported on the key findings of the audit and were also available for answering questions and providing additional information to the Audit Committee and the Supervisory Board. The auditor also informed about its findings regarding the internal control and risk management system with respect to the financial accounting process. The auditor's report on this subject confirmed the effectiveness of the internal control system and ascertained further that the early warning system for risks implemented by the Executive Board is suited for the early identification of developments that might jeopardise the Company's continued existence.

After its own review of separate financial statements, consolidated financial statements, management report and consolidated management report, the Supervisory Board agreed with the auditor's findings based on its audit and approved the separate financial statements and the consolidated financial statements in its meeting of 21 March 2017 in line with the Audit Committee's recommendation. The 2016 financial statements are thus adopted in accordance with Section 172 sentence 1 AktG.

Having conducted its own review, the Supervisory Board also assented to the Executive Board's proposal for the appropriation of retained earnings. The Supervisory Board considers the proposal for the appropriation of retained earnings reasonable.

The Executive Board's report on relationships with affiliated companies was provided to the Supervisory Board together with the corresponding audit report prepared by the auditor. In its audit report, the auditor has made the following statement:

"After our due examination and assessment, we confirm that

1. the factual disclosures contained in the report are correct,
2. consideration paid by the Company for the transactions listed in the report was not inappropriately high and
3. with respect to the measures listed in the report, no circumstances suggest a materially different assessment from the assessment made by the Executive Board."

The Supervisory Board has examined the Executive Board's report on relationships with affiliated companies and the corresponding audit report prepared by the auditor and approves of the auditor's findings. After concluding its own review, the Supervisory Board states that there were no objections to the Executive Board's concluding statement of its report on relationships with affiliated companies.

**Personnel changes on the Executive Board**

The Chairman of the Executive Board of OVB Holding AG, Michael Rentmeister, retired from the Executive Board as of 4 February 2016 by mutual agreement with the Supervisory Board.

At the same time, the Supervisory Board appointed previous Chief Sales Officer (CSO) of OVB Holding AG, Mario Freis, Chairman of the Company's Executive Board with immediate effect. The Supervisory Board also appointed Oskar Heitz, the Company's Chief Financial Officer (CFO), Deputy Chairman of the Executive Board at the same time.

**Conflicts of interest and their management**
No own conflicts of interest were identified or announced by any of the members of the Executive Board or the Supervisory Board.

The Supervisory Board is not aware of any indications of any conflicts of interest of Executive Board or Supervisory Board members subject to immediate disclosure to the Supervisory Board and information of the General Meeting of shareholders.

**Acknowledgement of commitment and loyalty**
The Supervisory Board thanks the members of the Executive Board, the management teams and executives of the holdings and all financial agents and employees of the OVB Group throughout Europe for their active and loyal commitment to the success and the future of OVB in financial year 2016. You can be proud of your achievements.

Cologne, 21 March 2017

On behalf of the Supervisory Board

Michael Johnigk
Chairman

# Corporate Governance

Corporate governance stands for the responsible management and control of companies aimed at creating value over the long term. It strengthens the confidence of investors, financial markets, business partners, financial agents, employees and the general public in the Company's management and supervision and represents an essential cornerstone of sustainable business success. The OVB Group's corporate governance and corporate culture comply with the statutory provisions and – with a few exceptions – the additional recommendations of the German Corporate Governance Code. Those few exceptions should be regarded in light of the fact that the German Corporate Governance Code itself argues in its preamble that a well substantiated deviation from a Code recommendation can be in the interest of sound corporate governance. Executive Board and Supervisory Board of OVB Holding AG feel committed to corporate governance; all business divisions are guided by its principles. For us the emphasis is on values such as competence, transparency and sustainability.

In the following chapter, the Executive Board reports – also on behalf of the Supervisory Board – on corporate governance at OVB Holding AG in accordance with No. 3.10 of the German Corporate Governance Code. The chapter includes the statement on corporate governance pursuant to Section 289a HGB (Commercial Code) as well as the remuneration report pursuant to Section 314 (1) no. 6 HGB.

## Statement on corporate governance

### General management structure with three corporate bodies

In accordance with the statutory provisions for a German stock corporation, OVB Holding AG has a dual board system consisting of Executive Board and Supervisory Board. The third corporate body is the General Meeting of shareholders where the Company's shareholders participate in essential decisions regarding the Company. Executive Board and Supervisory Board work closely together for the benefit of the Company and maintain an intensive and open dialogue on a regular basis.

### Direction and management – the Executive Board

The Executive Board of OVB Holding AG directs the Company and the Group managed by the Company on its own authority. The Executive Board assumes its management tasks, including in particular corporate planning, the Group's strategic orientation and its control and monitoring as well as the Group's financing, as a corporate body composed of Executive Board members who share the overall responsibility for the Company's management. They work together as colleagues and inform each other constantly about the measures and transactions of relevance in their respective areas of responsibility. Overall responsibility of all Executive Board members notwithstanding, the individual Board members manage the areas of responsibility assigned to them on their own authority.

The Executive Board's work is defined in detail by the rules of procedure resolved by the Supervisory Board which also determines the topics that are subject to Executive Board decisions to be made in full session and other formalities for the Executive Board's resolutions. The assignment of the areas of responsibility to the individual members of the Executive Board derives from a schedule of responsibilities which is part of the rules of procedure.

The Executive Board consults the Supervisory Board on the Company's strategic orientation in detail and discusses the strategy and its implementation with the Supervisory Board at regular intervals. The Executive Board reports to the Supervisory Board on all aspects of relevance to the Company relating to business performance, assets and liabilities, financial position and profit/loss, planning and target achievement, risk position and risk management regularly, timely and comprehensively. Any deviations of the business performance from the scheduled plans and targets are discussed and explained within this framework. The Executive Board's regular and in-depth reports in the meetings of the Supervisory Board and the Audit Committee also include the subject of compliance, i.e. the measures for the observance of statutory provisions and in-house guidelines.

Certain Executive Board decisions of special importance require the approval of the Supervisory Board. Those cases are defined in the Executive Board's rules of procedure and relate to e.g. the acquisition of non-current assets or borrowing of financial loans that exceed a certain amount. The formation, acquisition, liquidation and disposal of investment companies require approval as well.

Executive Board resolutions are adopted in meetings held regularly – at least once a month – and chaired generally by the Chairman of the Executive Board. Furthermore, any Board member may call for the convening of a meeting. If not required otherwise by law, the Executive Board decides by a simple majority of the votes cast. In case of a tie of votes, the Chairman has the casting vote.

Appointed members of the Executive Board of OVB Holding AG are at present:

*Mario Freis*
(born 1975, on the Executive Board since 2010, appointed until 31 December 2022)
CEO

*Oskar Heitz*
(born 1953, on the Executive Board since 2001, appointed until 31 December 2018)
*CFO*

*Thomas Hücker*
(born 1965, on the Executive Board since 2014, appointed until 31 December 2020)
COO

## Supervision and advice to the Company's management – the Supervisory Board

The Supervisory Board supervises and advises the Executive Board, appoints its members and is directly involved in all decisions of essential relevance to the Company. The Supervisory Board also coordinates the Company's strategic orientation and routinely discusses the implementation of the business strategy with the Executive Board. The Chairman of the Supervisory Board aligns the corporate body's work and chairs its meetings. Maintaining constant exchange with the Executive Board, the Supervisory Board is always informed about the business policy, corporate planning and the strategy. It is also the Supervisory Board's responsibility to adopt or rather approve the separate and consolidated financial statements as well as the management report and the consolidated management report of OVB Holding AG based on its own examination in consideration of the reports provided by the auditor. As part of its report to the Annual General Meeting, the Supervisory Board informs the shareholders about its work.

According to Section 10 (1) of the Articles of Association, the Supervisory Board consists of six members all of whom are elected by the General Meeting of shareholders. The terms of the acting Supervisory Board members elected by the Annual General Meeting expire as of the end of the Annual General Meeting in the year 2018 that will decide on the formal approval of the actions of the Executive Board and the Supervisory Board for financial year 2017.

The Supervisory Board has established two standing committees to support the Board's efficient performance of its tasks as well as a focused discussion of topics, providing assistance to the Board's work in full session: the Audit Committee and the Nomination and Remuneration Committee. Within their respective scope of responsibility, the committees prepare the resolutions of the Supervisory Board as well as the topics to be addressed in full session. In each following Supervisory Board meeting a report is given on the committees' work. Completing the rules of procedure of the Supervisory Board, there are separate rules of procedure for the Audit Committee and the Nomination and Remuneration Committee.

**Audit Committee**

In preparing topics and resolutions for the Supervisory Board, the four committee members particularly address the diligent examination of the separate and consolidated financial statements as well as of the management report and the consolidated management report. The Audit Committee also concerns itself with issues of financial accounting, risk management and compliance. It manages the selection process for the auditor and furnished two suggestions and one recommendation to the Supervisory Board in consideration of the required auditor independence. The Audit Committee discusses and agrees on the focal points of the audit with the auditor and decides on the fee agreement with the auditor. The committee also discusses the quarterly and 6-month financial reports with the Executive Board prior to their publication.

**Nomination and Remuneration Committee**

This committee, consisting of the Chairman of the Supervisory Board and one other Board member, prepares the body of work for the Supervisory Board's consideration in full session and suggests suitable candidates to the Supervisory Board for its election proposals to the General Meeting. It also concerns itself with the composition of the Executive Board and its succession planning as well as with issues relating to the remuneration of Executive Board members.

**Working methods of the Supervisory Board in full session and in the committees**

The Supervisory Board of OVB Holding AG fulfils its supervisory and advisory functions with special diligence. Even outside the framework of meetings, the Chairmen of Supervisory Board and Audit Committee maintain a regular exchange of information with the Executive Board. They report on any relevant information in the following Supervisory Board or committee meeting at the latest.

The Supervisory Board regularly reviews its own efficiency, most recently in the year 2016. This is generally done by way of self-inspection by analysing the answers given by Supervisory Board members on an extensive questionnaire. The analysis and the following discussion in the Supervisory Board meeting result in suggestions for the further improvement of its work, to be implemented in full session by the Supervisory Board and by the committees if applicable.

Each Supervisory Board member discloses any conflicts of interest resulting from his involvement to the Supervisory Board without delay. The Supervisory Board informs about any conflicts of interest and how they have been dealt with in its report to the General Meeting of shareholders.

The Supervisory Board of OVB Holding AG consists of the following members at present:

*Michael Johnigk*
(born 1953, on the Supervisory Board since 2001, elected until 2018)
Chairman of the Supervisory Board Member of the Executive Boards of Deutscher Ring Krankenversicherungsverein a.G. (Hamburg), SIGNAL Krankenversicherung a.G. (Dortmund), IDUNA Vereinigte Lebensversicherung aG für Handwerk, Handel und Gewerbe (Hamburg), SIGNAL Unfallversicherung a.G. (Dortmund), SIGNAL IDUNA Allgemeine Versicherung AG (Dortmund) and SIGNAL IDUNA Holding AG (Dortmund)

*Dr. Thomas A. Lange*
(born 1963, on the Supervisory Board since 2013, elected until 2018)
Deputy Chairman of the Supervisory Board Chairman of the Executive Board of NATIONAL-BANK AG (Essen)

*Markus Jost*
(born 1961, on the Supervisory Board since 2013, elected until 2018)
Member of the Executive Boards of Basler Lebensversicherungs-AG (Hamburg), Basler Sachversicherungs-AG (Bad Homburg) and Basler Sach Holding AG (Hamburg); Managing Director of Basler Saturn Management B.V. in its capacity as general partner of Basler Versicherung Beteiligungen B.V. & Co. KG (Hamburg)

*Wilfried Kempchen*
(born 1944, on the Supervisory Board since 2012, elected until 2018)
Businessman (ret.), former Chairman of the Executive Board of OVB Holding AG

*Winfried Spies*
(born 1953, on the Supervisory Board since 2010, elected until 2018)
Graduate mathematician (ret.), former Chairman of the Executive Boards of Generali Versicherung AG (Munich), Generali Lebensversicherung AG (Munich) and Generali Beteiligungs- und Verwaltungs AG (Munich)

*Dr. Alexander Tourneau*
(born 1965, on the Supervisory Board since 2015, elected until 2018)
Member of the Executive Boards of Basler Lebensversicherungs-AG (Hamburg), Basler Sachversicherungs-AG (Bad Homburg) and Basler Sach Holding AG (Hamburg); Managing Director of Basler Saturn Management B.V. in its capacity as general partner of Basler Versicherung Beteiligungen B.V. & Co.KG (Hamburg)

An overview of the members of the Executive Board, the Supervisory Board and the Supervisory Board committees of OVB Holding AG in financial year 2016 as well as their memberships of comparable corporate bodies can be found in this Annual Report beginning on page 107.

**Objectives for the composition of the Supervisory Board**

The decision of the Supervisory Board on election proposals to be made to the General Meeting of shareholders shall be oriented solely towards the Company's best interest. The deciding criteria are the respective candidates' individual expert knowledge and professional experience. This also applies for the independent financial expert within the meaning of Section 100 (5) AktG (Stock Corporation Act). In the interest of the Company, the Supervisory Board is particularly dependent on its members' specific knowledge and experience relating to the Company's business activity, the distributed products and the markets in which the subsidiaries operate. Section 100 (5) AktG postulates accordingly that all members of the Supervisory Board shall be familiar with the business sector in which the company operates. The Supervisory Board members' in-depth knowledge of the peculiarities of the insurance industry as well as of the market and the competition enable them to assume their statutory task of supervision efficiently and to be available to the Executive Board as competent partners and advisors with respect to the Company's strategic orientation and its future development.

## Compliance with the Corporate Governance Code

### Declaration of conformity 2016

Section 161 AktG requires the executive board and the supervisory board of any listed German stock corporation to declare at least once a year if and to what extent the German Corporate Governance Code was and is complied with and which of the Code's recommendations were or are not applied, and for what reason.

As of 15 March 2016, Executive Board and Supervisory Board of OVB Holding AG have released the following declaration of conformity*:

**Recommendations:**

*No. 3.(3) GCGC (directors' & officers' liability insurance)*
OVB Holding AG has so far not provided for a deductible in the D&O liability insurance policy taken out for the members of the Supervisory Board. The members of the Supervisory Board attend to their duties responsibly and in the Company's best interest. In the opinion shared by Executive Board and Supervisory Board, a deductible is not an appropriate means of further improving the Board members' sense of responsibility.

*No. 4.1.5 sentence 1 GCGC (consideration of diversity for executive positions)*
According to the recommendations of the German Corporate Governance Code, the Executive Board shall pay attention to the aspect of diversity in filling executive positions and aim for the adequate representation of women. The Executive Board of OVB Holding AG pursues the goal of promoting women and aims at having more women assume executive positions. However, the Executive Board holds the view that the aspect of diversity which includes the consideration of women should not be the sole determinant for filling executive positions. In the interest of the Company, the right choice much rather depends on management and leadership qualities, expert knowledge in response to the respective executive areas and responsibilities and professional experience. In view of these considerations, a deviation from No. 4.1.5 sentence 1 GCGC is declared by way of precaution.

*No. 4.3.3 sentence 4 GCGC (material transactions with persons or entities closely associated with members of the Executive Board)*
OVB Holding AG has complied with the new recommendation for carrying out material transactions with persons or entities closely associated with any member of the Executive Board only with the Supervisory Board's consent at least since the definition of a corresponding right to reserve approval of the Company's Supervisory Board. For the period up to the definition of this right to reserve approval, a deviation is declared by way of precaution.

*No. 5.1.2 (1) sentence 2 GCGC (consideration of diversity for composition of the Executive Board)*
According to the recommendations of the Code, the Supervisory Board shall pay attention to the aspect of diversity in the composition of the Executive Board. The Supervisory Board of OVB Holding AG does consider diversity an objective to be pursued for the composition of the Executive Board yet regards the specialist know-how, capabilities and experiences of the candidates in their respective fields of business and areas of responsibility as the ultimately deciding criteria for their selection in the interest of the Company and its shareholders. In view of these considerations, a deviation from No. 5.1.2 (1) sentence 2 GCGC is declared by way of precaution.

* Executive Board and Supervisory Board of OVB Holding AG hereby declare in accordance with Section 161 (1) sentence 1 AktG that the recommendations of the Government Commission "German Corporate Governance Code" in its version of 5 May 2015 - released in the Federal Gazette on 12 June 2015 - have been and are complied with, with the following exceptions.

*No. 5.4.1 (2) sentence 1 GCGC (consideration of diversity and definition of a regular limit of length of membership of the Supervisory Board)*
In the composition of the Supervisory Board, the aspect of diversity is generally taken into account. In the interest of the Company, however, the Supervisory Board will be governed in its election proposals to the Annual General Meeting primarily by the knowledge, capabilities and expert experience of the candidates to be suggested. For this reason a deviation from No. 5.4.1 (2) sentence 1 GCGC is declared by way of precaution.

*The recommendation under No. 5.4.1 (2) sentence 1 GCGC regarding the objectives for the composition of the Supervisory Board have been amended within the framework of last year's amendments to the Code to the effect that the Supervisory Board shall define a regular limit of length of membership of the Supervisory Board as another objective to be considered. The Supervisory Board of OVB Holding AG has decided not to specify a regular limit of length of Supervisory Board membership as a blanket regular limit would not consider individual factors justifying longer membership of individual members of the Supervisory Board. Suitability for performing one's tasks on the Board does not expire as one reaches a certain age or completes a certain time period of membership but depends solely on one's respective individual capabilities.*

*No. 5.4.6 (1) sentence 2, (2) sentence 2 GCGC (remuneration of the Supervisory Board)*
Contrary to the recommendation of the Code, the remuneration of the members of the Supervisory Board does not account for membership or chairmanship of any of the Supervisory Board's committees. In the opinion shared by the Company's Executive Board and Supervisory Board, work on the committees is adequately compensated by the Supervisory Board remuneration provided for. This also holds true as there is a close exchange of information with the Audit Committee and the Nomination and Remuneration Committee in the interest of sound corporate governance anyway and the remaining Supervisory Board members usually attend the meetings of the Audit Committee, too. The performance-based remuneration of the members of the Supervisory Board is not particularly oriented toward the Company's sustained development. Performance-based remuneration is governed by Section 14 of the Articles of Association of OVB Holding AG and is particularly transparent in the opinion shared by the Company's Executive Board and Supervisory Board. The remuneration model has proved its worth in the past and leads to adequate remuneration of the Supervisory Board, compliant with the law and in line with the interests of the shareholders.

Cologne, 15 March 2016

On behalf of the Executive Board

On behalf of the Supervisory Board

Mario Freis

Oskar Heitz

Thomas Hücker

Michael Johnigk

Detailed information on the subject of corporate governance is also available on our website. All previously released declarations of conformity are permanently available on the website.

## Information on targets for the representation of women on the Supervisory Board, on the Executive Board and in executive positions of OVB Holding AG

The German Act on Equal Participation of Women and Men in Executive Positions in the Private and the Public Sector requires companies that are publicly listed or subject to codetermination to define targets for the share of women on the supervisory board, the executive board and the two senior executive levels below the executive board.

In consideration of the fact that all terms of the current appointments of Supervisory Board members of OVB Holding AG extend beyond 30 June 2017, the Supervisory Board of OVB Holding AG decided in September 2015 in accordance with Section 111 (5) AktG to determine a target of 0 per cent for the share of women on the Supervisory Board until 30 June 2017.

For the share of women on the Executive Board until 30 June 2017, the Supervisory Board of OVB Holding AG also determined a target of 0 per cent in September 2015 corresponding to the existing share at the time.

In June 2015 the Executive Board of OVB Holding AG determined a target of one woman (equivalent to 9.1 %) for the representation of women at senior executive level below the Executive Board, consisting at present of 11 persons (thereof one woman), in accordance with Section 76 (4) AktG.

OVB Holding AG only has one senior executive level below the Executive Board so that only one target was determined for senior executive positions altogether.

Supervisory Board and Executive Board aim at increasing the representation of women on the Supervisory Board, on the Executive Board and in executive positions below the Executive Board further and giving preference for new openings to women  over men at equal professional qualification.

## Essential corporate governance practices

**Compliance as an essential management task of the Executive Board**

We consider compliance the legally and ethically faultless conduct of our staff in the day-to-day business because each employee has an impact on the Company's reputation by his or her professional conduct. Violations of applicable law, relevant codes or in-house rules are not tolerated. Compliance as a measure geared to the adherence to such rules and their observance by the group companies is an essential task in management and supervision implemented at OVB.

The OVB Group transacts its business responsibly and in compliance with the laws and official regulations of the countries in which the Company operates.

Compliance principles were implemented at OVB as early as in the 2008 financial year and a compliance management system (CMS) based on the pillars "prevent – recognise – respond" was introduced, subject to a continuous internal updating process and constant review in consideration of changing legal requirements. With the regular advancement of the CMS implemented at OVB, an important contribution is made to the systematic expansion of prevention and control measures.

The CMS comprises the principles and measures implemented by OVB for assuring compliant conduct of its staff. One central component of conduct in compliance with the rules is a code of conduct, representing the foundation of the compliance provisions throughout the Group and explaining the basic principles our actions are based on. With the help of the CMS, the continuous development of OVB's in-house standards of conduct and the implementation of internal and external requirements are managed and controlled. The entire OVB management team has made it their job to bring compliance to life and to be role models in terms of compliance.

Another central instrument provided by the CMS for safeguarding compliance throughout the Group is the guideline management system implemented at OVB Holding AG. Within this guideline management system, the Group's general guidance was established and a system of guidelines was developed. Based on the Group's general guidance and the system of guidelines, corporate guidelines are managed, defined with binding effect for the entire OVB Group. The individual corporate guidelines contain specific instructions for safeguarding compliance with legal obligations and internal guidelines and creating consistent standards for all Group companies wherever possible.

The essential tasks of OVB's compliance management include the identification and prevention of potential compliance risks in a systematic process, promoting the compliance observing conduct of business partners and developing and implementing communication measures on this subject.

The Group's Chief Compliance Manager (CCM) reports directly to the Chief Financial Officer. The compliance officers of the operating subsidiaries are assigned to the CCM for support and concern themselves with all compliance relevant transactions at the level of business operations. The compliance team works closely together with the Executive Board, the management teams and other executives, addresses questions of doubt and assists all employees in adhering to external and internal provisions.

Based on regular reports given by the Chief Compliance Manager, the Executive Board, the Supervisory Board's Audit Committee and the Supervisory Board in full session are informed about recent developments in this field. The compliance reports also find entry into OVB's risk management reporting. Furthermore, the CCM is available to all employees and third parties in all issues of compliance for discussion and advice.

## Additional information on corporate governance at OVB Holding AG

### Implementation of the German Corporate Governance Code

Executive Board and Supervisory Board of OVB Holding AG concerned themselves thoroughly with conformity with the provisions of the German Corporate Governance Code (GCGC) once again in the year under review. Following intensive discussion, as of 15 March 2016 Executive Board and Supervisory Board released a joint declaration of conformity pursuant to Section 161 (1) AktG (Stock Corporation Act), reproduced in its entirety on the Company's website at www.ovb.eu/english/investor-relations/corporate-governance, explaining the respective deviations from the recommendations and suggestions of the Code.

### Insider list / Directors' dealings

In order to guarantee that potential insider information is handled in compliance with the law, OVB Holding AG keeps an insider list including all persons whose access to information that might have the quality of insider information is indispensable. In addition to that, directors' dealings are recorded and announcements of reportable transactions of this kind are released without delay on the internet at www.ovb.eu/english/investor-relations/corporate-governance.

### Share ownership

As of the reporting date 31 December 2016, no member of the Executive Board or Supervisory Board directly or indirectly held more than 1 per cent of the shares issued by the Company. Even combined, the members of the Executive Board and the Supervisory Board hold an interest of less than 1 per cent in the Company's share capital. A disclosure of share ownership pursuant to No. 6.2 GCGC in the version released in the Federal Gazette on 12 June 2015 is therefore not required.

### Corporate governance of OVB Holding AG on the internet

www.ovb.eu/english/investor-relations/corporate-governance

- Information on the committees
- Statements on corporate governance
- Declarations of conformity
- The Articles of Association of OVB Holding AG
- Directors´ dealings

## Remuneration report

The remuneration report is part of the management report.

The remuneration report presents the basic principles that are decisive for the determination of the remuneration of the members of Executive Board and Supervisory Board and explains the structure and amounts of Executive Board remuneration. The report also describes the basic principles and amounts of Supervisory Board remuneration.

The remuneration report is available on the internet at www.ovb.eu/english/investor-relations/corporate-governance as well.

The report complies with the recommendations of the German Corporate Governance Code (GCGC) and the requirements of the German Commercial Code (HGB), the German Accounting Standards (DRS) as well as the International Financial Reporting Standards (IFRS).

### Executive Board remuneration

#### Remuneration system

The system of Executive Board remuneration at OVB aims at giving incentive to the successful management of the Company based on sustainability. The determination of the individual remuneration of the Executive Board members is the sole responsibility of the Supervisory Board, following preparatory work performed by its Nomination and Remuneration Committee.

The appropriateness of the amount of remuneration is routinely reviewed by the Supervisory Board. The following criteria are considered for such reviews: the Company's economic situation, its success and prospects, the individual Board member's responsibilities and functions as well as personal performance and a horizontal and vertical comparison with respect to customary compensation, taking also into account the relation of Executive Board remuneration compared to the remuneration of next-level senior executives and the staff as a whole.

The remuneration of the Executive Board members is composed of non-performance-based and performance-based components.

*Fixed compensation and fringe benefits*

The non-performance-based components consist of a fixed annual basic remuneration, paid as a monthly salary. The members of the Executive Board are also granted fringe benefits as remuneration in kind; these are essentially utilisation of company cars and insurance premiums. As part of the remuneration, these fringe benefits are generally granted to all members of the Executive Board equally; the amounts of the benefits depend on individual agreements.

*Performance-based components*

The part based on performance consists of an aggregate bonus of which half is based on annual targets (annual bonus) and the other half is based on long-term bonus criteria (variable performance component for sustained success).

*One-year variable compensation*

This compensation amount (annual bonus) depends on the extent to which certain quantitative targets (such as the performance of sales and earnings) and qualitative targets (such as the successful realisation of significant projects in terms of corporate strategy) have been achieved. The target figures are determined and evaluated each year in advance on the basis of the budget prepared by the Executive Board and adopted by the Supervisory Board. Quantitative targets (70 per cent Company specific targets and 10 per cent individual targets) are rated at 80 per cent and qualitative targets at 20 per cent. The bandwidth of the target definition (target corridor) for the annual bonus ranges from 75 per cent to 125 per cent relating to quantitative targets and to 150 per cent relating to qualitative targets. The annual bonus is paid each following year after the Supervisory Board has determined the target achievement levels on the basis of the adopted separate financial statements. If the targets are partly met, the bonus is determined on a pro-rata basis.

*Multi-year variable compensation*

The total amount of the multi-year variable remuneration component is entered in a bonus account with a penalty rule and carried forward to the next year. Criteria of the variable performance component with sustained incentive effect are the Group's performances of EBIT and sales. The assessment basis of the variable remuneration component for the year 2016 derives from the moving average of the actuals achieved over the past two years (2014/2015) and the achievement of the target in the year 2016. If the target level of 60 per cent is not reached, the accumulated bonus account balance is reduced (penalty rule). The balance in the bonus account remaining after allocation to the account or offsetting against the penalty is respectively paid at one third of the balance in the following year.

Payment commitments to Executive Board members upon premature termination of Executive Board contracts in case of a change of control (so-called change-of-control clauses) are not included in the contracts of employment. The contracts provide for a severance pay cap in case of premature termination of the Executive Board contract without good cause, compliant with the recommendation under No. 4.2.3 of the German Corporate Governance Code.

For the determination of the amount of severance pay, the total remuneration for the past financial year and, if applicable, the probable total remuneration for the current financial year would be taken into account.

There are no pension or benefit commitments or payments of retirement annuities in favour of acting Executive Board members in the reporting period by OVB Holding AG. In the event of death, the remuneration continues to be paid to the surviving dependents for a period of six months.

**Remuneration of the Executive Board members for financial year 2016**

The Executive Board was granted total remuneration for the 2016 financial year in the amount of Euro 1.8 million (previous year: Euro 2.3 million). Total remuneration covers all remuneration received for services to the parent and to subsidiary companies.

The following tables of the remuneration paid for financial year 2016 and the allocations for the year under review consider the recommendations of the German Corporate Governance Code in addition to the applicable accounting principles by using the model tables recommended by the Code. Under granted benefits, achievable minimum and maximum amounts are also disclosed.

To the members of the Executive Board the remuneration as presented below was granted for the 2016 financial year (individualised disclosures):

| **Benefits granted for 2016** | **Mario Freis, CEO** | | | | **Oskar Heitz, CFO** | | | |
|---|---|---|---|---|---|---|---|---|
| **in EUR'000** | **2015*** | **2016*** | **2016 (min)*1** | **2016 (max)*2** | **2015*** | **2016*** | **2016 (min)*1** | **2016 (max)*2** |
| Fixed compensation | 280 | 420 | 420 | 420 | 260 | 300 | 300 | 300 |
| Fringe benefits | 103 | 70 | 70 | 70 | 93 | 93 | 93 | 93 |
| **Total** | 383 | **490** | 490 | **490** | 353 | **393** | 393 | **393** |
| One-year variable compensation (annual bonus) | 93 | 140 | - | 182 | 70 | 80 | - | 104 |
| Multi-year variable compensation | 55 | 87 | 13 | 134 | 48 | 62 | 19 | 88 |
| Bonus account (2014–2016) | - | 87 | 13 | 134 | - | 62 | 19 | 88 |
| Bonus account (2013–2015) | 55 | - | - | - | 48 | - | - | - |
| **Total variable components** | 148 | **227** | 13 | **316** | 118 | **142** | 19 | **192** |
| **Service cost** | - | **-** | - | **-** | - | **-** | - | **-** |
| **Total remuneration** | 531 | **717** | 503 | **806** | 471 | **535** | 412 | **585** |

* Actuals represent the amount upon 100 per cent target achievement. Multi-year variable compensation also refers to 100 per cent target achievement. The amount stated for 2016 corresponds to the amount paid of one third of the bonus account balance as of 31 December of the year under review (at 100 per cent target achievement).

*1 The minimum stated for multi-year variable compensation derives from the actuals 2014/2015 less deduction (penalty rule) for the year 2016 and corresponds to the minimum amount paid for 2016 of one third of the bonus account balance as of 31 December of the year under review (at 0 per cent target achievement).

*2 The maximum stated for multi-year variable compensation derives from the actuals 2014/2015 plus allocation to the bonus account upon target achievement of 200 per cent and corresponds to the maximum amount paid for 2016 of one third of the bonus account balance as of 31 December of the year under review.

| Benefits granted for 2016 | Thomas Hücker, COO | | | | Michael Rentmeister, CEO (until 04/02/2016) | | | |
|---|---|---|---|---|---|---|---|---|
| in EUR'000 | 2015* | 2016* | 2016 (min)*1 | 2016 (max)*2 | 2015* | 2016* | 2016 (min)*1 | 2016 (max)*2 |
| Fixed compensation | 180 | 225 | 225 | 225 | 375 | 94 | 94 | 94 |
| Fringe benefits | 41 | 57 | 57 | 57 | 189 | 44 | 44 | 44 |
| **Total** | 221 | **282** | 282 | **282** | 564 | **138** | 138 | **138** |
| One-year variable compensation (annual bonus) | 60 | 75 | - | 98 | 188 | - | - | - |
| Multi-year variable compensation | 28 | 46 | 6 | 71 | 133 | - | - | - |
| Bonus account (2014–2016) | - | 46 | 6 | 71 | - | - | - | - |
| Bonus account (2013–2015) | 28 | - | - | - | 133 | - | - | - |
| **Total variable components** | 88 | **121** | 6 | **169** | 321 | **-** | - | **-** |
| **Service cost** | - | **-** | - | **-** | - | **-** | - | **-** |
| **Total remuneration** | 309 | **403** | 288 | **451** | 885 | **138** | 138 | **138** |

* Actuals represent the amount upon 100 per cent target achievement. Multi-year variable compensation also refers to 100 per cent target achievement. The amount stated for 2016 corresponds to the amount paid of one third of the bonus account balance as of 31 December of the year under review (at 100 per cent target achievement).

*1 The minimum stated for multi-year variable compensation derives from the actuals 2014/2015 less deduction (penalty rule) for the year 2016 and corresponds to the minimum amount paid for 2016 of one third of the bonus account balance as of 31 December of the year under review (at 0 per cent target achievement).

*2 The maximum stated for multi-year variable compensation derives from the actuals 2014/2015 plus allocation to the bonus account upon target achievement of 200 per cent and corresponds to the maximum amount paid for 2016 of one third of the bonus account balance as of 31 December of the year under review.

**Allocations for the year under review**

The following table shows the allocations for the year under review 2016 consisting of fixed compensation, fringe benefits, one-year variable compensation and multi-year variable compensation. Deviating from the table of benefits granted for financial year 2016 above, the following table presents allocations for the 2016 financial year with respect to the variable compensation components (annual bonus and bonus account) in relation to the respective target achievement rate for the year under review 2016 already determined as of the time of preparation of the financial statements.

| Allocations for the year under review 2016 | Mario Freis, CEO | | Oskar Heitz, CFO | | Thomas Hücker, COO | | Michael Rentmeister, CEO (until 04/02/2016) *1 | |
|---|---|---|---|---|---|---|---|---|
| in EUR'000 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 |
| Fixed compensation | 280 | 420 | 260 | 300 | 180 | 225 | 375 | 94 |
| Fringe benefits | 103 | 70 | 93 | 93 | 41 | 57 | 189 | 44 |
| **Total** | 383 | **490** | 353 | **393** | 221 | **282** | 564 | **138** |
| One-year variable compensation (annual bonus) | 107 | 158 | 83 | 90 | 69 | 84 | 216 | - |
| Multi-year variable compensation | 61 | 96 | 52 | 67 | 32 | 51 | 144 | 293 |
| Bonus account (2014–2016) | - | 96 | - | 67 | - | 51 | - | 293 |
| Bonus account (2013–2015) | 61 | - | 52 | - | 32 | - | 144 | - |
| **Total variable compensation** | 168 | **253** | 135 | **157** | 101 | **135** | 359 | **293** |
| **Service cost** | - | **-** | - | **-** | - | **-** | - | **-** |
| **Total remuneration** | 551 | **743** | 489 | **550** | 323 | **417** | 924 | **431** |

*1 In addition to the amounts stated in the table, a severance payment in the amount of Euro 0.1 million was made for premature retirement. The amount of multi-year variable compensation represents the bonus account balance accumulated as of 31 December 2015 – in consideration of the amount to be paid for 2015 –, paid in full in 2016 in the context of retirement from the Executive Board.

The D&O liability insurance policy taken out for the members of the Executive Board includes the statutory deductible.

## Remuneration of the Supervisory Board

The Supervisory Board's remuneration is governed by Section 14 of the Articles of Association of OVB Holding AG and is composed as follows:

- fixed annual compensation

The fixed annual compensation is Euro 5,000 per Supervisory Board member. The Chairman of the Supervisory Board receives 2 times and the Deputy Chairman receives 1.5 times that amount.

- variable component

The variable component consists of a payment of 0.8 per mil of the consolidated net income for the year as reported in the adopted consolidated financial statements of OVB Holding AG furnished with the auditor's unqualified audit opinion.

Supervisory Board members are also reimbursed for out-of-pocket expenses incurred in connection with their work. No additional remuneration is paid for committee memberships. Based on the consolidated net income of Euro 12.7 million reported as of 31 December 2016, total remuneration (including reimbursements) paid to Supervisory Board members in the past financial year comes to roughly EUR 83.5 thousand. Based on a consolidated net income of OVB Holding AG reported in the amount of Euro 9.6 million, the previous year's Supervisory Board remuneration (including reimbursements) had come to roughly EUR 83.6 thousand. In accordance with the guidelines, the following fixed and variable compensation components were paid to the individual members of the Supervisory Board on a pro-rata-temporis basis:

| **in EUR'000** | **Fixed compensation** | | **Variable compensation** | | **Total** | |
|---|---|---|---|---|---|---|
| **Supervisory Board** | **2015** | **2016** | **2015** | **2016** | **2015** | **2016** |
| Michael Johnigk, Chairman | 10.0 | 10.0 | 7.7 | 10.2 | 17.7 | 20.2 |
| Dr. Thomas A. Lange, Deputy Chairman | 7.5 | 7.5 | 7.7 | 10.2 | 15.2 | 17.7 |
| Markus Jost | 5.0 | 5.0 | 7.7 | 10.2 | 12.7 | 15.2 |
| Wilfried Kempchen | 5.0 | 5.0 | 7.7 | 10.2 | 12.7 | 15.2 |
| Winfried Spies | 5.0 | 5.0 | 7.7 | 10.2 | 12.7 | 15.2 |
| Dr. Alexander Tourneau* | 2.9 | - | 4.4 | - | 7.3 | - |
| **Total** | 35.4 | **32.5** | 46.1 | **51.0** | 83.6 | **83.5** |

* For 2016 Dr. Tourneau furnished a waiver with respect to the reimbursement for out-of-pocket expenses incurred in connection with his work on the Supervisory Board effective for the duration of his mandate.
Apart from that, in the year 2015 one former member of the Supervisory Board received payments in the amount of EUR 5.3 thousand (EUR 2.1 thousand in fixed compensation and EUR 3.2 thousand in variable compensation).

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

# Company boards and board memberships

| Executive Board | Memberships of Supervisory Boards and comparable supervisory bodies |
|---|---|
| **Mario Freis**<br>Chairman of the Executive Board (CEO)<br><br>Responsible for Corporate Development, Corporate Management, Sales, Training, Product Management, Marketing, Communication, Auditing | - Chairman of the Supervisory Board of OVB Vermögensberatung AG, Cologne (since 20 March 2017);<br>- Chairman of the Administrative Board of OVB Vermögensberatung (Schweiz) AG, Cham, Switzerland (since 4 May 2016);<br>- Chairman of the Administrative Board of OVB Allfinanz España S.A., Madrid, Spain;<br>- Member of the Supervisory Board of OVB Allfinanz Slovensko a.s., Bratislava, Slovakia;<br>- Member of the Supervisory Baord of OVB Allfinanz a.s., Prague, Czech Republic (since 9 May 2016) |
| **Oskar Heitz**<br>Deputy Chairman of the Executive Board<br>Member of the Executive Board – Finance (CFO)<br><br>Responsible for Corporate Accounting, Risk Management, Compliance, Management Accounting, Investor Relations, Legal Affairs, Tax Planning, Data Protection | - Member of the Supervisory Board of OVB Vermögensberatung AG, Cologne;<br>- Member of the Supervisory Board of OVB Allfinanz Slovensko a.s., Bratislava, Slovakia (since 28 April 2016);<br>- Member of the Supervisory Board of OVB Allfinanz a.s., Prague, Czech Republic (since 9 May 2016);<br>- Member of the Administrative Board of OVB Allfinanz España S.A., Madrid, Spain (since 10 May 2016) |
| **Thomas Hücker**<br>Member of the Executive Board – Operations (COO)<br><br>Responsible for Group IT, IT Security, Business Process Management, Human Resources | |

**Former members of the Executive Board**

| | |
|---|---|
| **Michael Rentmeister**<br>Chairman of the Executive Board (CEO)<br>(until 4 February 2016) | - Chairman of the Supervisory Board of OVB Vermögensberatung AG, Cologne (until 4 February 2016);<br>- Chairman of the Administrative Board of OVB Vermögensberatung (Schweiz) AG, Cham, Switzerland (until 4 February 2016);<br>- Chairman of the Administrative Board of OVB Allfinanz España S.A., Madrid, Spain (until 4 February 2016);<br>- Member of the Supervisory Board of OVB Allfinanz Slovensko a.s., Bratislava, Slovakia (until 4 February 2016);<br>- Member of the Supervisory Board of OVB Allfinanz a.s., Prague, Czech Republic (until 4 February 2016) |

| Supervisory Board | Memberships of Supervisory Boards and comparable supervisory bodies: |
|---|---|
| **Michael Johnigk**<br>Chairman of the Supervisory Board<br><br>Member of the Executive Boards of Deutscher Ring Krankenversicherungsverein a.G., Hamburg; SIGNAL Krankenversicherung a.G., Dortmund; IDUNA Vereinigte Lebensversicherung aG für Handwerk, Handel und Gewerbe, Hamburg; SIGNAL Unfallversicherung a.G., Dortmund; SIGNAL IDUNA Allgemeine Versicherung AG, Dortmund; SIGNAL IDUNA Holding AG, Dortmund | - Chairman of the Supervisory Board of OVB Vermögensberatung AG, Cologne (from 14 March 2016 to 20 March 2017);<br>- Chairman of the Supervisory Board of SDV Servicepartner der Versicherungsmakler AG, Augsburg;<br>- Member of the Supervisory Board of BCA AG, Bad Homburg |
| **Dr. Thomas A. Lange**<br>Deputy Chairman of the Supervisory Board<br><br>Chairman of the Executive Board of NATIONAL-BANK AG, Essen | - Chairman of the Supervisory Board of Düsseldorfer Hypothekenbank AG, Düsseldorf;<br>- Chairman of the Supervisory Board of VALOVIS BANK AG, Essen;<br>- Deputy Chairman of the Advisory Board of EIS Einlagensicherungsbank GmbH, Berlin/Cologne;<br>- Member of the Supervisory Board of HANSAINVEST Hanseatische Investment-GmbH, Hamburg |
| **Markus Jost**<br>Member of the Supervisory Board<br><br>Member of the Executive Boards of Basler Lebensversicherungs-AG, Hamburg; Basler Sachversicherungs-AG, Bad Homburg; Basler Sach Holding AG, Hamburg; Managing Director of Basler Saturn Management B.V. in its capacity as general partner of Basler Versicherung Beteiligungen B.V. & Co.KG, Hamburg | - Chairman of the Supervisory Board of DRMM Maklermanagement AG, Hamburg;<br>- Member of the Supervisory Board of ZEUS Vermittlungsgesellschaft mbH, Hamburg |
| **Wilfried Kempchen**<br>Member of the Supervisory Board<br><br>Businessman, retired; former Chairman of the Executive Board of OVB Holding AG | |

| Supervisory Board | Memberships of Supervisory Boards and comparable supervisory bodies: |
|---|---|
| **Winfried Spies**<br>Member of the Supervisory Board<br><br>Mathematician, retired; former Chairman of the Executive Boards of Generali Versicherung AG, Munich; Generali Lebensversicherung AG, Munich; Generali Beteiligungs- und Verwaltungs-AG, Munich | - Chairman of the Supervisory Board of Bank1Saar eG, Saarbrücken;<br>- Chairman of the Supervisory Board of Cosmos Lebensversicherungs-AG, Saarbrücken;<br>- Chairman of the Supervisory Board of Cosmos Versicherung AG, Saarbrücken |
| **Dr. Alexander Tourneau**<br>Member of the Supervisory Board<br><br>Member of the Executive Boards of Basler Lebensversicherungs-AG, Hamburg; Basler Sachversicherungs-AG, Bad Homburg; Basler Sach Holding AG, Hamburg; Managing Director of Basler Saturn Management B.V. in its capacity as general partner of Basler Versicherung Beteiligungen B.V. & Co. KG, Hamburg | - Chairman of the Supervisory Board of ZEUS Service AG, Hamburg;<br>- Chairman of the Supervisory Board of ZEUS Vermittlungs-GmbH, Hamburg;<br>- Member of the Supervisory Board of Roland Rechtschutz Versicherungs-AG, Cologne |

## Supervisory Board Committees

| | |
|---|---|
| **Audit Committee** | Dr. Thomas A. Lange (Chairman), Michael Johnigk, Markus Jost, Dr. Alexander Tourneau |
| **Nomination and Remuneration Committee** | Markus Jost (Chairman), Michael Johnigk |

# Financial Calendar

| | |
|---|---|
| 28 March 2017 | Publication of the Annual Financial Statements for 2016, Analyst Conference, Press Conference |
| 10 May 2017 | Results for the first quarter 2017, Conference Call |
| 02 June 2017 | Annual General Meeting, Cologne |
| 14 August 2017 | Results for the second quarter 2017, Conference Call |
| 09 November 2017 | Results for the third quarter 2017, Conference Call |

# Contact

OVB Holding AG
Investor Relations
Heumarkt 1 · 50667 Cologne
Tel.: +49 (0) 221/20 15 -288
Fax: +49 (0) 221/20 15 -325
E-Mail: ir@ovb.eu

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