

## 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.*

Cologne, 15 March 2016

On behalf of the Executive Board



Mario Freis



Oskar Heitz



Thomas Hücker



Michael Johnigk

*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.

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](http://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](http://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](http://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](http://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 essen-

tially 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 (pen-



alty 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			
	2015*	2016*	2016 (min)* <sup>1</sup>	2016 (max)* <sup>2</sup>	2015*	2016*	2016 (min)* <sup>1</sup>	2016 (max)* <sup>2</sup>
in EUR'000								
Fixed compensation	280	420	420	420	260	300	300	300
Fringe benefits	103	70	70	70	93	93	93	93
<b>Total</b>	<b>383</b>	<b>490</b>	<b>490</b>	<b>490</b>	<b>353</b>	<b>393</b>	<b>393</b>	<b>393</b>
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	-	-	-
<b>Total variable components</b>	<b>148</b>	<b>227</b>	<b>13</b>	<b>316</b>	<b>118</b>	<b>142</b>	<b>19</b>	<b>192</b>
Service cost	-	-	-	-	-	-	-	-
<b>Total remuneration</b>	<b>531</b>	<b>717</b>	<b>503</b>	<b>806</b>	<b>471</b>	<b>535</b>	<b>412</b>	<b>585</b>

\* 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).

<sup>1</sup> 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).

<sup>2</sup> 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 in EUR'000	Thomas Hücker, COO				Michael Rentmeister, CEO (until 04/02/2016)			
	2015*	2016*	2016 (min)* <sup>1</sup>	2016 (max)* <sup>2</sup>	2015*	2016*	2016 (min)* <sup>1</sup>	2016 (max)* <sup>2</sup>
Fixed compensation	180	225	225	225	375	94	94	94
Fringe benefits	41	57	57	57	189	44	44	44
<b>Total</b>	<b>221</b>	<b>282</b>	<b>282</b>	<b>282</b>	<b>564</b>	<b>138</b>	<b>138</b>	<b>138</b>
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	-	-	-
<b>Total variable components</b>	<b>88</b>	<b>121</b>	<b>6</b>	<b>169</b>	<b>321</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Service cost</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total remuneration</b>	<b>309</b>	<b>403</b>	<b>288</b>	<b>451</b>	<b>885</b>	<b>138</b>	<b>138</b>	<b>138</b>

\* 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).

<sup>1</sup> 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).

<sup>2</sup> 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 in EUR'000	Mario Freis, CEO		Oskar Heitz, CFO		Thomas Hücker, COO		Michael Rentmeister, CEO (until 04/02/2016) <sup>*1</sup>	
	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
<b>Total</b>	<b>383</b>	<b>490</b>	<b>353</b>	<b>393</b>	<b>221</b>	<b>282</b>	<b>564</b>	<b>138</b>
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	-
<b>Total variable compensation</b>	<b>168</b>	<b>253</b>	<b>135</b>	<b>157</b>	<b>101</b>	<b>135</b>	<b>359</b>	<b>293</b>
<b>Service cost</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total remuneration</b>	<b>551</b>	<b>743</b>	<b>489</b>	<b>550</b>	<b>323</b>	<b>417</b>	<b>924</b>	<b>431</b>

<sup>\*1</sup> 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	
	2015	2016	2015	2016	2015	2016
<b>Supervisory Board</b>						
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	-
<b>Total</b>	<b>35.4</b>	<b>32.5</b>	<b>46.1</b>	<b>51.0</b>	<b>83.6</b>	<b>83.5</b>

\* 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.