OVB Evolution 2022

Annual Report 2017

Contents

Key figures for the regions

Central and Eastern Europe

	Unit	2016	2017	Change
Clients (31/12)	Number	2.20 m	2.27 m	+3.1 %
Financial advisors (31/12)	Number	2,944	2,753	-6.5 %
Total sales commission	Euro million	109.7	109.0	-0.6 %
Earnings before interest and taxes (EBIT)	Euro million	9.5	9.5	+0.1 %
EBIT margin[1]	%	8.7	8.7	+0.0 %-pts

[1]Based on total sales commission

Germany

	Unit	2016	2017	Change
Clients (31/12)	Number	633,025	623,138	-1.6 %
Financial advisors (31/12)	Number	1,300	1,296	-0.3 %
Total sales commission	Euro million	63.9	59.1	-7.5 %
Earnings before interest and taxes (EBIT)	Euro million	6.7	6.7	-0.7 %
EBIT margin[1]	%	10.5	11.3	+0.8 %-pts

[1]Based on total sales commission

Southern and Western Europe

	Unit	2016	2017	Change
Clients (31/12)	Number	432,712	453,044	+4.7 %
Financial advisors (31/12)	Number	728	653	-10.3 %
Total sales commission	Euro million	58.2	57.2	-1.8 %
Earnings before interest and taxes (EBIT)	Euro million	8.3	7.6	-8.2 %
EBIT margin[1]	%	14.2	13.3	-0.9 %-pts

[1]Based on total sales commission

OVB profile

OVB stands for cross-thematic and above all client-oriented allfinanz advice with a long-term approach provided to private households. With more than 3.3 million clients, close to 5,000 financial agents and activities in 14 national markets, OVB is one of the leading financial intermediary groups in Europe.

Key figures for the OVB Group

Key operating figures

	Unit	2016	2017	Change
Clients (31/12)	Number	3.27 m	3.35 m	+2.4 %
Financial advisors (31/12)	Number	4,972	4,702	-5.4 %
Total sales commission	Euro million	231.8	225.3	-2.8 %

Key financial figures

	Unit	2016	2017	Change
Earnings before interest and taxes (EBIT)	Euro million	16.5	16.0	-3.3 %
EBIT margin[1]	%	7.1	7.1	±0.0 %-pts
Consolidated net income	Euro million	12.5	12.1	-3.1 %

[1]Based on total sales commission

Key figures for OVB shares

	Unit	2016	2017	Change
Share capital (31/12)	Euro million	14.25	14.25	±0.0 %
Number of shares (31/12)	Shares million	14.25	14.25	±0.0 %
Earnings per share (undiluted/diluted)	Euro	0.88	0.85	-3.1 %
Dividend per share[2]	Euro	0.75	0.75	±0.0 %

[2]2017 proposed dividend

»If Europe's citizens are asked who is on their side as a partner in all financial matters, the answer is: OVB«

Oskar Heitz Mario Freis Thomas Hücker

Dear shareholders, ladies and gentlemen,

The Annual Report 2017 of OVB Holding AG surprises with a new design concept and fresh colours. The new corporate design underlines the up-to-dateness of our corporate strategy “OVB Evolution 2022”, which defines the Group’s strategic orientation for the next years.

The OVB Group managed to increase sales, earnings and the dividend considerably over the past financial years: From 2013 to 2017, total sales commission gained 2.6 per cent on annual average. Over the same period, the operating result improved by 11.9 per cent on average per annum and the dividend rose by more than a third from 55 euro cents to 75 euro cents. In order to stay on this growth path, the Company must respond to future market requirements and stay abreast of the changes in the financial services industry. Only then will we continue to expand our market position in Europe and seize additional opportunities for revenue in the medium term.

“OVB Evolution 2022” comprises four cornerstones, each of them connected to specific strategic measures. They range from the ongoing development of the professional training system and realisation of the full business potential of our more than three million existing clients up to the comprehensive digitisation of advisory service processes and intensive utilisation of social media. The successful implementation of these measures requires increasing investing measures and higher current expenses which will negatively affect the OVB Group’s results temporarily but pay off in the form of additional earnings potential in the medium term. We are happy to have you on our side on this journey, the more so as the OVB Group’s extremely solid financial situation makes it possible to maintain dividend continuity in the future, too.

The 2017 financial year was determined by a largely stable sales and earnings performance on the whole, with regional differences. Executive Board and Supervisory Board will propose to the Annual General Meeting held on 5 June 2018 in Cologne to adopt the resolution for a dividend of 75 euro cents per share, unchanged from the previous year.

Kind regards

Mario Freis CEO	Oskar Heitz CFO	Thomas Hücker COO

Mission

Our qualified financial agents provide services valuable to society by protecting clients against a host of risks based on a comprehensive “allfinanz” advisory approach and helping them fulfil their personal wishes and goals.

We offer ambitious financial agents the most attractive business model and career system of Europe’s financial services industry.

OVB Evolution 2022

The OVB Group has performed very successfully over the past years. From 2013 to 2017, total sales commission gained 2.6 per cent on annual average. Over the same period, the operating result improved by 11.9 per cent on average per annum and the dividend rose by more than a third from 55 euro cents to 75 euro cents. In order to further expand our market position in Europe, our job is now to implement a strategy aligned with future market requirements. The necessary investments and increased expenses will temporarily have a negative effect on the Company's results but open up additional earnings potential for the medium term. Our strategy "OVB Evolution 2022" comprises the four cornerstones:

- Realisation of potential
- Digitisation
- Modernisation
- Expansion

Realisation of potential

A key driver of our future success is our financial agents' professional training. We will further advance and update our Europe-wide professional training system, not only due to regulatory requirements but also based on our own high quality standards. We will seize the business potential represented by our 3.35 million existing clients even more systematically. In the context of our service approach, the establishment of service units will provide additional contact options and lead to an increased level of client satisfaction.

Digitisation

OVB is pushing the digitisation of its business processes in order to strengthen sales support and become even more efficient. The Company wants to be an appreciated partner for the generations growing up with digitisation as well. The development of IT based advisory processes leads to the continuous modernisation of the agent's workplace. We will enhance the options for interaction between clients, financial agents and OVB and further expand the online business for our financial agents in those product areas that do not require intensive consulting at the same time.

Modernisation

Contemporary target group appeal is at the core of “Modernisation”. Our Europe-wide online marketing strategy supports the target-group specific communication with our clients and financial agents. With the strategic development and expansion of social media activities, we create additional opportunities for acquiring both financial agents and clients. It is part of OVB’s corporate culture to help people in need as a strong community. OVB Hilfswerk, our relief organisation, has been giving that kind of support for 35 years now. We will expand those social activities on an international scale.

ATLANTISCHER
OZEAN
ALGERIEN
MAURETANIEN
MALI
NIGER

Expansion

The broad international positioning and the balance of opportunities and risks thereby achieved is one of OVB's core strengths. With the successful transfer of our business model to other national markets comes additional growth potential. Therefore we will push the expansion to new promising markets in Europe and thus continue to update our success story.

Strategic goals 2022

As one of Europe's leading financial intermediary groups, OVB aims for the sustainable expansion of its sales organisation. Winning new clients and intensifying the business relationship with each and every one of them offers additional sales and earnings potential. As a supplementary measure, OVB also wants to expand its online marketing. By the digitisation of its business processes and sales support, OVB aims to improve its efficiency noticeably and increase the level of client satisfaction. The transfer of the OVB business model to new national markets in Europe underlines our vision: If Europe's citizens are asked who is on their side as a partner in all financial matters, the answer is: OVB!

OVB on the capital market

Transparency creates trust

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 the 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 performance of the German stock market in the year 2017 was altogether positive. The leading index DAX reached a new all-time high of 13,526 points in the course of the year and closed with a 12.5 per cent gain and 12,917 points at year-end. The share of OVB Holding AG started to the year 2017 with a price of Euro 16.20. From there, the share price increased successively to about Euro 22 until the end of May/early June. After the Annual General Meeting held on 2 June 2017 in Cologne and the distribution of the dividend of Euro 0.75 per share, the price moved within a narrow margin around Euro 19 through summer and autumn. In the second half of December,

IDUNA
Vereinigte Lebensversicherung aG
31.67 %

Free float
3.01 %

SIGNAL IDUNA
Krankenversicherung a.G.
21.27 %

Basler Beteiligungsholding GmbH
32.57 %

Generali Lebensversicherung AG
11.48 %

Shareholder structure of OVB Holding AG as of 31/12/2017 the OVB share price rose quickly and significantly to reach Euro 23.50 on 27 December and Euro 22.065 at year-end. Comparing reporting dates at year-end 2017 and 2016, the price gain amounted to 36.2 per cent. Due to the small free float, however, 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 51.6 per cent at the end of the year 2017. 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 1.0 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.

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	Euro 16.20	(30/12/2016)
High	Euro 23.50	(27/12/2017)
Low	Euro 15.705	(28/02/2017)
Last	Euro 22.065	(29/12/2017)
Market capitalisation	Euro 314 million	(29/12/2017)

Combined management report 2017 of OVB Holding AG and the Group

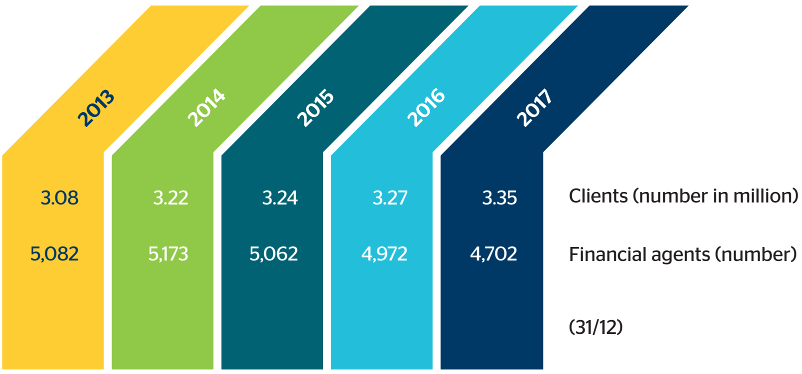
Basic information on the Group

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. The Company co-operates with more than 100 high-capacity product providers and fulfils its clients' individual needs with competitive products, starting at basic protection for financial security as well as 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. 3.35 million clients trust the advisory service and support provided by OVB and its 4,700 full-time financial agents. Its broad European positioning stabilises OVB's business performance 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 a leading market position in a number of countries. The number of senior citizens rises in Europe as the number of young people goes down. Public social security systems are increasingly unable to cope with the challenges. Therefore OVB still sees considerable potential for the services it provides.

OVB clients and financial agents



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 protection and 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 474 employees (previous year: 431 employees) in the holding company, the head offices of the sales subsidiaries and in the service companies at the end of 2017. 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 risk protection and provision. Three service companies provide IT services in support of these core business activities.

OVB Holding AG is the sole shareholder of these entities 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

OVB Holding AG

Sales companies Central and Eastern Europe	Sales companies Germany	Sales companies Southern and Western Europe	Service companies
OVB Czech Republic	OVB Germany	OVB Austria	Nord-Soft EDV-Unternehmensberatung GmbH
OVB Slovakia	Advesto Germany	OVB Switzerland	Nord-Soft Datenservice Gmbh
OVB Poland	Eurenta Germany	OVB Group Greece	OVB Informatikai*
OVB Hungary		OVB France	
OVB Group Croatia		OVB Italy	
OVB Group Romania		OVB Spain	
OVB Ukraine			

* indirect interest

Management and supervision of the Group

The 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 2017 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 "Finance" and "Operations" as key fields of responsibility.

Assignment of Executive Board responsibilities as of 31 December 2017

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

The 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 appoints the members of the Executive Board and supervises and advises the Executive Board on the Company's management. 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 within 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 as well as the composition of the portfolio of partners and products 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 evaluation 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. 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 revenues.

OVB prepares monthly target/actual deviation analyses, continuously updates material financial and distribution data 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

Against the backdrop of predictable important changes in the environment, the markets and the legal framework of the Company's business, OVB developed in 2017 a medium-term strategy, "OVB Evolution 2022". It is oriented towards a long-term vision as a benchmark, defines strategic goals and comprises four basic cornerstones, each connected to specific strategic measures.

The underlying vision of "OVB Evolution 2022" is this: We claim to provide the best comprehensive "allfinanz" advisory service with our highly qualified financial agents. Our services protect our clients in Europe against the financial effects of diverse risks and fulfils their personal wishes and goals. If Europe's citizens are asked who is on their side as a partner in all financial matters, the answer is: OVB.

In order to steer and advance the Company towards that vision, OVB has defined strategic goals. They include the sustainable development of structures with respect to the financial agents, the expansion of the client base, the increase in business volume with the individual clients, raising the client satisfaction level, expanding online marketing activity, further efficiency improvements in back office operations, the digitisation of processes and distribution support as well as expansion to new national markets in Europe. According to "OVB Evolution 2022", four cornerstones will support the achievement of these goals:

- Realisation of potential
- Digitisation
- Modernisation
- Expansion

With respect to "Realisation of potential", great significance is attached e.g. to the ongoing development of the Europe-wide professional training system. OVB will advance and update the professional training system across Europe, not only due to regulatory requirements but also based on the Company's own high quality standards. OVB will also further realise the business potential represented by its 3.35 million existing clients systematically. There is considerable potential for cross-selling and upselling activities throughout Europe. Free resources and the demand for private provision are rising especially in the national markets of the Central and Eastern Europe segment due to above-average increases in income. With respect to "Digitisation", OVB focuses primarily on its business processes, the agent's modern workplace as well as enhanced options for interaction between clients, financial agents and OVB. A contemporary target group appeal is at the core of "Modernisation". Developing and expanding social media activities within the scope of our social media strategy provides additional opportunities for acquiring both staff and clients. "Expansion" is primarily about the transfer of the tried and tested OVB business model to new, attractive national markets.

More than 400 million people live in the 14 countries of Europe in which OVB operates.

Because of imperative private provision to be taken on one's own initiative and the demand for advisory service derived from that, OVB sees 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.

Business report

Macroeconomic and industry-related general conditions

Macroeconomic development
OVB operates in 14 European countries divided into three regional segments. OVB generates 74 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 2017. Among the relevant factors are economic growth, the development of the labour market and changes in the income of private households.

At 2.4 per cent growth (previous year: 1.8 per cent), the countries of the euro area achieved real economic growth about twice as strong as on long-term average. Germany's economic situation has continued to improve. The other major economies of the currency area, France and Italy managed to accelerate their respective growth rates to some extent while Spain kept up its relatively fast pace of expansion for the most part.

Key economic data Central and Eastern Europe
In the seven national markets of the Central and Eastern Europe segment, the OVB Group generated 48 per cent of its total sales commission in the year under review. The national economies of these countries – with the sole exception of Ukraine – showed very dynamic growth rates in 2017. Private consumer spending went up particularly fast in Poland and Romania. In the Czech Republic, Hungary and Slovakia, expenditures for machinery, equipment and vehicles also contributed to the sound economic performance. Following stagnation or a decline of consumer prices in 2016, price increases were reported across the board in 2017. As wages and salaries grew even faster than prices did, the income situation of private households improved in most countries and thus the ability to invest in private financial provision.

	Real GDP (change in %)		Consumer prices (change in %)		Public budget balance (in % of GDP)	
	2016	2017e	2016	2017e	2016	2017e
Croatia	3.2	2.9	-1.1	1.2	-0.9	-0.5
Czech Republic	2.6	4.4	0.7	2.5	0.6	0.0
Hungary	2.0	3.8	0.2	2.4	-2.0	-2.5
Poland	2.7	4.4	-0.6	2.0	-2.4	-1.7
Romania	4.8	6.8	-1.5	1.3	-3.0	-3.0
Slovakia	3.3	3.3	-0.5	1.3	-1.7	-1.5
Ukraine	2.3	1.9	13.9	14.4	-2.9	-3.1

e = estimate
Source: Raiffeisen RESEARCH, Strategy Austria & CEE, 1st Quarter 2018

Key economic data Germany
The Germany segment accounted for 26 per cent of the OVB Group's total sales commission in the year under review. Germany's economy grew by 2.2 per cent in 2017, according to preliminary calculations supplied by the Federal Statistical Office, after 1.9 per cent in the year before. Private consumer spending and gross capital investments were the essential growth drivers. The companies' capital expenditures for machinery, equipment and vehicles gained 3.5 per cent. Parallel to that, the number of people in employment came close to 44.3 million, the highest level since the German reunification. 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 belong to the eurozone, with the exception of Switzerland. In this segment, OVB generated 26 per cent of total sales commission in the year under review. Austria and Spain achieved especially high economic growth in 2017 with rates of 3.2 and 3.0 per cent respectively.

The economic upturn has a broad base. High capacity utilisation and sound prospects for demand result in an expansion of the companies' capital expenditures and new hires. Increasing employment and wages and salaries boost private consumption and enlarge the resources of private households for spending more money on risk protection and retirement provision.

	Real GDP (change in %)		Consumer prices (change in %)		Public budget balance (in % of GDP)	
	2016	2017e	2016	2017e	2016	2017e
Austria	1.5	3.2	1.0	2.2	-1.6	-0.7
France	1.1	1.9	0.3	1.1	-3.4	-2.9
Greece	-0.3	1.0	0.0	1.3	0.5	-0.7
Italy	0.9	1.4	-0.1	1.3	-2.5	-2.3
Spain	3.3	3.0	-0.3	2.0	-4.5	-3.0
Switzerland	1.4	1.0	-0.4	0.5	1.5	0.5

e = estimate
Source: Raiffeisen RESEARCH, Strategy Global Markets, 1st Quarter 2018

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.

Macroeconomic conditions improved for the sale of financial products in Europe in the year 2017. Most countries reported sound economic developments. The macroeconomic performance increased faster than in the previous years and unemployment figures went down. Thus disposable income of private households generally went up, and so did resources for taking measures for one's own financial provision.

However, the sale of financial products in Europe continued to face a challenging environment. Its main reason was the persisting low interest rate, making it difficult to build up assets for private provision. Many financial products only have a minimum return at present which is then even consumed by the slowly increasing prices entirely or in part. Insurance companies adapt their product portfolios to the low-interest rate environment. Some of them do not offer classic fixed-interest pension insurance anymore. Opportunities for growth remain with unit-linked pension and life insurance, occupational pension schemes and products protecting against biometric risks, such as term life insurance and occupational disability insurance. Mutual funds based on shares, loans or real property also reported fast-growing demand in 2017.

OVB is convinced that the demand for cross-thematic, competent and comprehensive personal advice on all kinds of financial matters is increasing: The product offering for private households is almost inscrutable and state support plans are hard to comprehend. In addition to that, financial decisions once made must be routinely reviewed and adapted, if necessary, to changing needs and life situations.

From OVB's vantage, the market for private risk protection and provision therefore offers long-term market potential and good opportunities for growth despite the currently challenging environment.

Business performance

In financial year 2017 OVB maintained 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 compensated by sales increases in other national markets. Total sales commission of Euro 225.3 million was slightly below the prior-year level of Euro 231.8 million. Included is commission forwarded to sales agents on behalf of product partners in the amount of Euro 3.7 million (previous year: Euro 13.1 million).

The development of the number of supported clients was satisfying, going up from 3.27 million clients at the end of 2016 to 3.35 million clients as of the reporting date. The OVB sales force comprises 4,702 full-time financial agents (previous year: 4,972 financial agents).

The structure of new business with respect to the type of brokered financial products reflects the focus of advisory services on basic protection for financial security, asset and financial risk protection, retirement provision, asset generation and wealth management. 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 47.2 per cent in the previous year to 41.3 per cent in the year 2017. Other provision products – primarily classic life and pension insurance policies and particularly products for protection against biometric risks – amounted to 20.0 per cent of the new business, after 17.1 per cent in the previous year. Property, legal expenses and accident insurance (with a share of 11.7 per cent after 10.3 per cent), building society savings contracts/financing (with a share of 11.2 per cent after 10.1 per cent) and state-subsidised provision products (9.6 per cent of the business brokered in 2017 after 9.3 per cent in the previous year) complete the comprehensive "allfinanz" advisory approach in addition to investment funds, health insurance and real property.

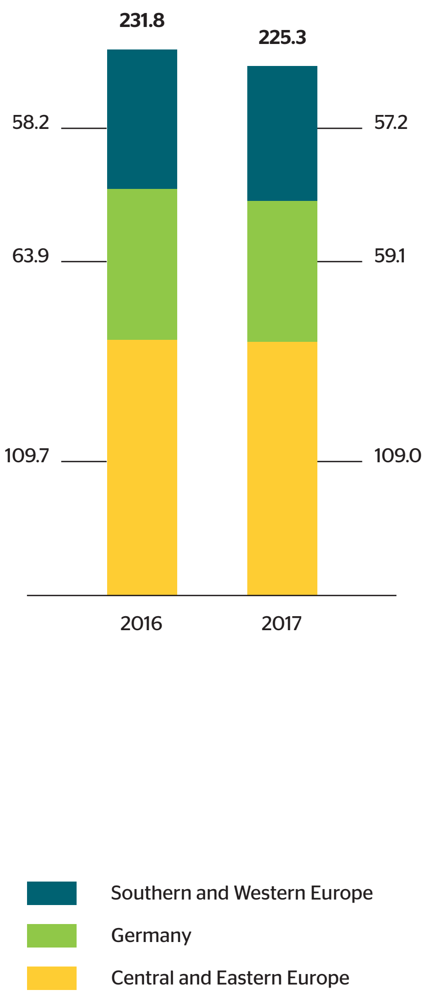
Breakdown of income from new business 2017 (2016)

- Unit-linked provision products 41.3 % (47.2 %)
- State-subsidised provision products 9.6 % (9.3 %)
- Building society savings contracts/financing 11.2 % (10.1 %)
- Property, legal expenses and accident insurance 11.7 % (10.3 %)
- Health insurance 2.4 % (2.3 %)
- Investment funds 3.6 % (3.4 %)
- Other provision products 20.0 % (17.1 %)
- Real property 0.2 % (0.3 %)

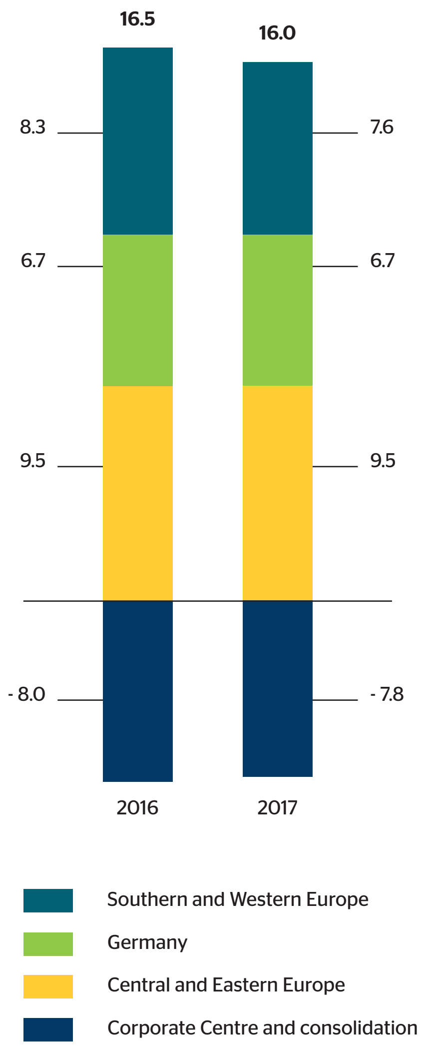
Central and Eastern Europe segment
The Central and Eastern Europe segment comprises the seven national markets Croatia, Czech Republic, Hungary, Poland, Romania, Slovakia and Ukraine. In financial year 2017, brokerage income was largely stable, amounting to Euro 109.0 million Euro after Euro 109.7 million in the previous year. While the sales performance was declining in the Czech Republic and ended up slightly below the prior-year level in Slovakia, OVB achieved increase in sales, significant in part, in the segment's other national markets, particularly in Hungary, Poland and Romania.

2,753 financial agents worked for OVB in the region at year-end 2017, compared to 2,944 financial agents twelve months before. They supported altogether 2.3 million clients (previous year: 2.2 million clients).

Total sales commission by region
Euro million, figures rounded



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



The clients' product demand continued to focus on unit-linked provision products at 49.9 per cent of new business in 2017 (previous year: 58.3 per cent). Other provision products at 18.7 per cent (previous year: 13.2 per cent), products in the category of building society savings contracts/financing at 13.1 per cent (previous year: 12.8 per cent) and property, legal expenses and accident insurance at 12.0 per cent (previous year: 9.7 per cent) were other important product groups.

Germany segment
Business in the Germany segment was on a decline in 2017, attributable primarily to the effects of the Life Insurance Reform Act (LVRG).

Total sales commission was reduced by 7.5 per cent from Euro 63.9 million in the previous year to Euro 59.1 million in the year under review. The number of 1,296 financial agents remained virtually unchanged from 1,300 at the end of last year. They supported 623,138 clients (previous year: 633,025 clients). Product demand was widely diversified: 31.8 per cent of the new business was accounted for by unit-linked provision products (previous year: 31.7 per cent), 18.5 per cent by other provision products (previous year: 19.8 per cent), 15.4 per cent by property, legal expenses and accident insurance (previous year: 13.7 per cent) and 14.2 per cent came to products in the category building society savings contracts/financing (previous year: 11.2 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. Brokerage income was slightly down here by 1.8 per cent from Euro 58.2 million in 2016 to Euro 57.2 million in the reporting year. While a considerable sales increase was achieved in Austria, business in most of the other national markets was largely stable and in Italy it was considerably declining. The number of financial agents working in this segment went down from 728 to 653 agents. They supported 453,044 clients as compared to 432,712 clients one year before. With a share in new business of 30.2 per cent (previous year: 38.5 per cent), unit-linked provision products topped the list, followed by state-subsidised provision products at 28.5 per cent (previous year: 23.9 per cent) and other provision products at 24.1 per cent (previous year: 23.2 per cent).

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

Profit/loss
OVB generated total sales commission of Euro 225.3 million in financial year 2017. This equals a 2.8 per cent decrease compared to the prior-year amount of Euro 231.8 million. For the last time, total sales commission includes commission based on so-called secondary contracts, direct contractual relationships between product partners and the sales force, which existed only in the Germany segment and were finally transferred to OVB Vermögensberatung AG as of the end of September 2017. This share in commission went down from Euro 13.1 million in 2016 to Euro 3.7 million in the reporting year. Brokerage income reported in the income statement thus increased from Euro 218.7 million in 2016 by 1.3 per cent to Euro 221.6 million in the year under review. Other operating income gained considerable 9.4 per cent from Euro 8.8 million to Euro 9.7 million. This result was due primarily to higher income from reversals of provisions and from currency translation.

Brokerage expenses were up by 2.4 per cent from Euro 144.5 million in the year 2016 to Euro 148.0 million in 2017. This increase resulted in part from taking over secondary contracts. Personnel expense expanded by 7.0 per cent from Euro 26.1 million to Euro 28.0 million. Reasons for this were new hires within the context of regulatory requirements and strategic measures as well as market-related salary increases. Depreciation and amortisation went up from Euro 3.6 million to Euro 4.1 million. Other operating expenses dropped 4.2 per cent from Euro 36.8 million to Euro 35.2 million. Material items were lower valuation allowances on receivables and derecognition of receivables.

The OVB Group's operating result reached Euro 16.0 million in the reporting year, equivalent to a decline of 3.3 per cent from the prior-year amount of Euro 16.5 million. The EBIT contribution of the Central and Eastern Europe segment remained unchanged year-on-year at Euro 9.5 million. Lower earnings in Slovakia and the Czech Republic were compensated by improved earnings reported by the segment's other national sales subsidiaries. The Germany segment's EBIT of Euro 6.7 million also showed a stable performance compared to the previous year. Contrary to that, the operating result of the Southern and Western Europe segment fell from Euro 8.3 million to Euro 7.6 million. While national markets Spain and Austria confirmed the sound results of the past year, EBIT dropped particularly in Italy and Switzerland. The EBIT loss of Corporate Centre was reduced from Euro 8.0 million to Euro 7.8 million. In total, the Group's EBIT margin based on total sales commission remained stable compared to the previous year at 7.1 per cent in financial year 2017.

Lower finance income – unlike the previous year, no appreciation gains were realised in the reporting year – led to a decrease in financial result from Euro 0.7 million to Euro 0.4 million. Income tax expenses went down from Euro 4.6 million to Euro 4.0 million. On the whole, consolidated net income after non-controlling interests of Euro 12.1 million was down only slightly by 3.1 per cent from the prior-year amount of Euro 12.5 million. Earnings per share decreased from Euro 0.88 in 2016 to Euro 0.85 in financial year 2017, based respectively on 14,251,314 no-par shares.

The OVB Group's total comprehensive income reached Euro 11.6 million in 2017, after Euro 12.4 million in the previous year. Other comprehensive income had an adverse effect of Euro -0.5 million on total comprehensive income (previous year: Euro -0.2 million). The most relevant item here was a negative change in currency translation reserve by Euro 0.3 million.

Executive Board and Supervisory Board will propose to the Annual General Meeting on 5 June 2018 the payment of a dividend of Euro 0.75 per share for financial year 2017, unchanged from the previous year. The total dividend payment would thus amount to Euro 10.7 million.

Financial position
The OVB Group's cash flow from operating activities decreased from Euro 17.9 million in 2016 to Euro 13.8 million in the reporting year. Factors behind this development were primarily a decrease in provisions by Euro 1.1 million (previous year: increase by Euro 1.0 million), an increase in trade receivables and other assets from Euro 5.6 million to Euro 7.5 million and allocations to valuation allowances on receivables reduced from Euro 2.9 million to Euro 1.9 million. Contrary to that, trade payables and other liabilities increased from Euro 4.3 million to Euro 5.9 million.

For the 2017 financial year, investing activities reported cash outflow of Euro 17.6 million after cash inflow from investing activities of Euro 12.6 million in 2016. These changes are attributable to dispositions in the Company's portfolio of securities and capital investments. In 2017, payments for investments in securities and other short-term capital investments amounted to Euro 23.0 million as compared to Euro 6.1 million the year before. At the same time, payment receipt from the disposal of securities and other short-term capital investments were down from Euro 25.7 million to Euro 8.6 million. Contrary to that was the effect of reduced payments for financial assets from Euro 5.3 million to Euro 0.2 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 9.3 million to Euro 10.8 million due to a raised dividend per share. The OVB Group's cash and cash equivalents went down from Euro 69.9 million at the end of 2016 by Euro 14.4 million to Euro 55.5 million as of the 2017 reporting date.

Assets and liabilities
The Company's total assets went up from Euro 167.8 million at the end of 2016 by Euro 5.3 million to Euro 173.0 million as of the 2017 reporting date. Non-current assets remained unchanged at Euro 23.4 million. Current assets went up to Euro 149.6 million (previous year: Euro 144.4 million). The item "Securities and other capital investments" amounted to Euro 39.4 million, equivalent to an increase by Euro 14.2 million from the prior-year reporting date. About to the same extent, namely Euro 14.4 million, cash and cash equivalents were reduced, to Euro 55.5 million. The increase in total assets was thus driven on the assets side of the statement primarily by current receivables and other assets, gaining Euro 5.7 million to Euro 23.6 million.

Equity of OVB Holding AG grew year-on-year from Euro 88.3 million to Euro 89.2 million as of 31 December 2016/2017. The reason for this was an increase in retained earnings by Euro 1.4 million from Euro 19.8 million to Euro 21.2 million. Contrary to that, other provisions were down by Euro 0.5 million to Euro 0.2 million. The equity ratio of 51.6 per cent (previous year: 52.6 per cent) is very solid. The highly insignificant non-current liabilities were largely unchanged at Euro 1.0 million (previous year: Euro 0.9 million). Current liabilities serving the financing of business operations expanded from Euro 78.6 million by Euro 4.2 million to Euro 82.8 million, primarily due to an increase in other liabilities – particularly retained cancellation reserve for the sales force – by Euro 9.5 million to Euro 43.0 million. This was opposed by a reduction of trade payables by Euro 3.6 million to Euro 7.4 million and of other provisions by Euro 1.0 million to Euro 30.9 million.

Comparison between forecast and actual development

In the outlook of the 2016 consolidated management report, released on 28 March 2017, the Executive Board had expressed its expectation that consolidated sales for 2017 would slightly increase and that the operating result/EBIT would probably amount to the prior-year level. In the outlook presented as part of the 2017 half-year financial report, the Executive Board adjusted its forecast for the full year to the effect that now slightly decreased sales and a modestly decreased operating result/EBIT were expected. The reasons for the changed expectations were the effects of the regulatory framework in several national markets and a slowdown in the dynamic growth of the Southern and Western Europe segment.

Total sales commission achieved by OVB Holding AG slightly decreased in the 2017 financial year by 2.8 per cent to Euro 225.3 million. The operating result/EBIT went down modestly by 3.3 per cent to Euro 16.0 million. Thus the forecast, adjusted during the past financial year, was met.

Profit/loss, financial position and assets and liabilities of OVB Holding AG

OVB Holding AG is the parent and management holding company of the OVB Group. It directly and indirectly holds the shares in the entities that are part of the OVB Group and performs a range of tasks for the Group involving planning, management accounting, communication, marketing, IT, compliance and risk management.

Profit/loss of OVB Holding AG as the Group's holding company is essentially determined by income from the holdings.

Personnel expense for the holding company's 80 employees on average (previous year: 59 employees) increased in the reporting period from Euro 6.8 million to Euro 8.4 million.

The separate financial statements of OVB Holding AG have been prepared in accordance with the provisions of the German Commercial Code (HGB) in consideration of the supplementary provisions of the German Stock Corporation Act (AktG). Provisions for large corporations apply.

Profit/loss

EUR'000	2017	2016
Sales	10,724	9,072
Income from investments (in affiliated companies)	12,493	13,063
Profits received under a profit-and-loss transfer agreement	6,650	7,008
Net income	11,870	12,172

OVB Holding AG generated investment income in the total amount of Euro 12.5 million in the reporting year (previous year: Euro 13.1 million). The profit received from German subsidiary OVB Vermögensberatung AG under profit-and-loss transfer agreement amounted to Euro 6.6 million in the year under review (previous year: Euro 7.0 million).

Earnings after taxes on income and profits of OVB Holding AG came to Euro 11.8 million in financial year 2017 (previous year: Euro 12.2 million). The reporting year's net income was Euro 11.9 million (previous year: Euro 12.2 million).

Assets and liabilities and financial position

EUR'000	31/12/2017	31/12/2016
Non-current assets	34,672	34,675
Current assets	55,597	55,215
Equity	85,684	84,503
Provisions	3,464	3,854
Liabilities	1,225	570

Total assets of OVB Holding AG increased from Euro 88.9 million at the end of financial year 2016 to Euro 90.4 million at the end of the year under review.

The assets of OVB Holding AG essentially comprise shares in and receivables from affiliated companies, predominantly refinanced by equity.

The asset structure is virtually unchanged from the previous year.

The item receivables from affiliated companies essentially includes dividend claims and receivables from ongoing clearing transactions.

The capital structure of OVB Holding AG is characterised by a solid equity base: The Company's equity amounted to Euro 85.7 million at year-end 2017 (previous year: Euro 84.5 million). The Company's equity ratio went down slightly from 95.0 per cent to 94.8 per cent.

Liquidity and dividend
As of the reporting date, the Company has liquid assets of Euro 16.8 million at its disposal (previous year: Euro 27.7 million). The decrease in liquid assets results from reallocations in securities. In the year 2017, a dividend of Euro 0.75 per share was paid out for financial year 2016 (total volume Euro 10.7 million).

Dividend payments are made depending on the Company's financial position and profitability. Executive Board and Supervisory Board of OVB Holding AG will thus propose to the Annual General Meeting on 5 June 2018 to distribute a dividend of Euro 0.75, unchanged from the previous year, from the retained earnings of OVB Holding AG. As of 31 December 2017, altogether 14,251,314 shares were entitled to dividend. That resolution being adopted by the Annual General Meeting, the dividend payout of OVB Holding AG for financial year 2017 will amount to Euro 10.7 million.

The Executive Board's overall statement on the 2017 business performance

Sales and operating result (EBIT) of the OVB Group almost reached the prior-year level again in financial year 2017. Against the backdrop of challenging general conditions in several national markets, we consider this a success. With respect to the sales performance in the segments "Central and Eastern Europe" and "Southern and Western Europe", increases in some countries partly compensated for declining sales in other markets. In the Germany segment, the effects of the Life Insurance Reform Act (LVRG) were noticeable.

Considering earnings, it must be taken into account that initial measures for implementing the strategy OVB Evolution 2022 increased current expenditure. The OVB 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 all OVB financial agents and employees take continuously seeking and seizing business opportunities for granted, 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 and to exploit them with the goal of achieving an above-target performance of earnings if possible. Such opportunities may arise e.g. in the context of broking activity or due to improved market conditions. OVB Holding AG identifies strategic opportunities. 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 within the entire organisation and thus a deliberate risk-taking policy based on the comprehensive knowledge of 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 while 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.

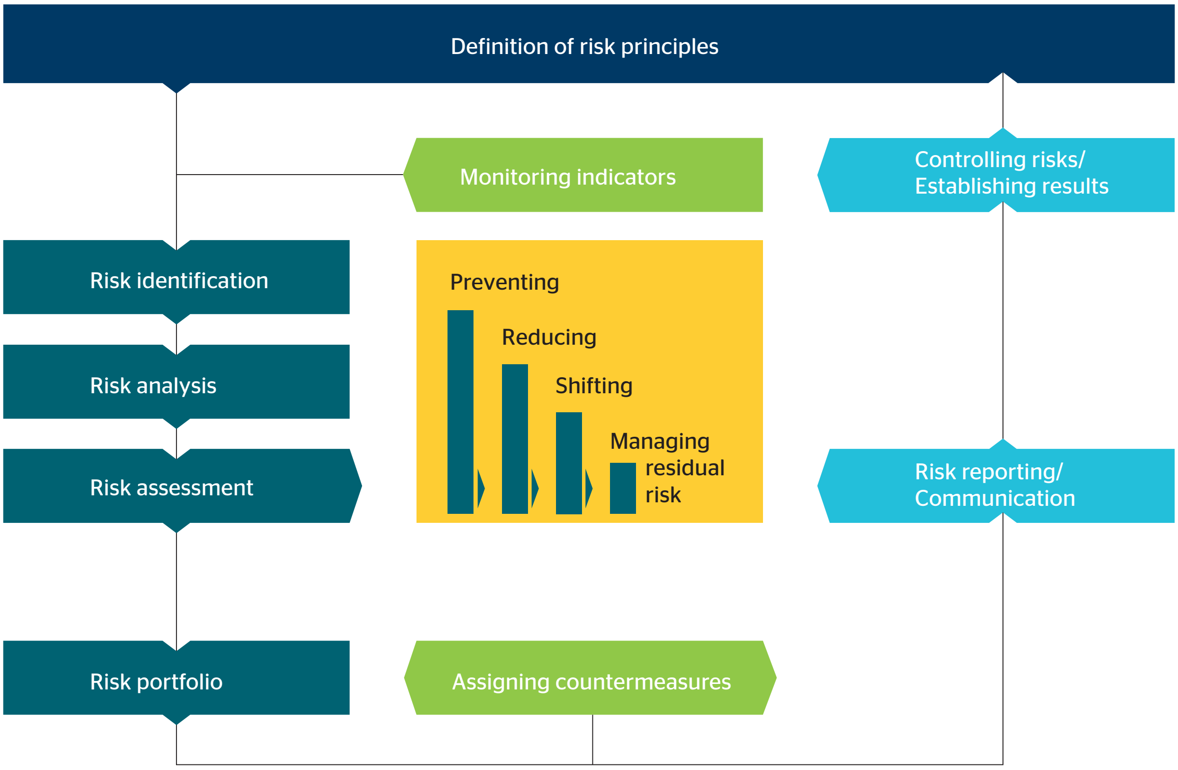
Material risks are identified, quantified and the measures taken are documented by the respective risk manager of the business divisions or rather by the decentralised risk managers of the operating subsidiaries in annual risk inventory processes.

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.

OVB risk management process



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

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 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/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 2017.

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
- Proper 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 recognised, reported 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 and liabilities, financial position and profit/loss. Please refer to 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 diminished 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, tailored to the respective situation in the relevant markets, also helps offset risks at least in certain sub-segments.

Great Britain's probable exit from the European Union implies neither additional opportunities nor risks for the OVB Group as the Company does not operate in this country. A possible slowdown in the economy in Europe due to the so-called Brexit might have a minor effect on OVB's business at the most.

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.

Generally speaking, the economic situation of Europe's private households has improved in 2017. This opens opportunities for expanding the sale of financial products. On the other hand, the average income of private households varies greatly in the 14 countries in which OVB operates.

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 generally 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.

With Regulation (EU) 2016/97 (IDD; Insurance Distribution Directive), the European Union defines a uniform level of requirements for the brokerage of insurance products within the EU. It targets increased consumer protection as well as promoting market integration.

Of particular relevance to OVB is the IDD implementation by the member states concerning rules of conduct, transparency provisions and professional training requirements. While the EU has determined minimum requirements, member states are free to decide on far more extensive provisions.

The IDD was supplemented by two Delegated Regulations, adopted on 21 September 2017, governing aspects of product monitoring as well as conflicts of interest, incentives and statements about suitability or rather appropriateness with respect to insurance-based investment products. In December 2017, the EU Commission approved the postponement of the application date of the IDD and the Regulations based on the Directive to 1 October 2018.

The IDD expressly does not provide for a general prohibition of commission-based distribution; instead, it is up to the member states to introduce such a ban or rather adhere to it as in Great Britain or the Netherlands. There are no indications yet for an introduction of prohibition in any of the countries in which OVB operates. OVB supports the requirements regarding supervision and control for insurance companies and insurance distributors on the one hand and information obligations and rules of conduct for the sale of insurance-based investment products on the other hand as framed by the two Delegated Regulations. They create binding provisions towards more transparency and better comparability of products and suppliers for the client.

In order to achieve further harmonisation of the financial markets in the European Single Market, as of 3 January 2018 MiFID II Regulation 2014/65/EU superseded its predecessor, MiFID Regulation 2004/39/EG, on markets in financial instruments, to be implemented by the member states in national law. MiFID II aims at a further strengthening of consumer protection and also a restructuring of the markets for securities and derivatives.

On the whole, an intensifying regulation of the financial services market cannot be ruled out.

Regulatory efforts target better investor protection by raising the bar for transparency, client information and advisory service documentation requirements. Not least the obligation to disclose costs and commission amounts will increase the pressure on classic commission-based advisory service models.

OVB constantly monitors and analyses particularly the political decision-making processes in order to be able to evaluate the effects on its business model and the strategic positioning in the national markets early on.

There is the risk that excessive regulation might curb the necessary private efforts for provision and protection.

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 increasing regulatory requirements in a better and more efficient way than smaller market participants in particular. 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. 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 cooperation with high-capacity product partners provides OVB with the opportunity to gain market shares through a 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 0.23 per cent for the year under review (previous year: 1.22 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 capital 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 provided by major rating agencies if available.

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 based 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 2017, earnings would have been Euro 588 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 operations.

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 highly regards the protection of anyone's privacy and control over personal data.

Therefore personal data are collected, processed and used only in compliance with applicable data protection and data security provisions. Due to the EU General Data Protection Regulation (GDPR) adopted in the spring of 2016, the protection and security of data have become the subject of even closer attention for OVB. With the introduction of the GDPR, generally the same standards will apply in all EU member states as of May 2018.

The General Data Protection Regulation encompasses a large number of rules demanding data protection measures taken to be documented. Apart from that, the GDPR determines further processes and requirements. OVB responds with establishing a Group-wide data protection management system for systematically planning, implementing and continuously monitoring the compliance with all those provisions.

In addition to the implementation of GDPR requirements, OVB constantly invests in the security of its systems. After all, the increasing digitisation not only facilitates new, innovative applications but also creates new threats, e.g. by hacker attacks.

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, partly 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 supplementing 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 system myOVB implemented Europe-wide, OVB has partly completed the 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.

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 their brokerage 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 negatively affected by media coverage 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

The management of litigation risk is coordinated by our legal department. OVB guards against litigation risk by drawing on comprehensive advice both from in-house specialists and external lawyers before making business decisions and in structuring business processes. The legal team's 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 or the brokerage of financial and insurance products. OVB further reduces its risk of liability in part by taking out adequate financial liability insurance which is routinely reviewed and adjusted if necessary. Adequate provisions were made for 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 and 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. Corresponding provisions are made for tax payments to be expected.

Estimation risk
Assumptions and estimates primarily concern the measurement of provisions, the collectability of receivables, the impairment of goodwill, litigation risk, depreciation and amortization, the determination of the useful lives of assets and the capitalisation of deferred tax on the holding company's loss carry-forward, affected by imponderables in corporate planning. 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 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 favourable economic performance within the euro area will probably continue through 2018 and change to a more modest pace not before 2019.

After a 2.4 per cent gain in the reporting year, the economic growth is anticipated to come to 2.5 per cent in the current year and slow down to 1.7 per cent in the next year. Thus the economies of this currency area report an above-average economic performance compared over the long term.

Development in Central and Eastern Europe
For the years 2018 and 2019, economic growth in the countries of the Central and Eastern Europe segment can be expected to remain at an altogether sound level. The economic situation of Ukraine might improve again. The development of consumer prices and the public budget balance should move within an acceptable margin.

Further regulatory changes will have an adverse effect on the business performance. Therefore OVB expects a modest sales decline for the Central and Eastern Europe segment in the year 2018. The operating result is expected to come to approximately Euro 8.0 million, due in part to increased expenditure connected to strategic measures.

Key economic data Central and Eastern Europe

	Real GDP (change in %)		Consumer prices (change in %)		Public budget balance (in % of GDP)	
	2018f	2019f	2018f	2019f	2018f	2019f
Croatia	2.3	2.5	1.4	2.0	-1.0	-1.3
Czech Republic	3.3	3.2	2.6	2.1	-0.7	-0.4
Hungary	3.6	3.2	3.0	3.1	-3.0	-3.0
Poland	4.1	3.6	2.3	2.6	-1.8	-1.9
Romania	4.2	3.5	4.3	3.3	-3.5	-3.0
Slovakia	4.0	4.0	2.1	2.0	-1.5	-1.5
Ukraine	2.5	3.0	9.2	5.6	-2.6	-2.2

f = forecast
Source: Raiffeisen RESEARCH, Strategy Austria & CEE, 1st Quarter 2018

Development in Germany
While prospects for the German economy continue to look positive for 2018 and 2019, private consumer spending and construction investments are expected to slow down a notch. Economic growth could reach 2.2 per cent in the current year once more while 1.6 per cent is anticipated for 2019. It is not apparent yet to what extent a new federal government will try to stimulate the economy by its fiscal policy. A continued favourable situation in the labour market and still low interest rates have a positive effect on the financial situation of private households. Thus resources increase for saving for retirement provision on one's own initiative. However, the persisting low-interest rate environment continues to affect the motivation among consumers to spend increasingly on provision measures.

For the Germany segment, OVB anticipates a slight decrease in sales for 2018 compared to 2017. Operating income for 2018 is expected – primarily due to increased capital expenditures connected to strategic measures – to come to about Euro 6.3 million.

Development in Southern and Western Europe
The economic performance in the countries of the region Southern and Western Europe can be expected to show modest growth in 2018 and 2019. Especially for France, Italy and Greece, this outlook means an improvement over the past few years which were determined by stagnation or even recession.

Even though the dynamic sales growth of the past years has considerably slowed down in a few countries, OVB anticipates a slight increase in sales for 2018 in the Southern and Western Europe segment. Despite higher capital expenditures for strategic measures, operating income can be expected to rise to approx. Euro 8.0 million.

Key economic data Southern and Western Europe

	Real GDP (change in %)		Consumer prices (change in %)		Public budget balance (in % of GDP)	
	2018f	2019f	2018f	2019f	2018f	2019f
Austria	2.6	1.6	2.1	2.1	-0.7	-0.6
France	2.5	1.7	1.3	1.6	-2.9	-3.0
Greece	1.8	1.9	1.2	1.3	0.1	-0.2
Italy	1.3	1.1	1.2	1.3	-2.5	-2.4
Spain	2.8	2.1	1.6	1.7	-2.7	-2.5
Switzerland	2.0	1.9	0.7	1.0	0.4	0.5

f = forecast
Source: Raiffeisen RESEARCH, Strategy Global Markets, 1st Quarter 2018

Development of Corporate Centre
For the Corporate Centre segment, OVB Holding AG expects its loss to increase to about Euro 9.0 million in 2018 against the backdrop of strategic measures for strengthening the sustainability of OVB's business model.

Development of OVB Holding AG
In view of a market environment that continues to be challenging for the holdings, the Executive Board expects to achieve net income at prior-year level. OVB's solid financial basis makes it possible to maintain dividend continuity despite temporarily affected earnings.

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 high demand for private risk protection and 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 risk protection and retirement provision remains unchanged. OVB works with great commitment at further developing this potential for the Company. For 2018 OVB expects a slight decrease in the Group's sales compared to 2017 at different market-specific trends in the individual countries. Rising capital expenditures connected to the implementation of the strategy Evolution 2022 will lead to a decrease in operating income to between Euro 13.0 and 13.5 million at Group level.

Remuneration 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 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.

Appropriateness of the remuneration amounts 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.

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 of remuneration 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 up 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 2017 derives from the moving average of the actuals achieved over the past two years (2015/2016) and target achievement in the year 2017. If a 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, total remuneration for the past financial year and, if applicable, expected 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, remuneration continues to be paid to the surviving dependents for a period of six months.

Remuneration of the Executive Board members for financial year 2017
The Executive Board was granted total remuneration for the 2017 financial year in the amount of Euro 1.7 million (previous year: Euro 1.8 million). Total remuneration covers all remuneration received for services to the parent and to subsidiary companies.

The following tables listing remuneration paid for financial year 2017 and allocations for the year under review consider the recommendations of the German Corporate Governance Code in addition to the applicable accounting principles. Tables correspond to 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, remuneration was granted for the 2017 financial year as presented below (individualised disclosures):

Benefits granted for 2017

EUR'000	Mario Freis, CEO 2016*	2017*	2017 (min)*1	2017 (max)*2	Oskar Heitz, CFO 2016*	2017*	2017 (min)*1	2017 (max)*2
Fixed compensation	420	**420**	**420**	**420**	300	**300**	**300**	**300**
Fringe benefits	70	**67**	**67**	**67**	93	**94**	**94**	**94**
Total	490	**487**	**487**	**487**	393	**394**	**394**	**394**
One-year variable compensation (annual bonus)	140	**140**	**-**	**182**	80	**80**	**-**	**104**
Multi-year variable compensation	87	**111**	**36**	**157**	62	**71**	**28**	**98**
Bonus account (2014 - 2016)	87				62			
Bonus account (2015 - 2017)	-	**111**	**36**	**157**	-	**71**	**28**	**98**
Total variable components	227	**251**	**36**	**339**	142	**151**	**28**	**204**
Service cost	-	**-**	**-**	**-**	-	**-**	**-**	**-**
Total remuneration	717	**738**	**523**	**826**	535	**545**	**422**	**598**

Benefits granted for 2017

EUR'000	Thomas Hücker, COO 2016*	2017*	2017 (min)*1	2017 (max)*2
Fixed compensation	225	**225**	**225**	**225**
Fringe benefits	57	**60**	**60**	**60**
Total	282	**285**	**285**	**285**
One-year variable compensation (annual bonus)	75	**75**	**-**	**98**
Multi-year variable compensation	46	**59**	**19**	**84**
Bonus account (2014 - 2016)	46			
Bonus account (2015 - 2017)	-	**59**	**19**	**84**
Total variable components	121	**134**	**19**	**182**
Service cost	-	**-**	**-**	**-**
Total remuneration	403	**419**	**304**	**467**

* 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 2017 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 amount stated for multi-year variable compensation derives from the actuals 2015/2016 less deduction (penalty rule) for the year 2017 and corresponds to the minimum amount paid for 2017 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 amount stated for multi-year variable compensation derives from the actuals 2015/2016 plus allocation to the bonus account upon target achievement of 200 per cent and corresponds to the maximum amount paid for 2017 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 2017 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 2017, above, the following table presents allocations for the 2017 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 2017 already determined as of the time of preparation of the financial statements.

Allocations for the year under review 2017

	Mario Freis, CEO		Oskar Heitz, CFO		Thomas Hücker, COO	
EUR'000	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**
Fixed compensation	420	**420**	300	**300**	225	**225**
Fringe benefits	70	**67**	93	**94**	57	**60**
Total	490	**487**	393	**394**	282	**285**
One-year variable compensation (annual bonus)	158	**144**	90	**81**	84	**76**
Multi-year variable compensation	96	**111**	67	**71**	51	**59**
Bonus account (2014 - 2016)	96		67		51	
Bonus account (2015 - 2017)	-	**111**	-	**71**	-	**59**
Total variable components	253	**255**	157	**152**	135	**135**
Service cost	-	**-**	-	**-**	-	**-**
Total remuneration	743	**742**	550	**546**	417	**420**

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*
  Fixed annual compensation comes to 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 approved 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 12.3 million reported as of 31 December 2017, total remuneration (including reimbursements) paid to Supervisory Board members for the past financial year comes to roughly EUR 81.8 thousand. Based on a consolidated net income of OVB Holding AG reported in the amount of Euro 12.7 million, the previous year's Supervisory Board remuneration (including reimbursements) had come to roughly EUR 83.5 thousand. In accordance with aforementioned guidelines, compensation of the Supervisory Board's individual members is divided into the following fixed and variable components on a pro-rata-temporis basis:

	Fixed compensation		Variable compensation		Total	
EUR'000	2016	2017	2016	2017	2016	2017
Supervisory Board						
Michael Johnigk Chairman	10.0	10.0	10.2	9.9	20.2	**19.9**
Dr Thomas A. Lange Deputy Chairman	7.5	7.5	10.2	9.9	17.7	**17.4**
Markus Jost	5.0	5.0	10.2	9.9	15.2	**14.9**
Wilfried Kempchen	5.0	5.0	10.2	9.9	15.2	**14.9**
Winfried Spies	5.0	5.0	10.2	9.9	15.2	**14.9**
Dr Alexander Tourneau*	-	-	-	-	-	**-**
Total	32.5	32.5	51.0	49.3	83.5	**81.8**

* In 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.

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

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 289a (1), 315a (1) HGB and explanatory report

Composition of subscribed capital

The Company's share capital was Euro 14,251,314.00 as of 31 December 2017, 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 33, 34 (1) no. 1 WpHG (Securities Trading Act – new version).

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") for the purpose 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. Die SIGNAL IDUNA Krankenversicherung a.G., Dortmund and Hamburg, holds roughly 21.27 per cent of the shares directly. In accordance with Sections 33 (1), 34 (2) WpHG (new version), the shares held directly by SIGNAL IDUNA Krankenversicherung a.G. and IDUNA Vereinigte Lebensversicherung aG are also attributed to SIGNAL Unfallversicherung a.G., Dortmund, so that this entity has 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 33, 34 (1) no. 1 WpHG (new version).

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 will enter 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. The Supervisory Board has sole responsibility for the appointment and dismissal of Executive Board members, determines the number of Executive Board members and appoints them 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 (Stock Corporation Act). In accordance with Section 179 (2) AktG in conjunction with Section 18 (2) of the Articles of Association, resolutions passed by the General Meeting of shareholders to amend the Articles of Association must be adopted by a simple majority of the votes cast as well as a majority of at least three quarters 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.

Privileged acceptance of smaller allotments of up to 100 shares offered to the Company for purchase per shareholder may be provided for.

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 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 repurchased shares in order to fulfil the obligations under any share-based payment plans in favour of members of management, other executives and the self-employed sales agents of OVB Holding AG and its domestic and foreign subsidiaries (for the purpose of Sections 15 et seq. AktG).

The Executive Board may also, with the Supervisory Board's consent, retire repurchased shares without another resolution of the General Meeting of shareholders 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 right to the Company's treasury shares is 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, 26 February 2018

Mario Freis	Oskar Heitz	Thomas Hücker
CEO	CFO	COO

Consolidated financial statements 2017

Consolidated statement of financial position

of OVB Holding AG as of 31 December 2017 according to IFRS

Assets

Note	EUR'000	31/12/2017	31/12/2016
	A. Non-current assets		
1	Intangible assets	9,756	9,738
2	Tangible assets	4,111	4,166
3	Financial assets	5,096	5,223
4	Deferred tax assets	4,451	4,250
		23,414	**23,377**
	B. Current assets		
5	Trade receivables	29,243	29,742
6	Receivables and other assets	23,553	17,887
7	Income tax assets	1,876	1,656
8	Securities and other capital investments	39,413	25,168
9	Cash and cash equivalents	55,521	69,938
		149,606	**144,391**
	Total assets	**173,020**	**167,768**

Note

Equity and liabilities

Note	EUR'000	31/12/2017	31/12/2016
	A. Equity		
10	Subscribed capital	14,251	14,251
11	Capital reserve	39,342	39,342
12	Treasury shares	0	0
13	Revenue reserves	13,671	13,663
14	Other reserves	202	738
15	Non-controlling interests	569	524
16	Retained earnings	21,198	19,752
		89,233	**88,270**
	B. Non-current liabilities		
17	Provisions	915	762
18	Other liabilities	75	141
19	Deferred tax liabilities	23	1
		1,013	**904**
	C. Current liabilities		
20	Provisions for taxes	449	998
21	Other provisions	30,907	31,954
22	Income tax liabilities	1,077	1,228
23	Trade payables	7,363	10,978
24	Other liabilities	42,978	33,436
		82,774	**78,594**
	Total equity and liabilities	**173,020**	**167,768**

Note

Consolidated income statement

of OVB Holding AG for the period from 1 January to 31 December 2017 according to IFRS

Note	EUR'000	2017	2016
25	Brokerage income	221,629	218,693
26	Other operating income	9,680	8,845
	Total income	**231,309**	**227,538**
27	Brokerage expenses	-148,040	-144,509
28	Personnel expenses	-27,966	-26,128
29	Depreciation and amortisation	-4,113	-3,610
30	Other operating expenses	-35,224	-36,775
	Earnings before interest and taxes (EBIT)	**15,966**	**16,516**
	Finance income	484	882
	Finance expenses	-66	-144
31	**Financial result**	**418**	**738**
	Consolidated income before income tax	**16,384**	**17,254**
32	Taxes on income	-4,048	-4,564
33	**Consolidated net income**	**12,336**	**12,690**
34	Thereof non-controlling interests	-194	-154
35	**Consolidated net income after non-controlling interests**	**12,142**	**12,536**
36	Basic earnings per share in Euro	0.85	0.88

Note

Consolidated statement of comprehensive income

of OVB Holding AG for the period from 1 January to 31 December 2017 according to IFRS

EUR'000	2017	2016
Consolidated net income	**12,336**	**12,690**
Revaluation effect from provisions for pensions	-92	50
Deferred tax due to revaluation effect from provisions for pensions	15	-3
Other comprehensive income not to be reclassified to the income statement	**-77**	**47**
Change from revaluation of available-for-sale financial assets outside profit or loss	-147	173
Change from revaluation of available-for-sale financial assets through profit or loss	-24	-376
Change in deferred taxes on unrealised gains and losses from capital investments outside profit or loss	15	-23
Change in currency translation reserve	-303	20
Other comprehensive income to be reclassified to the income statement	**-459**	**-206**
Total comprehensive income before non-controlling interests	**11,800**	**12,531**
Total comprehensive income attributable to non-controlling interests	-194	-154
Total comprehensive income	**11,606**	**12,377**

Consolidated statement of cash flows

of OVB Holding AG for the period from 1 January to 31 December 2017 according to IFRS

	EUR'000	2017	2016
	Consolidated income before income tax	16,384	17,254
+/-	Depreciation, amortisation and impairment / Appreciation in value and reversal of impairment loss of non-current assets	4,117	3,641
-	Financial result	-418	-738
-/+	Unrealised currency gains/losses	-822	83
+/-	Allocation to/reversal of valuation allowances for receivables	1,918	2,920
+/-	Other non-cash financial items	-106	-370
+/-	Increase/decrease in provisions	-1,149	987
+/-	Result from the disposal of intangible and tangible assets	-111	76
+/-	Decrease/increase in trade receivables and other assets	-7,525	-5,626
+/-	Increase/decrease in trade payables and other liabilities	5,875	4,260
-	Interest paid	-66	-61
-	Income tax paid	-4,347	-4,564
=	**Cash flow from operating activities**	**13,750**	**17,862**
+	Payments received from disposal of investment property	0	580
+	Payments received from disposal of tangible assets and intangible assets	360	141
+	Payments received from disposal of financial assets	376	215
+	Payments received from disposal of securities and other short-term capital investments	8,643	25,672
-	Payments for expenditure on tangible assets	-1,414	-1,320
-	Payments for expenditure on intangible assets	-2,836	-2,180
-	Payments for expenditure on financial assets	-246	-5,279
-	Payments for expenditure on securities and other short-term capital investments	-23,016	-6,118
+	Other finance income	259	490
+	Interest received	225	392
=	**Cash flow from investing activities**	**-17,649**	**12,593**
-	Dividends paid	-10,837	-9,263
=	**Cash flow from financing activities**	**-10,837**	**-9,263**
	Overview:		
	Cash flow from operating activities	13,750	17,862
	Cash flow from investing activities	-17,649	12,593
	Cash flow from financing activities	-10,837	-9,263
=	**Net change in cash and cash equivalents**	**-14,736**	**21,192**
	Exchange rate changes in cash and cash equivalents	332	-57
+	Cash and cash equivalents at end of the prior year	69,925	48,790
=	**Cash and cash equivalents at the end of the period**	**55,521**	**69,925**

Consolidated statement of changes in equity

of OVB Holding AG as of 31 December 2017 according to IFRS

EUR'000	Subscribed capital	Capital reserve	Statutory reserve	Other revenue reserves	Available-for-sale reserve/ revaluation reserve	Reserve from provisions for pensions
31/12/2016	**14,251**	**39,342**	**2,531**	**11,132**	**245**	**-521**
Consolidated profit						
Treasury shares						
Corporate actions						
Dividends paid						
Change in available-for-sale reserve					-171	
Allocation to other reserves			8			
Change in currency translation reserve						
Revaluation effect from provisions for pensions						-92
Consolidated net income						
Balance as at 31/12/2017	**14,251**	**39,342**	**2,539**	**11,132**	**74**	**-613**

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

EUR'000	Subscribed capital	Capital reserve	Statutory reserve	Other revenue reserves	Available-for-sale reserve/ revaluation reserve	Reserve from provisions for pensions
31/12/2015	**14,251**	**39,342**	**2,531**	**11,132**	**448**	**-571**
Consolidated profit						
Treasury shares						
Corporate actions						
Dividends paid						
Change in available-for-sale reserve					-203	
Allocation to other reserves						
Change in currency translation reserve						
Revaluation effect from provisions for pensions						50
Consolidated net income						
Balance as at 31/12/2016	**14,251**	**39,342**	**2,531**	**11,132**	**245**	**-521**

Deferred tax on unrealised gains/losses	Currency translation reserve	Total income recognised directly in equity	Retained profits brought forward	Consolidated net income after non-controlling interests	Total compre-hensive income	Equity of the shareholders of OVB Holding AG	Non-controlling interests	Total
81	**933**		**7,216**	**12,536**		**87,746**	**524**	**88,270**
			12,536	-12,536				
			-10,688			-10,688	-149	-10,837
15		-156			-156	-156		-156
			-8					
	-303	-303			-303	-303		-303
15		-77			-77	-77		-77
				12,142	12,142	12,142	194	12,336
111	**630**	**-536**	**9,056**	**12,142**	**11,606**	**88,664**	**569**	**89,233**

Deferred tax on unrealised gains/losses	Currency translation reserve	Total income recognised directly in equity	Retained profits brought forward	Consolidated net income after non-controlling interests	Total compre-hensive income	Equity of the shareholders of OVB Holding AG	Non-controlling interests	Total
107	**913**		**7,101**	**9,378**		**84,632**	**370**	**85,002**
			9,378	-9,378				
			-9,263			-9,263		-9,263
-23		-226			-226	-226		-226
	20	20			20	20		20
-3		47			47	47		47
				12,536	12,536	12,536	154	12,690
81	**933**	**-159**	**7,216**	**12,536**	**12,377**	**87,746**	**524**	**88,270**

Notes to the consolidated financial statements for financial year 2017

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 2017 are released for publication on 23 March 2018 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 has prepared its consolidated financial statements pursuant to Section 315a HGB (Commercial Code) 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 2017 as well as the interpretations released by the IFRS Interpretations Committee and the Standing Interpretations Committee (SIC) have been taken into account. The additional trade law requirements under Section 315a (1) HGB have also been complied with.

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.

The consolidated financial statements are prepared 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 consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes to consolidated financial statements including segment reporting.

As a first-time business transaction, it came to a reduction of capital of an operating subsidiary in the third quarter of 2017. OVB reports the exchange differences resulting from capital reduction in the income statement in accordance with IAS 21. Until the date of capital reduction, exchange differences are reported in equity under currency translation reserve.

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

■ IAS 7 Statement of Cash Flows (amendments)
According to amendments to IAS 7, enhanced disclosures are required 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 are also expanded for financial assets for which respective payments are subject to reporting under cash flow from financing activities. Expanded disclosures have not resulted for the Group 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 recognition of deferred tax on temporary differences from unrealised losses. Among other items, the amendments concern the recognition 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 have no material effects 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 two collections of "Improvements to IFRS" (cycle 2014 – 2016 and cycle 2015 – 2017), resulting in minor amendments to seven standards altogether. The amendments address IAS 12, IAS 23, IAS 28, IFRS 1, IFRS 3, IFRS 11 and IFRS 12 and are effective as of 1 January 2019, subject to pending EU endorsement. No material effects will result from these amendments on the consolidated financial statements.

■ 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 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 IFRS 9 will have no material effect on the Group's assets and liabilities, financial position and profit/loss with respect to the Group's present portfolio of financial assets and liabilities.

With respect to holdings of fund shares, measured at fair value (approx. EUR 22,901 thousand investment volume), changes address recognition as changes in their market value will be recognised in profit or loss. There are no material effects on measurement, recognition or impairment of other financial assets and financial liabilities. No derivatives are held as of the reporting date. The regulations concerning hedge accounting are currently not applied.

First-time adoption of IFRS 9 requires an adjustment of comparative figures to the effect as if the new accounting method had always been applied. For this purpose, the opening amounts of the statement of financial position of the earliest presented period are adjusted in equity for the cumulative effect of the retrospective application of IFRS 9 (approx. EUR 246 thousand). In the prior-year figures, gains and losses in revaluation reserve formerly recognised in equity are now recognised in the income statement (approx. EUR 171 thousand).

■ IFRS 15 Revenue from Contracts with Customers
On 28 May 2015 the IASB released IFRS 15 (Revenue from Contracts with Customers). The new standard for the recognition of sales, 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.

Compared to IAS 18, the new IFRS 15 provides for a five-step model for the recognition of sales. Among other aspects, it emphasises the contractual basis.

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. The standard was endorsed for use in the European Union in September 2016.

OVB has adjusted its guidance for the accounting treatment of recognition of sales within the Group as of 2018 and has examined the effects on the separate product categories and countries. This examination was not based on underlying contracts; much rather, categories and sub-categories in the respective countries were examined based on a portfolio approach. Contracts with comparable terms and conditions but different product partners have been combined. The focal points of the adjustment were identified and the operating subsidiaries were provided with Group-wide guidance for the determination of sales.

Future application of IFRS 15 results in differences as compared to the currently applied accounting policies and valuation methods. The resulting changes are in detail as follows:

New business commission:
OVB receives new business commission for the successful brokerage of insurance contracts. So far, new business commission is recognised in the year it is settled by the product partner. Payments are either discounted, partly discounted or made on a pro-rata basis.

With respect to new business commission either partly discounted or paid on a pro-rata basis, recognition of sales in the product categories unit-linked provision products; other provision products; property, legal expenses and accident insurance; investment funds; and health insurance takes place at an earlier point in time for the part that is attributable to the successful brokerage of the contract yet billed only in later reporting periods.

The share of partly discounted or pro-rata new business commission to be recognised at an earlier point in time in the future is determined by calculating probable performance rate and contractual term. The contractual term is deemed the shorter of the term according to contract and probable term.

Policy service commission:
OVB receives commission for servicing contracts within the scope of the policyholder's continued support. Accordingly the performance is rendered over a certain period of time which means that corresponding sales are to be recognised over time. Within the framework of the adjustment project, no contracts were identified for which there will be a materially different recognition of policy service commission.

Dynamic commission:
OVB receives commission for increases in contributions. Dynamic commission is recognised as of the point in time when the policyholder's withdrawal period with respect to the contribution increase has expired. There is no material deviation from the previously applied time of recognition.

Cancellation risk:
For earlier recognition of sales, higher provisions are made due to the cancellation risk involved. Most recent cancellation behaviour is regarded for assessment.

Disclosures:
Disclosures regarding sales will be expanded due to the application of IFRS 15. Brokerage income will be divided into new business commission, policy service commission and dynamic commission.

OVB will opt for simplified first-time application: Contracts not completely fulfilled as of 1 January 2018 will be treated as if they were recognised in accordance with IFRS 15 from the beginning. The cumulative effect from that adjustment amounting to about EUR 2 million is recognised outside profit or loss in equity and primarily results from earlier recognition of partly discounted and pro-rata new business commission. Prior-year comparative figures are not adjusted; instead, those changes in items of statement of financial position and income statement of the current reporting period are annotated that result from the first-time application of IFRS 15.

■ 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. As the key requirement of IFRS 16, the lessee must 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 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 4,380 thousand in financial year 2017 (previous year: EUR 4,129 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. However, advance payments made by OVB Holding AG are in the functional currency. There will probably no effects from application.

■ IFRIC 23 Uncertainty over Income Tax Treatments
IFRIC 23 was released by the IFRS IC on 7 June 2017. This interpretation includes rules for the recognition and measurement of tax risk items in case respective tax law is not applicable to a specific transaction. Resulting uncertainties are to be considered for the accounting treatment of tax liabilities or tax assets if it appears probable that the respective tax amounts will be paid or reimbursed. IFRIC 23 is meant to bridge the regulatory gap left by IAS 12 in this regard.

The effects of IFRIC 23 are currently being examined. Subject to pending EU endorsement, the interpretation is effective for reporting periods beginning on or after 1 January 2019.

Furthermore, the standards IFRS 2 (Share-based Payment), IFRS 4 (Insurance Contracts) and IFRS 17 (Insurance Contracts) have also been amended but are not subject to mandatory adoption in their current versions yet. As these 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 2017 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 business 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	Interest in per cent 2017	Equity in EUR'000 31/12/2017	Net income in EUR'000 31/12/2017
Nord-Soft EDV-Unternehmensberatung GmbH, Horst	50.40	1,091	360
Nord-Soft Datenservice GmbH, Horst	50.40	25	0
OVB Informatikai Kft., Budapest	100	82	-8
EF-CON Insurance Agency GmbH i.L., Vienna	100	105	1
OVB SW Services s.r.o., Prague	100	7	0
OVB Vermögensberatung AG, Cologne	100	17,650	0*
Advesto GmbH, Cologne	100	126	-44
Eurenta Holding GmbH Europäische Vermögensberatung, Cologne	100	-1,544	112
OVB Allfinanz a.s., Prague	100	2,416	1,064
OVB Allfinanz Slovensko a.s., Bratislava	100	4,383	2,743
OVB Allfinanz Polska Spółka Finansowa Sp. z.o.o., Warsaw	100	1,221	732
OVB Vermögensberatung A.P.K. Kft., Budapest	100	3,388	2,872
TOB OVB Allfinanz Ukraine, Kiev	100	-9	-93
OVB Allfinanz Romania Broker de Asigurare S.R.L., Cluj	100	326	158
OVB Imofinanz S.R.L., Cluj	100	-16	-1
OVB Allfinanz Croatia d.o.o., Zagreb	100	310	136
OVB Allfinanz Zastupanje d.o.o., Zagreb	100	202	64
OVB Allfinanzvermittlungs GmbH, Wals near Salzburg	100	4,042	1,071
OVB Vermögensberatung (Schweiz) AG, Cham	100	1,783	70
OVB-Consulenza Patrimoniale SRL, Verona	100	2,919	1,093
OVB Allfinanz España, S.A., Madrid	100	5,303	3,633
OVB (Hellas) Allfinanz Vermittlungs GmbH & Co. KG, Bankprodukte, Athens	100	32	-215
Eurenta Hellas Monoprosopi Eteria Periorismenis Efthynis Asfalistiki Praktores, Athens	100	2	-107
OVB Hellas Allfinanz Vermittlungs GmbH, Athens	100	0	-3
OVB Conseils en patrimoine France Sàrl, Strasbourg	100	561	-21

*Profit and loss transfer agreement applies

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

MAC Marketing and Consulting GmbH, Salzburg, was liquidated and deconsolidated effective 24 August 2017. This resulted in no material effects on the financial position, assets and liabilities and profit/loss as OVB Holding AG has assumed all assets and liabilities and the income statement as well as cash and cash equivalents remained unaffected by deconsolidation for the most part.

Equity and net income for the period attributable to non-controlling shareholders are reported separately in the consolidated statement of financial position, the consolidated income statement and the consolidated 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	
EUR'000	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Non-current assets	329	364	0	0
Current assets	1,046	1,060	31	30
Non-current liabilities	11	0	0	0
Current liabilities	242	394	6	6

Non-current assets of Nord-Soft EDV-Unternehmensberatung GmbH essentially include own-use property with a book value of EUR 295 thousand as of 31 December 2017 (31 December 2016: EUR 335 thousand). Sales generated with third parties in the year under review amount to EUR 875 thousand for Nord-Soft EDV-Unternehmensberatung GmbH (31 December 2016: EUR 725 thousand) and EUR 223 thousand for Nord-Soft Datenservice GmbH (31 December 2016: EUR 167 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 31/12/2017	Closing rate 31/12/2016	Change in %	Average rate 2017	Average rate 2016	Change in %
CHF	0.854974	0.932436	-8.31	0.900520	0.917280	-1.83
CZK	0.039094	0.036941	5.83	0.037970	0.036970	2.70
HUF	0.003219	0.003223	-0.12	0.003230	0.003210	0.62
HRK	0.134758	0.132367	1.81	0.133840	0.132300	1.16
PLN	0.239257	0.226455	5.65	0.234750	0.229010	2.51
RON	0.213553	0.220087	-2.97	0.218620	0.222360	-1.68
UAH	0.029405	0.034578	-14.96	0.033100	0.035040	-5.54

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 reportable value.

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 corresponds to the listed market price in an active market (level 1 according to IFRS 13). If no such market prices in an active market 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

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 their respective subsequent measurement.

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 reflects 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. Then 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 6 "Receivables and other assets", 23 "Trade receivables" and 24 "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

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 entered in the statement of financial position.

The following is an explanation of the most relevant 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.

For making provisions, 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 position 21 “Other provisions” 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 positions 5 and 6 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, required parameters for determining the value in use are determined. These parameters essentially involve the risk-free interest rate and a risk premium. The book value of goodwill can be found under position 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 income may vary from the budget figures. The book value of deferred tax assets can be found under position 4 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 acquisitions 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, the dividend paid was 10 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 51.6 per cent (31 December 2016: 52.6 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.

EUR'000		Book value 2017	Book value 2016
Financial assets	L+R	5,096	5,223
Trade receivables	L+R	29,243	29,742
Receivables and other assets		23,553	17,887
Receivables	L+R	19,803	12,460
Other assets		3,750	5,427
Securities and other capital investments		39,413	25,168
Securities	AfS	25,903	8,619
Other capital investments	L+R	13,510	16,549
Cash and cash equivalents	L+R	55,521	69,938

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

All book values of financial assets, except for securities that are measured at fair value, correspond to a reasonable approximation of respective fair value. Aggregated according to the categories defined under IAS 39, the book values of financial instruments can be broken down as follows:

EUR'000	Book value 2017	Amortised cost	Historical cost	Change in value outside profit or loss	Change in value through profit or loss
Loans and receivables	123,173 (previous year: 133,912)	123,173 (previous year: 133,912)	-	-	-21,026 (previous year: -19,937)
Available-for-sale financial assets	25,903 (previous year: 8,619)	-	26,074 (previous year: 9,200)	71 (previous year: 246)	-243 (previous year: -827)
Financial liabilities	49,081 (previous year: 42,981)	49,081 (previous year: 42,981)	-	-	-

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 2017 receivables with a book value of EUR 0 thousand were overdue but not impaired (31 December 2016: EUR 7 thousand). These receivables are essentially only a few days overdue based on invoicing processes.

Financial assets with a book value of EUR 3,196 thousand (31 December 2016: EUR 3,631 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:

	From subsequent measurement				Net result
EUR'000	From interest and similar income	At fair value	Valuation allowance / Appreciation in value	From disposal	Total
Loans and receivables	225 (previous year: 392)		-1,632 (previous year: -2,035)	-161 (previous year: -755)	-1,568 (previous year: -2,398)
Available-for-sale financial assets	144 (previous year: 115)	-147 (previous year: 185)	41 (previous year: -52)	17 (previous year: 356)	55 (previous year: 604)
Financial liabilities	-66 (previous year: -61)			1,086 (previous year: 1,173)	1,020 (previous year: 1,112)
Total	303 (previous year: 446)	-147 (previous year: 185)	-1,591 (previous year: -2,087)	942 (previous year: 774)	-493 (previous year: -682)

Foreign currency effects included in the net result are immaterial and therefore not reported separately. The net result includes EUR 171 thousand (31 December 2016: EUR 203 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 369 thousand in the year under review (31 December 2016: EUR 507 thousand). Total interest expense for financial liabilities was EUR 66 thousand (31 December 2016: EUR 61 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 123,173 thousand (31 December 2016: EUR 133,912 thousand) and to receivables from third parties arising in case of the utilisation of guarantees if applicable (cf. IV. “Other information”). Securities held as collateral for this purpose come to EUR 8,962 thousand (31 December 2016: EUR 9,945 thousand) so that the residual risk amounts to EUR 114,211 thousand (31 December 2016: EUR 123,967 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 2017 is equivalent to the carrying amount of EUR 25,903 thousand (31 December 2016: EUR 8,619 thousand).

There were no indications of impaired value of financial assets that were neither overdue nor impaired as of the reporting date.

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:

EUR'000	Gross amount	Valuation allowance	Book value (net)
Loans and receivables	28,530 (previous year: 27,424)	-21,026 (previous year: -19,937)	7,504 (previous year: 7,487)
Available-for-sale financial assets	20,418 (previous year: 6,121)	-243 (previous year: -823)	20,175 (previous year: 5,298)

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 (31 December 2016: 35 per cent) in functional currencies other than the euro. Translation differences from changes in exchange rates compared to the previous year were EUR 1,246 thousand in consolidated sales and EUR 64 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 58,901 thousand (31 December 2016: EUR 63,680 thousand) and variable-interest liabilities of EUR 110 thousand (31 December 2016: EUR 142 thousand). If market interest rates for the full year 2017 had been 100 basis points higher (lower), net income would have been EUR 588 thousand (31 December 2016: EUR 635 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 its 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 valuated at 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 the year 2010 a CRM system 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 17 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 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, others	4 - 10 years
IT equipment	3 - 5 years
Tenant fixtures and fittings	5 - 13 years
Leased assets	3 - 5 years

4.1.3 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.

4.1.4 Leases

Leases where all material risks and benefits incident to asset ownership are transferred to the lessee are classified as finance leases. The lessee capitalises the leased assets and depreciates them 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 position 26 “Other operating income”.

4.1.5 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, primarily such securities are purchased that can be disposed of at any time. Those securities and other capital investments are 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).

To a limited extent, OVB holds securities and other capital investments attributable to the category "loans and receivables", subsequently measured at amortised cost according to the effective interest method.

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 (31 December 2016: 0.60 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 twelve 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

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

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 0.00 per cent (31 December 2016: 0.03 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 their financial statements audited. This item also includes the anticipated cost of the audit of the 2017 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 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 entities. 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 are 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 34,354 thousand (31 December 2016: EUR 39,592 thousand), OVB Allfinanz Slovensko a.s., Bratislava at EUR 35,662 thousand (31 December 2016: EUR 36,411 thousand) and OVB Vermögensberatung A.P.K. Kft., Budapest at EUR 23,027 thousand (31 December 2016: EUR 20,148 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 21,970 thousand (31 December 2016: EUR 22,503 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; EF-CON Insurance Agency GmbH, under liquidation, Vienna, and OVB SW Services s.r.o., Prague. The entities 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 2017

of OVB Holding AG according to IFRS

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	109,011	55,447	57,171	0	0	221,629
Other operating income	2,098	3,525	2,040	2,171	-154	9,680
Income from inter-segment transactions	47	1,006	5	10,706	-11,764	0
Total segment income	**111,156**	**59,978**	**59,216**	**12,877**	**-11,918**	**231,309**
Segment expenses						
Brokerage expense						
- Current commission for sales force	-69,100	-31,770	-31,929	0	0	-132,799
- Other commission for sales force	-7,865	-3,927	-3,449	0	0	-15,241
Personnel expenses	-7,300	-6,525	-4,908	-9,233	0	-27,966
Depreciation/amortisation	-783	-442	-394	-2,494	0	-4,113
Other operating expenses	-16,586	-10,639	-10,941	-8,915	11,857	-35,224
Total segment expenses	**-101,634**	**-53,303**	**-51,621**	**-20,642**	**11,857**	**-215,343**
Earnings before interest and taxes (EBIT)	**9,522**	**6,675**	**7,595**	**-7,765**	**-61**	**15,966**
Interest income	76	135	36	51	-16	282
Interest expenses	-4	-32	-44	-2	16	-66
Other financial result	0	46	48	108	0	202
Earnings before taxes (EBT)	**9,594**	**6,824**	**7,635**	**-7,608**	**-61**	**16,384**
Taxes on income	-1,866	22	-2,059	-145	0	-4,048
Non-controlling interests	0	0	0	-194	0	-194
Segment result	**7,728**	**6,846**	**5,576**	**-7,947**	**-61**	**12,142**
Additional disclosures						
Capital expenditures for intangible and tangible assets	1,123	300	635	2,192	0	4,250
Material non-cash expenses (-) and income (+)	14	905	-139	3	0	783
Impairment expenses	-457	-1,662	-581	-167	0	-2,867
Reversal of impairment loss	53	538	123	74	0	788

Segment reporting 2016

of OVB Holding AG according to IFRS

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

II. Notes to the consolidated statement of financial position

Schedule of Group non-current assets

of OVB Holding AG as of 31 December 2017

						Intangible assets
			Software	Goodwill	Other intangible assets	Total
in Euro'000	Software purchased from external third parties	In-house software develop-ments	Payments on account for software			
Historical cost						
31/12/2016	33,513	3,923	598	10,378	3,073	51,485
Currency translation differences	32	36	-14	0	-30	24
Change in consolidated Group	0	0	0	0	0	0
Additions	2,442	0	296	0	98	2,836
Disposals	6	0	54	0	0	60
Transfers	0	0	0	0	0	0
31/12/2017	**35,981**	**3,959**	**826**	**10,378**	**3,141**	**54,285**
Accumulated depreciation/ amortisation						
31/12/2016	24,624	3,836	361	9,416	2,462	40,699
Currency translation differences	29	34	-30	0	-25	8
Change in consolidated Group	0	0	0	0	0	0
Additions	2,528	0	0	0	177	2,705
Disposals	6	0	0	0	0	6
Transfers	0	0	0	0	0	0
31/12/2017	**27,175**	**3,870**	**331**	**9,416**	**2,614**	**43,406**
Accumulated impairments						
31/12/2016	0	67	0	815	166	1,048
Currency translation differences	0	0	0	0	0	0
Change in consolidated Group	0	0	0	0	0	0
Impairments	0	0	0	75	0	75
Impairment loss reversal	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
31/12/2017	**0**	**67**	**0**	**890**	**166**	**1,123**
Book value 31/12/2017	**8,806**	**22**	**495**	**72**	**361**	**9,756**
Book value 31/12/2016	**8,889**	**20**	**237**	**147**	**445**	**9,738**

						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					
3,271	6,846	5,253	184	1,771	76	17,401	0	5,005	218	5,223
108	-31	-29	0	4	4	56	0	0	3	3
0	0	0	0	0	0	0	0	0	0	0
4	822	500	9	26	53	1,414	0	0	246	246
10	831	201	12	0	126	1,180	0	0	376	376
0	-48	53	0	0	-5	0	0	0	0	0
3,373	**6,758**	**5,576**	**181**	**1,801**	**2**	**17,691**	**0**	**5,005**	**91**	**5,096**
1,942	5,604	4,085	70	1,533	0	13,234	0	0	0	0
49	-31	-30	-1	4	0	-9	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0
108	541	584	40	64	0	1,337	0	0	0	0
10	776	198	0	0	0	984	0	0	0	0
0	-28	28	0	0	0	0	0	0	0	0
2,089	**5,310**	**4,469**	**109**	**1,601**	**0**	**13,578**	**0**	**0**	**0**	**0**
0	1	0	0	0	0	1	0	0	0	0
0	1	0	0	0	0	1	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0
0	**2**	**0**	**0**	**0**	**0**	**2**	**0**	**0**	**0**	**0**
1,284	**1,446**	**1,107**	**72**	**200**	**2**	**4,111**	**0**	**5,005**	**91**	**5,096**
1,329	**1,241**	**1,168**	**114**	**238**	**76**	**4,166**	**0**	**5,005**	**218**	**5,223**

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	Software purchased from external third parties	In-house software develop-ments	Payments on account for 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
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
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
Change in consolidated Group	0	0	0	0	0	0
Impairments	0	0	0	0	0	0
Impairment loss reversal	0	0	0	0	0	0
Disposals	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
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
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	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**

ASSETS

A Non-current assets

2017: EUR'000	**23,414**
2016: EUR'000	23,377

1 Intangible assets

2017: EUR'000	**9,756**
2016: EUR'000	9,738

EUR'000	31/12/2017	31/12/2016
Software		
Software purchased from third parties	8,806	8,889
In-house software developments	22	20
Payments on account for software	495	237
Goodwill	72	147
Other intangible assets	361	445
	9,756	**9,738**

Purchased software essentially relates to a group-wide uniform administration and management programme as well as a software solution for sales support. The carrying amount of the administration and management programme called myOVB is EUR 5,675 thousand as of 31 December 2017 (31 December 2016: EUR 5,929 thousand). The carrying amount of the sales-support software comes to EUR 1,739 thousand as of 31 December 2017 (31 December 2016: EUR 1,530 thousand).

Goodwill is subject to impairment tests in accordance with IAS 36. The risk-free discount rate applied to goodwill for the determination of its value in use is 1.32 per cent (31 December 2016: 0.80 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 72 thousand in the Germany segment faces the expected future receipt of payments that substantiates the carrying amount as of 31 December 2017. Impairment in the amount of EUR 75 thousand compared to the previous year is accounted for by lower expected receipt of payments.

2 Tangible assets

2017: EUR'000	**4,111**
2016: EUR'000	4,166

EUR'000	31/12/2017	31/12/2016
Land, land rights and buildings		
- Own-use property	1,284	1,329
Other equipment, office and operating equipment		
- Machinery, equipment, furniture, vehicles, others	1,446	1,241
- IT equipment	1,107	1,168
- Leased assets under finance lease	72	114
- Tenant fixtures and fittings	200	238
- Payments on account for tangible assets under construction	2	76
	4,111	**4,166**

A land charge is entered for one property under the Company's own use in the amount of EUR 716 thousand (previous year: EUR 715 thousand) as the bank's collateral. The land charge is not linked to any underlying values.

Depreciation of EUR 108 thousand (31 December 2016: 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 leases

The carrying amount of the leased assets allocated to the Group in accordance with IAS 17 is EUR 72 thousand as of 31 December 2017 (31 December 2016: EUR 115 thousand). The total cash value of minimum lease payments due within one year is EUR 15 thousand (31 December 2016: EUR 26 thousand) and the amount due in between one and five years is EUR 53 thousand (31 December 2016: EUR 103 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 Financial assets	**2017: EUR'000**	**5,096**
	2016: EUR'000	5,223

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 with a book value of EUR 5,005 thousand as of 31 December 2017.

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

4 Deferred tax assets	**2017: EUR'000**	**4,451**
	2016: EUR'000	4,250

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

EUR'000	31/12/2017	31/12/2016
Goodwill	0	6
Tangible assets and other intangible assets	25	22
Financial assets	1	1
Financial instruments	444	740
Other assets	55	52
Provisions	2,456	2,450
Liabilities	1,643	1,593
Tax loss carry-forward	175	178
	4,799	**5,042**
Net of deferred tax liabilities	-348	-792
	4,451	**4,250**

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 2017 deferred income tax liabilities have been offset against equity outside profit or loss in the amount of EUR 15 thousand (31 December 2016: EUR 23 thousand).

Altogether, no deferred taxes were recognised for loss carry-forward in the amount of EUR 22,251 thousand (31 December 2016: EUR 21,914 thousand) for group companies. This would have corresponded to deferred tax assets of EUR 6,309 thousand (31 December 2016: EUR 6,134 thousand).

Of this loss carry-forward, the amount of EUR 1,612 thousand (31 December 2016: EUR 2,470 thousand) can be utilised over a period of between 5 and 15 years. The amount of EUR 20,639 thousand (31 December 2016: EUR 19,444 thousand) can be carried forward indefinitely.

B Current assets

2017: EUR'000	**149,606**
2016: EUR'000	144,391

5 Trade receivables

2017: EUR'000	**29,243**
2016: EUR'000	29,742

EUR'000	31/12/2017	31/12/2016
Trade receivables		
1. Receivables from insurance brokerage	27,096	27,448
2. Receivables from other brokerage	993	1,116
3. Other trade receivables	1,154	1,178
	29,243	**29,742**

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

EUR'000	2017	2016
Valuation allowances as of 1 January	112	155
Exchange rate differences	0	0
Allocation (valuation allowance expense)	109	0
Consumption	98	21
Reversals	0	22
Valuation allowances as of 31 December	**123**	**112**

Trade receivables in the amount of EUR 7,028 thousand (31 December 2016: EUR 6,481 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.

6 Receivables and other assets

2017: EUR'000	**23,553**
2016: EUR'000	17,887

EUR'000	31/12/2017	31/12/2016
6.1 Other receivables	19,803	12,460
6.2 Other assets	3,750	5,427
	23,553	**17,887**

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 1,818 thousand as of the reporting date (31 December 2016: EUR 3,878 thousand). Of this total, claims over EUR 401 thousand (31 December 2016: EUR 1,772 thousand) have terms to maturity of more than one year.

6.1 Other receivables

EUR'000	31/12/2017	31/12/2016
Other receivables		
1. Receivables from financial agents	8,649	8,450
2. Receivables from employees	96	190
3. Miscellaneous other receivables	10,708	3,325
4. Other taxes	350	495
	19,803	**12,460**

Changes in valuation allowances for other receivables are as follows:

EUR'000	2017	2016
Valuation allowances as of 1 January	19,825	18,900
Exchange rate differences	215	-32
Allocation (valuation allowance expense)	2,125	2,804
Consumption	1,062	1,231
Reversals	200	616
Valuation allowances as of 31 December	**20,903**	**19,825**

Allocations to valuation allowances for other receivables relate to receivables from financial agents.

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 debtor 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 that are 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. Due to the transfer of secondary contracts, corresponding receivables in the amount of Euro 7.8 million have been transferred to OVB.

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.

6.2 Other assets

2017: EUR'000 **3,750**
2016: EUR'000 5,427

EUR'000	31/12/2017	31/12/2016
Other assets		
1. Accrued investment income	2	10
2. Other accrued income	844	596
3. Advertising and office supplies	476	446
4. Payments on account	555	449
5. Acquired future commission claims	1,818	3,878
6. Miscellaneous other assets	55	48
	3,750	**5,427**

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 materials 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.

7 Income tax assets

2017: EUR'000 **1,876**
2016: EUR'000 1,656

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.

8 Securities and other capital investments

2017: EUR'000 **39,413**
2016: EUR'000 25,168

EUR'000	2017			2016		
	Securities	Other capital investments	Total	Securities	Other capital investments	Total
Historical cost	**26,074**	**13,510**	**39,584**	**9,200**	**16,549**	**25,749**
Revaluation reserve	74		74	246		246
Impairment	-245		-245	-827		-827
Market value	**25,903**	**13,510**	**39,413**	**8,619**	**16,549**	**25,168**
Book value	**25,903**	**13,510**	**39,413**	**8,619**	**16,549**	**25,168**

Securities include interests in investment funds in the following amounts:

	2017		
Investment	Pension fund	Balanced fund	Equity fund
Number of investment funds	5	5	1
Fund assets as of the reporting date	Euro 0.1 – 3.8 billion	Euro 31.9 – 207.6 million	Euro 198.0 million
Book values as of the reporting date	Euro 12.0 million	Euro 8.2 million	Euro 2.7 million
Interest in the funds	0.2 – 1.2 %	0.7 – 3.0 %	1.4 %

	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 2.7 million	Euro 1.1 million	Euro 1.8 million
Interest in the funds	0.2 – 2.5 %	1.5 – 2.0 %	0.8 %

The maximum risk exposure corresponds to the book values.

In the past financial year write-downs on securities were recognised in profit or loss in the amount of EUR 0 thousand (31 December 2016: EUR 52 thousand). The write-downs are included in the financial result in "Investment expenses" under item 31. The reversal of impairment loss on securities is disclosed in the financial result, item 31, under "Reversal of impairment loss on investments".

Revaluation reserve decreased by the amount of EUR 171 thousand in the past financial year (31 December 2016: EUR 203 thousand). Net gains were realised in the amount of EUR 24 thousand in the financial year (31 December 2016: EUR 387 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 item "Securities and other capital investments" includes securities with a book value of EUR 5,978 thousand (31 December 2016: EUR 8,619 thousand) allocated to level 1 according to IFRS 13, measured at market or stock market price, and securities with a book value of EUR 19,924 thousand (31 December 2016: EUR 0 thousand) allocated to level 2 according to IFRS 13, measured at net asset value determined by the respective investment trust.

In the reporting period, financial instruments for which an active market could no longer be determined were reclassified from level 1 to level 2.

9 Cash and cash equivalents

2017: EUR'000	**55,521**
2016: EUR'000	69,938

EUR'000	31/12/2017	31/12/2016
Cash	41	30
Cash equivalents	55,480	69,908
	55,521	**69,938**

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 0 thousand (31 December 2016: EUR 14 thousand).

EQUITY AND LIABILITIES

A Equity	**2017: EUR'000**	**89,233**
	2016: EUR'000	88,270

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

10 Subscribed capital	**2017: EUR'000**	**14,251**
	2016: EUR'000	14,251

The subscribed capital (share capital) of OVB Holding AG amounts to EUR 14,251 thousand as of 31 December 2017, is fully paid up and consists of 14,251,314 no-par value bearer shares (31 December 2016: 14,251,314 shares).

11 Capital reserve	**2017: EUR'000**	**39,342**
	2016: EUR'000	39,342

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

12 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.

13 Revenue reserves	**2017: EUR'000**	**13,671**
	2016: EUR'000	13,663

14 Other reserves	**2017: EUR'000**	**202**
	2016: EUR'000	738

Other reserves essentially comprise currency translation reserve, pension provision reserve and 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 consolidated statement of changes in equity.

15 Non-controlling interests	**2017: EUR'000**	**569**
	2016: EUR'000	524

Other shareholders hold non-controlling interests in Nord-Soft EDV-Unternehmensberatung GmbH in the amount of EUR 557 thousand (31 December 2016: EUR 511 thousand) and in Nord-Soft Datenservice GmbH in the amount of EUR 12 thousand (31 December 2016: 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.

16 Retained earnings

2017: EUR'000	**21,198**
2016: EUR'000	19,752

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 5 June 2017, shareholders adopted the resolution on the appropriation of the retained earnings of OVB Holding AG for financial year 2016.

On 6 June 2017, a dividend of EUR 10,688 thousand was distributed to the shareholders, equivalent to EUR 0.75 per no-par share (previous year: EUR 0.65 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 2017:

EUR	2017	2016
Distribution to shareholders	10,688,485.50	10,688,485.50
Profit carry-forward	8,942,614.10	7,761,094.67
Retained earnings	**19,631,099.60**	**18,449,580.17**

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

2017: EUR'000	**1,013**
2016: EUR'000	904

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 2017

EUR'000 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
Other liabilities	75	75	0	0	0	0

Maturity of liabilities as of 31 December 2016

EUR'000 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
Other liabilities	141	97	44	0	0	0

17 Provisions

2017: EUR'000	**915**
2016: EUR'000	762

EUR'000	31/12/2017	31/12/2016
Provisions for pensions	444	387
Long-term provisions for employee benefits	468	368
Other long-term provisions	3	7
	915	**762**

EUR'000	01/01/2017	Exchange rate differences	Allocation	Consumption	Reversal	31/12/2017
Provisions for pensions	387	-33	90	0	0	444
Long-term provisions for employee benefits	368	0	133	33	0	468
Other long-term provisions	7	0	3	7	0	3
	762	**-33**	**226**	**40**	**0**	**915**

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 seven financial agents. The following pension benefits are granted to the beneficiaries:

- Retirement benefits
- Pensions for surviving dependents
- Disability pension

Provisions for pensions can be broken down as follows:

Pension provisions as of 31/12 **EUR'000**	**2017**	**2016**
Present value of defined benefit obligations as of 1/1	**1,465**	**1,353**
Exchange rate changes	-122	13
Service cost	83	116
Past service cost	-1	-9
Interest expense/income	8	11
Gains (-) and losses (+) from revaluation:		
- Actuarial gains and losses from changes in demographic assumptions	0	-69
- Actuarial gains and losses from changes in financial assumptions	1	36
- Actuarial gains and losses from experience-based adjustments	103	12
Transfer	0	0
Contributions:		
- Employer	0	0
- Plan participants	38	38
Pension plan payments:		
- Current payments	-84	-35
- Compensation	0	0
Present value of defined benefit obligations as of 31/12	**1,491**	**1,465**
Plan assets as of 1/1	**1,078**	**950**
Exchange rate changes	-90	9
Contributions:		
- Employer	87	80
- Plan participants	38	38
Expected investment income	0	0
Pension plan payments:		
- Current payments	-84	-35
- Compensation	0	0
Interest expense/income	6	8
Gains (-) and losses (+) from revaluation:		
- Income from plan assets not including interest income	12	28
Plan assets as of 31/12	**1,047**	**1,078**
Pension provisions as of 31/12	**444**	**387**

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). This report is based on the following actuarial assumptions:

	2017	2016
Discount rate	0.60 %	0.60 %
Expected inflation rate	1.00 %	0.80 %
Expected future salary increase	1.00 %	1.00 %
Expected future pension adjustment	0.00 %	0.00 %

The expert report's 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:

	2017	2016
Liquid assets and fixed deposits	-0.6 %	0.9 %
Land charges	5.3 %	0.0 %
Investment funds	5.4 %	0.0 %
Fixed-interest securities	28.2 %	41.5 %
Shares	36.0 %	31.4 %
Real property	13.2 %	12.1 %
Alternative investments	12.5 %	14.1 %

Market prices in an active market exist for 100.0 per cent (31 December 2016: 99.1 per cent) of the plan assets.

EUR'000		Amount of obligation	
	Changes in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.25% points	1,429	1,558
Expected future salary increase	0.25% points	1,501	1,480
Expected future pension adjustment	0.25% points	1,529	1,455

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 82 thousand for the financial year ended 31 December 2018.

The weighted average term of the defined benefit obligations is 17.3 years (31 December 2016: 15.7 years).

Long-term provisions for employee benefits

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

18 Other liabilities	**2017: EUR'000**	**75**
	2016: EUR'000	141

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

19 Deferred tax liabilities	**2017: EUR'000**	**23**
	2016: EUR'000	1

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

EUR'000	31/12/2017	31/12/2016
Goodwill	23	48
Tangible and intangible assets	15	28
Financial instruments	221	231
Provisions	46	410
Liabilities	66	36
Tax loss carry-forward	0	40
	371	**793**
Net of deferred tax assets	-348	-792
	23	**1**

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

C Current liabilities	**2017: EUR'000**	**82,774**
	2016: EUR'000	78,594

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

20 Provisions for taxes	**2017: EUR'000**	**449**
	2016: EUR'000	998

The development of provisions for taxes is altogether as follows:

EUR'000	01/01/2017	Exchange rate differences	Allocation	Consumption	Reversal	31/12/2017
Provisions for taxes	998	23	416	988	0	449

21 Other provisions

	2017: EUR'000	**30,907**
	2016: EUR'000	31,954

EUR'000	31/12/2017	31/12/2016
1. Cancellation risk	16,055	15,902
2. Unbilled liabilities	10,417	11,584
3. Litigation	1,205	1,671
	27,677	**29,157**
4. Others		
- Obligations to employees	1,133	1,123
- Costs for financial statements/Audit cost	670	616
- Other obligations	1,427	1,058
	3,230	**2,797**
	30,907	**31,954**

EUR'000	01/01/2017	Exchange rate differences	Allocation	Consump-tion	Reversal	31/12/2017
1. Cancellation risk	15,902	138	1,105	1,090	0	16,055
2. Unbilled liabilities	11,584	150	7,416	8,018	715	10,417
3. Litigation	1,671	4	129	243	356	1,205
4. Others	2,797	12	2,407	1,669	317	3,230
	31,954	**304**	**11,057**	**11,020**	**1,388**	**30,907**

Allocations include expenses from the accumulation of interest on provisions in the amount of EUR 9 thousand (31 December 2016: EUR 15 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 8,434 thousand (31 December 2016: EUR 5,620 thousand).

Provisions for litigation essentially concern 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.

22 Income tax liabilities

	2017: EUR'000	**1,077**
	2016: EUR'000	1,228

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

23 Trade payables

2017: EUR'000	**7,363**
2016: EUR'000	10,978

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 31/12/2017:

EUR'000 Type of liability	Total amount	Overdue	Due daily	Less than 3 months	3 - 6 months	6 - 12 months	No maturity
Trade payables	7,363	236	775	2,509	0	4	3,839

Maturity of liabilities as of 31/12/2016:

EUR'000 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

24 Other liabilities

2017: EUR'000	**42,978**
2016: EUR'000	33,436

Maturity of liabilities as of 31/12/2017:

EUR'000 Type of liability	Total amount	Overdue	Due daily	Less than 3 months	3 - 6 months	6 - 12 months	No maturity
1. Retained security	38,570	299	436	2,299	28	141	35,367
2. Other tax liabilities	992	0	313	606	1	0	72
3. Liabilities to employees	2,840	0	392	1,665	286	301	196
4.Liabilities to product partners	222	0	92	2	4	0	124
5. Liabilities to banks	0	0	0	0	0	0	0
6. Other liabilities to sales agents	0	0	0	0	0	0	0
7. Miscellaneous liabilities	354	0	148	149	4	0	53
Total	**42,978**	**299**	**1,381**	**4,721**	**323**	**442**	**35,812**

Maturity of liabilities as of 31/12/2016:

EUR'000 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**

There are no liabilities with terms to maturity of more than twelve 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. Due to the transfer of secondary contracts, corresponding receivables in the amount of Euro 7.8 million have been transferred to OVB.

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 recognised at expected 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, 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

25 Brokerage income	**2017: EUR'000**	**221,629**
	2016: EUR'000	218,693

All income from product partners is recognised as brokerage income. Apart from commission, this 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. The increase in brokerage income results in part from the transfer of secondary contracts.

26 Other operating income	**2017: EUR'000**	**9,680**
	2016: EUR'000	8,845

EUR'000	2017	2016
Refunds from financial agents	3,162	2,914
Income from reversal of provisions	1,388	1,226
Own work capitalised	228	67
Income from cancelled liabilities	1,086	1,173
Rental income from sub-leases	29	32
Income from the disposal of intangible and tangible assets	120	50
Reversals of impairment loss	598	768
Income from currency translation	354	35
Partners' contributions to costs	877	681
Miscellaneous	1,838	1,899
	9,680	**8,845**

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 provisions for litigation, provisions for performance bonus payments and the reversal of outstanding accounts for not accepted performances.

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

Reversals of impairment loss primarily concern receivables from financial advisors.

Foreign currency gains resulting from the capital reduction at OVB Switzerland increased other operating income by EUR 298 thousand. Accordingly, that amount was reclassified from other comprehensive income in the consolidated statement of comprehensive income to other operating income in the consolidated income statement.

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.

27 Brokerage expenses

2017: EUR'000	**-148,040**
2016: EUR'000	-144,509

EUR'000	2017	2016
Current commission	-132,799	-128,903
Other commission	-15,241	-15,606
	-148,040	**-144,509**

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". The increase in brokerage income resulted in part from the transfer of secondary contracts.

28 Personnel expense

2017: EUR'000	**-27,966**
2016: EUR'000	-26,128

EUR'000	2017	2016
Wages and salaries	-23,276	-21,802
Social security	-4,440	-4,088
Expenses for retirement provision	-250	-238
	-27,966	**-26,128**

29 Depreciation and amortisation

2017: EUR'000	**-4,113**
2016: EUR'000	-3,610

EUR'000	2017	2016
Amortisation/Impairment of intangible assets	-2,779	-2,353
Depreciation/Impairment of tangible assets	-1,334	-1,257
	-4,113	**-3,610**

Depreciation and amortisation in financial year 2017 are disclosed in the asset schedule.

30 Other operating expenses

2017: EUR'000	**-35,224**
2016: EUR'000	-36,775

EUR'000	2017	2016
Administrative expenses		
Legal, financial statement and consulting expenses	-3,476	-5,407
Facility expenses	-2,900	-2,816
Communication costs	-1,021	-994
IT expenses	-4,863	-4,503
Vehicle expenses	-619	-592
Rent for furniture and equipment	-135	-137
Other administrative expenses	-4,057	-3,868
	-17,071	**-18,317**
Sales and marketing costs		
Seminars, competitions, events	-8,953	-8,393
Advertising cost, public relations	-2,153	-1,430
Write-down on/Valuation allowances for receivables	-2,391	-3,559
Other sales and marketing costs	-1,844	-2,130
	-15,341	**-15,512**
Miscellaneous operating expenses		
Foreign currency loss	-90	-71
Supervisory Board remuneration	-102	-118
Losses from disposal of investments	-10	-126
Other miscellaneous operating expenses	-69	-73
	-271	**-388**
Non-income-based taxes		
Value-added tax on purchased goods/services	-2,374	-2,258
Other non-income-based tax	-167	-300
	-2,541	**-2,558**
	-35,224	**-36,775**

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:

EUR'000	31/12/2017	31/12/2016
Twelve months or less	2,296	2,323
Between one year and five years	4,186	4,048
More than five years	194	81
	6,676	**6,452**

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

EUR'000	2017	2016
Minimum amount of lease payments	2,320	2,554
Contingent rent	2	-2
	2,322	**2,552**
Sub-lease payments	-27	24
	2,295	**2,576**

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.

31 Financial result

2017: EUR'000	**418**
2016: EUR'000	738

EUR'000	2017	2016
Finance income		
Bank interest	96	161
Income from securities	161	502
Reversal of impairment loss on capital investments	41	0
Income from investment property (net)	0	-12
Income from accrued interest	57	0
Interest income from loans	25	37
Other interest income and similar income	104	194
	484	**882**
Finance expense		
Interest expense and similar expenses	-66	-61
Expenses for capital investments	0	-83
	-66	**-144**
Financial result	**418**	**738**

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.

32 Taxes on income

2017: EUR'000	**-4,048**
2016: EUR'000	-4,564

EUR'000	2017	2016
Current income tax	-4,122	-4,714
Deferred income tax	74	150
	-4,048	**-4,564**

Tax expense includes foreign current taxes in the amount of EUR 3,996 thousand (31 December 2016: EUR 4,597 thousand) and foreign deferred tax assets of EUR 68 thousand (31 December 2016: EUR 99 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 (31 December 2016: 15.0 per cent), the solidarity surcharge of 5.5 per cent (31 December 2016: 5.5 per cent) and an average trade tax rate of 16.625 per cent (31 December 2016: 16.625 per cent).

In addition to the amount recognised in the consolidated income statement, deferred taxes of EUR 30 thousand (31 December 2016: EUR -26 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 24.71 per cent (31 December 2016: 26.45 per cent). Included are income tax decreases in Italy by 3.5 per cent points, Croatia by 2 per cent points and Slovakia and Hungary by 1 per cent point respectively, 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

EUR'000	2017	2016
Earnings before income taxes according to IFRS	16,384	17,254
Consolidated income tax rate	32.45%	32.45%
Theoretical income tax expense in the financial year	**-5,316**	**-5,599**
Taxes based on non-deductible expenses (-) / tax-free income (+)	-543	-547
Effects of other tax rates applicable to domestic and foreign operating subsidiaries	2,196	2,074
Prior-period income tax	-198	-213
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 (+)	-35	-168
Others	-152	-111
Taxes on income	**-4,048**	**-4,564**

33 Consolidated net income

2017: EUR'000	**12,336**
2016: EUR'000	12,690

34 Consolidated net income attributable to non-controlling interests

2017: EUR'000	**-194**
2016: EUR'000	-154

This item relates to non-controlling interests in Nord-Soft EDV Unternehmensberatung GmbH in the amount of EUR -194 thousand (31 December 2016: EUR -154 thousand) and Nord-Soft Datenservice GmbH in the amount of EUR 0 thousand (31 December 2016: EUR 0 thousand); both entities have their registered offices in Germany.

35 Consolidated net income after non-controlling interests

2017: EUR'000	**12,142**
2016: EUR'000	12,536

36 Earnings per share (basic/diluted)

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

EUR'000	2017	2016
Consolidated net income after non-controlling interests		
Basis for basic/diluted earnings per share (consolidated net income for the period attributable to owners of the parent)	12,142	12,536

Number of shares	2017	2016
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	0.85	0.88

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 3,990 thousand as of the reporting date (31 December 2016: EUR 2,108 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 474 employees on average (31 December 2016: 431), of which 48 (31 December 2016: 43) 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
- Oskar Heitz, Deputy Chairman of the Executive Board
- Thomas Hücker, Operations

Members of the Supervisory Board of OVB Holding AG are:

- Michael Johnigk (Chairman of the Supervisory Board); Member of the Executive Boards of SIGNAL IDUNA 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, Independent Certified Expert for Accounting and Management Accounting, former 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, 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, Senior Advisor and Supervisory Board Member in the Financial Services Sector, former 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

Remuneration of Supervisory Board and Executive Board

Remuneration of the Supervisory Board amounted to EUR 90 thousand in the year under review (31 December 2016: EUR 98 thousand).

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

EUR'000	Mario Freis	Oskar Heitz	Thomas Hücker
Fixed remuneration	487 (previous year: 490)	394 (previous year: 393)	285 (previous year: 282)
Variable remuneration	255 (previous year: 253)	152 (previous year: 157)	135 (previous year: 135)
Total remuneration	**742** **(previous year: 743)**	**546** **(previous year: 550)**	**420** **(previous year: 417)**

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

Apart from that, long-term benefits were granted in the amount of EUR 241 thousand (31 December 2016: EUR 507 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 GmbH, Düsseldorf, in the total amount of EUR 267 thousand (31 December 2016: EUR 322 thousand). The auditor's fees comprise the following positions in the 2017 financial year:

EUR'000	2017	2016
Audit services thereof OVB Vermögensberatung AG, Cologne	267 42	322 65
Other certifications and assessments thereof OVB Vermögensberatung AG, Cologne	0 0	0 0
Tax consulting thereof OVB Vermögensberatung AG, Cologne	0 0	0 0
Others services thereof OVB Vermögensberatung AG, Cologne	0 0	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 2017 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 IDUNA Krankenversicherung a. G., Dortmund
- IDUNA Vereinigte Lebensversicherung aG für Handwerk, Handel und Gewerbe, Hamburg
- SIGNAL Unfallversicherung a. G., Dortmund

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 2017. SIGNAL IDUNA Krankenversicherung a. G. held shares in OVB Holding AG carrying 21.27 per cent of the voting rights as of 31 December 2017.

Basler Beteiligungsholding GmbH held shares in OVB Holding AG carrying 32.57 per cent of the voting rights as of 31 December 2017. 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 2017. 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 24,929 thousand (31 December 2016: EUR 15,150 thousand), or total sales commission in the amount of EUR 26,487 thousand (31 December 2016: EUR 21,288 thousand).

As of the reporting date, receivables from companies of the SIGNAL IDUNA Group come to EUR 2,193 thousand (31 December 2016: EUR 1,806 thousand) and liabilities amount to EUR 1 thousand (31 December 2016: EUR 2 thousand).

The item “Securities and other investments” (note 8) includes securities of the Signal IDUNA Group in the amount of EUR 7,336 thousand (31 December 2016: EUR 1,455 thousand).

Sales from contracts with companies of the Baloise Group in the amount of EUR 34,470 thousand (31 December 2016: EUR 29,974 thousand), or total sales commission in the amount of EUR 36,240 thousand (31 December 2016: EUR 35,176 thousand), are essentially generated in the Germany segment.

As of the reporting date, receivables from companies of the Baloise Group come to EUR 4,860 thousand (31 December 2016: EUR 4,049 thousand).

The item “Securities and other investments” (note 8) includes securities of Bâloise Holding AG in the amount of EUR 757 thousand (31 December 2016: EUR 730 thousand).

From contracts with companies of the Generali Group, sales were generated in the amount of EUR 17,639 thousand (31 December 2016: EUR 20,670 thousand), or total sales commission in the amount of EUR 17,491 thousand (31 December 2016: EUR 20,839 thousand).

As of the reporting date, receivables from companies of the Generali Group come to EUR 6,508 thousand (31 December 2016: EUR 3,611 thousand) and liabilities amount to EUR 32 thousand (31 December 2016: EUR 147 thousand).

As of the reporting date, receivables from members of key management personnel amount to EUR 2 thousand (31 December 2016: EUR 2 thousand) and corresponding liabilities come to EUR 1 thousand (31 December 2016: EUR 2 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 34 thousand p.a. Of this total amount, EUR 30 thousand (31 December 2016: EUR 30 thousand) are rent and EUR 4 thousand (31 December 2016: 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 2017 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 2017 and made it permanently available to the shareholders on the website of OVB Holding AG (www.ovb.eu).

Statement pursuant to Section 114 WpHG

The financial statements represent an annual financial report for the purpose of the Second Act Amending Financial Market Regulation (Section 114 WpHG – Securities Trading Act) of 23 June 2017.

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, 26 February 2018

Mario Freis	Oskar Heitz	Thomas Hücker
CEO	CFO	COO

Independent auditor's report

To OVB Holding AG, Cologne

Report on the Audit of the Consolidated Financial Statements and of the Group Management Report

Audit Opinions

We have audited the consolidated financial statements of OVB Holding AG, Cologne, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of comprehensive income, consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of OVB Holding AG, which is combined with the Company's management report, for the financial year from 1 January to 31 December 2017. We have not audited the content of those parts of the group management report listed in the "Other Information" section of our auditor's report in accordance with the German legal requirements.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2017, and of its financial performance for the financial year from 1 January to 31 December 2017, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

I. Measurement of receivables from financial agents

II. Provisions for cancellation risks

III. Disclosures on the expected impact of the initial application of IFRS 15

Our presentation of these key audit matters has been structured in each case as follows:

1. Matter and issue

2. Audit approach and findings

3. Reference to further information

Hereinafter we present the key audit matters:

I. Measurement of receivables from financial agents

1. In the consolidated financial statements of OVB Holding AG as at 31 December 2017, other receivables totaling EUR 19.8 million are reported under the balance sheet line item “Receivables and other assets”. As at the balance sheet date, EUR 8.6 million of this amount is attributable to receivables from financial agents resulting primarily from advance commission payments and claims for commission refunds. The Company sets up specific valuation allowances taking into account the information available on the credit rating of the debtors, the age structure of the receivables and, in individual cases, based on legal opinions prepared by internal and external attorneys. Within this context, a differentiation is made between active and former financial agents. Due to the large number of individual receivables from financial agents, the Company also calculates collective specific valuation allowances based on the grouping of receivables that are considered not to be significant and that have the same opportunity and risk profile based on value-influencing factors of the respective debtors. Based on these analyses and estimates of the executive directors, as well as other documents, the total expenses for valuation allowances on receivables from financial agents amounted to EUR 2.1 million in the financial year. As this measurement of receivables, which involves to a large extent judgment of the executive directors, has a significant impact on the recognition and amount of the valuation allowances which may become necessary, and the measurements are subject to uncertainties, this matter was of particular significance during our audit.

2. During our audit we in particular evaluated the analyses and measurements carried out by the Company with respect to whether these were up to date, evaluated the measurement method used and examined and assessed the measurement. In doing so, we obtained an understanding of the underlying source data, measurement parameters and the assumptions made by the executive directors, evaluated those factors critically and assessed whether they are within an acceptable range. Furthermore, we evaluated the legal opinions prepared by the internal and external attorneys appointed by the Company on a sample basis. Based on this, we carried out additional analytical audit procedures and tests of details relating to the measurement of the receivables from financial agents. Among other things, we also evaluated the underlying amounts recorded and their recoverability on the basis of the documentation made available, and we assessed the consistent application of the measurement methods. Based on our audit procedures, we were able to satisfy ourselves that overall the estimates and assumptions made by the executive directors for the purpose of measuring the receivables from financial agents are substantiated and adequately documented.

3. The Company's disclosures pertaining to other receivables are contained in sections 3.4, 4.2.1 and II.6 of the notes to the consolidated financial statements.

II. Provisions for cancellation risks

1. In the consolidated financial statements of OVB Holding AG provisions for cancellation risks in the amount of EUR 16.1 million are reported under the balance sheet line item “Other provisions”. These provisions relate to commission received from partner companies for brokerage of financial products that is to be reimbursed by the Company, where appropriate on a pro rata basis, in the event that brokered contracts are not redeemed, or are cancelled, within a certain liability period. The provisions are calculated based on a uniform Group-wide measurement process and are calculated by the respective subsidiary based on the country-specific measurement parameters, such as liability period, historical cancellation rates and expectations regarding the timing of the cancellations as at the balance sheet date. The portion of the provisions for cancellation risks that is likely to be non-current is discounted using a discount rate adequate to the period of the term. The calculation of the provisions for cancellation risks is to a large extent subject to the judgment of the executive directors and its related uncertainties. Against this background and due to the amount of this significant item in terms of its amount, this matter was of particular significance for our audit.

2. In the knowledge that estimated values result in an increased risk of accounting misstatements and that the measurement decisions made by the executive directors have a direct impact on consolidated profit/loss, we assessed the appropriateness of the carrying amounts. This involved, among other things, assessing the structure and appropriateness of the uniform Group-wide measurement method used to calculate the provisions and evaluating its uniform application across the Group. We also compared the country-specific and product-specific liability periods used in the calculation against the relevant legal requirements. In addition, we evaluated the Company's historical cancellation rates used in the calculation and the expectations of the executive directors regarding the timing of the cancellations as at the balance sheet date. Based on our audit procedures, we were able to satisfy ourselves that the estimates and assumptions made by the executive directors for the purpose of recognizing and measuring provisions for cancellation risks are substantiated and adequately documented.

3. The Company's disclosures pertaining to provisions for cancellation risks are contained in sections 3.4, 5.2.2 and II.21 of the notes to the consolidated financial statements.

III. Disclosures on the expected impact of the initial application of IFRS 15

1. Based on the requirements set out in IAS 8 OVB Holding AG has already presented the expected impact of the initial application of the new standard on revenue recognition, "International Financial Reporting Standard 15 – Revenue from Contracts with Customers" (IFRS 15), from the 2018 financial year onward in the notes to the consolidated financial statements for the 2017 financial year. The application of IFRS 15 is of significant importance to the Company as it will have a material impact, among other things, on the timing of the realization of income from brokerage. The Company will exercise the option to use a practical expedient on initial application and recognize the cumulative effect of the transition directly in equity as at 1 January 2018 in accordance with the transitional provisions. The cumulative adjustment to equity (before deferred taxes) in the Company's opening balance sheet as at 1 January 2018 presumably amounts to EUR 2 million. The calculation of these effects is based to a large extent on estimates and assumptions made by the executive directors. In addition, systems, processes and controls across the Group had to be adjusted respectively launched by the Company in order to be able to appropriately quantify the effects of the initial application. Against this background and in view of the expected material impact and the complexity of the Group-wide implementation of the new standard, the presentation of the expected impact was of particular significance for our audit.

2. During our audit, we assessed the expected effects of the initial application of IFRS 15 from the 2018 financial year onward as calculated by the Company and disclosed in the notes to the consolidated financial statements. This also involved evaluating the accounting estimates of the executive directors. With the knowledge that the calculation of the effects of the initial application is primarily based on the estimates and assumptions made by the executive directors, and that these have a significant impact on the quantitative disclosure regarding the effect of the transition, we in particular assessed the data basis used as well as the appropriateness of the method used to calculate the expected impact of the initial application of IFRS 15. During our audit, we obtained an understanding, among other things, of the accounting treatment of various types of commission (new business commission, policy service commission and dynamic commission) based on the five-step model under IFRS 15. Thereby we focused on inspecting contracts with customers, identifying performance obligations as well as evaluating whether these services are performed over a certain period or at a certain point in time. We also examined and assessed the implementation work performed by the Company to calculate the possible effects of the initial application.

On the basis of our audit procedures, we were able to satisfy ourselves that the estimates and assumptions made by the executive directors were sufficiently documented and substantiated to ensure that the expected impact of the initial application of IFRS 15 is appropriately presented.

3. The Company's disclosures pertaining to the expected impact of IFRS 15 on the consolidated financial statements and the expected effects of initial application are included in section I. 2.1 of the notes to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in section "Statement on corporate governance" of the group management report
- the corporate governance report pursuant to No. 3.10 of the German Corporate Governance Code

The other information comprises further the remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 2 June 2017. We were engaged by the supervisory board on 15 December 2017. We have been the group auditor of the OVB Holding AG, Cologne, without interruption since the financial year 2005.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Michael Peters.

Düsseldorf, 28 February 2018
PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Michael Peters	**ppa. Thomas Bernhardt**
(Public Auditor)	(Public Auditor)

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

Report of the Supervisory Board

Dear shareholders,

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 at an early stage. The Executive Board discussed strategic planning and the Company's orientation with the Supervisory Board in depth.

The Supervisory Board extensively discussed and debated all business transactions of relevance to the Company, 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 in writing, by electronic means and orally. Among those topics were particularly the economic and financial performance of the Group and its segments including 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 all 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 in writing, by electronic means or by phone, with the approval of all Supervisory Board members.

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 which were then discussed by the Supervisory Board's members. 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, markets, 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 regularly exchanged information with the CEO and the CFO outside the framework of the meetings and were informed about the current business situation and material business transactions.

Topics addressed by the Supervisory Board in full session

Four regular meetings were held in the year under review. Members who were not able to attend in person participated in the adoption of resolutions by way of written votes. Each Supervisory Board member attended more than half of the meetings of the Supervisory Board and the respective committees he is a member of. The members of the Executive Board also attended Supervisory Board meetings unless the Chairman of the Supervisory Board had decided otherwise.

Subjects of regular and intensive debate were business planning and business performance in the three regional segments as well as the Group's profit/loss and financial position. The Supervisory Board also concerned itself exhaustively with the corporate strategy "Evolution 2022" as well as the effects of legal changes already adopted or to be expected on product sales and commission in several countries in which OVB operates.

At its meeting of 21 March 2017, the Supervisory Board dealt with the separate and consolidated financial statements as well as the management reports for OVB Holding AG and the Group for the year ended 31 December 2016 as prepared by the Executive Board and with the report of the Supervisory Board and the agenda for the Annual General Meeting on 2 June 2017 including the proposal for the dividend. 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 2016. The Supervisory Board also discussed the Executive Board's report on relationships with affiliated companies and the preparation of the Annual General Meeting on 2 June 2017. Its agenda and the resolution proposals included therein were adopted as was the Supervisory Board report. Furthermore, the Supervisory Board determined the remuneration of the Executive Board members for financial year 2016 based on an assessment of target achievements. Effective 1 July 2017, the Supervisory Board also decided on the targets for the percentage of women on Executive Board and Supervisory Board by 30 June 2022 as detailed in the declaration on corporate governance pursuant to Sections 289f, 315d HGB (Commercial Code), reproduced in the chapter "Corporate Governance".

At the meeting held on 2 June 2017, the Executive Board reported on the business performance of the first quarter of 2017 and on changes in the holdings. In addition to that, final preparations were made for the Annual General Meeting held later on the same day.

The Supervisory Board meeting of 7 September 2017 took place in Austria. 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 on location. At that meeting, the Executive Board gave a report on the current situation after concluding the first half-year 2017 and intended material measures involving the holdings. Within the framework of a strategic focus, the Supervisory Board concerned itself extensively and in detail with the objective and the measures of the corporate strategy "Evolution 2022" including IT strategy and approved it.

Moreover, the Supervisory Board received the Executive Board's report on the implementation of EU-wide regulatory initiatives MiFID II (Markets in Financial Instruments Directive) and IDD (Insurance Distribution Directive) and particularly the Chief Compliance Manager's report on the implementation of the European General Data Protection Regulation.

At its meeting of 5 December 2017, the Supervisory Board intensively debated key financials of financial year 2018 and multi-year budgeting through 2022 derived from them. The Executive Board also gave a comprehensive report on the business situation and profit position after concluding the third quarter of 2017. Following the report and a thorough discussion, the Supervisory Board approved the recommendations of the Nomination and Remuneration Committee for the quantitative and individual targets for Executive Board remuneration in 2018. Apart from that, the Supervisory Board focused on the amendments to the German Corporate Governance Code and the implementation of its recommendations. This especially applies for the recommendation under no. 5.4.6 German Corporate Governance Code regarding remuneration of Supervisory Board members. Furthermore, the Supervisory Board worked on a new definition of the targets for its own composition and the preparation of a competency profile.

Corporate Governance Code
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, made permanently available on the Company's website, at the Supervisory Board meeting of 21 March 2017.

Work on the committees of the Supervisory Board
The Supervisory Board has established two standing committees for preparing 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.

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

Audit Committee
The Audit Committee held seven meetings in the year under review, three of which were in the shape of conference calls prior to the release of each of the interim financial reports. The Audit Committee concerned itself with the financial statements and management reports of OVB Holding AG and the Group, either in the presence of or by connecting to the auditor and the Executive Board. It examined and discussed the interim financial reports (6-month and quarterly reports) in consideration of the auditor's report on the reviews of these reports.

After the conclusion of a complex selection process, the Audit Committee recommended to the Supervisory Board to propose PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf, as its preferred auditor for election by the Annual General Meeting. The Audit Committee commissioned the auditor elected by the Annual General Meeting for financial year 2017, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf, to perform the audit and discussed the key matters of the audit with the auditor. The Audit Committee monitored the selection, independence, qualification and rotation of the auditor. The committee also dealt with the financial accounting process, the effectiveness of the internal control system, the Company's risk management system and, based on written and oral reports of the head of Internal Auditing, the effectiveness, equipment and findings of Internal Auditing as well as the Chief Compliance Officer's annual report.

Nomination and Remuneration Committee
The members of the Nomination and Remuneration Committee held two meetings and one conference call in the year under review. The committee focused on the preparation of resolution proposals to be addressed in full session with respect to all decisions pertaining to Executive Board and Supervisory Board matters. Among those were the reappointment of Mario Freis, the CEO, and Thomas Hücker, Management Board member for Operations, in the year under review. The committee also routinely examined the remuneration system and the appropriateness of the Executive Board's remuneration. At its meeting in March 2017, the committee concerned itself with the individual target achievements of the members of the Executive Board for the payment of variable remuneration components for 2016 and with the appointment of Executive Board members at subsidiaries. In September 2017, the committee dealt with issues of the Executive Board's variable remuneration in 2017 and the criteria for the remuneration in 2018. Subject matters of the December 2017 meeting were among others emergency and succession planning at Executive Board level and the next most senior executive level for OVB Holding AG and the operating subsidiaries. Furthermore, the competency profile and issues of Supervisory Board remuneration were debated in view of the impending election to the Supervisory Board.

Audit of separate and consolidated financial statements
The auditor, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf, has audited the separate financial statements and consolidated financial statements as well as the management report of OVB Holding AG integrated into the consolidated management report for the financial year ended 31 December 2017 and has issued an unqualified audit opinion. Separate financial statements and management report were prepared in accordance with German law. The consolidated financial statements were prepared according to the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and according to supplementary provisions under applicable German law pursuant to Section 315a (1) HGB (Commercial Code).

Separate financial statements, consolidated financial statements, the management report as well as the auditor's audit reports on the annual financial statements and all other financial statement documents were submitted to the members of the Supervisory Board in good time prior to the Board's meeting. All those documents were discussed intensively by the Audit Committee and at the Supervisory Board meeting in full session, both convening on 19 March 2018. The Audit Committee particularly addressed the key audit matters including the audit procedures as described in the audit opinion. The auditor's audit reports were made available to all members of the Supervisory Board and were discussed extensively at the Supervisory Board meeting of 19 March 2018 in the presence of the auditor. The auditor's certified accountants reported on the scope, focal points and material findings of the audit and especially went into the key audit matters and the audit procedures applied. Any material flaws of the internal control system with respect to financial accounting and the early warning system for risks were not identified. The Executive Board explained the financial statements of OVB Holding AG and the Group as well as the risk management system at this meeting. The Supervisory Board also adopted the resolution proposal to the Annual General Meeting for the election of the auditor in consideration of the Audit Committee's recommendation at its 19 March 2018 meeting. This was based on the declaration furnished by the Audit Committee that its recommendation was free from any undue influence by third parties and that no clause restricting its choice in accordance with Art. 16 (6) of the EU Audit Regulation was imposed on the committee.

The Supervisory Board agrees with the auditor's findings based on the audit. After the final examination conducted by the Audit Committee and the Supervisory Board's own review, no objections are raised against financial statements, consolidated financial statements and joint management report. The Supervisory Board has therefore approved the 2017 separate financial statements and 2017 consolidated financial statements. The 2017 financial statements are thus adopted in accordance with Section 172 sentence 1 AktG (Stock Corporation Act). The Supervisory Board has approved the Executive Board's proposal for the appropriation of retained earnings by the payment of a dividend of Euro 0.75 per no-par share entitled to dividend and by carrying forward the remaining amount to new accounts.

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. no circumstances suggest a materially different assessment from the assessment made by the Executive Board with respect to the measures listed in the report."

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.

Conflicts of interest and their management

No members of the Executive Board or the Supervisory Board identified or announced any conflicts of interest of their own.

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 achievements

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 performance and commitment over the past financial year.

Cologne, 19 March 2018

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 reasoned 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 competency, 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 289f HGB (Commercial Code).

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, particularly including 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 at 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 holdings require approval as well.

Executive Board resolutions are adopted at 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 2020)
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 coordinates 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 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 of OVB Holding AG integrated into the consolidated management report based on its own examination and 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 by 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. At 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 of OVB Holding AG integrated into the consolidated management report. The Audit Committee also concerns itself with issues of financial accounting, risk management and compliance. It manages the selection process of the auditor and furnishes two suggestions and one recommendation to the Supervisory Board in consideration of the required auditor independence. The Audit Committee discusses and agrees on the key audit matters with the auditor and decides on the fee agreement with the auditor. The committee also discusses the quarterly and 6-month financial reports prior to their publication with the Executive Board.

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 Annual 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 regularly exchange 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 to 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 responded to 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 SIGNAL IDUNA 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)
Independent Certified Expert for Accounting and Management Accounting

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

Winfried Spies
(born 1953, on the Supervisory Board since 2010, elected until 2018)
Mathematician, retired

Dr Alexander Tourneau
(born 1965, on the Supervisory Board since 2015, elected until 2018)
Senior Advisor and Supervisory Board Member in the financial services sector

An overview of the members of the Executive Board, the Supervisory Board and the Supervisory Board committees of OVB Holding AG in financial year 2017 as well as their memberships of comparable corporate bodies can be found in this Annual Report beginning on page 124.

Objectives for the composition of the Supervisory Board

The decision of the Supervisory Board on election proposals to the General Meeting of shareholders is based on the competency profile as adopted by the Supervisory Board for the Supervisory Board's composition and is oriented solely towards the Company's best interest. This holds true irrespective of the increase of the representation of women on the Supervisory Board generally aimed for. The Supervisory Board meets the requirements of the competency profile in its current composition. The Supervisory Board's deciding criteria for its election proposals to be brought before the Annual General Meeting are the candidates' individual expert knowledge and professional experience, required to meet the requirements of the Supervisory Board's competency profile in their entirety. This also applies for the financial expert for the purpose 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 and business model, the products offered and the different markets in which the subsidiaries operate. Section 100 (5) AktG postulates accordingly that the supervisory board as a whole shall be familiar with the business sector in which the company operates. It is therefore particularly important that the members of the Supervisory Board of OVB Holding AG have a sound understanding of the particulars of the insurance business as well as of the market and the competition. They enable the Company's Supervisory Board to assume its statutory task of supervision efficiently and to be available to the Executive Board as a competent partner and advisor with respect to the Company's strategic orientation and its future development.

In particular consideration of the Company's specific shareholder structure, the Supervisory Board regards as adequate and sufficient that the Supervisory Board has one independent member. The independent member of the Supervisory Board of OVB Holding AG is Wilfried Kempchen.

Compliance with the Corporate Governance Code

Declaration of conformity 2017

Section 161 AktG (Stock Corporation Act) 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 21 March 2017, Executive Board and Supervisory Board of OVB Holding AG have released the following declaration of conformity:

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.

Recommendations:
No. 3.8 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' commitment and sense of responsibility. The legislator also considers a differentiation between Executive Board and Supervisory Board adequate as there are statutory provisions governing the deductible with respect to Executive Board members yet no comparable provisions with respect to Supervisory Board members.

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 thus 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. 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.

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 the 2015 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.

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. First-time definition of those targets had to be finalised by 30 September 2015 and could not be effective beyond 30 June 2017.

Resolutions adopted in the year 2015:
The Supervisory Board of OVB Holding AG concerned itself with this issue at its meeting in September 2015. At that time there were no women either on the Supervisory Board or on the Executive Board of OVB Holding AG.

Against the backdrop of the term provided for the first-time definition of targets, it was determined that all terms of appointment of the acting members of the extended beyond 30 June 2017. It was also stated that the contracts of employment of all members of the Executive Board extended beyond 30 June 2017 as well.

As there were no vacancies in the relevant time period until 30 June 2017, the Supervisory Board decided to apply targets of 0 per cent for the share of women on the Supervisory Board and the Executive Board with respect to the first-time definition of targets.

In June 2015 the Executive Board of OVB Holding AG had determined a target of one woman (equivalent to 9.1 per cent) for the representation of women at the senior executive level below the Executive Board, consisting at that time of 11 persons (thereof one woman). This target has been achieved as of 30 June 2017.

Resolutions adopted in the year 2017:
Upon adopting a new resolution in June 2017, the Supervisory Board stated that the share of women on the Supervisory Board and the Executive Board was unchanged. With respect to the share of women on the Executive Board as well as the Supervisory Board, it was decided to keep the targets at 0 per cent for the time period until 30 June 2022 for the sake of flexibility.

For the representation of women at the senior executive level below the Executive Board, the Executive Board resolved a 10.5 per cent target for the time period until 30 June 2022 in March 2017.

Supervisory Board and Executive Board keep aiming at increasing the representation of women on the Supervisory Board, on the Executive Board and in executive positions below the Executive Board 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. Compliance is not limited to our employees but also addresses the financial agents who work for us in the different markets.

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, recognize, 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 debate, as of 19 March 2018 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 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 in accordance with the Market Abuse Regulation. 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.

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

Company boards and board memberships

Executive Board	Memberships of Supervisory Boards and comparable supervisory bodies
Mario Freis Chairman of the Executive Board (CEO) 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) - Chairman of the Administrative Board of OVB Vermögensberatung (Schweiz) AG, Cham, Switzerland - Chairman of the Administrative Board of OVB Allfinanz España S.A., Madrid, Spain - Member of the Supervisory Board of OVB Allfinanz Slovensko a.s., Bratislava, Slovakia
Oskar Heitz Deputy Chairman of the Executive Board Member of the Executive Board – Finance (CFO) Responsible for Corporate Accounting, Risk Management, Management Accounting, Investor Relations, Legal Affairs, Tax Planning, Compliance, Data Protection, Anti-Money Laundering Control	- Member of the Supervisory Board of OVB Vermögensberatung AG, Cologne - Member of the Supervisory Board of OVB Allfinanz Slovensko a.s., Bratislava, Slovakia - Member of the Supervisory Board of OVB Allfinanz a.s., Prague, Czech Republic - Member of the Administrative Board of OVB Allfinanz España S.A., Madrid, Spain
Thomas Hücker Member of the Executive Board – Operations (COO) Responsible for Group IT, IT Security, Business Process Management, Human Resources	

Supervisory Board	Memberships of Supervisory Boards and comparable supervisory bodies
Michael Johnigk Chairman of the Supervisory Board Member of the Executive Boards of SIGNAL IDUNA 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 (until 20 March 2017) - Chairman of the Supervisory Board of SDV Servicepartner der Versicherungsmakler AG, Augsburg - Deputy Chairman of the Supervisory Board of SIGNAL IDUNA Bausparkasse AG, Hamburg - Member of the Supervisory Board of BCA AG, Bad Homburg - Member of the Supervisory Board of SIGNAL IDUNA Asset Management GmbH, Hamburg
Dr Thomas A. Lange Deputy Chairman of the Supervisory Board Chairman of the Executive Board of NATIONAL-BANK AG, Essen	- Chairman of the Supervisory Board of Düsseldorfer Hypothekenbank AG, Düsseldorf - Chairman of the Supervisory Board of VALOVIS BANK GmbH, Essen - Deputy Chairman of the Advisory Board of EIS Einlagensicherungsbank GmbH, Berlin/Cologne - Member of the Supervisory Board of HANSAINVEST Hanseatische Investment-GmbH, Hamburg

Supervisory Board	Memberships of Supervisory Boards and comparable supervisory bodies
Markus Jost Member of the Supervisory Board Independent Certified Expert for Accounting and Management Accounting; former 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 (until 31 August 2017 respectively)	- Chairman of the Supervisory Board of DRMM Maklermanagement AG, Hamburg (until 25 September 2017) - Member of the Supervisory Board of ZEUS Vermittlungsgesellschaft mbH, Hamburg (until 30 October 2017)
Wilfried Kempchen Member of the Supervisory Board Businessman, retired; former Chairman of the Executive Board of OVB Holding AG	
Winfried Spies Member of the Supervisory Board 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 - Chairman of the Supervisory Board of Cosmos Lebensversicherungs-AG, Saarbrücken - Chairman of the Supervisory Board of Cosmos Versicherung AG, Saarbrücken
Dr Alexander Tourneau Member of the Supervisory Board Senior Advisor and Supervisory Board Member in the financial services sector; former 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 (until 31 December 2017 respectively)	- Chairman of the Supervisory Board of ZEUS Service AG, Hamburg - Chairman of the Supervisory Board of ZEUS Vermittlungs-GmbH, Hamburg - 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

23 March 2018
Publication of the Annual Financial Statements for 2017,
Analyst Conference, Press Conference

08 May 2018
Results for the first quarter 2018, Conference Call

05 June 2018
Annual General Meeting, Cologne

07 August 2018
Results for the second quarter 2018, Conference Call

09 November 2018
Results for the third quarter 2018, Conference Call

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