ANNUAL REPORT

2016

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MLP

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MLP key figures – multi year overview

All figures in € million	2016	2015	2014	2013[1]	2012[1]	2011[1]	2010[1]	2009
Continuing operations								
Total revenue	610.4	554.3	531.1	499.0	563.6	545.5	522.6	532.1
Revenue	590.6	535.7	509.7	480.5	538.1	526.7	497.3	503.8
Other revenue	19.8	18.7	21.4	18.5	25.5	18.8	25.3	28.4
Pro forma earnings before interest and tax (Pro forma EBIT) (before acquisitions)	19.7	32.5	39.0	30.7	70.5	17.3	47.0	42.2
Earnings before interest and tax (EBIT) (before one-off exceptional costs)	35.1	30.7	39.0	30.7	70.5	50.7	47.0	42.2
Earnings before interest and tax (EBIT)	19.7	30.7	39.0	30.7	70.5	17.3	47.0	42.2
EBIT margin (%)[4]	3.2%	5.5%	7.3%	6.2%	12.5%	3.2%	9.0%	7.9%
Earnings from continuing operations	14.7	19.8	29.0	23.9	50.5	11.2	34.1	27.2
Earnings per share (diluted) in €	0.13	0.18	0.27	0.22	0.47	0.10	0.32	0.25
MLP Group								
Net profit (total)	14.7	19.8	29.0	23.9	50.5	11.5	34.1	15.8
Earnings per share (diluted) in €	0.13	0.18	0.27	0.22	0.47	0.11	0.31	0.15
Dividend per share in €	0.08[2]	0.12	0.17	0.16	0.32	0.60	0.30	0.25
Cash flow from operating activities	144.7	58.8	32.3	67.6	22.4	53.8	91.0	72.5
Capital expenditure	18.4	12.8	15.4	22.5	14.5	7.8	3.9	4.0
Total shareholders' equity	383.6	385.8	376.8	370.5	381.7	399.6	421.2	410.0
Equity ratio	19.7%	22.0%	23.2%	24.2%	25.6%	26.8%	27.6%	27.4%
Balance sheet total	1,944,1	1,752.7	1,624.7	1.533,6	1.491,3	1.489,8	1.524,0	1.498,4
Clients[3]	–	858,700	847,600	830,300	816,200	794,500	774,500	785,500
Private clients (Family)[5]	517,400	510,200	–	–	–	–	–	–
Corporate and institutional clients[5]	19,200	18,200	–	–	–	–	–	–
Consultants[3]	1,940	1,943	1,952	1,998	2,081	2,132	2,273	2,383
Branch offices[3]	146	156	162	169	174	178	192	238
Employees	1,768	1,802	1,542	1,559	1,524	1,584	1,672	1,900
Brokered new business[3]								
Old-age provision (premium sum in € billion)	3.7	3.5	4.1	3.6	4.8	5.2	5.0	5.1
Loans and mortgages	1,710.0	1,798.0	1,415.0	1.513,0	1,301.0	1.327,0	1.219,0	1.119,0
Assets under management in € billion	31.5	29.0	27.5	24.5	21.2	20.2	19.8	17.0

[1] Values adjusted.
[2] Subject to the consent of the Annual General Meeting on June 16, 2016.
[3] Continuing operations.
[4] EBIT in relation to total revenue.
[5] MLP adjusted the way it counts clients in Q1 2016.

THE EXECUTIVE BOARD

Dr. Uwe Schroeder-Wildberg
Chairman and CEO MLP AG

Strategy,
Communication,
Policy/Investor Relations,
Marketing,
Sales

Appointed until December 31, 2022

Manfred Bauer
Member of the Executive Board of MLP AG

Product Management

Appointed until April 30, 2020

Reinhard Loose
Member of the Executive Board of MLP AG

Compliance,
Controlling,
Purchasing,
IT,
Group Accounting,
Risk Management,
Internal Audit,
Legal,
Human Resources

Appointed until January 31, 2019

LETTER TO OUR SHAREHOLDERS

Dear Shareholders,

MLP achieved more in 2016 than could have been expected at the start of the year. We increased revenue in the field of old-age provision and expanded market shares in key consulting areas, accelerated the process for winning new clients and laid the foundations for further cost reductions. We can therefore rate the financial year as “satisfactory in the light of market conditions”.

However, we do not want to content ourselves with that for the future. One of the reasons why MLP enjoys such an excellent position in the competitive environment is because we were quick to start work on restructuring the company with a clear direction in the last few years, while at the same time keeping a tight rein on costs.

If we compare the commission income from 2005 – i.e. the year before the expansion of our wealth management operations – with 2016, three facts become clear:

- Our revenue mix is today significantly more balanced and we have compensated for market-related declines in the old-age provision segment of around € 150 million.
- The proportion of recurring revenue has increased significantly – from around 30 to more than 60 percent today. The company is therefore now on a much sounder financial footing.
- Setting old-age provision aside, sales revenues increased by an average of around 13 percent per year during this period.

A look at the development of total revenue over the last five years also shows how we have made gradual yet continuous progress. In fact we are now above the level recorded in 2012, a particularly strong year. In comparison with 2015, total revenue has increased by 10 percent to € 610.4 million.

MLP recorded good gains in 2016, particularly in the non-life insurance area, where revenue increased by 93 percent to € 105.6 million. Around € 68.7 million of this can be attributed to the ongoing positive development of DOMCURA, which we acquired as a subsidiary mid-2015. Developments in the old-age provision area were also pleasing, with revenues increasing by 3 percent to € 221.5 million. This successful development can largely be attributed to a strong final quarter. This means that MLP recorded gains in the old-age provision segment for three quarters in succession in 2016.

At € 166.4 million, revenue in wealth management is slightly above the previous year's record figure, despite selling the former FERI EuroRating Services in mid-2016. With revenue of € 15.4 million, the loans and mortgages area is slightly below the record level recorded in 2015. At € 15.4 million, other commission and fees, which are mainly attributable to the brokerage of real estate objects, remain at the previous year's level. At € 45.8 million, revenue in the health insurance area also remained at the previous year's level.

These developments should also be seen as positive in the light of market conditions that remain extremely difficult. In the private health insurance area, the number of persons holding comprehensive health insurance fell for the fifth year in succession, while the wealth management is facing negative market developments due to the massive monetary distortions. However, the old-age provision area continues to display the greatest market turbulence. Indeed, new business throughout the sector only increased 1.5 percent over the previous year's low level.

At MLP, the premium sum of new business in the old-age provision area increased by 6.2 percent. MLP's ability to adapt quickly to the new product portfolio is one key reason for this excellent development. We also recorded better development than the industry in the private health insurance area with a slight increase in the number of persons holding comprehensive health insurance.

This all resulted in operating earnings before interest and taxes (operating EBIT) – i.e. before one-off exceptional costs – increasing by 14.3 percent to € 35.1 million. As announced, one-off exceptional cost were accrued within the scope of the efficiency programme. These expenses were € 15.4 million, resulting in an EBIT of € 19.7 million. One-off exceptional costs also had an impact on net profit for the period, which was € 14.7 million.

Taking earnings trends and current capital requirements into account and subject to approval by the Supervisory Board, the Executive Board proposes a dividend of 8 cents per share. At 60 percent, the distribution rate is set to increase slightly over the previous year and lies within the announced corridor.

In 2017, we added two new topics to our strategic agenda. The first focuses on extending our corporate and economic scope for action through an optimisation of corporate structure, while the second revolves around strengthening our university segment in the private client business.

The objective of the corporate structure optimisation is to significantly extend MLP's scope for action, which had become increasingly restricted in the last few years. This is due to the significantly stricter capital requirements for banks that have been in place since the outbreak of the financial crisis – such as Basel III and others. We are not complaining about this and are still of the opinion that events such as those that occurred during the financial crisis need to be prevented through adequate measures. For MLP, however, the regulatory pendulum is now swinging too far in the other direction. Our banking business is low-risk. Yet despite this, the aforementioned new requirements placed on classic banks are impacting our operations across the board, meaning that the proportionality of revenue and costs has shifted significantly in the current Group structure.

With the step we are preparing in the current year and intend to introduce early in 2018, we will bundle all regulated bank activities at one company, while all other consulting services will then be provided by the other company. This offers the advantage that we will be able to gradually increase our free own funds by around € 75 million up to 2021 – assuming the current capital adequacy requirements remain unchanged. We will use this significantly improved position in our own funds primarily for investments in the future and for acquisitions. In addition it will also provide us with greater freedom for dividend pay-outs. We can envisage continuing to make acquisitions in three main segments – at FERI, at DOMCURA, as well as in MLP's traditional private client business.

Regarding the strengthening of the university segment: MLP has deep roots in the private client business. This also includes a highly visible presence in the university segment, in which MLP consultants continue to win a large proportion of our new clients – both online and offline. In the last few years, we have already introduced comprehensive measures to boost our presence in this segment with increasing numbers of academics. For example, introduction of our further training allowance has made it easier for young consultants in particular to make the transition into self-employment. The package is being well received and has made a key contribution to stabilising consultant numbers.

We are now taking the next step with the introduction of a dedicated divisional board member for the young segment. By focusing on core topics for young clients and consultants, we pave the way for faster acquisition of new clients and consultants – and thereby further strengthen our presence.

In addition, we are persevering with our strategic approach of recent years.

The ongoing diversification of our revenue structure aims at further reducing the impact of short-term market influences on MLP. Therefore the non-life insurance and wealth management consulting areas will be in the focus also for 2017.

We are also pressing ahead with digitalisation. In 2016, we collaborated with a fintech to introduce online sales for electronics and travel health insurance policies – i.e. for basic products that do not require intensive consulting services – and are already seeing initial successes. In addition to this, we have won more than 50,000 initial contacts online and on social media platforms. As these examples show, the key here is to remove any notion of online OR offline and instead focus on bringing the two concepts together. In 2017, we will release more products for online sales and launch the first phase of our new client portal. This will provide clients with all financial information at a glance, accompanied by a personal budget book. We are convinced that digitalisation – understood correctly – can actually help further underline the importance of face-to-face consulting.

In terms of cost management, we will harvest the fruit of our efforts in 2017. In the past year, MLP laid the foundations for permanently reducing the cost base of administrative expenses by around € 15 million relative to 2015 from 2017 onwards. In 2017, this low cost base will be subjected to additional one-off exceptional costs of around € 9 million for implementing the new Group structure. Due to the planned increase in own funds, we can cushion the effect of these one-off expenses for our shareholders. Maintaining a distribution rate of 50 to 70 percent, we will base our dividend proposal for the financial year 2017 on operating net profit, i.e. before one-off exceptional costs.

Overall, we expect to record EBIT for the current year of at least € 36 million. Accordingly, we anticipate an operating EBIT of at least € 45 million.

We would be delighted if you – our shareholders – continued to accompany us along this path. On behalf of the entire Executive Board, I would like to express my sincere thanks for the trust you showed in us throughout the last financial year.

Equally sincere thanks are also due to all client consultants and employees in the Group.

Yours sincerely,

Dr. Uwe Schroeder-Wildberg

THE SUPERVISORY BOARD

Dr. Peter Lütke-Bornefeld
Chairman

Elected until 2018

Dr. h. c. Manfred Lautenschläger
Vice Chairman

Elected until 2018

Alexander Beer
Employees' Representative

Elected until 2018

Dr. Claus-Michael Dill
Elected until 2018

Tina Müller
From June 2015
Elected until 2018

Burkhard Schlingermann
Employees' Representative

Elected until 2018

REPORT BY THE SUPERVISORY BOARD

In the 2016 financial year, the Supervisory Board reviewed the company's development in depth and performed fully its supervisory duties. It regularly advised and monitored the Executive Board in running the business of the company.

During the course of the last financial year, the Supervisory Board paid particular attention to the economic development, financial situation, prospects and further strategy of the company, and advised the Executive Board on these topics. Its work in the financial year 2016 focused in particular on supporting the Executive Board in the strategic development of the company and of the MLP Group, implementing further measures to increase efficiency and both assessing and monitoring the opportunity and risk position of the company and the Group.

The Supervisory and Executive Boards met regularly in the reporting year for discussions and joint consultations regarding business development, strategy and key events within the company. The Supervisory Board was directly involved in all decisions of fundamental importance to the company. The Executive Board regularly provided the Supervisory Board with written and oral reports in a timely and comprehensive manner on all relevant issues related to corporate planning, strategic development, the business situation and the position and overall development of the Group as a whole, including the risk situation, risk management, risk-bearing ability and compliance. The Supervisory Board was able to confirm the appropriateness of the Executive Board's corporate governance. In 2016, the Executive Board also reported to and advised the Supervisory Board on the content and anticipated effects of legislative or regulatory proposals at the German national or EU level.

No personnel changes were made to the Supervisory Board in 2016; nor were changes made to the company's Executive Board in the previous financial year.

The Supervisory Board held five regular meetings and one extraordinary meeting in the financial year 2016. With the exception of one meeting, all members of the Supervisory Board attended the meetings in person. Individual members of the Supervisory Board participated in the extraordinary Supervisory Board meeting via telephone. The Supervisory Board was also informed by the Executive Board of particularly important or urgent projects outside of the regular meetings. Where necessary, Supervisory Board resolutions were also passed as circular resolutions.

In addition, three meetings of the Audit Committee were also held in this year. All committee members took part. The Personnel Committee convened once in the previous financial year.

Furthermore, the Chairman of the Supervisory Board met with the Chairman of the Executive Board on a regular basis to discuss various issues, in particular the business situation and the position of the Group. The Chairman of the Supervisory Board regularly informed the other members about the content of these meetings.

Supervisory Board meetings and important resolutions

In an extraordinary Supervisory Board meeting held on February 24, 2016, further tightening of the cost management and strategic restructuring of the group was discussed. A corresponding Executive Board proposal was then approved.

Following preparations in the meeting of the Audit Committee, the Supervisory Board meeting on March 16, 2016 focused on the audit and approval of the financial statements and the consolidated financial statements as of December 31, 2015. The auditors participated in the meeting and gave detailed reports on the course and outcome of their audit of the financial statements and the consolidated financial statements. Following an in-depth discussion, the Supervisory Board approved both the financial statements and the consolidated financial statements as of December 31, 2015. In addition to this, the Supervisory Board also reviewed and approved the appropriateness of the Executive Board's remuneration – as required in accordance with the Corporate Governance Code – as well as the variable remuneration components of the Executive Board for the financial year 2015. The proposed resolutions for the companys Regular Annual General Meeting were another item on the agenda.

The regular Supervisory Board meeting on May 11, 2016 focused primarily on discussing the results and business development from the first quarter of 2016.

The results of the second quarter, the business development in the first half of the year, reporting on the internal audit and risk controlling (including report on the notion of materiality, risk strategy and risk-bearing capacity concept) were all on the agenda of the regular Supervisory Board meeting on August 10, 2016.

The November meeting focused on the business results of the third quarter and the first nine months of the current financial year. Alongside this, the Supervisory Board approved corresponding measures for implementation of the EU Audit Regulation and Germany's audit reform legislation (AReG). Other topics discussed included the change of corporate form from MLP AG to a "Societas Europaea" or SE. A respective resolution was then drafted, which will propose to the Annual General Meeting that MLP AG be converted to an SE in 2017.

At the meeting on December 14, 2016, discussions focused on the resolution regarding the Declaration of Compliance as per § 161 of the German Stock Corporation Act (AktG), alongside adherence to the regulations of the German Corporate Governance Code (GCGC). Extensive reporting was provided on the corporate governance process and the current Declaration of Compliance. Furthermore, the Supervisory Board addressed in detail and approved the strategy and budget of both the Group and the company for the financial year 2017.

Supervisory Board committees

The Supervisory Board was regularly informed of the work carried out by its committees in 2016.

The Audit Committee held three regular meetings in the financial year 2016. Representatives of the audit firm also took part in some of the meetings, providing the committee with detailed reports. In the presence of the auditors, the Chairman of the Executive Board and the Chief Financial Officer, the Audit Committee discussed the financial statements of MLP AG and the MLP Group as well as the proposed appropriation of earnings. Furthermore, the relationship to the auditor, proposals for selecting the auditor, auditor fees, audit assignment and monitoring of the auditor's independence were the subject of extensive discussions. The Audit Committee received regular reports on the work of the Internal Audit and of the Compliance and Risk Management department and was informed on legal and regulatory risks and risks to reputation. In its two meetings, the Audit Committee also addressed in detail the new legislation arising from the EU Audit Regulation and Germany's audit reform legislation (AReG). The Committee discussed corresponding implementation measures for the Supervisory Board and the Audit Committee. This led to the approval of measures to ensure compliance with the new legislation.

The Personnel Committee met only once in the reporting period and focused in particular on checking the appropriateness of Executive Board remuneration, as well as determining the bonus pool for the MLP Group.

The Nomination Committee did not hold any meetings in the financial year 2016, as there were no new Supervisory Board elections and therefore no proposed resolutions to be submitted to the Annual General Meeting.

Corporate governance

The Supervisory Board regularly deals with the application of the corporate governance principles.

Last year, the Supervisory Board dedicated its meeting on December 14, 2016 in particular to in-depth discussions on the amendments to the German Corporate Governance Code in the version of May 5, 2015.

In the meeting held on December 14, 2016, the Supervisory Board reviewed the efficiency of its actions based on an evaluation form made available to the members of the Supervisory Board in good time prior to the meeting. The Supervisory Board also discussed procedures in the Supervisory Board, the information flow between the Committees and the Supervisory Board, and the timeliness and sufficient content of reporting by the Executive Board to the Supervisory Board on this occasion. Measures aimed at increasing efficiency were analysed.

At the same meeting, MLP AG's Supervisory Board also assured that the company had met the recommendations of the GCGC in line with its Declaration of Compliance pursuant to § 161 of the German Stock Corporation Act (AktG) in the previous financial year and will in future continue to comply strictly with the recommendations of the Government Commission on the German Corporate Governance Code (version dated May 5, 2015). In December, the Supervisory Board and Executive Board issued a Declaration of Compliance pursuant to § 161 of the German Stock Corporation Act (AktG) for the financial year 2015 and made it permanently available to the shareholders via its website.

In accordance with the German Corporate Governance Code government commission, we understand conflicts of interest to mean any special professional or private interests of any member of the Supervisory Board that could potentially pose a threat to or contradict the interests of the company. Conflicts of interest in this sense do not include plurality or the existence of various streams of interests when these express diversity in terms of the Supervisory Board composition desired by the legislator or the German Corporate Governance Code government commission. There were no conflicts of interest in this sense in the last financial year. A summary of corporate governance at MLP, including the Declaration of Compliance from December 14, 2016, can be found in the Executive and Supervisory Board's corporate governance report. All relevant information is also available on our homepage at ↗ www.mlp-ag.com.

Audit of the annual financial statements and consolidated financial statements for 2016

The financial statements and the joint management report of MLP AG as of December 31, 2016 have been compiled by the Executive Board pursuant to the German Commercial Code (HGB). The consolidated financial statements and the joint management report as of December 31, 2016 were drafted as per § 315a of the German Commercial Code (HGB) in line with international financial reporting standards (IFRS) as applied in the EU. As of December 31, 2016, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin audited the financial statements and the joint management report of MLP AG in accordance with the principles of commercial law, as well as the Group financial statements and the joint management report in accordance with the principles of IFRS, issuing an unqualified auditor's opinion in each case. The auditor performed the audit in compliance with the basic principles of sound auditing practices determined by the Institut der Wirtschaftsprüfer (German Institute of Auditors).

The financial statements, together with the joint management report, the auditor's reports and the Executive Board's proposal for use of the unappropriated profit were made available to all Supervisory Board members in good time.

The Audit Committee of the Supervisory Board reviewed these documents in detail and reported to the Supervisory Board on its audit. The auditor also reported on the key results of the audit and on the fact that there are no significant weaknesses in the internal monitoring system, the risk management system nor with regard to the compliance. The Audit Committee also reviewed the risk management system, the accounting processes and the effectiveness of the internal monitoring, risk management and auditing systems, as well as the relationship to the auditor, the proposals for selection of the auditor, the auditor's remuneration, the audit assignment and monitoring of the auditor's independence, as well as the additional services performed by the auditor. The Supervisory Board also checked and discussed the documentation and reports in detail. In the presence of KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, which reported on the key findings of its audit, the audit reports were reviewed in detail at the Supervisory Board meeting on March 15, 2017. At this meeting, the Executive Board explained the financial statements of MLP AG and of the MLP Group, the risk management system, the accounting processes and the effectiveness of the internal monitoring, risk management system, audit system and of the compliance, as well as giving detailed reports on the scope, focuses and costs of the audit.

The Supervisory Board concurred with the outcome of the auditor's audit and, on the basis of the final outcome of the Audit Committee's audit and its own audit, found no grounds for raising an objection. Accordingly, at its meeting on March 15, 2017, the Supervisory Board approved the annual financial statements and the joint management report of MLP AG, as well as the consolidated financial statements and the joint management report in accordance with IFRS prepared by the Executive Board. The annual financial statements are therefore adopted.

After performing its own reviews, the Supervisory Board agreed with the Executive Board's proposal to pay out a dividend of € 0.08 per share for the financial year 2016. The equity and liquidity situation, future regulatory requirements and the company's budget, as well as the shareholders' interest in an appropriate dividend were included and weighed against one another in its considerations.

The Supervisory Board would like to thank the Executive Board, the Management of the respective Group companies, as well as all employees and consultants of the MLP Group for their exemplary personal commitment and achievements in the financial year 2016.

Wiesloch, March 2017

The Supervisory Board

Dr Peter Lütke-Bornefeld

Chairman

OUR GOALS AND STRATEGIES

Our goals are to achieve a sustainable increase in company value and constantly build on our market position. To this end, we continuously strengthen our strategic success factors. We allow our shareholders, clients, employees and MLP consultants to participate in this long-term increase in value.

An important USP in our traditional private client business is that we support our clients as a partner in all financial matters – from old-age provision and wealth management, through health and non-life insurance, right through to financing. Unlike most players in the market, however, we do not offer our own products. Instead, we rely on the products of all relevant providers in the market. In addition to this, clients can take care of all their important banking business with MLP. Gaining a profound understanding of our clients and their life situation also represents a highly important part of our philosophy. Each of our approximately 2,000 client consultants therefore focuses on one professional group, above all physicians, economists, engineers and lawyers.

In the last few years, we have established additional core fields of expertise and significantly expanded our business model. These include a comprehensive portfolio for corporate clients, high net worth individuals and institutional investors via our subsidiary FERI. With the acquisition of DOMCURA in 2015 we have once again significantly extended our product portfolio, in particular for other market actors in the non-life insurance business, and have also strengthened our corporate client business with the commercial and industrial brokers of the DOMCURA Group. All in all, this diversification has significantly increased the stability of our company development.

We supplement our growth strategy with a consistent efficiency management programme. In order to boost profitability, we have also reduced our administration costs considerably since 2008.

INVESTOR RELATIONS

Stock market year 2016 – Development of the markets

Second half of the year rescues annual performance of the share indices

Developments of the German share indices were characterised by a high degree of volatility in 2016. Germany's leading index, the DAX, was still down until the end of November. While the MDAX and SDAX were already able to record initial gains in August, Germany's leading index did not achieve this until December. For the full year, the DAX recorded an increase of +7.9%. The MDAX (+6.3%) and TecDAX (+5.5%) were also able to record further gains and close the 2016 stock market year in positive territory.

Germany's leading index, the DAX, experienced its weakest start for 28 years. After two and a half weeks in 2016, it had fallen to 9,314 points. This decline was due to the impact concerns about growth in China and the resulting negative expectations for German exports. In the months that followed, the capital markets in Germany and Europe were unsettled further by speculation of an increase in capital stock and greater credit defaults at Deutsche Bank. The DAX fell to 8,752 points, a decline of 18.5% since the start of the year. The DAX was not able to climb above the 10,000-point mark again until March. It then went on to hit 10,474 points in April. Following a phase of relative calm, the mood worsened again significantly in June. The DAX lost almost 6% month-on-month. The imminent Brexit referendum had a negative impact on the markets, primarily due to uncertainty regarding global economic prospects caused by the UK's potential departure from the EU. On 24 June, the unexpected result of the referendum in the UK caused the DAX a single day loss of over 10%. It eventually bottomed out at 9,226 points.

Rapid recovery after Brexit

Germany's leading indices recovered remarkably quickly from the referendum result in Great Britain. Indeed, in July they had already recorded increases of over 6 % and were thereby able to regain lost ground. The upwards trend continued in August, although it was less pronounced. Robust labour market data from the US helped the DAX reach a monthly high of 10,802 points on 15 August. In September, the ECB disappointed the markets by electing not to extend its quantitative easing programme beyond March 2017 and also not to increase the repurchase volume. The DAX then suffered a month-on-month decline (-0.8%). In October, concerns over Deutsche Bank, a “hard Brexit” and the most recent collapse in exports from China served to suppress developments in the market. Further, when Hillary Clinton was seen to defeat Trump in each of the three televised debates held during the US election campaign, the stock exchanges reacted positively. Indeed, the DAX reached a new annual high of 10,827 points on 25 October.

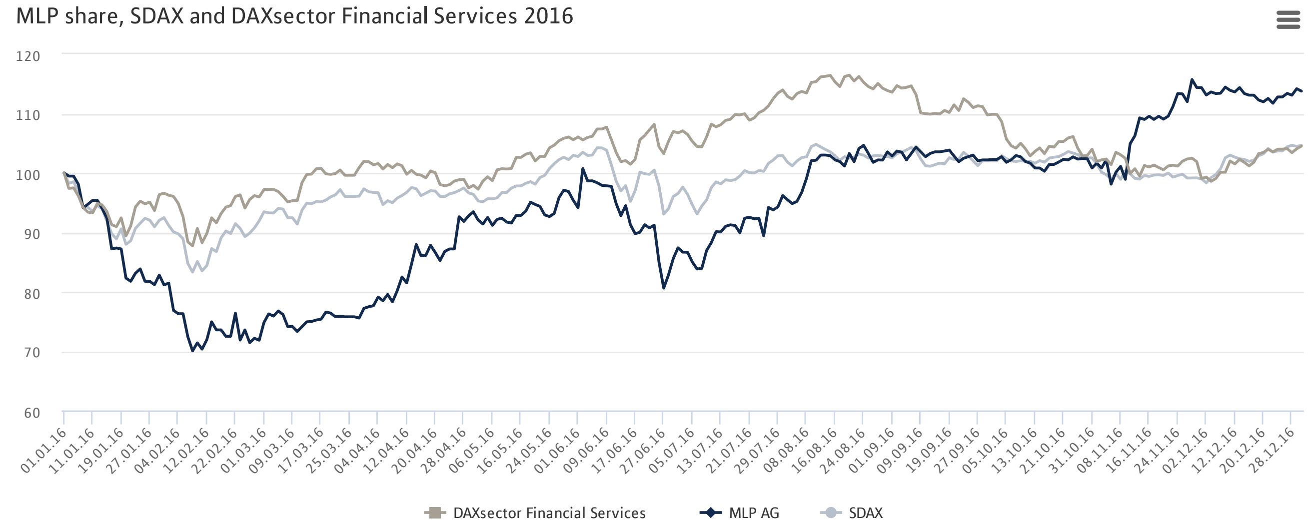
Stock markets initially suffered severe losses in Asia and also in Europe, with Donald Trump's surprise win of the 9 November US presidential election. However, the stock market was then given new impetus by Donald Trump's announcements regarding deregulation of the US banking sector, reversal of the healthcare reform initiated by President Obama, increasing state spending on infrastructure and defence, as well as tax cuts. On 22 November, all four US indices (Dow Jones / S&P500 / Nasdaq100 and Russel 2000) simultaneously recorded new all-time highs for the first time since 1999. In Germany, however, the DAX, MDAX and TecDAX were all down at the end of the month – despite unemployment figures for October hitting a record low of 6.0%. The "Trump Rally" launched in November continued into December and also gave a bump to share prices in Europe. The DAX, MDAX and TecDAX all recorded significant gains. Two key contributing factors here were that Brexit continued to remain in the background with its potentially negative consequences and, as anticipated, the ECB extended its quantitative easing programme until the end of 2017. The ifo business climate index had a positive effect in December, as it reached its highest level for almost two years at 111 points. With 22,147 points, the MDAX set a new all-time high at the end of the year, while the DAX reached its annual high of 11,451 points.

MLP share

The MLP AG share was subject to pronounced fluctuations in the first half of financial year 2016. The price trend was then clearly positive from the third quarter onwards. At a price of € 3.65, the MLP share began the new year virtually unchanged. Due to a strong sales surplus, the share dipped below the € 3.00 mark at the start of February and reached its annual low of € 2.57 on 9 February 2016. Following the expiry of a large purchase order, however, the price was later able to recover up to mid-April and once again surpass the € 3 mark. The price had risen to € 3.70 by the start of June, but then declined slightly following the € 0.12 per share dividend payment on 17 June. Publication of the business figures for the first nine months triggered a sustainable upwards trend, which in mid-November took the price above the € 4 mark for the first time in the reporting period. The closing price at the end of the year was € 4.17, which is 14.2% above the price at the start of the year. The average daily trading volume increased over the previous year (81,000) to 93,390 shares per day.

The MLP AG share exited the SDAX with effect from 21 March 2016. This was due to large companies taking their place ahead of MLP in the ranking of the performance index last year, primarily as a result of IPOs and changes to stock exchange segments. The downward development of the MLP share near the end of 2015 and at the beginning of 2016 also contributed to the company exiting the SDAX. Our objective is to once again increase market capitalisation by improving operational development. This represents the basis for being able to return to the index. Over the course of the year, we also won another designated sponsor to provide additional liquidity for share trading.

Further information on the MLP share can be found in the "MLP Share" section of our Investor Relations page at ↗ www.mlp-ag.com.



Dividend

MLP will continue its consistent dividend policy for the financial year 2016. As announced, the distribution rate will be between 50% and 70%. In concrete terms, the Executive Board and Supervisory Board will propose a dividend of € 0.08 per share at the Annual General Meeting on 29 June 2017. This corresponds to a distribution rate of around 60% of the net profit for the period.

Key figures compared to previous year

		2016	2015	2014	2013	2012
Shares in circulation at the end of the year	in units	109,334,686	109,334,686	107,877,738	107,877,738	107,877,738
Share price at the beginning of the year	in €	3.67	3.71	5.29	5.08	5.07
Share price at the end of the year	in €	4.18	3.67	3.71	5.21	5
Share price high	in €	4.25	4.26	5.98	6.58	6.89
Share price low	in €	2.57	3.48	3.48	4.41	4.17
Market capitalisation at the end of the year	in € million	456.5	401.3	400.2	562.2	539.4
Average daily turnover of shares	in units	93,390	80,996	43,775	47,302	31,011
Dividend per share	in €	0.08*	0.12	0.17	0.16	0.32
Total dividend	in € million	8.7*	13.1	18.3	17.3	34.5
Return on dividend	in %	1.9*	3.3	4.6	3.1	6.4
Earnings per share	in €	0.13	0.17	0.27	0.22	0.49
Diluted earnings per share	in €	0.13	0.17	0.27	0.22	0.49

* Subject to the consent of the Annual General Meeting on 29 June 2017

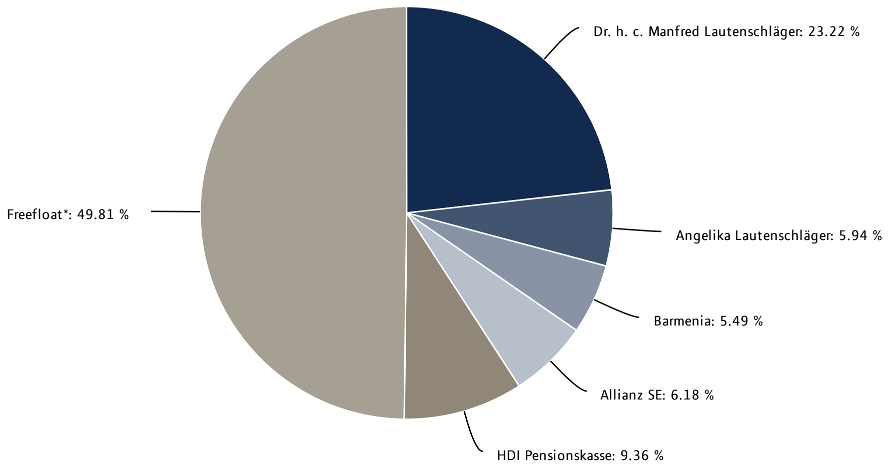
Changes to the shareholder structure

The following changes were made in the reporting period. The share of the voting rights held by FMR LLC (Fidelity) decreased to 4.72% by 16 March 2016 (7.10%). This decline can be attributed to expiration of the proxy for exercising voting rights. In addition, Harris Associates L.P/Harris Associates Investment Trust informed us that it held only 1.46% of the shares in MLP with effect from 19 February 2016.

With effect from 27 June 2016, INKA Internationale Kapitalanlagegesellschaft mbH, Düsseldorf, acquired a total of 3.55% MLP shares.

The free float in financial year 2016 remained unchanged at 49.8%. In line with the German Stock Exchange's definition, institutional investors were not taken into consideration when determining the free float. The following chart provides an overview of the major shareholders

MLP shareholder structure



* Definition of free float on the German Stock Exchange; including additional voting rights pursuant to § 22 of the German Securities Trading Act (WpHG)

Investor relations activities

The goal of our investor relations activities is to establish a continuous and open dialogue with our shareholders, potential investors and the capital market. We are keen to establish and build on trust among investors and support the market in assessing the value potential of our company. To this end, we provide continuous, timely and transparent information on relevant events and incorporate feedback received from capital market players. We engage in active exchange with both private and institutional investors at regular capital market events, such as roadshows, capital market conferences and our Annual General Meeting. Alongside direct contact, financial reporting is a key basis for our communication. The Annual Report plays a particularly important part here, as it provides comprehensive and transparent information on all aspects of the company. Since the 2015 Annual Report, MLP has switched over to an online-only version. This allows users to call up specific information and compile their own individual download package. The report, which adapts to the respective terminal device of the user, is available at ↗ www.mlp-annual-report.com.

Online Annual Report wins Red Dot Award

In August 2016, the first MLP AG Online Annual Report received the Red Dot Design Award in the "Communication Design / Annual Report" category. The 26 experts on the international jury were particularly impressed by the information design and interactive tools. Submissions were received from a total of 46 nations for this year's competition.

Investor relations services

We also provide a special investor relations newsletter service, whereby anyone interested can sign up to receive e-mails on important events. Interested parties can also keep up-to-date with news from the company and the sector via ↗ twitter. You can find the investor relations section at: ↗ www.mlp-ag.com/investors. [Please feel free to contact us if you prefer to speak to someone.]

Key figures for business valuation and statement of financial position analysis

		2016	2015
Equity ratio	in %	19.7	22.0
Return on equity	in %	3.8	5.1
Net liquidity	in € million	184	174.0
Market capitalisation at the end of the year	in € million as of 31 Dec.	457	401.3
Total revenue	in € million	610.4	557.2
EBIT	in € million	19.7	32.5
Operating EBIT*	in € million	35.1	32.5

*before one-off exceptional costs

JOINT MANAGEMENT REPORT

In addition to the MLP Group, the following joint management report also encompasses MLP AG in accordance with § 315 (3) in connection with § 298 (3) of the German Commercial Code (HGB).

The values disclosed in the following have been rounded to one decimal place. As a result, differences to reported total amounts may arise when adding up the individual values.

The Previous year's values of the consolidated income statement and the consolidated balance sheet have been adapted and are disclosed accordingly in the following tables. Information is provided in → Note 3.

FUNDAMENTAL PRINCIPLES OF THE GROUP

Business model

MLP – The partner for all financial matters

Broad range of services

The MLP Group (MLP) is the partner for all financial matters – for private clients, companies and institutional investors. Four brands, each of which enjoy a leading position in their respective markets, are used to offer a broad range of services:

- **MLP Finanzdienstleistungen AG:** The dialogue partner for all financial matters
- **FERI AG:** The investment expert for institutional investors and high net-worth individuals
- **DOMCURA AG:** The underwriting agency with a focus on private and commercial non-life insurance products
- **TPC GmbH:** The specialist in occupational pension provision management for companies

The views and expectations of our clients always represent the starting point in each of these fields. Building on this, we then present our clients with suitable options in a comprehensible way so that they can make the right financial decisions themselves. For the implementation we examine the offers of all relevant product providers in the market. Our products are selected and rated on the basis of substantiated market and product analyses.

Client requirements in focus

Since the company was founded by Manfred Lautenschläger and Eicke Marschollek in 1971, MLP Finanzdienstleistungen AG has consistently striven to establish long-term relationships with its clients. This requires a profound understanding of their individual requirements. Each of our approximately 2,000 client consultants therefore focuses on one professional group. MLP's clients primarily include physicians, economists, engineers and lawyers. We support these clients in all financial matters – from old-age provision and wealth management, through health and non-life insurance, all the way up to financing, real estate brokerage and banking business.

MLP Finanzdienstleistungen AG: Focus on individual professional groups

As a financial institution, MLP Finanzdienstleistungen AG is supervised by the Federal Financial Supervisory Authority (BaFin) and represents the controlling company of the Financial Holding Group in terms of the supervisory regulations.

Supervisory requirements

As an insurance broker, MLP Finanzdienstleistungen AG is also committed to selecting the most suitable product options for clients from the broad scope of offers in the market. These concepts clearly set us apart from the majority of players in the market, who either only offer their own products or a very limited selection of third party products.

MLP places great emphasis on the use of objective and transparent criteria when selecting partners and products. An analysis and quality check of the providers in the market, as well as their respective products, are performed on the basis of client requirements.

Transparent partner and product selection process

In addition to its private client business, the MLP Group has also been establishing an extensive portfolio for corporate clients, institutional investors and very high net worth individuals since 2004. Since 2014, we have also strengthened our activities in the field of real estate brokerage. In addition to this, MLP has developed new potential in the field of non-life insurance since 2015 with the acquisition of the DOMCURA Group (DOMCURA) and has positioned itself as a provider for other market members. The integration of DOMCURA was successfully completed in the reporting year. With the continuous expansion of our business model and new additions to our core competencies, we have created further stable pillars to secure the sustainable success of our company.

Diversification at an advanced stage

The aforementioned acquisition of Schwarzer Familienholding GmbH (hereinafter referred to as the DOMCURA Group/DOMCURA) in the first half of 2015 and its successful integration into the MLP Group was another key milestone in the diversification of revenue streams in the reporting year. As an underwriting agency, DOMCURA designs, develops and implements its extensive coverage concepts for private and commercial clients in the field of non-life insurance. These concepts are used by market members such as brokers and other agents. In addition, the DOMCURA Group also includes specialist brokers for commercial and industrial insurance. An initial joint hedging concept was already developed and successfully launched to market by DOMCURA and MLP in 2016. You can find more information on this in the chapter entitled → "Performance".

DOMCURA – The non-life insurance specialist

As an investment house for institutional investors and high net-worth individuals, the FERI Group (FERI) offers services in the areas of investment management, investment consulting and investment research.

FERI – Wealth management with independent research

In the Investment Management business segment, FERI Trust GmbH offers a broad spectrum of wealth management services in all asset classes. These range from the development and implementation of individual investment strategies, right through to quantitative risk management and control. Investment consulting involves long-term advisory services to institutional investors and the provision of family office services to high net-worth families. Investment Research draws up economic forecasts and individual asset allocation analyses, which provide an important basis for the investment strategies.

FERI further sharpened its focus on this core business in the reporting period by selling FERI EuroRating Services AG.

As a specialist in occupational pension provision management, TPC GmbH (TPC) offers companies and associations consultancy services covering all issues relating to occupational pension provision and remuneration. Companies benefit from a full portfolio of services – ranging from needs analyses, to individual concept development and implementation, right through to continuous inspection of existing occupational old-age provision systems. The key focus here is on providing consulting services to small and medium-sized companies from various sectors, as well as employer consulting services at tax advisers, auditors, solicitors, physicians and architects.

TPC: Sector concepts for occupational pension provision management

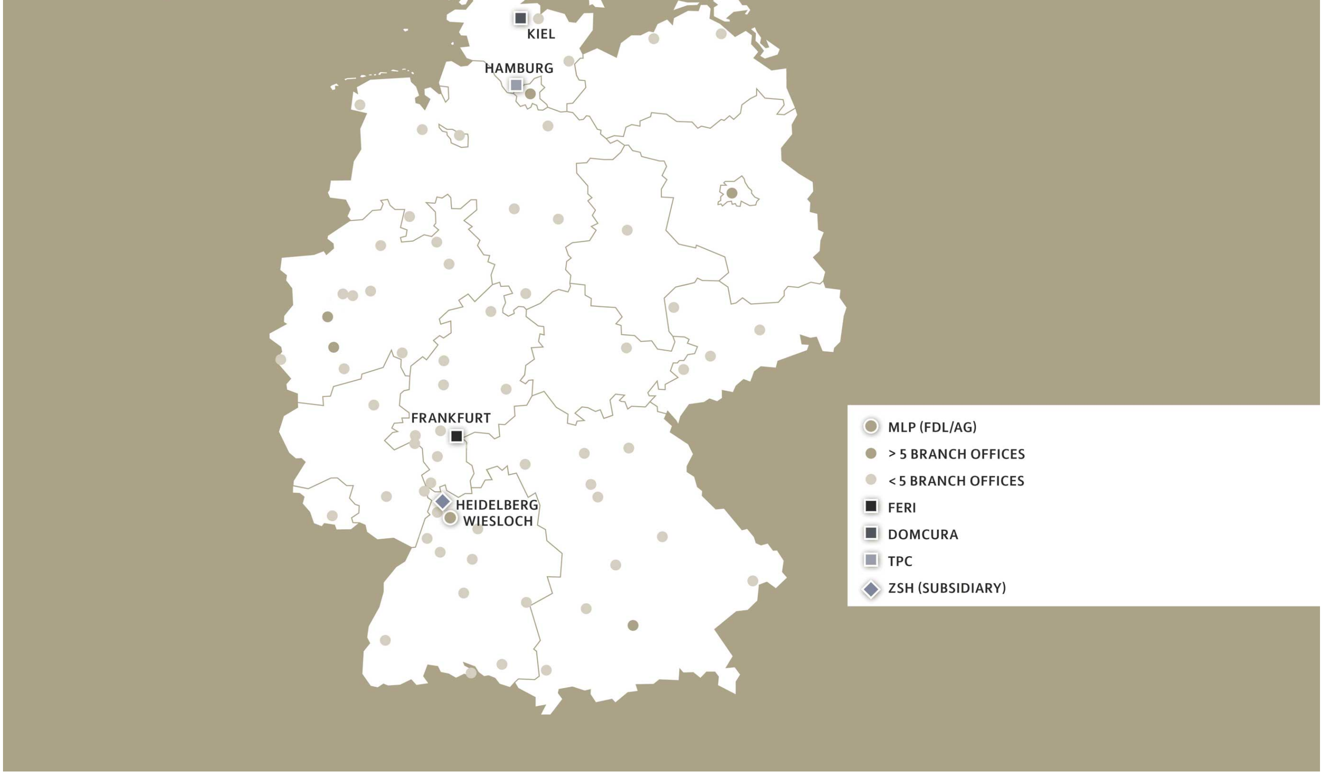
Further training plays an important part in our company's ability to ensure sustainably high quality consulting services. You can find more detailed information on this in the chapter entitled "→ Employees and consultants".

Further training of key importance

The registered office of MLP AG, the holding company, and also MLP Finanzdienstleistungen AG is in Wiesloch, Germany, where all internal divisions are centralised. Additionally we are represented by our client consultants and offices in all German urban centers, including all important university locations. DOMCURA has its headquarters in Kiel, while TPC operates out of Hamburg. Alongside its HQ in Bad Homburg vor der Höhe, FERI also maintains further national and international locations in Munich, Düsseldorf, Zurich, Luxembourg and Vienna.

Represented throughout Germany

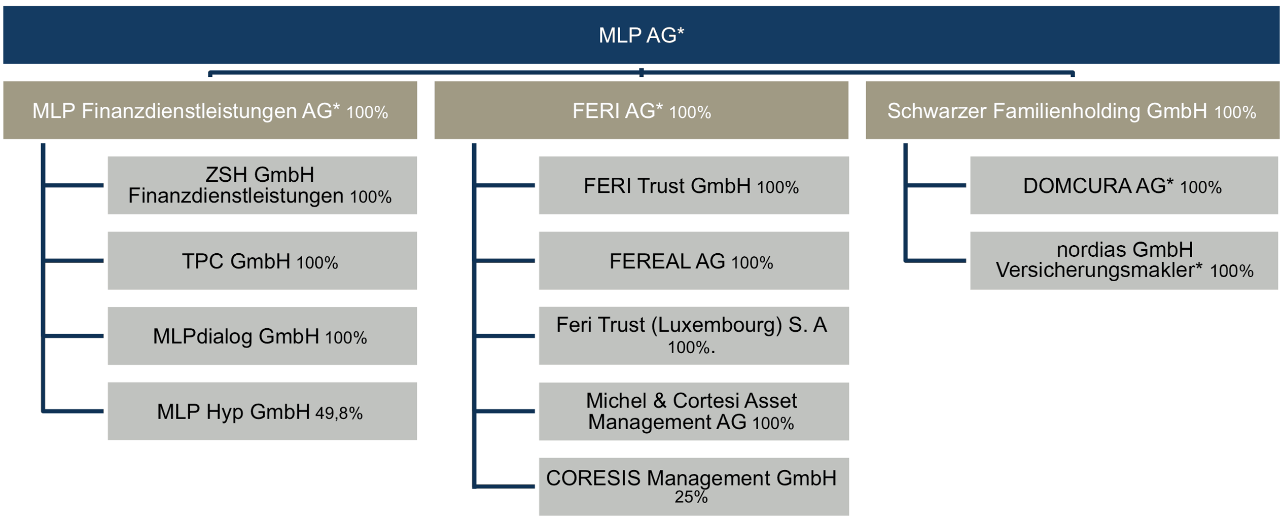
Locations of the MLP Group in Germany



Legal corporate structure and Executive Bodies

MLP is organised as a holding company, in which central management duties are performed by the Group's parent company, MLP AG. The three subsidiaries MLP Finanzdienstleistungen AG, FERI AG and Schwarzer Familienholding GmbH (DOMCURA Group) are directly subordinate to it (see figure). The business divisions each carry end-to-end accountability for results. This organisation reflects the Group's strategic goals and client requirements.

Current Group structure of operating companies



* Plus further direct and indirect subsidiaries

MLP Finanzdienstleistungen AG holds a banking license and is registered as an insurance broker for the brokerage of insurance contracts. MLP Finanzdienstleistungen AG includes TPC GmbH in Hamburg, ZSH GmbH Finanzdienstleistungen in Heidelberg, MLPdialog GmbH in Wiesloch and MLP Hyp GmbH in Wiesloch, which we operate together with the mortgage broker Interhyp AG in Munich.

FERI AG's main fields of business are investment management, investment consulting and investment research, each of which is offered both to institutional and private clients by FERI Trust GmbH, Bad Homburg v.d.H. The issuance and structuring services for alternative investments and fixed asset investments are centralised at FEREAL AG, which is approved as a capital management company by the Federal Financial Supervisory Authority (BaFin).

FERI AG sold FERI EuroRating Services AG in the reporting year. The transaction was concluded on August 1, 2016. With this move FERI is continuing to focus on its core areas of expertise and on strategic further development to become the leading investment company in Germany, Luxembourg, Switzerland and Austria.

The main companies and affiliations in Germany and abroad include FERI Trust (Luxembourg) S.A., which acts as fund manager and coordinates the entire fund structuring and fund floating process, as well as Michel & Cortesi Asset Management AG (Switzerland), which offers investment solutions for private and institutional investors. In the field of real estate, FERI AG holds investments in CORESIS Management GmbH.

The main subsidiaries of the DOMCURA Group include DOMCURA AG, which specialises in designing, developing and implementing comprehensive coverage concepts in the non-life insurance segment for both private and commercial clients. In the course of the ongoing focus on the corporate structure in the DOMCURA Group, companies including Ralf W. Barth GmbH and F&F Makler AG among others were merged into nordias GmbH Versicherungsmakler in the financial year. All activities of the broker business segment have been pooled in this company, including specialist brokers for commercial and industrial products.

Factors affecting business development

Economic developments in Germany have a significant impact on the business model of the MLP Group, as the company generates almost all of its revenue in this country. Particularly important indicators in this regard are economic growth, developments on the employment market, salary levels and the general savings rate. These indicators are described in further detail in the chapter entitled → "Economic report – National economic climate". The results of operations are influenced even more acutely by market conditions in the consultancy areas of old-age provision, health insurance and wealth management, which are analysed in the corresponding chapters of the → "Economic report". Another important factor is the regulatory environment, which is examined in more detail in the chapter entitled → "Economic report – regulation and competition".

Organization and administration

The Executive Board at MLP AG comprises three members. The positions on the Board continue to be held by Dr. Uwe Schroeder-Wildberg (Chairman of the Executive Board), Manfred Bauer (Product Management) and Reinhard Loose (Finance).

The Supervisory Board, which is, among other things, required to monitor the actions of the Executive Board under German law, comprises six members. There were no changes to the personnel on this committee in the reporting year.

At FERI AG, the Executive Board contract of Dr. Matthias Klöpper (Finance) expired in the reporting period. As of January 1, 2017, Marcel Renné was appointed as a new member of the Executive Board with responsibility for Operations. Chairman of the Executive Board, Arndt Thorn, assumed responsibility for Finance from this date on.

Both the Executive Board and Supervisory Board seek to change the company’s corporate form from MLP AG to an SE (Societas Europaea). This proposal is to be put to the shareholders during the 2017 Annual General Meeting. The objective of the change in corporate form is primarily to secure the current flexibility of the work performed by the two committees for the future. To date this has been achieved through a six-member Supervisory Board commensurate to the size of the company, among other measures.

Control system

The MLP Group employs comprehensive planning and control systems. Starting from our strategy and the estimates regarding future external framework conditions, we draw up targets for key controlling figures in the strategic and operating planning process. Any deviations from our targets then become transparent within the scope of ongoing controlling processes. Based on these developments we then derive actions for our corporate management. We also continually monitor developments in the market and the competitive environment.

Corporate management

EBIT and sales revenue as the most crucial key performance indicators

The Executive Board at MLP AG assesses the performance of the various business segments and reaches decisions regarding resource allocation on this basis. Earnings before interest and tax (EBIT) and total revenue (sales revenue) represent the central benchmark at MLP for overall business development in the individual business segments. Alongside this, the Executive Board also receives regular information on the relevant macroeconomic, political and legislative factors that influence developments in the individual consulting fields. Analysis of the old-age provision, wealth management, health insurance and non-life insurance, loans & mortgages and real estate brokerage consulting fields is performed with the objective of explaining the performance of the consulting fields in the past, anticipating changes in the environment and exerting targeted influence on the future development. In line with MLP's comprehensive consulting approach, which focuses on the views and expectations of the client, the Executive Board does not manage the Group on the basis of the contribution margin of the individual consulting fields.

The following overview clarifies which key fields of consulting contribute to the development of revenue in the respective business segments.

	Financial services	FERI	DOMCURA
Old-age provision	X		
Health insurance	X		
Wealth management	X	X	
Non-life insurance	X		X

We require profitable growth and sustainable development of earnings in order to achieve a sustainable increase in company value and expand our market position.

Beside the important key performance indicators of EBIT and revenue, other KPIs include administrative expenses (defined as the sum of personnel expenses, other operating expenses, as well as depreciation and impairments), the return on equity, assets under management, brokered new business in the old-age provision area, the existing non-life insurance policy portfolio and the number and turnover rate of consultants.

The objective of our corporate management is for all consultants and employees to actively support MLP's strategic goals and pledge to meet our service commitment. Our established central, strategic control instrument is the so-called "ISA" (Integrated Strategic Agenda). This way, the Group objectives are broken down across all Group companies and the key segments, thereby allowing each business unit to make its own contribution to meeting the defined targets. This ensures end-to-end incorporation of all organizational units and integration into the planning and management process. The ISA grants all business segments the opportunity to get actively involved in planning targets. This promotes motivation among everyone involved and increases planning quality throughout the organisation. At the end of the obligatory ISA process (applied consistently throughout the Group), the target achievement level of each unit is defined through our established planning and reporting processes. ISA provides the Executive Board with a high degree of transparency in the value-added process.

Risk management: Important management and control element

Risk management is permanently anchored in MLP's corporate management strategy. The members of the Executive Board, general managers of Group companies and departmental heads are responsible for detecting and classifying risks as quickly as possible. Since ISA managers also bear risk and cost responsibility, we are able to establish a practical link between risk management and controlling. You can find further information on risk management in the chapter entitled → "Risk report".

Key figures and early indicators used by corporate controlling

We regularly use simulation scenarios to be able to assess the success of our business. Important early indicators include assets under management, which reflect developments in the wealth management area, and brokered new business in the field of old-age provision, as these two areas represent a significant portion of commission income.

Keeping consultant turnover low

Our objective is not only to win over the best consultants in the industry to our business model, but also to keep them loyal to our company in the long term. We therefore continually monitor our employee turnover rate and aim for a maximum annual turnover rate for self-employed consultants of 10%.

You can find further information on this in the chapters entitled → "Performance" and → "Anticipated business development".

Research and development

Since our consulting firm is a service provider, we are not engaged in any research or development in the classic sense.

ECONOMIC REPORT

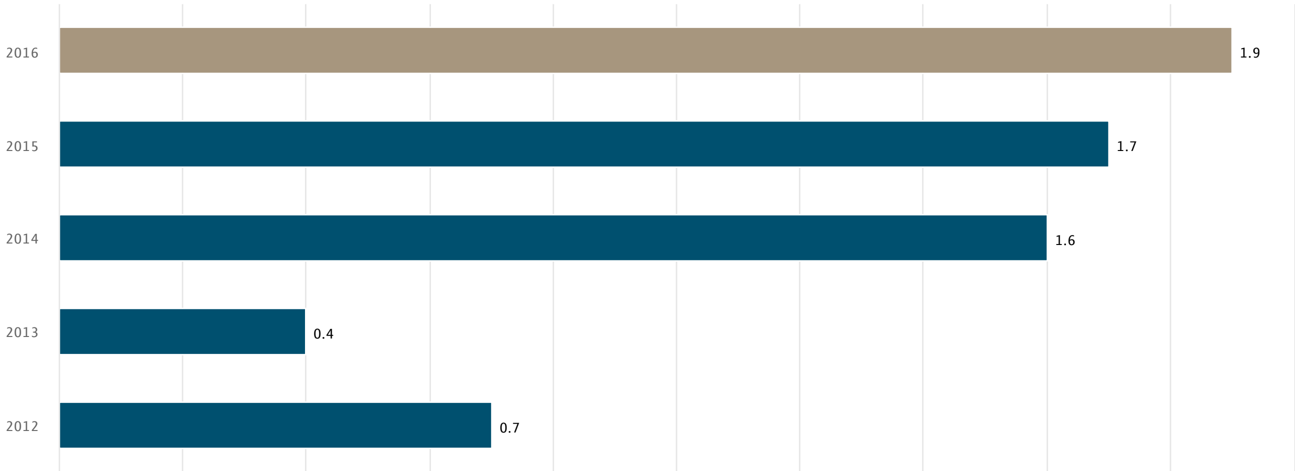
Overall economic climate

Overall economic situation

The recovery in the eurozone continued in the reporting year. According to estimates provided by FERI Investment Research, economic growth for the eurozone was 1.5% in 2016 – and was thereby slightly below the previous year (2015: 1.9%). The expansive monetary policy of the European Central Bank was the key contributing factor to the recovery in the eurozone.

In Germany, growth in the last financial year continued to be bolstered by a comparatively robust domestic economy. In its autumn forecast, the German government stated the low oil price as another reason for the positive development. According to calculations performed by FERI, inflation-adjusted gross domestic product (GDP) in Germany increased slightly to 1.9% in 2016.

Economic growth in Germany (in %)



Source: FERI Investment Research, changes to gross domestic product, price-adjusted

Consumer confidence stabilising at a high level at the end of the year

Consumers in Germany continue to display a highly positive attitude, as underlined by the Consumer Sentiment Index of the German Consumer Research Association (GfK). The Index stood at 9.8 points in December 2016, compared with 9.3 points twelve months earlier. In September 2016, it even surpassed the 10-point mark with 10.2 points. According to the study performed by the German Consumer Research Association (GfK), one reason for the very positive overall sentiment is the fact that consumers are displaying resilience to a range of risk factors, such as the result of the US election, the Brexit decision, the financial crisis flaring up again in Italy following the unsuccessful referendum and Renzi's resignation from the government, as well as the ongoing threat of terrorism. In addition to this, the employment market remains solid and private household incomes are displaying good development. The Consumer Sentiment Index of the German Consumer Research Association (GfK) is considered one of the most important indicators of behaviour among German consumers and of economic stability.

The overall mood in the German economy remains positive. The recovery remained intact in Germany right to the end of the year. The ifo business climate index was unchanged in November 2016 at 110.4 points – having been at just 107.4 points in January 2016. In December 2016, it increased even further to 111.0 points – representing its highest level since February 2012.

The employment upturn in Germany continued in the reporting year. According to data published by Germany's Federal Employment Agency, the annual average number of registered jobseekers fell by 104,000 year-on-year to approximately 2.7 million persons in 2016. The corresponding unemployment rate of 6.1% (2015: 6.4%) is the lowest level in 25 years. The employment market continued to offer opportunities for highly skilled employees. According to Germany's Federal Employment Agency, the unemployment rate among academics remained very low at just 2.4%.

Employment market development remains robust

According to the German government, the healthy situation on the employment market led to significant salary increases. Indeed, net wages increased by 3.7% in 2016. According to data published by the German Federal Statistical Office, the disposable income of private households increased by 2.8%. The savings rate in Germany increased slightly in the last financial year, reaching 9.8% in 2016. It was 9.7% in 2015.

ECONOMIC REPORT

Industry situation and competitive environment

Traditionally, the vast majority of MLP's total revenue is generated from the following three core fields of consultancy: old-age provision, health insurance and wealth management. In the financial year 2016, these fields together represented 73.4% of total revenue. Revenues in the fields of old-age provision and health insurance are generated in the financial services segment. Wealth management revenue is generated at the FERI segment and the financial services segment. The non-life insurance consulting field become significantly more important through the acquisition of the DOMCURA Group in 2015. Alongside the DOMCURA segment, revenue in this consulting field is also generated at MLP Finanzdienstleistungen AG. The share of non-life insurance increased accordingly in the financial year 2016 to 17.9% (2015: 11%).

The main factors that had a particular influence on the market environment and the results of operations in the four aforementioned consulting fields in 2016 are described below.

Old-age provision

As had already been the case in previous years, the ongoing period of low interest rates and the reservations being displayed by many consumers when it comes to signing long-term contracts continued to dampen the market environment in the old-age provision segment in Germany in the financial year 2016. The situation is being made even more acute by the new requirements as per Solvency II, which have been in force since January 1, 2016 and have a significant impact on both the insurance sector and the capital investment strategies of companies. You can find further information on this in the chapter entitled "Competition and regulation".

Among other things, life insurers are addressing these challenges with innovations in the product landscape. They are increasingly choosing to offer old-age provision products with flexible guarantees or even no guarantees at all. Several life insurers have already dispensed with traditional guarantee products altogether. However, the classic collateral pool remains an efficient instrument for generating guarantee components for many other products.

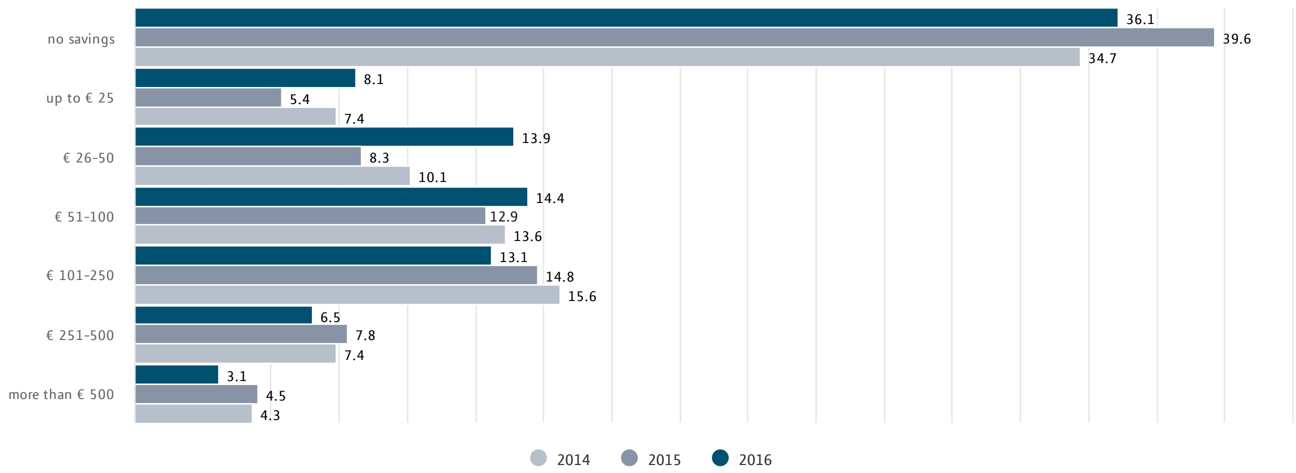
A survey conducted by market research institute YouGov on behalf of MLP underlines the ongoing need for advisory services in the field of old-age provision. Based on this survey, just under 32% of German citizens do not have any clear idea of how much statutory pension they will receive, while a further 27% only have a "rough idea".

Saving rates falling

According to the 2016 Wealth Barometer of the DSGV (German Savings Bank Association), around one third of the population (36%) is currently not setting any money aside for provision in their old age. The lower the income, the higher this ratio becomes. 46% of households with a net income between € 1,000 and € 1,500 save nothing, but this figure increases to 59% among households with a maximum net income of € 1,000 per month.

The average saving rates decreased in comparison with previous years: Only 23% of respondents stated that they set more than € 100 aside per month for their old age. In 2015, this figure was 28%. The AXA Germany Report indicates that more than half of all those in gainful employment in Germany (55%) are no longer looking to sign any new old-age provision policies as a result of the low interest rates.

Monthly savings for old-age provision (all amounts in %)



Source: 2016 Wealth Barometer of the DSGV (German Savings Bank Association)

Young generation primarily saves for holidays and training

The most popular savings goal among young people aged between 17 and 27 is a holiday trip. 64% regularly set aside money for this, while 42% save for training or university courses and only one in three (35%) saves towards their old age. These were the findings of a survey performed by TNS Infratest.

Massive reservations despite state subsidies

The difficult framework conditions described were also reflected in the market trend of the various old-age provision products in the reporting year. The state is offering citizens various incentives in the form of tax breaks and allowances to encourage them to save for their own old age.

State subsidies/allowances in Germany are presented in the so-called 3-tier model:

- Basic provision: Statutory pension and basic pension
- Supplementary pension provision: Riester pension and occupational pension provision
- Other supplementary pension provision: Pension and life insurances, capital market products

Alongside the statutory pension, basic provision (1st tier) also includes the basic pension or Rürup pension, whose premiums can be offset against income tax. Alongside freelancers and self-employed people that are not obliged to pay into the statutory pension insurance fund, the basic pension is also open to salaried staff. Starting in 2015, the German government supplemented and injected dynamism into the former funding framework for the basic pension to make it more attractive. The maximum tax-deductible amount in 2016 was € 22,766 for single persons (€ 45,532 for married couples). In 2016, taxpayers were able to offset up to 82% of capital invested into a basic provision policy over the course of the year against income tax up as special expenses.

Improved incentives for basic pension still not having any real impact

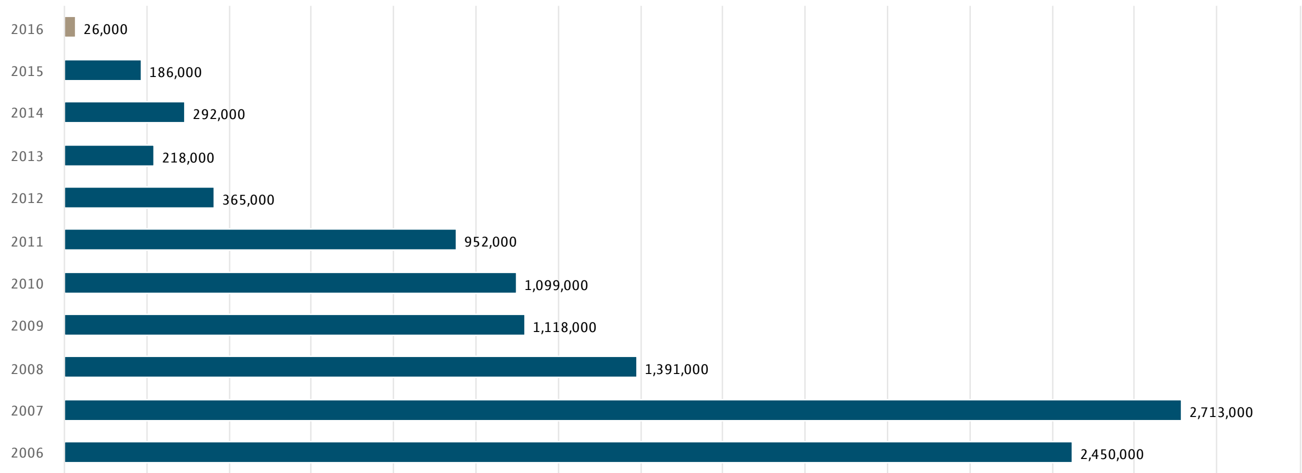
Despite this significant tax incentive, data published by the German Insurance Association (GDV) indicates that only 94,900 new basic annuity contracts had been concluded throughout the market by the reporting date on December 31, 2016. This corresponds to a drop of 3.4%, with the number of policies concluded having already displayed a downward trend in the last 3 years.

The supplementary pension provision (2nd tier) essentially comprises occupational pension provision and the Riester pension. Half (53.7%) of those with statutory pension insurance in Germany also have a Riester pension or occupational pension in place as supplementary provision. According to a study published by the Prognos Institute, around 20% of these have a Riester pension, while 22.7% are covered though an occupational pension scheme and 11% are using both forms of investment to save for their old age.

“Wohn-Riester” state-subsidized housing financing remains popular

The sector-wide downward trend in sales also continued for new Riester contracts signed in the reporting year. According to the German Federal Ministry of Labor and Social Affairs, 26,000 new contracts were concluded by the end of Q3 2016 (financial year 2015: 186,000). There were therefore approximately 16.5 million Riester policies in place – which is only slightly more than on December 31, 2015. As had already been the case in the previous years, an increase of new contracts for the “Wohn-Riester” state-subsidized housing financing was recorded in the reporting year. However, the number of insurance policies once again displayed a slight downward trend.

New Riester pension contracts (2006 until 2016)



*Date: September 30, 2016, source: German Federal Ministry of Labor and Social Affairs

The overall significance of occupational pension provision as a further component of 2nd tier provision is fundamentally great. One reason is that it qualifies for tax and social security breaks. Yet despite this, occupational pension provision is still struggling to gain further ground among employees. According to a survey performed by the University of Würzburg on behalf of the Federal Finance Ministry, the ratio has remained stable in the last few years at around 60%. The penetration rate of occupational pension provision is well below the average, particularly among low-income employees, as well as employees working for small and medium-sized companies (SMEs). The study therefore recommends that further proliferation of the occupational pension provision concept should be supported by additional reform measures on the part of the state. The German Federal Ministry of Labour and Social Affairs already reacted and presented a corresponding draft bill in the autumn of 2016. You can find more information on this in the forecast section under → "Competition and regulation".

Occupational pension provision: Market penetration stagnating

The 3rd tier is also still displaying stifled development, not least due to the lowering of the guaranteed interest rate at the start of 2015. The 2016 Wealth Barometer states that almost one in two German citizens (47%) currently holds a private life insurance policy and more than one in three (37%) holds a private pension insurance policy. According to the German Insurance Association (GDV e.V.), the number of new classic life and pension insurance policies signed in the reporting year is below the previous year's level at 778,112 (-11.5%). 46% of new contract wins is attributable to new guarantee products, following 37% in 2015, 31% in 2014 and 24% in 2013.

Life and pension insurance policies only slightly above the previous year throughout the market

Due to the difficult market environment described and the reservations still being displayed among the population when it comes to signing long-term contracts, provisional figures provided by the German Insurance Association (GDV e.V.) indicate the brokered premium sum of new business in the reporting year was € 147.65 billion, which is only slightly above the low figure of the previous year (€ 145.46 billion).

Health insurance

Health insurance continued to face a difficult market environment in the financial year 2016 – particularly in the case of comprehensive private insurance. According to data published by the Association of Private Health Insurers (PKV), the number of persons holding comprehensive health insurance declined for the fifth time in succession. At 8.77 million persons on December 31, 2016, the figure is 13,300 lower than the previous year. As such, there are now around 203,000 fewer holders of comprehensive health insurance policies than in 2011.

Fewer and fewer holders of comprehensive health insurance policies in Germany

The experts at ratings agency Assekurata also do not anticipate any reversal in this trend for the reporting year. The industry shares this assessment. In a study undertaken by Assekurata Solutions GmbH, two thirds (66.7%) of brokers surveyed, rate the current business situation in the fully comprehensive private health insurance segment as poor.

No reversal of trends to be anticipated in the fully comprehensive private health insurance segment

Since 2015, statutory health insurance funds are entitled to charge an additional premium alongside the general premium rate of 14.6%. In 2016, two thirds of the insurance funds raised their premiums over the previous year. Only one statutory health insurance fund did not levy any additional premiums in 2016. The premiums in the reporting year ranged from 14.6% to 16.3% of gross income.

Additional premiums at statutory health insurance funds

According to the 2016 Continentale Study, private policy holders are significantly more satisfied than those on statutory insurance. Indeed, 87% of private policy holders stated that they were satisfied with the services received, while 73% said they were happy with the price. Among statutory health insurance policy holders, only 60% said they were satisfied with the price they pay, which is 8% fewer than in the previous year. According to the survey, one likely reason for this is the increase in additional premiums in the statutory health insurance funds. 71% of statutory insurance policy holders were satisfied with the services they received.

Private policy holders more satisfied than statutory insurance policy holders

Number of supplementary insurance policies still on the rise

The trend toward bolstering the scope of services covered by statutory health insurance through private provision also continued in the reporting year. According to the latest figures published by the Association of Private Health Insurers, the number of supplementary insurance policies increased by 1.7% in 2015 to 24.77 million contracts. Supplementary dental insurance policies recorded particularly strong growth. With a net increase of 539,000 policies according to data published by the Association of Private Health Insurers, the figure has actually more than doubled. The positive development in the supplementary insurance segment continued up to the end of 2016.

New rules for care

The second Act to Strengthen Long-term Care came into force on January 1, 2016. For the first time, all persons in need of nursing care now have equal access to the services of long-term care insurance, regardless of whether they are suffering from a physical or mental condition. However, key sections of the new legislation will not take effect until 2017. 2016 was used to prepare for the practicalities of the new evaluation procedure and the switchover to the new system with five care levels. Since January 1, 2016, family members caring for loved ones are entitled to care consultations. You can find more information on this in the → forecast section.

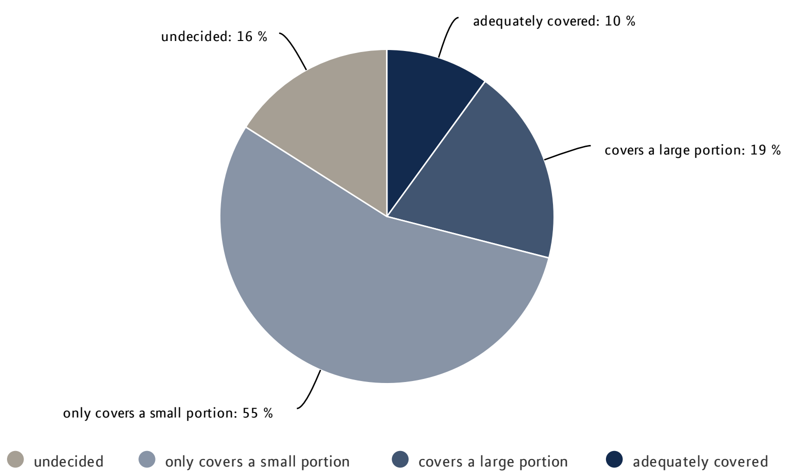
Long term care provision becoming more important

Supplementary long-term care insurance continues to represent the second growth pillar in the supplementary insurance segment. The number of state-supported supplementary long-term care insurance policies ("Pflege-Bahr") increased by 22.4% to 683,500 contracts in 2015. The number of supplementary long-term care insurance policies without state support increased by 4.2% to 2.59 million. This resulted in a total increase of 228,200 policies. For the first time ever, almost as many non-subsidized supplementary long-term care insurance policies as tax-privileged policies were concluded. Yet new contracts in the long-term care annuity insurance segment, which represents the most comprehensive coverage, displayed a downward trend. Please refer to the chapter entitled → "Old-age provision".

Major doubts regarding the performance of the statutory long-term care insurance system

There are massive doubts among the population regarding the current performance of the statutory long-term care insurance system. This was one of the findings of a survey performed by the Allensbach Institute for Public Opinion Research within the scope of the MLP Health Report. Only 10% are convinced that the statutory long-term care insurance system provides adequate financial cover, while only 19% believe that at least a significant portion of care costs will be covered. The majority are of the opinion that the services of the statutory long-term care insurance system are not even close to meeting demands and can only cover a small portion of the costs associated with nursing care.

How well-protected German citizens feel with the statutory long-term care insurance system (all amounts in %)



Source: MLP Health Report 2016

As a result of the amendment earmarked for 2017, as well as the associated increase in media coverage of long term care provision, the Assekurata ratings agency is predicting rising sales figures.

Wealth management

In the reporting year, the market environment in the wealth management segment was characterized by the ongoing period of low interest rates and high volatility on the stock markets. Global uncertainty became apparent, primarily following the unexpected result of the UK referendum on exiting the EU and also in the course of Donald Trump's surprising victory in the US presidential election. Meanwhile, the recovery of the global economy remains weak, susceptible to disruption and exposed to numerous risks. The financial markets are being influenced by high levels of private and public debt on the one hand and low growth, low inflation and low interest rates on the other.

Worldwide wealth increasing more slowly

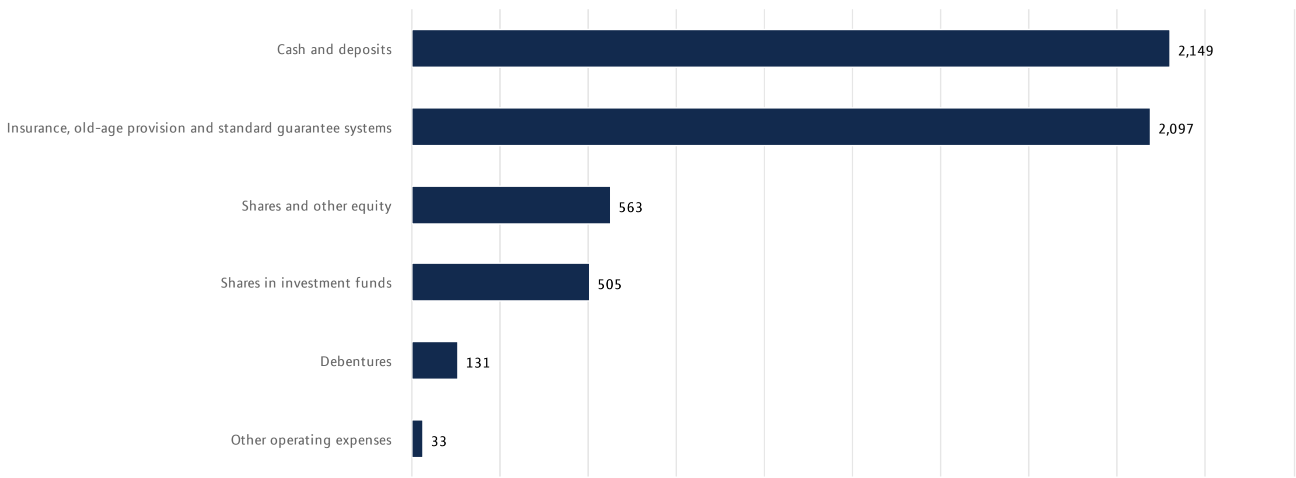
Global private wealth is growing – albeit somewhat more slowly. According to the 2016 Global Wealth Report published by the Boston Consulting Group (BCG), the worldwide assets of private households increased by 5.2% to US$ 168 trillion in 2015 – which represents slower growth than in 2014 (+7.5%). This applies to all regions worldwide with the exception of Japan. In Western Europe, the speed of growth slowed noticeably to 3.2% in 2015, compared with 6.9% in 2014. In Germany, private assets grew by 4.0%, following an increase of 4.4% in the previous year.

According to the 2016 Global Wealth Report published by Allianz, the average net assets of German citizens increased by 6.5% to € 47,681 in 2015. The increase recorded in the previous year was around 1%.

Appetite for returns on the rise among private households

Based on the latest figures of the German Bundesbank, the trend towards liquid and low-risk investments also continued in the reporting year in Germany. The total monetary assets of private households in Germany at the end of Q3 2016 were € 5,477.5 billion – and therefore more than 5.0% higher than one year previously. In the first nine months of 2016, inflows into funds were essentially recorded for claims against insurance companies and pension schemes of € 66.6 billion, as well as for demand deposits (including cash) of € 54.1 billion.

Private monetary assets of German citizens (all amounts in € billion)



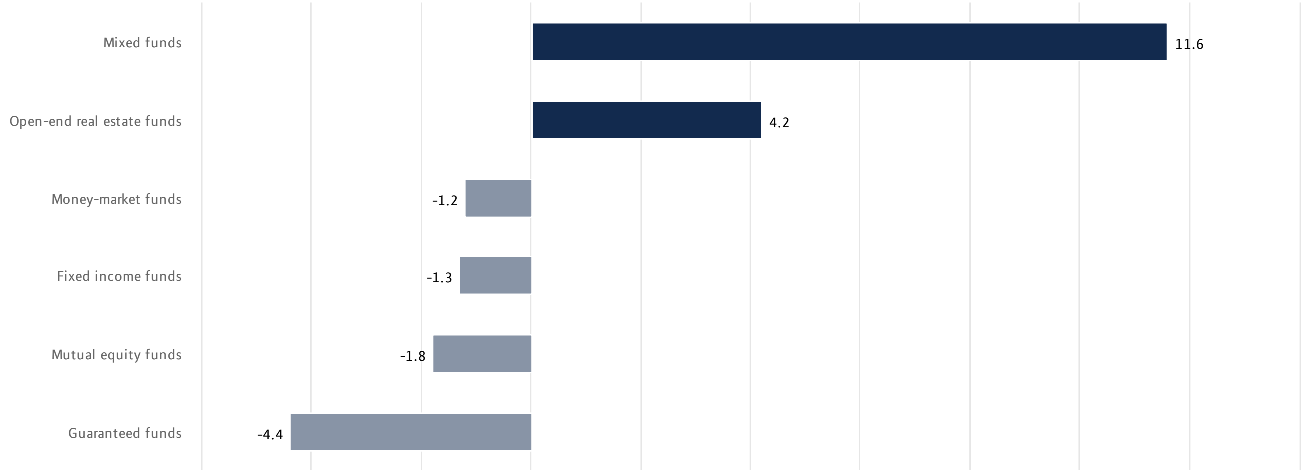
Source: German Bundesbank, as at: September 30, 2016

Mixed and special funds on the rise

Investment funds also recorded positive cash inflows in the reporting year. Based on information provided by the German Association of Investment and Asset Management (BVI e.V.), the total assets managed by the German investment industry in Germany as of December 31, 2016 were € 2,801 billion, which is 7.7% higher than one year previously. Institutional investors made a significant contribution to this, meaning that investments in special funds increased by 10.6% from € 1,340 billion to € 1,482 billion. This market is relevant for the MLP Group due to the services provided by FERI.

As of December 31, 2016, mutual funds recorded a total increase of 3.6% to € 915 billion compared to the previous year. By far the greatest inflows into funds were recorded in mixed funds at € 11.6 billion, followed by open-end real estate funds at € 4.2 billion. In contrast to 2015, investors actually withdrew money from mutual equity funds again in the reporting year.

Cash inflows and outflows of various types of mutual funds in Germany from January to December 2016 (in € billion)



Source: German Association of Investment and Asset Management e. V., BVI

Ongoing consolidation in private banking and wealth management

The market for providing consulting and asset management services to high net-worth individuals, which we serve via FERI, has become significantly more complex and fiercely contested since the financial and economic crisis. Alongside the challenging conditions on the capital market, the competitive environment is also characterized by ongoing consolidation in the private banking and wealth management segments.

From the client perspective, it is also important to note that the decision-making cycles of investors remain long and the willingness to sign new contracts remains fairly low. In light of the low-interest environment, institutional investors in particular are increasingly looking for alternative investments.

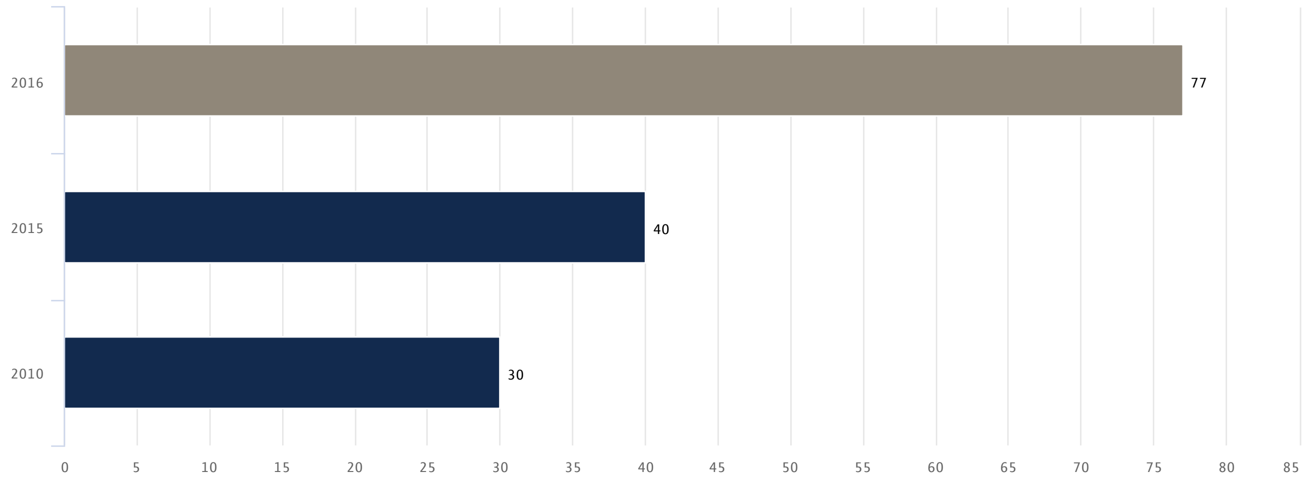
Real estate remains popular

Due to the ongoing period of low interest rates, investments in both owner-occupied and investment properties are becoming increasingly more important for long-term capital accumulation. According to the 2016 Wealth Barometer, 59% of German citizens consider owner-occupied property the most suitable form of investment for this purpose. This figure has risen by six percentage points compared to 2015. 29% prefer to invest in investment properties for capital accumulation.

Non-life insurance

The non-life insurance business has become more important for insurance brokers in the last few years. According to a survey performed by AssCompact, more than three quarters (77%) of brokers surveyed consider the private non-life insurance business to be highly relevant. In 2015, this figure was just 40%. Most of those taking part in the survey believed that the Life Insurance Reform Act (LVRG) was the key reason for this increased significance of the non-life insurance business, as it is putting pressure on other areas of the brokerage business. Since this time, the non-life insurance business has been helping many insurance brokers stabilise their business model.

High importance of the non-life insurance business for insurance brokers (all figures in %)



Source: AssCompact AWARD – Private non-life insurance business 2015/2016

Brokers rate the business situation as good

According to a survey undertaken by Assekurata, the current business situation among insurance brokers in the non-life insurance segment is promising. Virtually three out of every four respondents (72.1%) rate the situation as good. More than half (55.7%) also share this assessment for commercial non-life insurance products.

High degree of willingness to switch providers in the vehicle insurance segment

German citizens display a high degree of willingness to switch car insurers. According to a survey performed by LVM Versicherung, 70% of German citizens have already switched car insurer at least once. The most common reason for switching was a lower premium offered by a different company. One in two Germans (55%) uses the internet to find out more about car insurance offers. Yet despite this, the personal contact to a consultant remains the most popular approach for 46% of those taking part in the survey.

Risks due to forces of nature increasing

According to the Natural Hazard Report of the German Insurance Association (GDV e.V.), storms, hail and heavy rain caused material damage of € 2 billion for policy holders in 2016. Half of the damage was caused by two storms in spring. In the last few years, non-life insurers have had to pay out an average of € 2.4 billion for damage caused by natural hazards.

Many homeowners in Germany underestimate the risk of suffering flooding. According to a survey conducted by the German Insurance Association (GDV e.V.), around two thirds of homeowners believe they will never be affected by this. Around 37% of residential buildings throughout Germany are insured against natural disasters such as heavy rain or flooding. This also means that around 11 million of the 17.5 million homeowners in Germany do not have adequate protection in place for damage caused by forces of nature. There is potential here, as DOMCURA is already successfully active in this business segment and enjoys an excellent market position thanks to numerous awards.

With regard to premium increases, the German Insurance Association (GDV) is anticipating growth in the property and casualty insurance segment in 2016.

Competition and regulation

The competitive situation in the German market for financial services did not change significantly for the MLP Group in 2016 compared to the previous year. The sector remains very heterogeneous and is characterised by consolidation trends. The providers include numerous banks, insurance companies and free finance brokers. However, the quality of consulting provided by these companies can vary quite markedly. In addition to this, competitive pressure is growing throughout the entire sector as a result of new, digitally-oriented market members (so-called fintechs).

Altered framework conditions drive consolidation

To sustainably increase the degree of transparency and consulting quality in the market, the legislator has already implemented various regulatory changes in the last few years. These changes also had a lasting effect on the framework conditions in the last financial year, and their implementation will continue to promote consolidation of the market. MLP was an early adopter of numerous requirements that the legislator is now stipulating with new sets of rules and standards. We see this as a competitive advantage.

Stricter banking regulation in Europe

As was already the case in previous years, clarification of details regarding implementation of Basel III in the European Union (EU) continued to occupy the banking world in Europe during the reporting year. As a financial institution, these regulations also apply to MLP Finanzdienstleistungen AG and thereby to the MLP Group. Various capital buffers were substantiated in 2016, focusing in particular on the requirements of the capital conservation buffer, which will increase in steps from 0.625% in the reporting year to 2.5% in 2019.

In addition to this, on February 19, 2016 the Federal Financial Supervisory Authority (BaFin) published the consultation paper for the fifth amendment to the minimum requirements of risk management at credit institutions (MaRisk BA). The amendment encompasses comprehensive changes, such as extended requirements of data management, data quality and aggregation of risk data, the IT infrastructure, as well as risk reporting.

Life Insurance Reform Act (LVRG) having lasting effects

The Life Insurance Reform Act (LVRG), which already came into force in 2015, also had lasting effects on the competitive situation in the market as a whole during the reporting year. Ratings agency Assekurata expects the current level of commission to decrease further in a second wave of adjustment as a result of the Life Insurance Reform Act (LVRG). Analyses also reflect a transition from acquisition commission to portfolio commission.

Solvency II is moving the insurance sector

The law transposing the Solvency II EU Directive into German law came into force on January 1, 2016. Insurance companies therefore now have to adhere to new supervisory rules that rest on three pillars and are designed to fundamentally modernise and harmonise insurance regulation throughout Europe. The first pillar requires insurers to submit a risk-based/fair value-based measurement of their investments and benefit obligations. The second pillar presents additional requirements pertaining to business organization (governance), while the third pillar extends the reporting obligations of insurers.

Life insurers are reacting to the challenges associated with Solvency II with innovations in the product landscape and are increasingly seeking to extend their portfolio of old-age provision products with flexible guarantees or no guarantees at all. The growing complexity of the products presents opportunities for quality-driven brokers with the necessary consulting expertise, such as MLP.

Greater transparency and better investor protection in focus

The first Financial Market Reform Act came into force in July 2016 and represents the first part of a comprehensive amendment to the laws of the financial market. The objectives are to strengthen the rights and protection of small private investors and increase the transparency of the financial markets. As the introduction of the amended Markets in Financial Instruments Directive (MiFID II) has been postponed by one year to January 3, 2018 by the European Commission, the initially coherent Financial Market Reform Act will be split up. You can find further information on this in the → Forecast section.

Directive on credit agreements for consumers relating to residential immovable property

The act on the implementation of the EU directive on credit agreements for consumers relating to residential immovable property came into force in Germany on March 21, 2016. The new law requires banks to investigate the financial and economic situation of clients particularly carefully when issuing mortgages. In addition to this, mortgage brokers must hold a certificate of proficiency, be registered and sign up for professional liability insurance. The local chambers of industry and commerce are responsible for organising the competence tests. The transitional period ended on March 21, 2017.

MLP is also active in the brokerage of mortgages. All our consultants are well-trained for this consulting field. However, some consultants still need to present their new certificate of proficiency. In the current reporting year, we already prepared consultants at our Corporate University for the necessary examination at the respective chambers of industry & commerce. Further training measures are to take place at the start of 2017.

MLP considers itself to be generally well prepared in terms of compliance with the legal documentation, qualification and transparency obligations. But irrespective of this, the regulatory developments will certainly represent a challenge and put pressure on the profitability of all market members.

Demand for independent consulting services remains high

According to the most recent Sales Channel Survey performed by corporate consultancy Towers Watson, independent brokers like MLP (i.e. brokers that do not offer any of their own products) were the third most important specialist consulting channel in the industry for the sale of life insurance policies. Their market share of brokered new business was 26.3%. Tied agents, which represent just one company, took 2nd place with 27.5%, just behind the banks at 30.4%.

According to Towers Watson, independent consultants also continue to play a key role in the brokerage of private health insurance policies. With a market share of 33.5%, they are the second most important consultant group after the tied agents (48.1%).

Business performance

In the old-age provision area, the ongoing period of low interest rates and critical media reports on life insurers throughout the market were the main factors that led to continued reservations in terms of signing long-term contracts. However, MLP was able to gain an advantage in this area by being quick to recognise and adapt to the growing significance of new guarantee products, which are proving a popular alternative to classic concepts among clients. Indeed, these guarantee products already represented 72% of all newly concluded contracts at MLP in 2016. Occupational disability insurance also provided positive stimulus here. Total revenue in the old-age provision area was slightly above the previous year's level in the reporting year.

In the health insurance area, we continued to encounter reservations in terms of signing new comprehensive private insurance policies. Factors such as premium increases in this area and a critical media coverage contributed to this development. Yet despite this, our revenues in the health insurance area displayed stable development. This is thanks to our good client basis, as well as the close and intensive support our clients receive. As anticipated, the supplementary insurance area also displayed positive development in 2016.

Together with our subsidiary FERI, we have developed the wealth management area into a key revenue pillar in the last few years. FERI was able to acquire new clients in all business segments in the reporting year. The consulting and service portfolio was consistently expanded, above all in the areas of investment management, alternative assets and real assets (for example private equity, hedge funds and real estate).

With the divestment of ratings agency FERI EuroRating Services AG in the reporting period, FERI now concentrates on its three core business segments of investment research, investment management and investment consulting.

Total revenue in the wealth management area remained at the previous year's level. In terms of assets under management, we exceeded our forecast and are above the previous year's level. This development also continued to be supported by net cash inflows at MLP Finanzdienstleistungen AG.

As anticipated, revenues in the non-life insurance area were considerably above the previous year's level. This was due to the first consolidation of DOMCURA for a full financial year. Alongside the existing business of the DOMCURA Group, the cooperation with MLP provided positive stimulus, for example through the implementation of new concepts (see below).

Portfolio extended in the real estate segment

As expected, it was not quite possible to repeat the previous year's record result in the property financing segment. Other commission and fees, an item that primarily reflects the brokerage of real estate objects, remained at the previous year's level. Reasons for this development were above all the shortage of listed buildings, which together with existing real estate had been the focus of brokerage activities. To expand the revenue basis, MLP extended its portfolio in the reporting year to include new buildings, as well as existing and concept-driven properties (microliving, nursing care properties).

Diversification of revenue streams is progressing

MLP further diversified its revenue basis in 2016. The successful integration of the DOMCURA Group represents a key contribution to this strategic objective, whereby business with other market members (sales partners) continued to enjoy positive development. One important advancement in this regard was the introduction of a new online calculation tool for commercial insurance policies. MLP consultants also receive comprehensive process support in the non-life insurance segment. Aside from this, an initial joint concept for private clients ("DOMCURA comprehensive cover") was also developed and successfully launched to market in the period under review. The positive developments observed in the wealth management and health insurance areas also made an important contribution to diversification of the revenue basis.

Adjustment to the way we count clients

As announced at the start of the year, MLP adjusted the way it counts clients to the modified corporate structure in the reporting year. Since Q1 2016, we have been reporting according to family clients served at MLP Finanzdienstleistungen AG and in the FERI Group and according to corporate and institutional clients. These include clients in the occupational pension provision area and institutional clients at FERI as well as sales partners at DOMCURA. On the basis of this definition, the Group served 517,400 family clients as of December 31, 2016 (December 31, 2015: 510,200). The gross number of newly acquired family clients increased by 10.8% to 20,500 in 2016. In addition to this, the MLP Group provided its services to a total of 19,200 corporate and institutional clients (December 31, 2015: 18,200).

New distribution of revenues due to DOMCURA acquisition

The distribution of revenues has changed since the reporting year. Although MLP generates a large proportion of its revenues in the final quarter, the acquisition of DOMCURA has also made the first quarter significantly more important. This is due to the seasonal nature of the DOMCURA business model. Accordingly, the subsidiary records high sales revenue and comparably high earnings in the first quarter of each year and subsequently records a loss from Q2 to Q4. Examining the whole year, earnings are significantly positive.

Client service center further extended

To increase the productivity of our consultants, we increased the staffing level at the MLPdialog GmbH client service center in Bad Segeberg in the reporting year and further extended the service for our consultants and clients.

Digitalisation strategy successfully pressed ahead

Within the scope of implementing our online strategy, MLP intensified its cooperation with the fintech company massUp in the reporting year. Since the roll-out at the start of the year, our clients have also been able to sign up for basic insurance products online using the MLP client websites mlp.de and mlp-financify.de. During this period, a total of 1,000 contracts have already been concluded, including electronics insurance, bicycle insurance and in particular travel health insurance policies. Plans for further expansion are currently underway. In addition to this, vehicle insurance policies can also be concluded online at MLP. Video conferencing was once again made available to all consultants in the reporting year. The pilot group for the eSignature was expanded in a step-by-step approach in 2016. Another roll-out is planned for 2017.

Social media activities as a way of acquiring new clients

Within the scope of our online strategy, MLP further increased its presence on social media platforms such as Facebook, YouTube and Twitter in the reporting year. In addition to this, we worked on permanently improving our websites. These two approaches each help win participants online for seminars held at the branch offices and develop consulting needs. In the survey "Customer-oriented websites of listed companies 2016" conducted by consultancy Service Value for the German daily newspaper "Die Welt", MLP's revised online presence was rated as the best overall offer of a listed financial services provider. MLP FinancePilot, which offers our clients various online options including processing of their day-to-day banking needs, received new functionalities in 2016. These include the SecureGo process, as well as the GiroCode function, with which invoices can be scanned via QR code.

New client portal launched

In 2016, the foundations were laid for an extended client portal. The MLP client portal is an application which has been adapted to the modern design of the MLP homepage and in particular links up FinancePilot Banking and Report and provides them with new features. The main focus is on the "digital budget book", which presents financial topics such as client income and expenditure in a clearly structured way. With the infrastructural basis of the client portal already in place and planned extensions, MLP now offers an application which clients can use to access further individual MLP applications just by logging in and which makes it particularly easy for them to manage their financial matters. The pilot phase for the client portal was launched at the end of 2016, and across-the-board roll-out is planned for early 2017.

In 2016, MLP introduced a new application for the selection of products. This new application offers considerable operating and process benefits over the previous software. It offers consultants valuable support – from selecting products, the entire application process right through to the advisory documentation. The new MLP.net Intranet was also launched at the end of October 2016. It facilitates targeted information transfer to both consultants and employees, while promoting the exchange of professional information with one another.

Roll-out of new consultant applications

We are consistently working on further developing our consulting approach, which is being supported by a new consulting application ("Budget guide"). This was successfully tested and combined with a comprehensive training concept in 2016. A further, step-by-step roll-out is due to follow from 2017 onward. In parallel to this, the counterpart for advising young clients has been developed in the form of the "Budget guide easy" application. The application was released for testing in November and the roll-out (together with corresponding training sessions) is scheduled for 2017. You can find further information on this in the section entitled → "Anticipated business development".

As in the previous year, acquiring new consultants continued to be a key topic in the reporting year. The new further training allowance introduced in 2015 for those wishing to begin a career as a client consultant has established itself as an important concept within our recruiting initiative. You can find further information on this in the section entitled → "Employees and freelance client consultants".

Recruiting initiative starting to bear fruit

The Corporate University has been collaborating with the School of Management and Innovation at the Steinbeis University in Berlin since September to offer an MSc course in "Financial Planning and Management". The extra-occupational master's course is aimed both at experienced MLP consultants and those who are working for MLP after completing their bachelor's degree. It therefore represents a supplementary instrument of our recruiting initiative and an additional further training opportunity for our consultants.

Financial Planning master's programme launched

As the market environment remains challenging, in February 2016 MLP introduced measures to again significantly reduce costs in the financial year 2017 and subsequent years and to achieve a positive EBIT effect of € 15 million compared to the financial year 2015. This incurred one-off expenses of approximately € 15 million in the financial year 2016. The savings predominantly relate to material costs. In addition to this, MLP chose not to fill positions that became vacant and instead relied more on synergies between the Group companies in the back office. MLP already lowered administrative costs by around € 60 million between 2008 and 2012.

Consistent efficiency management programme supports growth strategy

In the reporting year, FERI AG announced the sale of FERI EuroRating Services AG. The transaction was then concluded on August 1, 2016. FERI is now continuing to focus on its core strengths of investment management, investment consulting and investment research, as well as on strategic further development to become the leading investment company in Germany, Luxembourg, Switzerland and Austria.

Changes in corporate structure

Within the scope of the additional focus of the corporate structure in the DOMCURA Group, companies including Ralf W Barth GmbH and F&F Makler AG were merged into nordias GmbH insurance brokers in the reporting year. All activities of the broker business segment have been bundled in this company including specialist brokers for commercial and industrial solutions.

Results of operations

The previous year's figures under financial position, net assets and results of operations offer only limited comparability year on year. This is due to DOMCURA being included in the Group consolidation scope for a full year for the first time in the financial year 2016. In the financial year 2015, it was only included for the months from August to December.

Development of total revenue

Total revenue significantly up

Despite the continually challenging market conditions already described, MLP was able to increase total revenue in the reporting period by 10.1% to € 610.4 million (€ 554.3 million). This growth was primarily driven by the increase in commission income from € 514.3 million to € 570.1 million. Here it should be noted that the revenues of the DOMCURA Group were included for a full financial year for the first time. DOMCURA's contribution to Group revenue was € 70.7 million in the financial year 2016 (share from August to December 2015: € 20.0 million). Revenue from the interest rate business fell to € 20.5 million (€ 21.4 million) due to the ongoing low interest rate environment. Following € 18.7 million in the previous year, other revenue increased to € 19.8 million.

New business in the old-age provision area significantly above the previous year

The market environment in the old-age provision area remains challenging, not least due to the ongoing low interest rate environment, as well as the ongoing negative press on life insurers and their products. Yet despite this, revenues in the old-age provision area increased by 2.7% to € 221.5 million (€ 215.7 million) – even when taking into account a one-off positive effect due to the correction of an incorrect settlement by a product partner in the previous year. This successful development is primarily down to a strong closing quarter, in which revenue rose by 7.4% to € 94.3 million (Q4 2015: € 87.8 million). This means that MLP recorded gains in the old-age provision area for three quarters in succession. At € 3.7 billion, the premium sum of new business generated in the financial year was 5.7% above the previous year (2015: € 3.5 billion), while growth in the overall market was just 1.5%. One key reason for the excellent development enjoyed by MLP was its ability to adapt fast to the new product portfolio. While just under 50% of contracts in the market were brokered with classic guarantees in 2016, this figure was just 14% at MLP. Instead, 72% of clients at MLP opted for new types of guarantees and 14% preferred purely unit-linked policies.

Health insurance at the previous year's level

At € 45.8 million, revenue in the health insurance area was up on the previous year (€ 45.9 million). Accordingly, MLP recorded stable development, despite the reservations regarding private health insurance being felt by many German citizens throughout the market, not least due to the negative press regarding premium increases.

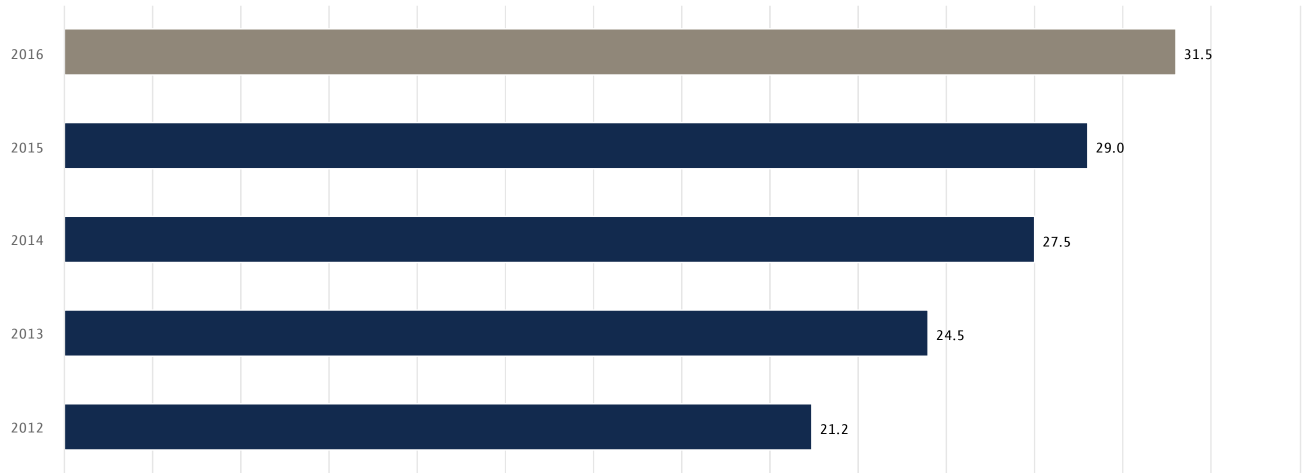
Non-life insurance enjoys significant growth

The non-life insurance area recorded significant growth. Indeed, revenue for the year almost doubled to € 105.6 million (€ 54.9 million). Our subsidiary DOMCURA, which was acquired mid-2015 made a particularly significant contribution to this. In 2016 the revenues generated by DOMCURA were included in the income stated for the first time for a full year. Its contribution was € 68.7 million (August to December 2015: € 20.0 million).

At € 166.4 million, revenue in the wealth management area remained at the previous year's record level (€ 166.0 million). The assets under management by FERI and MLP Finanzdienstleistungen AG continued to display positive development and were € 31.5 billion as of December 31, 2016 (September 30, 2016: € 30.0 billion).

Assets under management rises to € 31.5 billion

Development of assets under management (all figures in € billion)



At € 15.4 million, revenue in the loans and mortgages area was not quite able to reach the previous year's record level (€ 16.2 million). At € 1.7 billion, the brokered financing volume was also slightly down on the previous year (€ 1.8 billion). At € 15.4 million, other commission and fees, which are mainly attributable to the brokerage of real estate objects, remain at the previous year's level.

Loans and mortgages slightly below the previous year's level.

In the last financial year, MLP successfully implemented the announced efficiency programme and thereby laid the foundations for permanently reducing the cost base for 2017 and subsequent years. Administrative expenses (defined as the sum of personnel expenses, amortization expenses and impairments, as well as other operating expenses), which for the first time also included an entire financial year of administration expenses at DOMCURA in the financial year 2016, were € 290.9 million (€ 270.1 million). These include € 15.4 million in total one-off expenses accrued in 2016 within the scope of the efficiency programme. The administrative expenses of DOMCURA, which were only included in the previous year from August 2015 due to its first-time consolidation (€ 10.5 million), were around € 24.3 million for the full year 2016.

Efficiency program successfully implemented – cost base permanently reduced

Operating EBIT (before one-off expenses) increased by 14.3% to € 35.1 million (€ 30.7 million) in the financial year. Taking into account one-off expenses of € 15.4 million, EBIT amounted to € 19.7 million (€ 30.7 million). The one-off expenses also have an effect on the net profit for the period of € 14.7 million (€ 19.8 million).

Analysis of the change in revenue

Sales revenue increased to € 590.6 million (€ 535.7 million) in the reporting period. At € 70.7 million, revenue generated by DOMCURA had a significant influence on this (€ 20.0 million). At € 19.8 million, other revenue was up on the previous year (€ 18.7 million). Following € 554.3 million in the previous year, total revenue rose to € 610.4 million.

Development of total revenue (all figures in € million)

The increase in commission income from € 514.3 million to € 570.1 million had a positive influence on revenue development and was largely due to the increase in revenues in the non-life insurance area. At € 20.5 million, interest income was below the previous year (€ 21.4 million). This was due to the ongoing period of low interest rates. The old-age provision area continued to make the greatest contribution in terms of commission income with a share of 38.9% (41.9%), followed by wealth management with a share of 29.2% (32.3%). With a 18.5% contribution to revenue (10.7%) and 92.3% growth in revenue, the non-life insurance area too, made an important contribution in the last financial year. The following table provides a detailed overview:

Old-age provision above previous year – non-life insurance enjoys significant growth

Distribution of revenue

All figures in € million	2016	2015	Change in %
Old-age provision	221.5	215.7	2.7%
Wealth management	166.4	166.0	0.2%
Non-life insurance	105.6	54.9	92.3%
Health insurance	45.8	45.9	-0.2%
Loans and mortgages	15.4	16.2	-4.9%
Other commission and fees	15.4	15.6	-1.3%
Total commission income	**570.1**	**514.3**	**10.8%**
Interest income	20.5	21.4	-4.2%
Total	**590.6**	**535.7**	**10.2%**

Analysis of expenses

Commission expenses primarily comprise performance-linked commission payments to our consultants. They represent the largest single item under expenses. This item also comprises the commissions paid in the DOMCURA segment, which were included in this item for the first time for a full financial year in 2016. These variable expenses occur due to the remuneration of brokerage services in the non-life insurance business. Added to these are the commissions paid in the FERI segment, which in particular result from the activities in the field of fund administration. Variable expenses are, for example, accrued in this business segment due to remuneration of the depository bank and fund sales. Largely due to the first-time inclusion of the commissions paid in the DOMCURA segment for a full year, this item increased to € 298.5 million (€ 253.6 million). Net provision income therefore rose to € 271.6 million (€ 260.7 million).

Commission income above the previous year

Interest expenses fell to € 1.7 million (€ 1.9 million) due to the ongoing low interest rate environment. Net interest was € 18.8 million in total, following € 19.5 million in the previous year.

Gross profit (defined as total revenue less commission expenses and interest expenses) improved to € 310.2 million (€ 298.8 million).

In the past year, MLP laid the foundations for permanently reducing the cost base of administrative expenses relative to 2015 from 2017 onwards. This incurred one-off expenses of € 15.4 million in 2016, € 14.9 million of which can be attributed to administrative expenses. The administrative expenses of the MLP Group, including the administrative expenses of DOMCURA for a full financial year, amounted to € 282.4 million in 2015. In the last financial year, this figure was € 276 million before one-off expenses. However, it is important to note that the previous year's figure of € 270.1 million only covers the administrative expenses of DOMCURA for the months from August to December. Including one-off expenses, administrative expenses were € 290.9 million in 2016.

Administrative expenses before one-off expenses down

One-off expenses due to efficiency measures by segment (all figures in € million)

Segment	
Financial services	14.4
FERI	0.2
DOMCURA	–
Holding	0.8
Total	**15.4**

Personnel expenses increased to € 121.8 million (€ 113.5 million), essentially due to the described effect of DOMCURA. Among other things, these include € 105.0 million (€ 98.1 million) for salaries and wages, € 14.3 million (€ 12.9 million) for social security contributions and employer-based old-age provision allowances of € 2.5 million (€ 2.4 million). Expenses accrued within the scope of our efficiency program are also included in this figure. Depreciation/amortization and impairment charges increased to € 24.0 million (€ 15.1 million), largely due to one-off expenses. Other operating expenses increased to € 145.1 million (€ 141.5 million), also as a result of one-off expenses.

Breakdown of expenses

All figures in € million	2016	In % of total expenses	2015	In % of total expenses	Change in %
Commission expenses	298.5	50.5%	253.6	48.2%	17.7%
Interest expenses	1.7	0.3%	1.9	0.4%	-10.5%
Personnel expenses	121.8	20.6%	113.5	21.6%	7.3%
Depreciation and impairments	24.0	4.1%	15.1	2.9%	58.9%
Other operating expenses	145.1	24.5%	141.5	26.9%	2.5%
Total	**591.1**	**100.0%**	**525.6**	**100.0%**	**12.5%**

MLP Hyp once again displayed very encouraging business development in the last financial year. We hold a 49.8% stake in this company, which is operated as a joint venture together with mortgage broker Interhyp. As a result of the excellent business development, our allotted earnings from the company increased to € 2.1 million (€ 1.8 million). This is reflected in the income statement under the item "Earnings from investments accounted for using the equity method".

Operating EBIT significantly up

Operating EBIT before one-off expenses increased by 14.3% to € 35.1 million (€ 30.7 million) in the financial year. The main drivers of this increase were revenues in the old-age provision area, which were up once again, as well as the profit contribution of DOMCURA. As announced, one-off expenses were accrued within the scope of the efficiency programme. These expenses amounted to € 15.4 million, resulting in an EBIT of € 19.7 million (€ 30.7 million).

Finance cost significantly increased

The finance cost rose to € -0.9 million (€ -2.8 million) in the last financial year. Significantly lower other interest and similar expenses, which fell from € -3.3 million to € -1.9 million, were the main reason behind this increase. In the previous year, this development could be attributed to interest charges due on a retrospective tax payment resulting from MLP's international activities that were ceased back in 2007. In the light of one-off expenses, earnings before tax (EBT) were € 18.7 million (€ 28.0 million). Accordingly, income tax expenditure also declined to € 4.1 million (€ 8.2 million). In the previous year, this had also been impacted by the retrospective tax payment described above.

The following table provides an overview of the earnings structure, as well as the development of earnings and margins:

Structure and changes in earnings in the Group

All figures in € million	2016	2015	Change in %
Total revenue	610.4	554.3	10.1%
Gross profit [1]	310.2	298.8	3.8%
Gross profit margin (%)	50.8%	53.9%	
EBIT	19.7	30.7	-35.8%
EBIT margin (%)	3.2%	5.5%	
Operating EBIT	35.1	30.7	14.3%
Operating EBIT margin (%)	5.8%	5.5%	
Finance cost	-0.9	-2.8	>-100%
EBT	18.7	28.0	-33.2%
EBT margin (%)	3.1%	5.1%	
Income taxes	-4.1	-8.2	-50.0%
Net profit	14.7	19.8	-25.8%
Net margin (%)	2.4%	3.6%	

[1] Definition: Gross profit is the result of total revenue less commission expenses and interest expenses.

Group net profit fell to € 14.7 million (€ 19.8 million) in the financial year 2016. This decline can be attributed to one-off expenses within the scope of our efficiency programme. The diluted and basic earnings per share were € 0.13.

Net profit

All figures in € million	2016	2015	Change in %
Continuing operations	14.7	19.8	-25.8%
GROUP	14.7	19.8	-25.8%
Earnings per share in € (basic)	0.13	0.18	-27.8%
Earnings per share in € (diluted)	0.13	0.18	-27.8%
Number of shares in millions (basic)	109.3	108.5*	0.7%

*Weighted average number of shares

Appropriation of profits

At the start of the past financial year, we announced that we would persist with our dividend policy of paying 50% to 70% of Group net profit to our shareholders in the form of dividends. We paid our shareholders € 0.12 per share in the form of a regular dividend for the financial year 2015. The total dividend paid was therefore € 13.1 million.

For the financial year 2016, Executive Board and Supervisory Board will propose a dividend of € 0.08 per share at the Annual General Meeting on June 29, 2017. This corresponds to a total dividend payout of € 8.7 million and a payout ratio of around 60%.

Financial position

Aims of financial management

The financial management of the MLP Group is performed by the central Treasury department in cooperation with the Controlling and Risk Management departments. Our primary objective here is to secure the liquidity of the Group at all times, control the risks involved using the various financial instruments and optimise Group-wide cash management. To this end, we employ a system of rolling liquidity planning with a time frame of 15 to 18 months.

No liabilities or receivables in foreign currencies

There were no significant liabilities or receivables in foreign currencies during the reporting period, as we generate almost 100% of total income in the eurozone. It is therefore not necessary for us to hedge net items in foreign currencies by means of hedging instruments. You can find details on the financial risks in the notes to the consolidated financial statements in the → "Financial risk management" chapter.

Financing analysis

In the light of today's group structure, MLP expects increased capital requirements for the next few years in order to meet the revised definition of equity and stricter requirements of Basel III.

Equity ratio at 19.7%

The Group's equity capital backing and liquidity remain good. As of the balance sheet date, shareholders' equity amounted to € 383.6 million and remained at the previous year's level (€ 385.8 million). The Group net profit of € 14.7 million for the financial year 2016 had a significant effect on this. However, this was counteracted by the dividend payment of € 13.1 million for the financial year 2015. Due to the higher balance sheet total, the equity ratio declined from 22.0% to 19.7%. The regulatory equity ratio was 14.2% (14.3%) on the balance sheet date.

At present, we are not using any borrowed funds in the form of securities or promissory note bond issues to finance the Group. Our non-current assets are financed in part by non-current liabilities. Current liabilities due to clients and banks in the banking business represent further refinancing funds that are generally available to us in the long term. Total liabilities due to clients and financial institutions in the banking business of € 1,308.8 million (€ 1,125.7 million) essentially comprise client deposits, which have no financing function for the Group. These liabilities are offset on the assets side of the balance sheet by € 1,217.5 million (€ 1,143.0 million) in receivables from clients and financial institutions in the banking business.

Since provisions only account for 4.7% (4.9%) of the balance sheet total, they have no significant financing function for the Group. Other liabilities increased to € 146.9 million (€ 140.2 million) on the balance sheet date, Current liabilities rose to € 143.1 million (€ 137.2 million). These are essentially liabilities from operating activities. Current liabilities are offset on the assets side by cash and cash equivalents of € 184.8 million (€ 77.5 million), which are attributable to temporarily higher deposits at the Deutsche Bundesbank, and financial investments of € 162.3 million (€ 147.9 million), as well as other current assets of € 109.4 million (€ 99.3 million).

On the balance sheet date of December 31, 2016 there were financial commitments from rental and leasing agreements amounting to € 15.8 million (€ 14.5 million). These mainly constitute liabilities from the renting of our branch offices, as well as leasing of motor vehicles and office equipment. They can result in potential total liabilities of € 70.9 million (€ 70.4 million) by the year 2022.

Liquidity analysis

Cash flow from operating activities increased to € 144.7 from € 58.8 million in the same period of the previous year. Here, significant cash flows result from the deposit business with our clients and from the investment of these funds.

Cash flow from investing activities changed from € -18.0 million to € -41.3 million. A higher volume of new investments in financial assets were made in the reporting period than in the same period of the previous year.

Condensed statement of cash flow

All figures in € million	2016	2015
Cash and cash equivalents at beginning of period	**94.5**	**72.1**
Cash flow from operating activities	144.7	58.8
Cash flow from investing activities	-41.3	-18.0
Cash flow from financing activities	-13.1	-18.3
Change in cash and cash equivalents	**90.3**	**22.4**
Cash and cash equivalents at end of period	**184.8**	**94.5**

As of the balance sheet date, December 31, 2016, the MLP Group has access to cash holdings of around € 265.0 million. A good level of liquid funds therefore remains available. Thus there are sufficient cash reserves available to the MLP Group. Alongside cash holdings, free lines of credit are also in place. In 2016, the MLP Group was capable of meeting its payment obligations at all times.

Capital expenditure analysis

MLP generally finances capital expenditures from cash flow. The total investment volume in intangible assets and property, plant and equipment increased to € 18.4 million in the last financial year (€ 12.8 million). This increase can essentially be attributed to greater investments in sales-supporting IT systems and software.

Capital expenditure

All figures in € million	2016	2015	2014	2013	2012
Intangible assets	**13.7**	**7.9**	**8.9**	**19.5**	**7.8**
Goodwill	–	–	–	–	–
Software (developed in house)	0.3	0.4	0.4	0.4	0.4
Software (purchased)	2.5	0.4	1.1	0.6	0.4
Other intangible assets	0.0	0.0	0.0	0.0	0.0
Payments on account and assets under construction	11.0	7.1	7.4	18.5	7.0
Property, plant and equipment	**4.7**	**4.8**	**6.6**	**2.9**	**6.7**
Land, leasehold rights and buildings	0.5	0.7	0.4	0.4	0.4
Other fixtures, fittings and office equipment	3.0	3.1	4.2	1.8	5.4
Payments on account and assets under construction	1.2	1.0	2.0	0.8	0.9
Total capital expenditures	**18.4**	**12.8**	**15.4**	**22.5**	**14.5**

At € 16.6 million, the overwhelming majority of capital expenditure in the last financial year was related to investments in the financial services segment. These investments were made in operating and office equipment and here in particular in sales-supporting IT systems. They contribute to the continuous improvement of consulting support and client service. Alongside these capitalizable investments, we also use other intensive resources for these projects which are recognized as expenses in the income statement. Capital expenditure in the FERI segment was € 0.6 million, which we invested in operating & office equipment, as well as in IT. The investments in the DOMCURA segment amounted to € 0.7 million and were aimed in particular at operating & office equipment, as well as IT.

Capital expenditure by segment

	Total capital expenditure		Change in %
All figures in € million	2016	2015	
Financial services	16.6	11.2	48.2%
FERI	0.6	0.8	-25.0%
DOMCURA	0.7	0.5	40.0%
Holding	0.3	0.3	0.0%
Total	**18.4**	**12.8**	**43.8%**

Net Assets

As of the reporting date of December 31, 2016 the balance sheet total of the MLP Group increased to € 1,944.1 million (€ 1,752.7 million).

Further increase in balance sheet total

Intangible assets – essentially including the client base, brand and goodwill – decreased to € 168.4 million (€ 174.5 million) as of the balance sheet date. This decline can essentially be attributed to the amortization of software. Fixed assets were declined within the scope of depreciation and amortization to € 63.4 million (€ 65.7 million).

Receivables from clients in the banking business increased to € 626.5 million (€ 542.7 million). This can essentially be attributed to an increase in own-resource loans, higher investment volumes in promissory note bonds and a greater volume of promotional loans being passed on to our clients. Receivables from banks in the banking business amounted to € 591.0 million (€ 600.3 million). Around 58% of receivables from banks and clients in the banking business have a term to maturity of less than one year.

As of the balance sheet date financial investments increased to € 162.3 million (€ 147.9 million) due to redeployment of other forms of investment. The tax refund claims declined to € 12.1 million (€ 14.9 million). This can be attributed to a reimbursement of corporation tax overpayments.

Other receivables and assets rose to € 122.8 million (€ 112.5 million). This item essentially contains commission receivables from insurers resulting from the brokerage of insurance products.

As a result of reporting-date factors, cash and cash equivalents increased to € 184.8 million (€ 77.5 million), reflecting temporarily higher deposits at the Deutsche Bundesbank. At the same time, the profit transfers of MLP Finanzdienstleistungen AG and FERI AG boosted the figure. Among other factors, the dividend payment to our shareholders had the opposite effect. You can find detailed information on the change in cash and cash equivalents in the chapter entitled → “Financial position”.

Non-current assets held for sale and disposal groups fell from € 6.0 million to € 0.0 million on the closing date. A property included in this item was sold in the financial year 2016.

The equity capital backing of the MLP Group remains good. As of December 31, 2016, shareholders’ equity was € 383.6 million (€ 385.8 million). Due to the higher balance sheet total, the equity ratio was 19.7% (22.0%). Based on Group net profit of € 14.7 million, we therefore achieved a return on equity of 3.8% (5.1%).

Equity capital backing remains good

Provisions increased to € 91.2 million (€ 86.5 million), essentially due to higher provisions for cancellation risks and pensions. This was offset by the release of provisions in connection with the participation model.

The deposits of our clients (liabilities due to clients in the banking business) increased to € 1,271.1 million (€ 1,102.6 million) at the end of the reporting period. This increase is primarily attributable to short-term deposits held in bank accounts, credit cards and instant access savings accounts. Liabilities due to banks in the banking business rose to € 37.7 million (€ 23.1 million). This can mainly be attributed to a higher volume of promotional loans being passed on to our clients. This item includes the refinancing funds from funding institutions.

Following € 4.0 million in the previous year, tax liabilities amounted to € 3.6 million. Other liabilities were € 146.9 million (€ 140.2 million). This item essentially comprises current liabilities due to our consultants and branch managers in connection with open commission claims (please also refer to the section entitled → "Financial position").

General statement on the economic situation

The corporate management still considers the Group's economic situation to be positive, both at the end of the reporting period and at the time of preparing the Group management report. This also applies to our financial position. Liquidity remains at a good level. The equity capital backing also remains good.

Comparison of the actual and forecast development of business

At the start of the financial year, we issued a forecast for the operating EBIT that indicated a slight increase over the previous year. We also made a qualitative estimate regarding the revenue performance.

In the old-age provision area, we were able to slightly exceed our expectation of maintaining constant revenues. Revenues in both the wealth management and health insurance areas remained at the previous year's level and were therefore slightly below our expectations. In the non-life insurance area, we were able to increase revenues significantly in the anticipated scope.

Before one-off expenses associated with our efficiency measures, we anticipated administrative expenses of € 277.0 million for the past financial year. With administrative expenses of € 275.5 million before one-off expenses, we were able to remain slightly below this level.

With operating EBIT of € 35.1 million (before one-off expenses), we were able to achieve an increase in line with our forecast.

Segment report

The financial services segment reflects revenue from all fields of consulting – i.e. old-age provision, health and non-life insurance, wealth management and loans & mortgages. The FERI segment primarily generates revenue from the wealth management field of consulting, while the DOMCURA segment generates most of its revenue from the non-life insurance business. The industry situation for the Group described in the individual fields of consulting applies accordingly to the segments.

Financial services segment

Total revenue in the financial services segment rose to € 410.8 million (€ 406.0 million) in the financial year 2016. This can essentially be attributed to the increased commission income in the old-age provision and wealth management segments. Development of the other consulting fields (wealth management, health insurance and other consulting services, which essentially reflect revenue from real estate brokerage) was in line with the overall development in the Group. At € 20.5 million (€ 21.4 million), revenue from the interest rate business was below the previous year. This was due to the continued low interest rate level.

Total revenue and EBIT in the financial services segment (all figures in € million)

Commission expenses increased to € 183.6 million (€ 172.5 million). This increase can be attributed to higher commission income and greater expenses within the scope of our further training allowance for young consultants, as well as payments to our consultants within the scope of a participation programme and increased participation on the part of our branch office managers. At € 1.7 million (€ 1.9 million), interest expenses were below the previous year's level. The reason for this lies in the continued low level of interest rates.

Personnel expenses increased from € 74.2 million to € 76.0 million, essentially due to one-off expenses accrued within the scope of our efficiency programme. Depreciation/amortisation and impairments increased to € 19.1 million (€ 9.5 million) also affected by one-off expenses. In the light of one-off expenses, other operating expenses rose to € 126.8 million after € 124.3 million in the previous year.

Total one-off expenses of € 14.4 million were accrued in the financial services segment within the scope of our efficiency program.

EBIT declined to € 4.8 million (€ 25.6 million) which is attributable to the efficiency programme and higher commissions paid. Along with this the EBIT margin fell to 1.2% (6.3%).

FERI segment

The FERI segment represents the activities of the FERI Group. Revenue is primarily generated in this segment from the wealth management field of consulting.

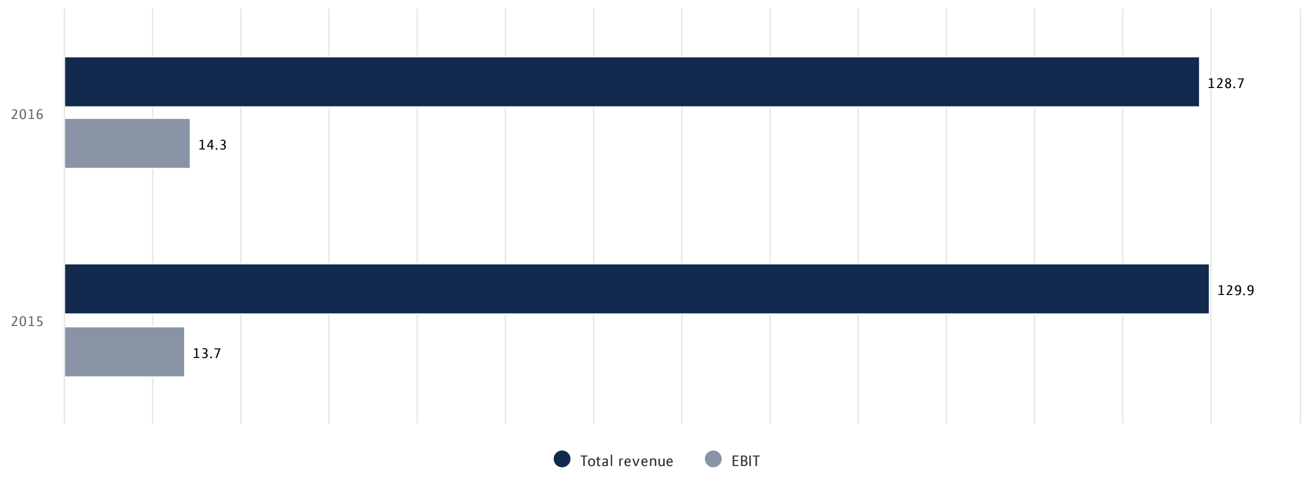
At € 128.7 million, total revenue remained at the previous year's record level (€ 129.9 million), despite the fact that the performance-based remuneration which FERI receives for the performance of client portfolios (performance fees) was lower in 2016 than in the previous year. The sale of FERI Eurorating Services AG also had a revenue-reducing effect in 2016.

At € 72.1 million, commission expenses remained at the previous year's level (€ 70.7 million). Personnel expenses fell to € 28.1 million (€ 30.4 million). The previous year's higher figure was due to greater variable remuneration. Depreciation/amortization and impairment was € 1.5 million (€ 1.8 million). Other operating expenses declined to € 11.8 million (€ 13.4 million). The previous year was influenced by several factors, including higher consulting costs in connection with acquiring a license to operate as a capital management company.

Total one-off expenses of around € 0.2 million were accrued in the FERI segment within the scope of our efficiency measures.

In light of lower overall administrative expenses, EBIT increased to € 14.3 million (€ 13.7 million). In this context, the EBIT margin improved to 11.1% (10.5%). The finance cost was € -0.1 million, following € -0.3 million in the previous year. Accordingly, EBT rose to € 14.2 million (€ 13.4 million).

Total revenue and EBIT in the FERI segment (all figures in € million)



DOMCURA segment

The previous year's figures in the DOMCURA segment report offer only limited comparability with the figures of the financial year 2016, as only the time period from the point of acquisition up to December 31, 2015 (around 5 months) was taken into account in the previous year. At DOMCURA, revenues are primarily generated in the non-life insurance consulting fields.

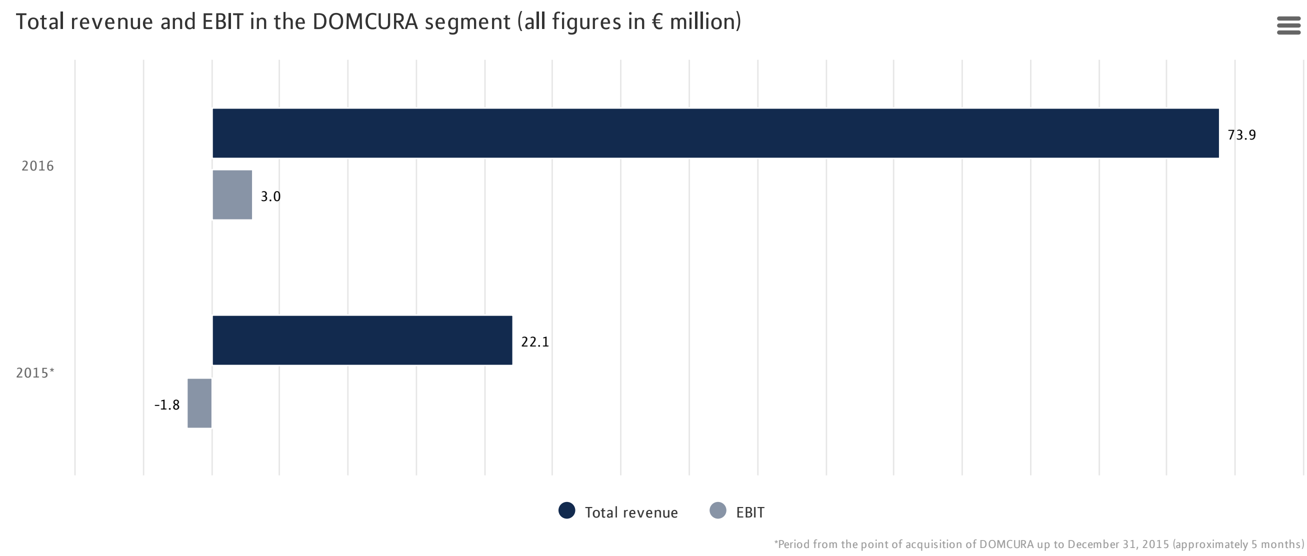
DOMCURA's business model is characterised by a high degree of seasonality. Accordingly, the subsidiary records high sales revenue and comparably high earnings in the first quarter of each year and subsequently records a loss from Q2 to Q4.

DOMCURA generated revenue of € 70.7 million (€ 20.0 million) in the reporting year. Other revenue was € 3.2 million (€ 2.1 million). Accordingly, total revenue was € 73.9 million (€ 22.1 million).

Commission expenses amounted to € 46.6 million (€ 13.5 million). These are essentially accrued as variable remuneration for brokerage services.

Following € 10.5 million in the previous year, administrative expenses rose to € 24.3 million. Thereof personnel expenses accounted for € 14.1 million (€ 5.1 million). Depreciation/amortization and impairment was € 1.4 million (€ 0.7 million). Other operating expenses amounted € 8.8 million, following € 4.7 million in the previous year.

EBIT was € 3.0 million in the first year of full consolidation (€ -1.8 million). With a finance cost of € 0.0 million (€ 0.0 million), EBT was € 3.0 million (€ -1.8 million).



Holding segment

The Holding segment does not have active operations. Total revenue in the reporting year increased to € 13.7 million (€ 11.0 million). This rise is mainly attributable to a settlement payment made in connection with judicial proceedings.

Personnel expenses were € 3.6 million (€ 3.8 million). Depreciation/amortisation and impairments fell to € 1.9 million (€ 3.2 million). In the previous year a substantial one-off write-down due to revaluation of a property in the previous year had to be recognized. At € 10.5 million (€ 10.6 million), other operating expenses remained at the same level as the previous year.

In the light of higher total revenue and lower amortisation expenses, EBIT increased to € -2.4 million (€ -6.7 million). Finance cost also improved to € -0.6 million, following € -2.3 million in the previous year. As described at Group level, the previous year’s higher figure was attributable to interest payments due on a retrospective tax payment. EBT therefore rose to € -3.0 million (€ -9.0 million).

Total one-off expenses of € 0.8 million were accrued in the Holding segment within the scope of our efficiency programme.

Employees and self-employed client consultants

As MLP is a knowledge-based service provider, qualified and motivated employees and consultants represent the most important foundation for sustainable company success. Continuous development and refinement of personnel work for employees, establishing the availability of a comprehensive range of training courses for consultants and winning new consultants were therefore also key focuses in 2016.

Low staff turnover rate

The number of employees in the MLP Group declined slightly in the reporting year 2016. On the reporting date, December 31, 2016, a total of 1,768 employees worked for MLP. This development can be attributed to two key factors. The first focuses on the effects of the efficiency programme (please refer to the section entitled → "Performance" for further details), while the second revolves around a reduction in the number of temporary staff in the financial services segment. The sale of FERI EuroRating with effect from August 1, 2016, had an impact on staff numbers in the FERI segment. At 6.3%, employee turnover at the company HQ increased slightly in 2016 due to the aforementioned measures (2015: 5.5%). The average age of employees at MLP AG, MLP Finanzdienstleistungen AG, FERI AG and DOMCURA is currently 41.

The following table shows the development of average employee numbers in the individual business units over the last few years:

Development of the average number of employees by segment (excluding MLP consultants)

Segment	2016	2015	2014	2013	2012
Financial services*	1,275	1,300	1,303	1,306	1,265
FERI	223	235	232	244	251
DOMCURA	264	261	–	–	–
Holding	7	7	7	9	8
Total	**1,768**	**1,802**	**1,542**	**1,559**	**1,524**

Date: December 31, 2016
*incl. TPC, ZSH and MLPdialog

To offer our employees even better development opportunities, we launched a modular "management programme" for team leaders in 2015, which was further optimised and successfully continued in the reporting year. The objective here is to train existing managers in relevant topics and support them in their role with personnel responsibility. We welcomed a new group of participants to our "Top Talents" programme for junior staff in the reporting year 2016. This programme has been established since 2013. The goal is to systematically identify talented junior staff from within the company and then provide these with targeted and sustainable development opportunities for future specialist and management duties.

Development programmes for managers and junior staff

In the course of developing and refining our personnel work, a new works agreement was reached in 2016 that precisely defines the obligations for advertising internal positions and stipulates selection guidelines for posts to be filled. In addition to this, the focus in the reporting year was on the practical implementation of the works agreements reached in 2015 regarding introduction of a new remuneration system, as well as holding appraisal meetings. The objective here is to establish a fair, transparent and motivating remuneration system that rewards personal experience, expertise and achievements on the part of employees, while at the same time remaining in line with market conditions.

New works agreements implemented and established

One focus in 2016 was the digitalisation of personnel work. In the last financial year, software for a new digital personnel file was introduced for all employees. Work on transferring the data to the digital personnel files has already begun and will continue in 2017. The next step will be the implementation of talent management software. MLP is also planning to perform its payroll accounting in-house again from 2017, having outsourced this process to external service providers in the past. This will allow adjustments to be made to salary statements and personnel files more quickly and efficiently.

Digitalisation of personnel work now underway

As of December 31, 2016, MLP operated 146 representative offices with a total of 1,940 consultants (2015: 1,943), who work as self-employed commercial agents. The average age of consultants is currently 44. The loyalty displayed by existing consultants remains very pleasing, as underlined by our employee turnover rate. This figure was 7.9% in 2016 – and thereby significantly below the target variable of around 10%.

Consultant turnover at a low level

As in the previous year, acquiring new consultants continued to be a key topic in the reporting year. The further training allowance introduced in 2015 for new client consultants has established itself as an important concept within our recruiting initiative. To give our activities in this field a boost, we further intensified internal collaborations between the University Management and Recruiting departments in 2016. The objective here is to increase our presence at universities. In this connection, we have opened a new office in the university city of Bielefeld and are preparing to open further branch offices.

Progress in the process for recruiting new consultants

Following a significant increase in applications in the field of financial consulting in the previous year, this figure remained largely stable at the increased level in the financial year 2016. The recruiting offensive launched in 2015 is therefore starting to display positive effects, which we are keen to build on in 2017. You can find further information on recruiting planning in the section entitled → "Anticipated business development".

Internship programme and dual study programme established

The internship programme, launched in 2014, has established itself. In the reporting year, some 144 school-leavers and students took the opportunity to get a better idea of what it is like working as an MLP consultant. The "Sales" dual study course, which we launched in 2013 to help students prepare for a career as a consultant at the offices, represents another successful recruiting instrument. Some 21 dual study course students and 28 trainees are currently working at the various offices (previous year: 24 and 22), while 23 dual study course students and 20 trainees are working at the company HQ (previous year: 25 and 23).

Comprehensive range of training offers are the key to success

MLP operates in a complex and constantly changing market and competitive environment and aims to be a long-term dialogue partner for all financial matters of its discerning clientele.

A high-quality range of training courses represent an indispensable prerequisite in achieving this. At the heart of the development of the training programme lies the MLP Corporate University (CU) which is based in Wiesloch. Since 2012 the CU has been accredited by the Financial Planning Standards Board Deutschland e.V. (FPSB Deutschland) for the Certified Financial Planner (CFP) qualification. Since this time, more than 140 consultants have successfully gained their Financial Planner qualification and further consultants are already preparing for this. Following an extensive certification process, in 2013 the CU was the first corporate university to be awarded the "Certified Corporate University" international seal of approval from the Foundation for International Business Administration Accreditation (FIBAA). The training programme offered by the CU therefore complies with the international requirements of the European Credit Transfer and Accumulation System (ECTS), which simplifies cooperation with state universities.

Master's programme launched

A new cooperative degree course was launched in autumn 2016: The Corporate University has been collaborating with the School of Management and Innovation at the Steinbeis University in Berlin since September to offer an MSc course in "Financial Planning and Management". The extra-occupational master's course is aimed both at experienced MLP consultants and those who are working for MLP after completing their bachelor's degree. The degree course therefore offers our consultants an additional opportunity to gain further qualifications – which also makes it a valuable instrument within the scope of our recruiting initiative.

Numerous seminars and events serve to underline the scope of our training offer. In 2016, around 21,700 individual events (including online seminars) were held at the CU. Alongside numerous training courses addressing specialist and consulting topics, one focus was on offering training in the brokerage of real estate. In addition to this, we helped our consultants familiarise themselves with the new application for product selection with a comprehensive eLearning package. Within the scope of four "consultant power days", all consultants had the opportunity to learn about the latest specialist and consulting topics in a total of 21 modules. In addition to this, a comprehensive range of training courses was prepared in the last financial year to accompany the further roll-out of the new "Budget guide" consulting application in 2017. You can find further information on this in the section entitled → "Anticipated business development".

Comprehensive training programme

Total expenditure on qualifications and further training in the last financial year was around € 7.6 million, which is roughly the same as in the previous year.

The Executive Board would like to take this opportunity to express its sincere thanks to all employees and consultants for the trust, cooperation and excellent commitment they showed in the past financial year. We would also like to thank the members of the works council for its constructive collaboration which, among other things, is documented by the signing of four works agreements. The key now is to maintain this open and responsible dialogue as effectively as possible in future for the benefit of all employees.

A big thank you to our employees

Remuneration report

Principles of Executive Board remuneration

The effective remuneration system provides for a fixed basic annual salary and also variable remuneration (in the form of a bonus) (see table). The basic figure for the bonus payment is determined based on the income statement of the MLP Group in accordance with the respective (international) accounting standards applied in the Group. The EBIT of the MLP Group in the past financial year for which the bonus is to be paid forms the basis of assessment here. The key figure is therefore the earnings before tax (EBT) that would result without deduction of profit-sharing payments. If continuing operations and discontinued operations were to be recognized in the financial year, the basis of assessment is formed by the total of the EBITs of operations to be continued and discontinued respectively. No costs and income directly related to the discontinuation/sale of business segments are included in the basis of assessment. If the employment contract begins or ends in the course of the financial year, the basic bonus figure is reduced pro rata temporis.

45% of the bonus calculated in this way is to be paid as an immediate payment following presentation of the company's adopted financial statements. The remaining 55% is only to be paid as a "deferred payment" after presentation of the financial statements for the financial year two years after the year of the immediate payment. The level of deferred payment effectively to be made to the member of the Executive Board is also subject to upwards or downwards adjustment, based on the ratio of the average EBIT recorded in the base year and the three subsequent years to the EBIT in the base year.

In contractually more closely specified boundaries, the immediate payment and the deferred payment are also subject to an adjustment right, which can be used at the discretion of the Supervisory Board. Here, the Supervisory Board is authorized, at its reasonable discretion, to increase or reduce the immediate payment by up to 30% and the deferred payment by up to 10% based on its assessment of the individual performance of the respective member of the Executive Board or extraordinary developments.

In addition to this, the service contract provides for a cap of the immediate payment and the deferred payment in €. For both bonus parts, a maximum of 150% of the basic figure is stipulated as the cap with an assumed EBIT of € 100 million.

Under the remuneration system, the members of the Executive Board are entitled to unrestricted use of a company car and payments from a life and disability insurance policy.

The Chairman of the Board, Dr. Uwe Schroeder-Wildberg, also has an individual occupational benefit plan entitlement. An old-age pension upon reaching 62 years of age, a disability pension, a widow's pension and orphan's benefits have been guaranteed. The benefit entitlement for the old-age pension is specified separately in an addendum to the employment contract. The disability pension and widow's pension is 60% of the contractually agreed old-age or disability pension benefit. The level of orphan's benefit payable per eligible child is calculated on a case by case basis. The total of the widow's pension and orphan's benefit of all entitled persons together must not exceed 100% of the old-age pension. However, the members of the Executive Board, Manfred Bauer and Reinhard Loose, receive employer-financed, defined contribution benefits in an occupational pension scheme.

The service contracts of all members of the Group Executive Board comprise change-of-control clauses granting the right to termination for cause in the event that

- the company's share of voting rights changes in accordance with §§ 21, 22 of the German Securities Trading Act.
- the company is reorganized in line with the provisions of the German Reorganization of Companies Act (UmwG). This does not apply if the company changes its corporate form, outsourcings in line with § 123 (3) of the German Reorganization of Companies Act or for mergers in accordance with the provisions of the Reorganization of Companies Act, in which the company is the incorporating legal entity.

If a member of the Executive Board resigns on the basis of the aforementioned conditions, he is entitled to compensation of no more than two annual salaries, on the condition that the termination takes place more than two years before the end of contract. After that the regulations apply on a pro-rata-temporis basis.

To comply with the relevant supervisory requirements, the service contracts of all members of the Executive Board also include the following provisions:

- In the event of negative performance or misconduct on the part of the Executive Board member in question in the sense of § 5 (7) of the Ordinance on the Supervisory Requirements for Institutions' Remuneration Systems (InstitutsVergV), the Supervisory Board is entitled to reduce the benefits to which said member is entitled at its discretion when said member resigns from his position voluntarily.
- The members of the Executive Board undertake not to engage in any personal hedging or other counter-measures as a way of limiting or even eliminating the risk-orientation of remuneration.
- Pursuant to § 25a (5) of the German Banking Act (KWG), the variable remuneration component must not exceed 200% of the fixed remuneration component for each member of the Executive Board. An AGM resolution that proposes increasing the variable remuneration cap from 100% to 200% of the fixed remuneration component, and thereby deviates from § 25a (5) Sentence 2 of the German Banking Act (KWG), has been submitted.

In accordance with the recommendation of the German Corporate Governance Code, individualized Executive Board remuneration is disclosed on the basis of the specimen tables provided as appendices to the Code.

Individualised Executive Board remuneration in line with the German Corporate Governance Code (DCGK)

Allocation	Dr. Uwe Schroeder-Wildberg		Reinhard Loose		Manfred Bauer		Muhyddin Suleiman	
	Chairman of the Board		Chief Financial Officer		Member of the Board for Products and Services		Member of the Board for Sales	
		since Jan 1, 2003		since Feb 1, 2011	since May 1, 2010		until Mar 31, 2014	
All figures in €'000	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**
Fixed compensation	550	550	360	360	360	360	0	0
Fringe benefits	30	30	17	17	27	26	0	0
Total fixed compensation	**580**	**580**	**377**	**377**	**387**	**386**	**0**	**0**
One-year variable compensation	239	194	158	129	160	129	0	0
Multi-year variable compensation	290	216	186	151	232	172	0	209
Bonus 2011 (2011-2014)	290	0	186	0	232	0	0	209
Bonus 2012 (2012-2015)	0	216	0	151	0	172	0	0
Other	-27	0	-17	0	-23	0	0	0
Total fixed and variable compensation	**1,083**	**990**	**703**	**657**	**756**	**688**	**0**	**209**
Pension benefits	297	224	140	140	150	150	0	0
Total compensation (in accordance with the German Corporate Governance Code (DCGK)	**1,380**	**1,213**	**843**	**797**	**906**	**838**	**0**	**209**

Granted remuneration

Benefits granted				Dr. Uwe Schroeder-Wildberg				Reinhard Loose
				Chairman of the Board				Chief Financial Officer
				since Jan 1, 2003				since Feb 1, 2011
All figures in €'000	2015	2016	2016 (Min)	2016 (Max)	2015	2016	2016 (Min)	2016 (Max)
Fixed compensation	550	550	550	550	360	360	360	360
Fringe benefits	30	30	30	30	17	17	17	17
Total fixed compensation	**580**	**580**	**580**	**580**	**377**	**377**	**377**	**377**
One-year variable compensation	194	130	91	169	129	87	61	113
Multi-year variable compensation	283	376	0	990	189	250	0	660
Bonus 2015 (2015-2018)	283	0	0	0	189	0	0	0
Bonus 2016 (2016-2019)	0	376	0	990	0	250	0	660
Total fixed and variable compensation	**1,058**	**1,086**	**671**	**1,740**	**695**	**714**	**438**	**1,150**
Pension benefits	297	224	224	224	140	140	140	140
Total compensation (in accordance with the German Corporate Governance Code (DCGK)	**1,354**	**1,310**	**895**	**1,963**	**835**	**854**	**578**	**1,290**

Benefits granted				Manfred Bauer				Muhyddin Suleiman
				Member of the Board for Products and Services				Member of the Board for Sales
				since May 1, 2010				until Mar. 31, 2014
All figures in €'000	2015	2016	2016 (min.)	2016 (max.)	2015	2016	2016 (min.)	2016 (max.)
Fixed compensation	360	360	360	360	0	0	0	0
Fringe benefits	27	26	26	26	0	0	0	0
Total fixed compensation	**387**	**386**	**386**	**386**	**0**	**0**	**0**	**0**
One-year variable compensation	129	87	61	113	0	0	0	0
Multi-year variable compensation	189	250	0	660	0	0	0	0
Bonus 2015 (2015-2018)	189	0	0	0	0	0	0	0
Bonus 2016 (2016-2019)	0	250	0	660	0	0	0	0
Total fixed and variable compensation	**705**	**724**	**447**	**1,159**	**0**	**0**	**0**	**0**
Pension benefits	150	150	150	150	0	0	0	0
Total compensation (in accordance with the German Corporate Governance Code (DCGK))	**855**	**874**	**597**	**1,309**	**0**	**0**	**0**	**0**

As of December 31, 2016, pension provisions totalling € 16,139 thsd (€ 17,631 thsd) were in place for former members of the Executive Board.

Remuneration of the members of the Supervisory Board

In addition to compensation for their expenses for the financial year, the members of the Supervisory Board receive a fixed annual remuneration of € 40,000 in accordance with the Articles of Association. The Chairman of the Supervisory Board receives twice and his deputy one and a half times this amount. Additional, special remuneration is granted for work on the Audit Committee and the Personnel Committee. This comes to € 25,000 for the Audit Committee and € 15,000 for the Personnel Committee. The chairman of the respective committee receives twice the stated level of remuneration. The fixed portion of remuneration is paid after the end of the financial year. No member of the Supervisory Board receives any variable or share-based remuneration payments.

Individualised Supervisory Board remuneration

All figures in €'000 (without tax)	Remuneration 2016	Remuneration 2015
Dr. Peter Lütke-Bornefeld (Chairman)	135	135
Dr. h. c. Manfred Lautenschläger (Vice Chairman)	100	100
Dr. Claus-Michael Dill	90	90
Johannes Maret*	–	25.3
Tina Müller**	55	23.6
Burkard Schlingermann	55	55
Alexander Beer	65	65
Total	**500**	**494**

* until June 18, 2015
** as of June 18, 2015

In the financial year 2016 € 17 thsd (previous year: € 17 thsd) was paid as compensation for expenses.

RISK AND OPPORTUNITY REPORT

Risk report

Risk management system

MLP considers risk management as the use of a comprehensive array of instruments for managing risks in line with the strategy set out by the Executive Board, as well as the risk bearing ability process. Due to the potential growth and extra earnings they can offer, risks should be addressed and taken in a conscious and controlled manner within the scope of internal control/monitoring procedures.

The operational and organisational structure, the risk management and controlling processes, as well as the special Risk Controlling, Compliance and Internal Audit functions represent key components of the Group-wide risk management system.

Group-wide risk management

The following companies are examined within the scope of Group-wide risk management (scope of consolidation pursuant to § 25a of the German Banking Act (KWG) - Germany's "MaRisk" minimum risk management requirements consolidation scope): MLP AG, Wiesloch, MLP Finanzdienstleistungen AG, Wiesloch, ZSH GmbH Finanzdienstleistungen, Heidelberg, FERI AG, Bad Homburg v. d. Höhe, FERI Trust GmbH, Bad Homburg v. d. Höhe, FEREAL AG, Bad Homburg v. d. Höhe, FERI Trust (Luxembourg) S.A., as well as Schwarzer Familienholding GmbH, Kiel, DOMCURA AG, Kiel and NORDVERS GmbH, Kiel.

Scopes of consolidation – differences between the IFRS and MaRisk scope of consolidation

Segment	Company	IFRS scope of consolidation	MaRisk scope of consolidation (§25a German Banking Act (KWG))
Holding	MLP AG	x	x
	MLP FDL AG	x	x
	TPC GmbH	x	
	ZSH GmbH	x	x
	MLPdialog GmbH	x	
Financial services	MLP Hyp GmbH *	x	
	FERI AG	x	x
	FERI Trust GmbH	x	x
	FEREAL AG	x	x
FERI	FERI Trust (Luxembourg) S.A.	x	x
	Schwarzer Familienholding GmbH	x	x
	DOMCURA AG	x	x
	NORDVERS GmbH	x	x
	nordias GmbH Insurance Broker	x	
	Willy F. O. Köster GmbH	x	
DOMCURA	Siebert GmbH Insurance Broker	x	

* accounted for using the equity method

In the sense of § 25a (3) of the German Banking Act (KWG) and in conjunction with Section 4.5 of Germany's Minimum Requirements for Risk Management (MaRisk), the Executive Board at MLP Finanzdienstleistungen AG, which as per Article 11 of the Capital Requirements Regulation (CRR) is the controlling body of the MLP Financial Holding Group as the depository institution, ensured appropriate control and monitoring of the significant risks at Group level through suitable processes. This approach encompasses in particular

- defining Group-wide strategies,
- securing the Group's risk-bearing ability,
- establishing structural and organisational regulations for the Group,
- implementing Group-wide risk management and controlling processes and
- setting up an Internal Audit department, which will operate throughout the Group.

In order to evaluate the risks of the MLP Financial Holding Group, MLP Finanzdienstleistungen AG, acting as a controlling company, obtains an overview of the risks in the Group on a regular and ad hoc basis within the scope of the strategy process and the risk inventory. Based on the risks identified in the individual companies and their relative weighting, the "MaRisk scope of consolidation" is formed, which defines the scope of the Group-wide risk management system. In principle, all risks identified as significant within the Group by the controlling company are taken into account. Group-wide regulations and policies for establishing Group-wide risk management at the MLP Financial Holding Group are defined taking into account the type, scope, complexity and risk content, as well as the different application options provided by corporate law on an individual basis.

Risk policies

The Executive Board of the controlling company defines the business strategy, as well as a consistent risk strategy for the MLP Financial Holding Group. The Group-wide risk propensity is derived from the risk strategy, taking into account the risk-bearing ability. On this basis, framework conditions for risk management in the MLP Financial Holding Group are then defined. The readiness to take risks is regularly checked and adjusted as necessary.

The following basic principles are consistent with the business strategy and describe the central framework conditions for the risk management at the MLP Financial Holding Group:

The Executive Board is responsible for proper organisation of the business and its further development:
This responsibility includes defining appropriate strategies and setting up appropriate internal control procedures in particular – thereby assuming responsibility for all significant elements of risk management. The task of defining the business and risk strategy cannot be delegated. It is the responsibility of the Executive Board to implement the strategies, assess the risks associated with them and also put in place and monitor measures to ensure that these risks are limited.

The Executive Board bears responsibility for the risk strategy:
The Executive Board of the controlling company defines the risk strategy for the MLP Financial Holding Group, including the significant elements and assumptions on risk-bearing ability. The risk strategy reflects the risk propensity or "risk tolerance" based on the targeted risk/earnings ratio. The Executive Board ensures that a comprehensive approach, incorporating all key risk types, is incorporated in the companies and that suitable steps are taken to implement the risk strategy.

MLP promotes a strong awareness of risks and a pronounced risk culture:
Risk awareness that goes beyond each department's or person's own field of responsibility is essential. A strong awareness of risks across all divisions and a corresponding risk culture are encouraged through appropriate organisational structures. The appropriateness of the risk management and controlling system is continuously monitored and any adjustments that become necessary are implemented as quickly as possible. Appropriate quality standards are established and subjected to continuous checks.

MLP pursues a strategy of comprehensive risk communication and risk reporting:
Detected risks are reported to the responsible management levels openly and without restriction. The Executive Board is informed in a comprehensive and timely manner (if necessary ad hoc) of the risk profile of the relevant risks, and profit and losses at the MLP Financial Holding Group. The Supervisory Board receives the information required to perform its legal obligations. Internal risk communication and risk reporting is supplemented by comprehensive, external publications that cater to the interests of MLP AG shareholders and the capital market and also comply with the supervisory requirements.

Objective

Entrepreneurial activity invariably involves taking risks. For MLP Financial Holding Group, "risk" means the danger of possible losses or lost profits. This danger can be attributable to internal or external factors. Since it will not be possible to eliminate all risks, a risk that is commensurate with the expected return must be targeted. The aim is to identify risks as early as possible in order to react to them quickly and appropriately. Our risk management system currently records risks in particular. In addition to this, we also focus on business opportunities. Particularly in Product Management and Purchasing, business opportunities in the market are identified in a targeted process for the individual product segments. Implementation is then tested and initiated, taking into account the chances of success and the associated risks. You can find a detailed description of the significant opportunities for the MLP Financial Holding Group in the separate opportunity report.

MLP's group-wide early risk detection and monitoring system is used as the basis for a group-wide active risk management. This system ensures appropriate identification, assessment, controlling, monitoring and communication of the major risks. Risk management is a key component of the value-driven management and planning system in the MLP Financial Holding Group. Moreover, the Group's risk culture is continuously consolidated and efforts are made to communicate information relevant to risk across all business segments.

Risk capital management and stress tests

Risk capital management – risk-bearing ability

Risk capital management is an integral part of the Group management system in the MLP Financial Holding Group. Active control of the economic capital adequacy based on the results of risk assessments and in compliance with the supervisory requirements ensures that risk-taking is always in line with capital backing.

Risks are only accepted within limits derived from aspects of the risk-bearing ability to achieve adequate returns, taking into account risk/earning factors. In particular this prevents risks that could threaten the continuity of the business model.

The Executive Board defines the risk capital based on business policy targets and controls the risk profile in an appropriate ratio to the risk coverage fund. The focus is on the key risks for the MLP Financial Holding Group, which are identified at least once a year within the scope of a risk inventory (risk profile) performed throughout the Group. Here, the key risk indicators determined using standardized procedures are compared against threshold values applied throughout the Group. The Group-wide risk profile represents the basis for both risk capital management and the risk management and controlling processes. With reference to the minimum requirements of risk management systems (MaRisk), we take into account the proportionality principle with regard to implementation of § 25a of the German Banking Act (KWG).

The key risk types of counterparty default, market price, liquidity and operational risks are in particular quantified within the scope of the risk-bearing ability. The strategic risks and reputation risks (other risks) also represent significant risk types, although these are currently not quantified. These are incorporated via additional buffers when calculating the risk bearing ability.

In managing the financial risk capital, the minimum regulatory capital adequacy requirements (as per the Capital Requirements Regulation (CRR)) represent supplementary conditions which must be strictly adhered to.

In accordance with the guideline entitled "Prudential assessment of internal banking risk-bearing capacity concepts" (published on December 7, 2011 by the Federal Financial Supervisory Authority), the internal assessment of the appropriateness of equity capital backing is performed based on the going-concern approach in the standard scenario. In addition the liquidation approach is applied within the scope of stress scenarios.

In the going-concern approach, the focus is on securing continued existence of the bank. In the liquidation approach, the objective is to protect the bank's owners and external providers of equity.

Furthermore, MLP implemented a process for planning future capital requirements. The instrument supports MLP in identifying and planning future capital requirements, as well as in implementing suitable measures to cover requirements. Unlike the one-year review period of the risk-bearing capacity concept, this is based on a multi-year time frame. This component, which stretches further into the future, is intended to supplement the risk-bearing capacity concept in a sensible way to secure early identification of any necessary capital increases.

As it has the largest business volume and greatest earning potential, MLP Finanzdienstleistungen AG bears the greatest risks within the Financial Holding Group. This is also reflected in the allocation of 75% of the risk coverage fund to the financial services segment.

Stress tests

Stress tests are also performed on a regular and ad hoc basis for special analysis of the effects of unusual yet still plausible events. Comprehensive analyses have therefore been implemented, both at the level of the individual risk types and across all risk types. The effects of potential concentrations of risks are also taken into account here.

When performing the standardised stress tests, the key risk drivers are scaled in such a way that they reflect disproportionately negative economic situations. The implemented stress tests can then be used to check whether the risk-bearing ability of the MLP Financial Holding Group can still be secured even under unfavourable economic framework conditions. The market value effects on the financial situation, the liquidity situation and the results of operations are also investigated in this connection.

Organisation

The Executive Board is responsible for establishing an appropriate and effective system of risk management in the MLP Financial Holding Group. Set against this background, operational and organisational precautions are put in place.

Functional separation

Our risk management concept follows clearly defined basic principles that are applied as binding throughout the entire Group and whose compliance is continuously checked. A crucial element of these principles is a clear organisational and operational distinction between the individual functions and activities of risk management.

The operational and organisational structure is regularly checked and assessed through internal audits and adapted to internal and external developments as they happen.

Group Risk Manager

The Group Risk Manager is responsible for the risk monitoring and control activities in the MLP Financial Holding Group. He is kept continuously informed of the risk situation in the Financial Holding Group and gives regular reports on this to the entire Executive Board and Supervisory Board.

Risk controlling function

To be able to address risk topics early on and sustainably throughout the Group, while also increasing risk awareness, a risk controlling function has been set up at MLP. This function is responsible for independent monitoring and communication of risks.

Risk management and controlling processes

Risk management in the MLP Financial Holding Group and its local operating implementation in the business units is performed on the basis of the risk strategy. The units responsible for risk management reach decisions for conscious acceptance, reduction, transfer or avoidance of risks, observing the framework conditions specified centrally.

The Risk Controlling unit in particular is responsible for the identification and assessment of risks, as well as for monitoring of defined limits. This is accompanied by reporting the risks to the Executive Board and the business units that control the risks. Suitable early detection systems support risk monitoring, identify potential problems early on and thereby enable prompt planning of measures.

Appropriate guidelines and an efficient monitoring process also ensure that the regulatory requirements for risk management and controlling are met by the principal Group companies.

The methods used at the MLP Financial Holding Group to assess risks are in line with the current level of knowledge and are aligned with practices in the banking sector as well as recommendations of the Federal Financial Supervisory Authority. The results determined on the basis of the risk models are entirely suitable for controlling the risks. Quantification methods are subject to regular checks by risk controlling, as well as internal and external audits. However, despite careful model development and regular checks, it is conceivable for circumstances to occur that lead to greater losses than those forecast by the risk models.

Controlling monitors earnings trends

Controlling is responsible for planning processes and continuously monitoring trends in earnings. The planning process is broken down into short-term and mid-term planning horizons with varying degrees of detail.

To monitor planned and target variables, the sales revenue and earnings figures actually achieved are compared against the corresponding plan figures within the scope of daily, weekly and monthly reporting. This provides continuous transparency for the Management.

Internal controlling system in the accounting process

With regard to the accounting and management reporting processes, the Internal Control System (ICS) is used to provide an accurate picture of actual conditions in terms of the net assets, financial position and results of operations at MLP Finanzdienstleistungen AG and the MLP Group. The objective of the ICS is to secure complete and accurate recording, processing and documentation of all business transactions in accordance with the regulations, standards and guidelines of applicable legislation and the company's Articles of Association.

MLP excels through its clear organisational, corporate and control structure. The departments of all Group companies involved in the accounting process comply with their respective quantitative and qualitative requirements. The employees tasked with performing the accounting process receive regular training. Group Accounting is the central contact for all questions in connection with accounting issues, both at individual company and Group level.

The checks in the accounting process aim to ensure that the individual and consolidated financial statements are drafted in line with the provisions of German commercial law and International Financial Reporting Standards (IFRS), as well as proper and timely internal and external financial reporting. The scope of the checks and responsibilities integrated into the procedures is clearly regulated.

In addition financial and risk data, which itself is subject to a comparable internal monitoring system, is also incorporated into the management report.

Functional separation, the dual-control principle, as well as the audit activities of the Internal Audit department represent key control instruments for all accounting-related processes. The processes of the accounting-based ICS are documented and specified in work instructions that are regularly updated and published in the organisation manual.

The consolidated financial statements, are drawn up using standard software. Group Accounting secures the completeness and accuracy of the relevant disclosures on the basis of the information provided.

The adequacy and effectiveness of the accounting-based ICS are regularly checked and monitored.

Compliance function

The Executive Board has also set up a compliance function, the duties of which include identification and monitoring of the key legal provisions and requirements, non-compliance with which can potentially jeopardise the assets of the MLP Financial Holding Group.

Internal audits

The internal audit department, which assumes audit tasks in major Group companies on the basis of outsourcing contracts, as well as MLP Finanzdienstleistungen AG in the form of a controlling company in accordance with § 10a (2) of the German Banking Act (KWG), constitutes an important element of the internal control/monitoring system. The internal audit department performs regular, systematic risk-oriented inspections with regard to compliance with legal, supervisory and internal specifications. The department monitors the functional separation and effectiveness of the risk management system, and performs follow-up procedures on audit recommendations. In addition to this, it performs independent advisory services with a view to creating added value and improving business processes. The minimum requirements for risk management governing the internal audit function are complied with throughout the Group.

The internal audit department operates in an independent capacity throughout the Group on behalf of the Executive Board.

Risk reporting

A substantial risk reporting scheme forms the basis for appropriate and successful corporate management. This is complemented by an extensive system of internal reporting, which provides the key decision-makers with prompt information on the current risk situation. Risk reports are generated at fixed intervals (monthly or quarterly) or produced ad-hoc, if and when necessary. In addition, planning, simulation and control instruments show possible positive and negative developments to the most important value and controlling parameters of the business model and their effect on the net assets, financial position and results of operations.

Risk reports are submitted to the controlling units, the Executive Board and the Supervisory Board. Prompt and comprehensive information is provided on any changes to relevant influential factors.

Statement of risks

The MLP Financial Holding Group is exposed to various financial risks. These in particular comprise counterparty default, market price and liquidity risks. Alongside financial risks, there are also operational and other risks, such as strategic risks and reputation risks.

The key risk types in the respective segments are presented below:

Segments	Default risks	Market price risks	Liquidity risks	Operational risks	Other risks
Holding	x		x	x	x
Financial services	x	x	x	x	x
FERI	x	x	x	x	x
DOMCURA	x			x	x

Financial risks

Counterparty default risks

The counterparty default risk is the risk of a loss due to the defaulting of or deterioration in creditworthiness of a business partner. The credit risk comprises the contracting party risk (re-covering risk and advance performance and counterparty settlement risk), as well as the risks related to specific countries which, however, are only of secondary importance to the MLP Financial Holding Group.

The counterparty default risks of the MLP Financial Holding Group are essentially made up of the client credit business under the company's own liability, the company's own business and the commission receivables against our product partners. There are no significant risks related to specific countries, since the majority of lending (95%) is limited to borrowers domiciled in the Federal Republic of Germany.

Concentration of risk

The identification of potential concentrations of risks constitutes another key component of credit risk management. Those risks which come about due to an uneven distribution of business partners in credit relations or other business relations or which are caused by sectoral/geographical business focuses and are capable of generating such great losses that the solvency of an institute may be threatened are classed as concentrations of risk in the credit portfolio. To be able to identify concentrations of risk in the lending business early on, the portfolio is analysed using various approaches, such as investigations based on sector, size and risk classes or security categories. Concentrations of risk are also given special consideration in the stress tests specific to the risk types.

To minimise potential concentrations of risk in the proprietary business before they can even occur, the MLP Financial Holding Group follows a strategy of diversification and risk avoidance. Thus, investments are diversified into bonds, debentures and other financial instruments across various sectors. We have defined binding investment limits for the individual sectors and issuers via our capital investment directive. These limits were observed at all times over the course of the year.

In the private client business, potential concentrations in ratings classes with high failure rates should be avoided. This is achieved by focusing on retail products of credit cards and accounts in connection with the targeted client segments. In addition to this, the minimisation of large individual risks with a low credit rating is a further central component of the credit policy in place at the MLP Financial Holding Group. Focusing on the target group of academics and other discerning private clients allows an attractive profit margin to be achieved due to relatively small default risks.

Credit management

The responsibilities in the credit business, from application, through authorisation, to completion and including regular monitoring with regular creditworthiness analyses, have been defined and documented in the organisational guidelines. Decision-making authority is laid down in the authority regulations, which themselves are based on the risk content of the transactions.

We also monitor and control any potential default risks from advances paid to consultants and office managers via a layered warning system, in which any incidents are quickly detected and active receivables management is guaranteed.

Loan approval, in particular in the client credit business, takes the form of credit limits being granted for the individual borrower or borrower unit. Individual credit decisions are reached by specialized employees that follow clearly defined guidelines based on the size, creditworthiness and collateral of the respective borrower. A special scoring process allows fast decisions to be made, in particular for credit cards and accounts in the retail lending business, while also securing consistently high quality.

The basis of our credit decisions is always the creditworthiness of the borrower. Collateral does not have any influence on the borrower's rating. Depending on the structure of a transaction, collateral can however be of significance for the risk assessment of a commitment.

All forms of traditional loan collateral are essentially used throughout. This specifically includes mortgages on residential and commercial property, warranties, sureties, life insurance policies, financial collateral, as well as assigned receivables.

In addition to this, potential default risks are continuously measured and evaluated by comparing allowances for bad debts with the credit volumes subject to risk. For accounts that are regarded as carrying acute risk, we build up appropriate allowances for bad debt (see table for the development of loan loss provisions). Loans that are recognised as being problematic are transferred to certain specialist departments and managed by experts.

Loan loss provisions

Amount in € million (previous year) *	Opening balance	Allocations	Reversals	Utilisation	Closing balance
Specific allowance for doubtful accounts	6.7 (7.7)	2.1 (1.3)	1.0 (1.1)	0.3 (1.2)	7.5 (6.7)
General allowance for bad debts	4.5 (5.4)	0.4 (0.0)	0.0 (0.1)	1.4 (0.9)	3.4 (4.5)
General allowance for doubtful accounts	4.5 (5.3)	– (–)	1.2 (0.8)	– (–)	3.3 (4.5)
Provisions	0.2 (0.3)	– (–)	0.0 (0.1)	– (–)	0.2 (0.2)
Total	**15.9 (18.7)**	**2.5 (1.4)**	**2.2 (2.1)**	**1.8 (2.1)**	**14.4 (15.9)**

* Due to rounding of these figures, minor differences may arise.

In addition to the above-described risks in the client credit business, there is an issuer's risk from the bonds, debentures and other financial instruments acquired. We reduce the risk of default among issuers, whose securities we have acquired within the scope of capital investment management through the specified creditworthiness requirements of our capital investment directive. Where available, the MLP Financial Holding Group also bases its decisions in the field of financial investments on external ratings.

The credit value at risk is approximated using the formulae of capital adequacy requirements as per CRR for calculating the economic counterparty default risk and for the purpose of internally controlling the counterparty default risks. Various methods are available for this in accordance with the CRR. In terms of the calculation methods, differentiation is made between the standardised approach to credit risk (CRSA) and the approach based on internal ratings (IRBA). Depending on the rating status of the receivables due to the MLP Financial Holding Group, the internal control system is based on the various supervisory calculation methods.

Market price risks

The MLP Financial Holding Group understands market price risks as the uncertainty regarding changes in market prices and rates (including interest rates, share prices, exchange rates and raw material prices), the correlations between them and their volatility. There are currently only very minor open risk items in foreign currency and commodities. In the year under review, no speculative use was made of financial instruments – such as securitisation transactions – with a view to making profits in the short term, nor is this envisaged for the future. The MLP Financial Holding AG continues to hold the status of a non-trading book institute.

Interest rate and price risks represent the sub-categories of the market price risk which are important for us.

Interest rate risks

Interest rate risks essentially come about from incomplete congruency of interest rate agreements between the loans granted and the business on own account as well as their refinancing. These maturity transformation risks are continuously monitored and assessed in compliance with supervisory requirements (among others by means of stress scenarios).

Within the scope of the risk-bearing capacity assessment, a simulation is performed in which the net interest for interest-bearing and interest-sensitive items is determined for the interest risk in the event of an ad hoc change in interest rates.

Possible effects of different interest development scenarios are portrayed via planning and simulation calculations. The risks and their effects are made transparent based on assumptions of multilayer interest scenarios. In this context, cash value changes of all items in the asset ledger are shown in relation to the equity, with the application of the changes in interest rates prescribed by the Federal Financial Supervisory Authority. The simulation is performed by automated means for all the interest-bearing and interest-sensitive items. It is in this manner that the controlling of the interest risk is ensured. The change in value determined in the reporting period always remained significantly below the threshold of 20% of equity – a threshold which, if exceeded, would give us the status of an institute with increased interest risk.

Interest rate risks of the MLP Financial Holding Group

Amount in € million	Interest rate shock/parallel shift			
	Change in value +200 BP		Change in value -200 BP	
	2016	2015	2016	2015
Total	-8.4	-15.1	4.5	6.5

Price risks

Shares, bonds, and funds held can be subject to a share price risk due to fluctuations in the market interest rate or changes in creditworthiness. Through constant monitoring and evaluation of our portfolio, possible effects on results caused by strong exchange rate fluctuations can be addressed early on. We thereby ensure a prompt reaction to market changes. We use a value-at-risk calculation when performing risk measurements. The nominal change in value of share price-based securities is determined for the significant price risks. A holding period of 250 trading days and a confidence level of 97.0% are assumed here.

Liquidity risks

The MLP Financial Holding Group understands liquidity risks to mean uncertainty in terms of the availability of funds to meet payment obligations or reduce risk items which are either insufficient or which can only be secured by accepting higher rates. Liquidity risks can result from both internal and external risk factors.

The fundamental principles of liquidity control and planning are defined in the internal guidelines. In controlling the liquidity risk, we employ two different approaches, operational and structural.

Operational liquidity control

The central instruments and control variables of operational and short-term liquidity control at the MLP Financial Holding Group include itemisation of financial assets and refinancing sources in the company's own business as per the balance sheet date within the scope of cash management, but also the liquidity and observation ratios of the liquidity regulation. In addition to this, within the scope of liquidity control the volume of daily net cash inflows and outflows is observed and incorporated into the risk assessment based on the liquidity at risk (LaR). The LaR describes the anticipated cash payment surplus (net funding requirement) which will not be exceeded at a defined level of probability within a given period of time. Sufficient funds were available to cover short-term liquidity requirements at any time.

Structural liquidity control

The funding matrix is the central instrument of structural liquidity control at the MLP Financial Holding Group and also a preliminary step towards economic analysis of additional refinancing costs. It indicates for each time frame whether there is a surplus or possible shortfall of financing means and thereby allows open liquidity items to be controlled. The liquidity value at risk (LVaR), which indicates the additional refinancing costs required to close open liquidity items, represents a key instrument of structural liquidity control and is also used in risk capital management. When determining the LVaR as of December 31, 2016, net cash inflows for the year were in line with forecasts and no additional refinancing costs are thus expected to occur. If, contrary to expectations, net cash outflows should occur, sufficient cash reserves are available. The liquidity risk in the MLP Financial Holding Group results primarily from MLP Finanzdienstleistungen AG as the deposit-taking bank. The refinancing structure is based largely on client deposits. Appropriate short and medium-term credit lines have also been agreed to safeguard against a possible short-term liquidity shortfall.

Alongside the assumed development in standard scenarios, we have also defined stress scenarios to simulate potential increases in liquidity requirements as a result of a negative change in the market environment. These enable us to introduce any countermeasures deemed necessary in good time.

MLP Finanzdienstleistungen AG has established a simple cost allocation system to allow the internal allocation of the respective liquidity costs, liquidity benefits and liquidity risks to be monitored and controlled.

Compliance with the supervisory liquidity KPIs is a key component of risk measurement and risk control. Alongside monitoring the current liquidity coefficient pursuant to current the Liquidity Directive, the MLP Financial Holding Group calculates, checks and reports the liquidity coverage ratio (LCR on the basis of the CRR). The LCR requires maintenance of a liquidity buffer, which must at least cover net cash outflows occurring within 30 days under standard market and idiosyncratic stress conditions. Corresponding measures serve to secure short-term solvency, in particular by maintaining an appropriate liquidity reserve.

Operational risks

The management of operational risks is based on the definition of Article 3 of the Capital Requirements Regulation (CRR). As such, operational risk is the risk of losses caused by inadequacy or failure of internal procedures and systems, people or by external events. This definition includes legal risks.

Operational risks are identified and assessed locally throughout the Group in the individual organisational units. To this end, an operational risks inventory is performed at least once a year. Within this scope, experts from all specialist departments examine and assess the operational risks on the basis of self-assessments. They are broken down into an assessment of risk potential for identification and evaluation of the main risks and into suggested measures derived from this.

The probability of occurrence and potential extent of damages presented by the risk scenario being examined are determined when assessing an identified operational risk. Both empirical values and projections for the upcoming period of one year are applied here. The risks identified are managed using corresponding risk control strategies.

In addition to this, any loss/damage occurring at the MLP Financial Holding Group is continuously recorded and analysed. Collecting all loss/damage data allows loss events to be identified and evaluated as a way of detecting trends and any concentration of operational risks. The results are collated and checked for feasibility by risk controlling and then made available to the Executive Board and the controlling units.

Risks from internal procedures

The operational and organisational structure at the MLP Financial Holding Group is comprehensively documented and laid down in internal organisation guidelines. Operational risks arising from internal processes are primarily managed through continuous improvement of business processes, as well as expansion of the internal control/monitoring system. Further safeguarding measures include risk transfer through the conclusion of insurance policies and consciously avoiding risky products. In order to secure the continuation of business operations, comprehensive emergency and business continuity plans are also in place for the most important areas and processes.

Within the scope of the Business Impact Analysis (BIA), critical company processes are identified, whose disruption or failure can have a significant influence on the Group's business activities. To this end, suitable measures are defined in the form of alternative actions. In the event of an emergency, these measures allow business operations to continue, albeit with reduced performance. The critical processes and the effectiveness of the defined measures are subject to regular monitoring and continuous development. A documentation by the Business Continuity Management (BCM) is available to the business segments and employees in the organisation manual.

When introducing new products or extending activities to include new markets / sales channels, a predefined process ("NPMVP" process for the introduction of new products or entry into new markets) is used to ensure that all affected functions of MLP are involved in the impact analysis prior to the start of planned new business activities.

Human resources risks

The MLP Financial Holding Group places great value on having qualified employees and managers, particularly in the back-office areas. Staff resources and sufficient qualification/training of employees are secured by the responsible specialist departments. We reduce the risk of staff shortages through appropriate personnel planning and targeted personnel allocation measures.

Employees working with confidential information undertake to observe the respective regulations and handle the information responsibly. A clear separation of management and control functions restricts the risk of breaching internal and external regulations. Defined substitute and successor regulations secure our business and decision-making processes.

A possible error in client consulting, investment and acquisition brokerage or finance portfolio management and associated claims for damages can present a consulting and liability risk. We minimise potential consulting risks by maintaining consistently high quality consulting which we ensure, for example, through IT-supported consulting tools. Consultations with our clients and the results coming from this are comprehensively documented. Our own Corporate University ensures a high standard of consultant training. Indeed, each of our consultants initially attends extra-occupational training here to become a Senior Financial Consultant.

IT risks

To effectively manage IT-related risks, the MLP Financial Holding Group operates a comprehensive information security management system. In terms of our software strategy, we typically rely on sector-specific standard software from well-known providers. However, we bring in qualified specialists for business-specific proprietary IT applications. Prior to commissioning, new IT systems and software components are checked to ensure correct functioning. The availability and consistency of the data is secured through distribution of data processing operations across multiple locations, backup and recovery processes and a business continuity management system. In addition to this, we use leading service providers to operate our systems. We protect our IT systems from unauthorised access through a system of authorisation management, comprehensive malware protection, as well as security measures at network level.

Risks from external events

Companies in the financial services sector are increasingly focussing on their genuine core skills, i.e. production of financial services products, support and information services, specialist consulting and sales expertise. In this market environment, the MLP Financial Holding Group makes use of external partners for activities that are not part of its core business. Based on Germany's "MaRisk" minimum risk management requirements, key outsourcing activities are incorporated into risk management within the standard scope of risk controlling and management processes with continuous risk identification, assessment, control and reporting (outsourcing analysis).

Responsibilities for outsourced processes are clearly set out at the MLP Financial Holding Group. This ensures that any potential organisational, structural or process-based risks that may occur due to outsourced business activities are closely controlled.

In addition to this, corresponding insurance policies have been concluded where appropriate to minimise risks from external events such as fraud, burglary, theft or damage due to force majeure.

Internal security measures are also used to thwart fraudulent activities, where possible before they even occur.

Risks arising for the MLP Financial Holding Group from fraudulent or other criminal conduct are identified and regularly assessed within the scope of the risk analysis performed to identify potential hazards caused by criminal conduct (both internal and external). Both the risk assessment and the individual measures implemented to avoid criminal conduct are performed by the relevant section at company HQ pursuant to § 25h of the German Banking Act (KWG) and are also incorporated into the operational risk inventory process.

The significant legal provisions and stipulations for the MLP Financial Holding Group were identified within the scope of the requirements of the Compliance function in line with Section 4.4.2 of Germany's "MaRisk" minimum risk management requirements. Failure to comply with these provisions and requirements could pose a considerable threat to the assets of the MLP Group. As per Germany's "MaRisk" minimum risk management requirements, the Compliance function works towards implementation of effective procedures, alongside corresponding control measures by the competent departments, to comply with the significant legal stipulations and internal regulations and provides regular reports, including ad-hoc reports when and where necessary, on its activities to the Executive Board and the Supervisory Board.

Legal risks

Our legal department controls legal risks. In addition to consulting on corporate decisions and designing business processes, its tasks include following and assessing current legal disputes. Possible legal risks are detected at an early stage and possible solutions for minimising, limiting or preventing such risks are shown. The legal department coordinates the commissioning and integration of external lawyers. Within the scope of risk mitigation, the legal department in cooperation with the product management checks and monitors the existing insurance coverage for economic loss and initiates any adjustments which may be necessary. According to our review, the pending or threatening legal proceedings against the MLP Financial Holding Group do not represent risks which could endanger the Group's continued existence. The Executive Board at MLP AG remains of the conviction that the claims for damages filed against MLP AG in August 2007 due to provision of allegedly inaccurate capital market information in the years 2000 to 2002 will not be successful. Indeed, the vast majority of these claims have already been withdrawn. Two claims were dismissed by the court, which ruled in favour of MLP. Dismissals were also issued in favour of MLP in the last two legal proceedings. The processes are currently in the court of appeal.

Taxation risks

Changes that emerge in tax law are continually checked and reviewed with regard to potential effects they may have on the Group. The compliance with fiscal requirements of the controlling company, MLP AG, is checked by internal and external experts in accordance with the tax regulations and all accompanying documentation issued by the fiscal authority. Corresponding provisions are formed for subsequent payments to be anticipated.

Capital charge according to the basic indicator approach

The MLP Financial Holding Group currently uses the basic indicator approach in line with Section 316 of the Capital Requirements Regulation (CRR). On this basis the capital charge is 15% of the average gross proceeds of the last three financial years, whereby only positive gross proceeds are taken into account.

Other risks

Reputation risks

Reputation is defined as "the public reputation of the MLP Financial Holding Group overall or of individual Group companies in terms of expertise, integrity and trustworthiness that results from the perception of different stakeholder groups". Stakeholder groups for example include clients, employees, equity suppliers, other institutes, ratings agencies, the press or politicians. The risk of damage to reputation is classed as reputation risk.

The potential risk of mistakes made while providing consulting services to our clients also impacting our reputation is minimised by securing continuously high quality consulting. The instruments used to secure this high level of consulting include IT-based consulting tools. In addition to this, comprehensive documentation is provided of consultations with clients.

General business risks

General business risks predominantly arise due to altered framework conditions and can lead to unanticipated dips in earnings or negative budget deviations. These can have many causes, such as changes in client behaviour, changes to general economic conditions, as well as poor strategic decisions. The processes for managing general business risks are largely handled by Controlling within the scope of overall bank management. Controlling also performs regular checks to detect and analyse all changes to economic factors or the industry and competitive situation. This results in impulses for strategic alignment of the MLP Financial Holding Group.

The low interest rate environment, which continues to suppress the willingness of German citizens to save, as well as the lasting effects of the Life Insurance Reform Act (LVRG) have introduced a degree of uncertainty. The ever stricter regulations associated with supervisory requirements in the banking and financial services sectors, such as the finalisation of Basel III (some market members are already talking about Basel IV) or MiFID II are having a significant effect. In addition to this, we are facing growing competitive pressure in the financial sector, also from new, innovative and digital market members (fintechs). You can find more detailed information on the environment, sector and competitive situation in the section entitled "Economic report and forecast".

No quantification of other risks is currently performed within the scope of internal risk management. However, to adequately control the risks resulting from this, an adequate buffer is included in the risk-bearing ability. This is regularly validated within the scope of back testing and adjusted as and when necessary.

Leverage risk

Risk-based capital adequacy requirements are of essential importance to ensure availability of sufficient equity to cover unanticipated losses. As underlined by the assessments of the European Parliament, however, the banking and financial crisis has shown that these requirements alone are not enough to prevent institutes from taking leverage risks which are simply untenable in the long term.

The leverage ratio KPI establishes a connection between regulatory equity and the non-risk-weighted items both on and off the balance sheet. The Group's leverage ratio is integrated into the risk reporting submitted to the Executive Board and to the Supervisory Board to allow any necessary measures to be derived early on.

The established leverage ratio results show that the MLP Financial Holding Group is not currently subjected to any significant leverage risk.

Results of the analysis of risk-bearing ability

The risk-bearing capacity concept ensures that the risks incurred are offset against sufficient risk coverage potential at all times. Within the scope of the risk-bearing capacity concept, the MLP Financial Holding Group pursues a going-concern approach with a confidence level of 97% when controlling risks. This is based on protection of the minimum capital backing required by law and thereby a continuation of the business operations of the MLP Financial Holding Group. Free equity capital that is available after meeting the regulatory ratios for minimum capitalisation and an additional buffer are in place to serve as risk coverage potential.

In 2016, the Executive Board made a risk coverage fund available based on the risk coverage potential (sum of free supervisory equity and plan EBT) up to an upper threshold of € 100 million to cover the following risk types that MLP categorises as significant: counterparty default risk, market price risk, liquidity risk, operational and other risks.

With a share of 48%, counterparty default risks and operational risks with a share of 42% take up the majority of the risk coverage fund available. At 75% the financial services segment ties up the majority of risk capital among all risk types.

The risks incurred are covered by the assigned limits in line with the respective risk coverage potential. Consistent surplus coverage is in place.

Risk bearing ability of the MLP Financial Holding Group

Risk bearing ability	2016 Utilisation (in %)	2015 Utilisation (in %)
Risk and capital commitment	75.0	75.2
thereof:		
Counterparty default risk	77.8	79.6
Market price risk	71.6	53.7
Operational risk	75.9	80.5
Liquidity risk	0.0	0.0

Capital adequacy requirements under banking supervisory law

The backing of risk assets with eligible own funds for tier 1 capital generally requires a minimum ratio of 4.5%. As in the previous year, these requirements have not changed during the financial year 2016.

As per Article 25 et seq. of the CRR, the Group's Tier 1 capital includes the following equity items of IFRS capital:

share capital, capital reserves, statutory reserve and retained earnings. Among other factors, intangible assets, treasury stock and goodwill reduce Tier 1 capital.

As was also the case in the previous year, the MLP Financial Holding Group fulfilled all legal requirements relating to minimum capital adequacy throughout the financial year 2016. The relationship between the risk assets and equity capital on the balance sheet date is illustrated below:

Supervisory KPIs

Shareholders' equity (in € million)	2016	2015
Tier 1 common capital	214.7	211.2
Tier 1 additional capital	–	–
Tier 2 capital	–	–
Eligible own funds	214.7	211.2
Capital adequacy requirements for counterparty default risks	75.5	70.4
Capital adequacy requirements for operational risk	45.8	47.5
Core capital ratio (in %)	14.16	14.33
Tier 1 common capital ratio (in %)	14.16	14.33

Summary

MLP's business development is essentially influenced by financial, operational and general business risks. We use our risk management system for the identification, assessment, control, monitoring and communication of our key risks in terms of both current and future developments. The information provided ensured prompt introduction and prioritisation of risk management measures without exception.

Both the MLP Financial Holding Group as a whole as well as the business segments always acted within the scope of their financial risk-bearing ability in 2016.

Our Business Continuity Management also ensures regulated business operations in the event of any disruptions. Our risk monitoring and control systems and the consistent alignment of our business model to our risk-bearing ability enable us to ensure that the risks taken in our business activities are backed with adequate risk capital.

The risk management system is subject to continuous further development, in particular with regard to developing the volume and complexity of our business. The effectiveness of our risk management system and its supervisory implementation are also checked cyclically by both external and internal auditors.

The above-mentioned risks, and such risks which are not yet known to us or are currently considered insignificant, could have a negative impact on our forecasts detailed in the outlook.

There are currently no discernible risks that could threaten MLP's continued existence. And we do not expect to see any negative development in the coming year. No appreciable risks which could have a significant influence on the continued existence of the MLP Financial Holding Group occurred at MLP after the balance sheet date.

Opportunity report

Opportunity management

The objective of the integrated opportunity management approach employed by the MLP Group is to secure systematic and early identification of opportunities and their assessment.

This takes place within the scope of a standardised business strategy process, performed by the Executive Board once a year. To this end, assumptions made about relevant influential factors for future development are subject to an ad hoc check. Such reasons can, for example, include major acquisitions, regulatory changes or changes in the market environment. MLP's corporate strategy, and the opportunities associated with this, are derived from its corporate mission, which is examined and updated by the Executive Board on an annual basis. The current internal and external framework conditions, as well as influential factors are then analysed and summarised using established processes. A comprehensive analysis of the current environment always forms the basis of this process. Among other things, this includes the macroeconomic and regulatory framework conditions, developments in the product area and also the competition. With regard to client and sales potential, we also use available market data alongside our own assessments. The analysis culminates in a comprehensive SWOT analysis (strengths, weaknesses, opportunities, threats).

MLP's system of opportunity management is accompanied by continuous observation of the market and competitive environment from the company's various perspectives. This process is organised locally in the responsible departments, which regularly report their findings to the respective member of the Executive Board. Product Management is a key player here, as it determines opportunities through intensive contact with product providers and industry experts, mostly in the form of product innovations. In addition to this, Customer Management is undertaking extensive market research. Other important protagonists in terms of opportunity management are Controlling, which examines the market to detect potential acquisition opportunities, as well as the organisational units of Risk Management and Compliance, which examine potential regulatory changes early on.

Opportunities

The opportunities in terms of the future business development can be subject to both external and internal influences.

Opportunities from changing framework conditions

The economic forecasts for the year 2017 suggest only limited opportunities for MLP. Although economic experts are assuming that Germany will enjoy further growth, the aforementioned reservations on the part of clients when it comes to signing long-term savings contracts will hinder progress. In the mid to long term, however, the greater need for private and also occupational pension provision is likely to increase demand for these two products significantly again – particularly among MLP's target groups. Should the German economy enjoy better development than assumed in our forecast, this will only have an indirect influence on short-term operating developments. However, should the reservations disappear altogether (contrary to our expectations) when it comes to signing long-term contracts, this would have direct positive effects for MLP.

The ever stricter regulation of the financial services sector in Germany, with the objective of stabilising the financial system and increasing investor protection, presents both challenges and opportunities for MLP. Stricter regulatory requirements will initially lead to additional costs and reduced productivity, as administrative costs increase and processes in the company have to be adapted. However, the regulation also tightens the quality standards required of market actors. This will accelerate consolidation of the market, as individual brokers will not be able to comply with the stricter requirements. The supply side of the market will reduce in size overall. With our consulting approach, which focuses on clients and their financial matters, we are able to clearly differentiate ourselves in the marketplace. In addition to this, we were quick to align our operations to the new framework conditions over the last few years, which will enable us to benefit from this development in the mid-term.

Corporate strategy opportunities

We see corporate strategy opportunities primarily in MLP's positioning as a partner for all financial matters, a position which has been particularly strengthened over the last few years. Alongside support for private clients, we are now also increasingly focusing on our business with corporate clients and institutional investors. In cooperation with our Group companies TPC, DOMCURA and FERI, we will further expand our portfolio for corporate clients and institutional investors in the areas of investment, risk management, non-life insurance and occupational pension provision. MLP could benefit from additional opportunities as a result of the increased state support for occupational pension provision in Germany – as presented by the German Federal Ministry of Labour and Social Affairs in a draft bill in November 2016.

Interlinking these areas with one another and with the private client business will furthermore enable us to create corresponding revenue potential. In the private client business itself, MLP has an important USP thanks to its broad positioning. Further developing these opportunities offers important potential for the next few years. Additional increases are also possible, particularly in the wealth management area, in which MLP clearly sets itself apart from the market through its highly transparent price model, yet also in the non-life insurance area, in which MLP is developing the business of its subsidiary DOMCURA.

Within the scope of opportunity management, MLP examines the market for potential acquisitions. In the event of an acquisition, opportunities can arise which can increase revenue potential.

Business performance opportunities

As a pure service provider, our operational tasks comprise sales, product purchasing/product selection and sales support.

In the field of sales, our client potential in the private client business will increase even further over the course of the next few years. The need for well-trained employees in Germany is increasing, which in turn improves the basic conditions for our client group of academics. At the same time, the number of academics capable of and seeking employment is also set to rise in the mid-term, which will lead to greater new client potential for MLP.

More targeted penetration of our client base, particularly in the wealth management and non-life insurance areas, will also help us achieve further growth. Since our clients are generally very well-trained and thereby have excellent income prospects, they also have a continuous need for sound financial advice and hold corresponding revenue potential.

The private client business is not the only area in which we see opportunities for winning and supporting new clients. There is also a high demand for independent, professional consulting in the business with corporate clients and with institutional clients, which we have now bundled at our subsidiary FERI. Particularly for institutional investors and high net-worth families, the need for consulting services is on the rise, above all in the field of alternative investments. DOMCURA is the service provider for agents and other brokers in the non-life insurance area and provides comprehensive solutions for both private and commercial business – partly with a high degree of individualisation.

Over the last few years we have introduced and implemented various measures to increase the productivity of our consultants. These include further development of our consulting programmes, even greater support for our consultants – for example in product selection – and even more effective service from the back-office in Wiesloch. The MLPdialog service centre also makes an important contribution to this. As an underwriting agency, the DOMCURA Group has also extended the added value chain of the MLP Group for standard products in the non-life insurance area with its processes and expertise and will continue to do so in future. The goal of these measures is to allow our consultants to focus even more on their core task, namely advising and supporting their clients. This provides important revenue potential for the future.

Opportunities from development of asset and risk positions

Positive business/market developments with lasting effects on earnings figures can be beneficial for the capital/financial situation of MLP and facilitate greater scope for action in terms of the business model and the risk profile. Alongside the opportunities already mentioned arising from changing framework conditions, corporate strategy and business performance, further opportunities could also arise from interest rate developments or lower loan loss provisions due to economic developments.

In the banking area, MLP also engages in current account and credit card business beside the classic lending business. These business activities focus on cross-selling and are subject to acceptance of counterparty default risks. Special profit opportunities arise for MLP through its preferred clientèle and their predominantly good credit ratings. In addition to this, positive development of the economic situation in Germany could present opportunities for improved portfolio quality, thereby keeping the need for value adjustments at a low level.

Interest rate developments also have an influence on the interest book of MLP. Depending on the positioning/alignment and interest rate development, they could potentially lead to risks but also to opportunities, which could be reflected in a continuously comfortable liquidity situation.

Summary

MLP sees several significant opportunities. These affect multiple fields, in particular corporate strategy and business performance factors, as well as the asset and risk position. However, we believe that the changing framework conditions will only present limited opportunities. The opportunities described, as well as those which are not yet known to us or are currently considered insignificant, could lead to a positive deviation from the disclosures made in our forecast.

FORECAST

Future overall economic development

The economic dynamism in the eurozone remains positive, although it is likely to weaken somewhat in 2017 as a result of the worsened outlook for exports to Great Britain. Key impulses for greater growth are lacking in terms of both foreign and domestic trade. Political risks resulting from the consequences of the referendum in Italy, election of a new president in France and the German parliamentary elections are increasing uncertainty. As a result of this, FERI Investment Research is anticipating economic growth of 1.3% for the eurozone in 2017.

Moderate growth anticipated in Germany

For Germany, the experts at FERI Investment Research expect that the recovery will continue to be carried by a robust domestic economy, although this will be weakened by the effects of Brexit and the fragile dynamics of the eurozone. FERI Investment Research is now forecasting economic growth of just 1.5% for Germany in 2017.

Employment market prospects remain favourable

Based on estimates of the Institute for Employment Research of the German Federal Employment Agency (IAB), employment market developments in Germany remain robust. In terms of the annual average for 2017, unemployment is expected to drop by a further 70,000 to 2.6 million persons. Given the number of refugees entering the country, however, the seasonally adjusted unemployment figure could potentially increase again temporarily over the course of the next year. According to FERI Investment Research, the level of employment remains high overall. The employment market experts at the IAB are therefore predicting an increase in total employment figures of around 480,000 persons in 2017. However, the IAB also warns of the future challenges presented by digitalisation, demographic changes and the integration of refugees.

Increasing salaries and wages to be anticipated

The German government is forecasting a 3.7% increase in gross salaries and wages in 2017 and that private households in Germany will enjoy a 2.8% increase in disposable income. The framework conditions for private households therefore remain favourable. According to a forecast provided by the German government, the price-adjusted consumption expenditure of private households will increase by 1.6% in 2017. In its latest annual report for 2017, the Council of Economic Experts forecasts a savings rate of 9.7% in Germany (2016: 9.8%).

Future industry situation and competitive environment

The aforementioned influence of the individual fields of consulting on the operating business segments applies accordingly to the future industry situation and the competitive environment.

Old-age provision

In future, private and occupational pension provision are likely to assume an increasingly important role in Germany. Despite the latest proposals of the German Federal Ministry of Labour and Social Affairs, the objectives of which include strengthening the statutory pension, in its 2016 Pension Insurance Report the German government is keen to stress that constant reduction of the guaranteed statutory pension levels is necessary in order to keep the premiums stable. This can be compensated through additional provision.

Higher subsidy for the basic pension from 2017

The state supports supplementary old-age provision in Germany. In 2017, the maximum tax-deductible amount in Tier 1 is to increase from € 22,766 to € 23,362 for single persons (joint allowance with spouse € 45,532). At the same time, the percentage of premiums paid that is taken into account by the tax authorities is set to increase from 82% to 84%. A maximum of € 19,624 can therefore be deducted as special expenses in 2017. These figures are doubled for married couples. Furthermore the state support levels for the Riester pension remain the same as in 2016.

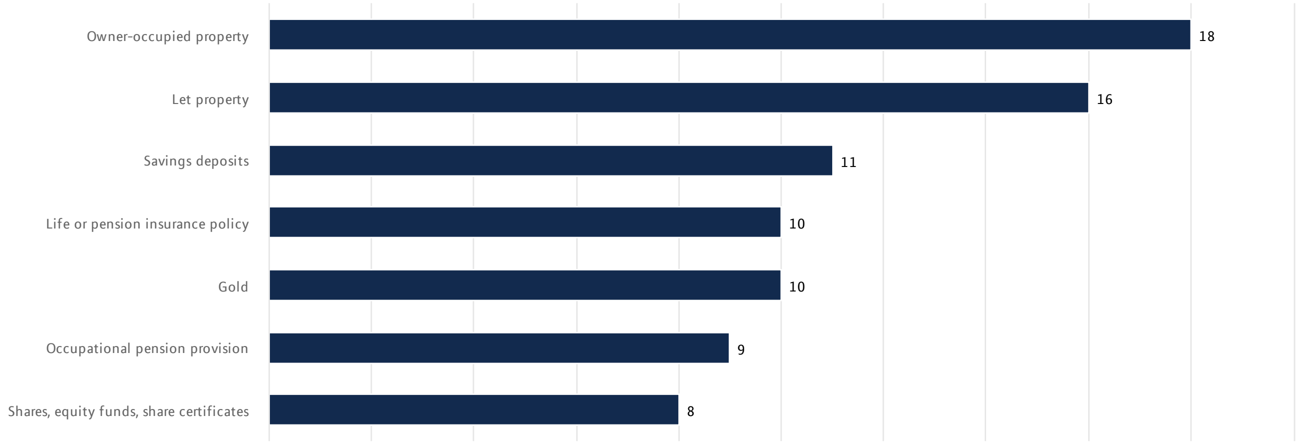
Vast majority understands the importance of supplementary old-age provision

A survey conducted by the German Consumer Research Association (GfK) indicates that most German citizens are aware of the urgency of private old-age provision. Four out of every five respondents (80%) consider it extremely important to put financial provisions in place for their old age. Many Germans also take a pessimistic view of their personal pension prospects, as reported by a survey undertaken by TNS Infratest on behalf of Industrial Union of Metalworkers (IG Metal): According to this, 64% do not think that they will be able to live well off their statutory pension when they retire. This figure increases even further to almost three quarters (73%) in the 18 to 34-year old bracket. A study of investors commissioned by Gothaer Asset Management AG highlighted that 59% of German citizens are still struggling to achieve their old-age provision saving goals in light of the ongoing period of low interest rates. 32% are of the opinion that this has actually become even more difficult.

Worries about a drop in standard of living in later life

The vast majority of German citizens are worried about the risk of old age poverty, as underlined by a Forsa survey commissioned by Gothaer: Accordingly, three out of every four German citizens (75%) are worried or extremely worried about their old age prosperity and fear impoverishment. A survey performed by Axa suggests that those in gainful employment in Germany are predominantly choosing real estate as investments to cover their old age living costs. Indeed, more than one in four (27%) is planning to purchase property either to live in or rent out. One in ten Germans in active employment is keen to invest in savings deposits, private pension/life insurance policies or occupational pension provision to provide for their old age.

Which forms of investment do people in gainful employment intend to use for securing their pension income? (amounts in %)



Source: AXA Germany Report 2016; adjusted by possible multiple responses, 27% of all people in gainful employment intend to purchase property (owner-occupied or buy-to-let)

According to the latest Pension Insurance Report published by the German government, the standard pension level is already at 48%. This figure is likely to drop further to 44.5% by 2030. In its most recent forecasts, the official group of estimators expects the pension level to fall to 41.7% by 2045 and the premium rate to increase to 23.6%. The pension shortfalls are even greater for citizens that enjoy a high income.

Statutory pension continues to decline in stages

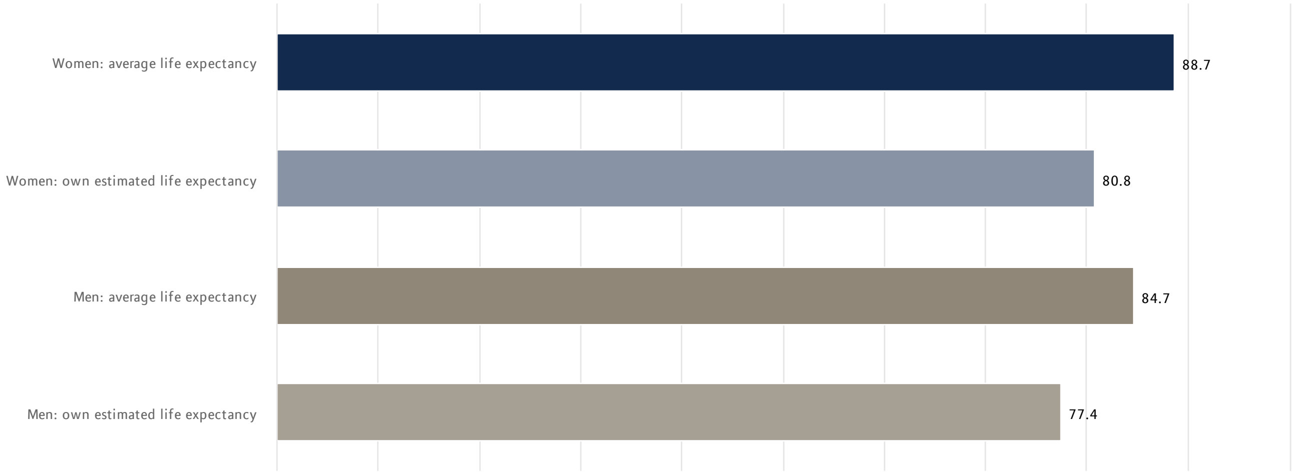
According to a survey conducted by market research institute YouGov on behalf of MLP, almost two thirds (62%) of German citizens do not believe that the government can prevent a decline in the pension level. The results show that neither an increase to the statutory retirement age nor higher premiums would be accepted by the population as a way of stabilising the statutory pension system. Only 10% / 13% of those with statutory pension insurance who have not yet retired would be willing to do this. 58% prefer other approaches to stabilise the declining pension level, such as occupational pension provision.

According to the generation mortality tables of the German Federal Statistical Office, the average life expectancy in Germany is 84.7 years for men and 88.7 years for women. However, the results of a Forsa survey indicate that 90% of German citizens underestimate their actual life expectancy – and thereby also how long their old-age provision will need to last. Based on this, men live an average of seven years longer than they expect, while women live almost eight years longer.

Own life expectancy underestimated

New calculations performed by Cologne-based economist Eckart Bomsdorf suggest that life expectancy is likely to continue increasing quite markedly. Based on the figures provided, girls born in 2016 are likely to live to an average age of 93 years, while boys are likely to reach 90 years – meaning they would have a very long period of retirement. According to official German pension insurance figures, the average pension benefit period has doubled from 10 to 20 years over the course of the last five decades. In 2015, it was 18.8 years for men and 22.8 year for women.

German women and men significantly underestimate their actual life expectancy (in years)



Source: German Federal Statistical Office; Forsa

Despite all of these factors – including state subsidies/allowances for private and occupational pension provision, the declining pension level and increased life expectancy – German citizens continue to display reservations when it comes to signing long-term contracts for old-age provision. Although the market potential remains promising in the mid-term, Assekurata, for example, is forecasting stagnating sector growth.

New stimuli anticipated for occupational pension provision

The German government is planning to launch a pension concept for the statutory pension before the 2017 parliamentary elections. Among other things, this new concept will stipulate harmonisation of the pensions in eastern and western Germany. Compulsory provision for self-employed persons is also being discussed and the foundations for strengthening occupational pension provision have already been laid. The planned legislation to strengthen occupational pension provision in Germany has been available as a draft bill since November 2016 and could provide positive stimulus for occupational pension provision in Germany. It is expected to enter into force in 2018. Among other things, the draft bill will provide for an expansion of the existing tax benefits. The ceiling for tax incentives on premiums paid into pension funds, pension schemes and direct insurance is set to be increased from its current level of 4% to 8% of the income threshold. You can find more details on the planned amendments in the forecast section entitled "Competition and regulation".

Maximum technical interest rate down again; also impacting occupational disability insurance premiums

On January 1, 2017, the legislator once again reduced the maximum technical interest rate for life and pension insurance policies – from 1.25% to 0.9%. Based on the estimates of ratings agency Assekurata, this reduction represents another challenge for life insurers, as it is becoming increasingly difficult to maintain gross premiums in the coverage assets. Indeed, this can now only be guaranteed for long contractual periods.

The reduction is also leading to higher premiums for new contracts in the occupational disability insurance segment. Model calculations performed by MLP show that the monthly premiums could rise by up to 5%, depending on age group and coverage period.

The further reduction of the maximum technical interest rate is likely to contribute to further reservations among German citizens in the financial year 2017. On the product side, concepts with new types of guarantees are likely to gain ground throughout the sector.

Health insurance

Further reforms are to be expected in the health insurance area over the course of the next few years, particularly following the German parliamentary elections in the autumn of 2017. In future, statutory health insurance funds will face financing challenges, while the private health insurance sector will face challenges resulting from the low interest rate.

Statutory health insurance funds anticipating significant premium increases

For 2017, Germany's Federal Ministry for Health announced that the average additional premium for statutory health insurance will remain stable at 1.1%. From 2018 onwards, however, those with statutory health insurance should expect significant premium increases. According to estimates provided by Association of Health Insurance Companies (vdek), the additional premiums paid exclusively by employees will increase. According to the forecast, this increase is likely to be 1.4% in 2018 and rise to 1.6% by 2020 to ultimately reach 1.8%.

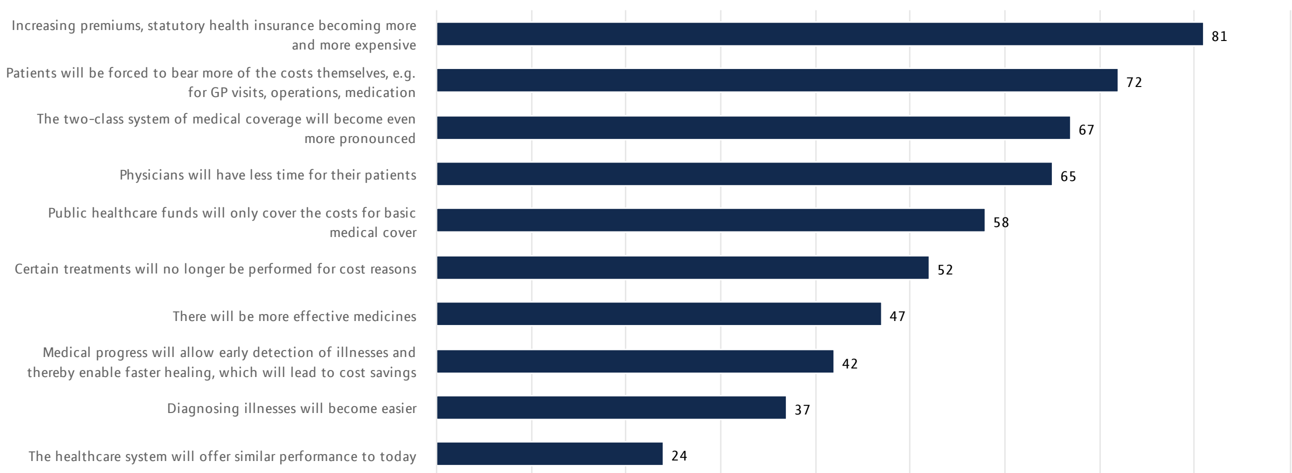
MLP believes that the willingness of numerous statutory health insurance policy holders to switch to a private policy will be boosted as a result of the increasing additional premiums. This in turn should once again inject more dynamism into the private health insurance market in the mid-term. According to ratings agency Assekurata, however, no such desire to switch to private policies should be anticipated in the short-term in the comprehensive private insurance segment. The experts are therefore predicting portfolio losses to continue at a similar rate until the 2017 German parliamentary elections. This view is also shared by the other market members. Based on a survey performed by Assekurata Solutions GmbH, more than half of insurance brokers surveyed (52%) expect business developments in the comprehensive insurance segment to deteriorate in the next twelve months.

Significant majority considers additional private health provision necessary

The long-term potential of private health insurance is also underlined by various studies. The "Continentale Survey 2016" concluded that many of those paying into the statutory health insurance system remain sceptical about the future of the healthcare system in Germany. Almost two thirds (64%) of German citizens surveyed do not believe that the statutory health insurance system will be able to provide them with proper medical care in future. More than three quarters (81%) believe that good healthcare provision can only be secured through additional private provision either now or in the future.

The MLP Health Report 2016 also comes to similar conclusions. A large percentage of German citizens are anticipating increasing statutory health insurance premiums (81%) and are worried about having to pay for a greater proportion of their medical care costs out of their own pocket (72%). More than one in two respondents (58%) expect the healthcare funds only to cover the costs of basic medical care.

What do German citizens expect from the healthcare system over the next ten years? (amounts in %)



Source: MLP Health Report 2016

Supplementary insurance policies need to catch up

A survey performed by market research institute YouGov came to the conclusion that private supplementary health insurance offers excellent sales potential. Based on this, one in ten policy holders (11%) aged between 18 and 59 is considering signing up for one or more policies over the next six months. Just under one in five (19%) stated they consider it.

The majority of those paying into the statutory health insurance system believe that private provision plays an important part in ensuring good medical care. According to the Continentale survey, they believe long-term care (78%) and dentistry (77%) are the key areas in which they need to have additional insurance coverage. The latest Healthcare Barometer published by PricewaterhouseCoopers indicates that just under two thirds (61%) of statutory insurance policy holders in Germany currently do not have any supplementary insurance in place. Ratings agency Assekurata therefore sees great growth potential for products such as supplementary dental insurance.

Long-term care provision offers significant growth potential

The third part of the Care Enhancement Act (PSG) is likely to inject new impetus into the private long term care provision market. With the care reform, the three former care levels were replaced by five degrees of care on January 1, 2017. (You can find more detailed information on this in the → "Competition and regulation" chapter). Due to the increased coverage in the media associated with this, the topic of insurance cover for long-term care remains very much in the public mind. Based on estimates of ratings agency Assekurata, this could again boost sales of supplementary long-term care insurance policies, as statutory long-term care insurance provision will remain just a partial solution even after the change in legislation.

Occupational health insurance attractive for employees

Looking ahead to the German parliamentary elections in 2017, a reform of the healthcare system could once again become a key issue with potential to improve the tax conditions for occupational health insurance schemes. At a time when skilled specialists are in short supply, positive stimuli can also come from employers that have recognised the power of occupational health insurance cover as an instrument for winning the best staff and keeping them loyal. To date, the occupational health insurance policies offered by insurers have essentially comprised discounted standard products with pricing modules. However, ratings agency Assekurata expects more individual and innovative product solutions to hit the market over the next few years.

Employers consider occupational health insurance highly attractive. Indeed, according to a survey performed by Gothaer Versicherung, they actually value it over benefits such as company cars, job tickets or company phones. 61% of respondents stated that they would like to have occupational health insurance in place, but only 4% of employees have received a corresponding offer of additional occupational coverage from their employer. Supplementary dental insurance policies are the most popular, followed by supplementary outpatient coverage policies.

The advantages for employers are clear. Almost two thirds of employees surveyed (64%) stated that receiving occupational health insurance as an additional benefit would strengthen their loyalty towards their employer. Almost half (43%) go further and consider the combination of occupational health insurance with workplace health management a key factor when selecting a future employer.

Wealth management

Growing need for wealth management advisory services

The need for high-quality wealth management services is set to increase in the long term, due to the constantly growing number of high net-worth individuals. In its 2016 Global Wealth Report, the Boston Consulting Group (BCG) expects global private assets to increase at an annual rate of 6% and exceed US$ 224 trillion by 2020. The percentage of millionaires in the German population is likely to increase from 1.1% today to around 1.6% by 2020. According to the BCG survey, these individuals will together control 31.5% of all assets in the country. The current level is 27.6%. A survey conducted by consultancy Capgemini also suggests that there is massive growth potential for wealth management companies. To date, only 32% of assets owned by dollar millionaires are managed by wealth management companies.

Shares slowly becoming more attractive to savers

The European Central Bank's interest rate policy is slowly motivating German citizens to rethink the way they invest their savings. According to a Union Investment survey, 41% of savers now consider it prudent to channel at least a portion of their money into investments offering a better return. This is 5% more than at the end of 2015. Just over a third (36%) consider shares an attractive investment. In addition to this, investors are optimistic about the price trend. Three quarters of those taking part in the survey expect the prices to remain stable or improve slightly.

The European Central Bank's monetary policy and its effects on personal financial investments are motivating more Germans to seek investment advice. According to Union Investment, one in two German citizens consider it important to attend a personal meeting with a consultant as a way of finding the right investment in a sea of choices.

Wave of inheritance in Germany

Over the next few years, we expect to see major shifts in funds due to inheritances. According to a survey performed by the German Pension Institute (DIA), private households in Germany alone will inherit around € 3.1 trillion by the year 2024 – representing just under 30% of the entire assets held by private German households. Based on the DIA survey, an average of € 363,000 will be handed down per inheritance.

The topic of inheritance already commands a great deal of attention in modern society. Indeed, a survey undertaken by Deutsche Bank indicates that the majority of German citizens (52%) have inherited or expect to do so. Just under half of potential heirs stated they would use their inheritance for financial investments, capital accumulation and old-age provision.

Retirement planning becoming increasingly important

The 50+ generation is the only population group in Germany that is continuously growing. It also controls 75% of all assets. We already serve clients in this age group and the group itself is likely to become even more important over the course of the next few years. The primary focus of retirement planning activities is on determining what assets clients have already acquired and how these values can best be invested to meet their specific needs and achieve their goals.

Given the significance of this topic, we will be both further expanding the training offers at our CU and extending our range of services for clients in 2017.

Ongoing consolidation in the wealth management area

For years, the independent wealth management market has been characterised by ongoing consolidation under massive cost pressure. Clients are increasingly demanding customised solutions, multi-asset concepts and passive investments. The key with investment management services, such as those we offer through FERI Trust GmbH, is therefore to seek greater diversification with comprehensive hedging of risks through a wider, more diverse portfolio. This commitment paired with an ever increasing regulation of the finance sector and the loss of confidence among investors requires well-founded research.

Based on a survey performed by Universal Investment, alternative investments are proving increasingly popular among institutional investors in light of the low interest rate environment. Accordingly, four out of every ten investors are keen to invest three to six percent of their funds in alternative investments in future. One in four is looking to increase their alternative investment quota to between nine and twelve percent, while slightly more than one in ten will be seeking to invest more than twelve percent in this asset class.

Alternative investments increasingly in demand among large-scale investors

PwC expects that around US$ 15.3 trillion of global assets under management will be invested in alternative investments in 2020.

In light of low interest rates, the ongoing debt crisis and geopolitical risks, the capital market environment is likely to be characterised by pronounced volatility and remain challenging in the financial year 2017. Within this context, in the long term we expect to see an increased need for consulting services in the professional wealth management area among all of the Group's target client groups.

Market environment remains difficult

Non-life insurance

Non-life insurance will play an increasingly important role in the market. According to a survey performed by AssCompact, 81% of insurance brokers expect the private non-life insurance business to become much more important over the next few years. The brokers taking part in the survey believe that commercial non-life and homeowners' insurance policies hold particular potential. More than half of the brokers surveyed are anticipating a significant increase in revenue here.

According to a survey performed by Assekurata, just under 40% of brokers believe that private non-life insurance policies will enjoy positive development in the coming year, while one in three (34%) expect the same of commercial non-life insurance policies. 60% expect the market to remain more or less stable.

Brokers anticipate positive business development

The AssCompact survey also suggests that many insurance brokers are worried about losing their standardised bulk business to the internet. Indeed, more than half of the brokers surveyed are concerned about strong competition from direct insurers or price comparison websites. After all, many of the newly founded fintechs/insurtechs are focusing their attention on the non-life insurance sector with the goal of using simple apps to push their non-life portfolio.

Ratings agency Fitch is anticipating slightly lower growth of around 2% for the property and casualty insurance segment in 2017.

Competition and regulation

The entire market for financial services and the insurance sector are facing consolidation. Germany is considered to be the market with the greatest potential in Europe, in which both national and international service providers are competing. Due to stricter regulations, pressure is in particular mounting on low-level providers, which will lead to a further reduction in the number of market actors. In addition to this, competitive pressure is growing throughout the entire sector as a result of new, digital market members (so-called fintechs). Ratings agency Assekurata also believes that digital competitors will play an increasing part in the mid-term. According to a survey undertaken by the German Consumer Research Association (GfK) for the German Insurance Association (GDV e.V.), four out of every five Germans (82%) are already using the internet to gain more information prior to signing up for an insurance policy. However, the majority (55%) cannot ever see themselves signing up for an insurance policy on the internet, even in the future.

The number of registered insurance brokers also declined again in 2016, as the sector lost around 5,100 brokers. Since reaching its peak at the start of 2011, the number of brokers has fallen by 35,200. As regulatory requirements are becoming ever stricter, this trend is unlikely to change in future. At the same time, it presents MLP with many opportunities as a quality-driven provider.

Further consolidation among statutory health insurance funds

Further consolidation is likely to be expected in the healthcare sector due to increasing cost pressure. The number of statutory health insurance policyholders already dropped quite sharply in previous decades. While there were 1,815 health insurance funds in 1970, this number had already almost halved to 960 by 1995 and currently stands at just 118 (previous year: 124). Today, there are just 132 healthcare funds, and this number is likely to drop even further in future. According to a survey performed by PwC, the statutory health insurance funds believe consolidation to be indispensable as a way of reducing costs and increasing efficiency. Two thirds of respondents believe that 40 to 100 statutory health insurers will be enough in future.

New definition of "need for care" as of 2017

The second part of the Care Enhancement Act (PSG) came into force on January 1, 2017. With this step, a new definition of the "need for care" is being implemented in practice – with five degrees of care instead of the three previous care levels. In future, physical and mental disabilities will both be taken into account equally when classifying the need for long-term care. In addition to this, the statutory long-term care insurance premium increased in 2017 – by 0.2% points to 2.55% for parents and to 2.8% for those without children.

Legislation set to strengthen occupational pension provision from 2018 onwards

Within the scope of the planned pension reform, the German government is keen to offer greater incentives for occupational pension provision. The German Federal Ministry of Labour and Social Affairs presented a draft bill of the legislation to strengthen occupational pension provision in Germany in November 2016. The strategy being employed to boost this market is to offer a larger subsidy framework and make it easier for employers to get on board. The key issues of the draft bill include increased tax relief from the current level of 4% to 8% of the income threshold, a state subsidy for those on low incomes, as well as the opportunity to opt for defined contribution commitments rather than minimum or guaranteed services in terms of the target pension, thereby eliminating liability risks for employers. In addition to this, the basic allowance for the Riester pension is to be increased from € 154 to € 165 p.a. The legislation is scheduled to come into force at the start of 2018.

Maximum technical interest rate down to 0.9%

In the course of implementing Solvency II, the German government discussed dispensing with the maximum technical interest rate, but ultimately decided to keep it. However, the rate was reduced from 1.25% to 0.9% on January 1, 2017. This further reduction not only impacts pension insurance policies. Higher premiums for new policies are also to be anticipated in the term life insurance area and especially in the occupational disability and nursing care insurance areas. Based on a statement issued by the president of BaFin, the need for a guaranteed interest rate is to be reviewed again in 2018.

MiFID II on the home straight

After the European Commission postponed the introduction of the Markets in Financial Instruments Directive MiFID II by one year to January 2018, the Federal Finance Ministry presented the draft bill for the "Second Financial Market Reform Act" in the autumn of 2016. The goal is for the guideline to be transposed into national law by July 2017 and then applied with effect from January 2018. The objectives include greater transparency and better investor protection, both of which MLP generally welcomes. Consultation records in their present form are to be abolished and replaced by a so-called "suitability declaration".

As is the case for all other market actors, MiFID II and the Financial Market Reform Act will lead to significant implementation costs for MLP in areas including IT systems, cost transparency, customer information and reporting. With MLP's current position in the field of wealth management, however, we believe that we are well positioned to handle implementation of the requirements.

In the course of transposing MiFID II into German law, focus is once again shifting toward fee-based investment advisory services. If this leads to additional market potential, MLP is in an ideal position to exploit it, as its approach to new business in the wealth management area has been equivalent to fee-based remuneration for several years.

Product information sheets now only to be introduced in 2018

The European Commission has postponed the start date for the Packaged Retail and Insurance-Based Investment Products Regulation (PRIIPs) by one year to January 1, 2018. In future, providers of financial products are to draft a uniform product information sheet that describes the most important features in a brief and comprehensible way. The PRIIIP regulation applies to investment products such as funds and certificates, as well as to insurance investment products.

To improve the comparability of state-supported old-age provision products, a compulsory product information sheet has already been introduced at national level with the Old-Age Provision Reform Act (AltvVerbG). To this end, the Produktinformationsstelle Altersvorsorge GmbH (PIA) initiative has drawn up a uniform and binding standard for determining risk-return profile classes and calculating the actual costs of tax-privileged old-age provision products. Since January 1, 2017, providers of Riester and basic pensions must use a standardised product information sheet to inform clients of the main product characteristics when concluding a contract. In addition they must have the risk-return class of their own products certified by the PIA and document this accordingly. We generally welcome this step towards greater transparency. However, during a transitional period there will be a difference in the disclosure of costs between tax-privileged and non-tax-privileged products. This contradicts the objectives of greater cost transparency and, in particular, better comparability of products for clients.

Final sprint towards Insurance Distribution Directive (IDD)

In November 2016, the Federal Ministry of Economics presented the draft bill of the legislation for transposing the EU Insurance Distribution Directive (IDD) into German law. The ban on passing on commission in the insurance sector is to remain intact. However, there are no plans to issue a general ban on commissions. The draft bill also provides for the introduction of fee-based insurance consulting. In addition to this, the IDD sets important standards for better quality consulting with uniform principles throughout Europe. For example, brokers will in future not only have to provide evidence of their basic training, but also of their ongoing vocational further training. The transposition into national law must be completed by February 2018.

The analysts at Assekurata believe that the IMD will present insurers, financial services providers and broker pools with particular challenges in 2017. Business models and consulting processes need to be adapted to the new directive. However, no major effects on MLP’s business model should currently be anticipated. MLP has always placed great emphasis on further training for consultants.

Bank regulation remains in focus

The capital requirements pursuant to Basel III will increase further up to 2019. The capital conservation buffer will increase in stages from 0.625% in 2016 to 2.5% in 2019. At the same time, intensive discussions to finalise Basel III are taking place. Due to the scope involved, however, many market members are already talking about a new package of regulations, Basel IV. These could potentially lead to even stricter capital requirements for the sector, which would also impact MLP.

Well equipped to handle new regulatory requirements

In summary, we consider our current competitive situation as good, thanks largely to the sustainable diversification of our business model. MLP was an early adopter of numerous requirements that will become binding law in future. Implementation expertise is required in order to comply with the legal documentation, qualification and transparency obligations. MLP believes it is well prepared for this. But irrespective of this, the regulatory developments will certainly represent a challenge for all market actors.

Anticipated business development

In the field of old-age provision, MLP expects reservations regarding signing long-term old-age provision policies to continue throughout the market. This is primarily due to the low interest rate phase and the further reduction to the maximum technical interest rate performed on January 1, 2017. These are driving forward changes in the product landscape of the old-age provision area. Alternative guarantee concepts are enjoying ever increasing demand and gaining ground throughout the market. MLP has already assumed a pioneering role in the brokerage of these concepts and we are increasingly benefiting from this. The planned legislation to strengthen occupational pension provision in Germany is also likely to provide positive stimulus for occupational pension provision. In the field of old-age provision, we are anticipating recording new business and revenues in 2017 that will be around the previous year's level.

In the field of health insurance, public discussions regarding the possible introduction of "citizens insurance" could lead to uncertainty in the run-up to the German parliamentary elections in 2017. At the same time, higher premiums throughout the market could have a negative impact on the market for private comprehensive health insurance. The supplementary insurance area holds growth potential. Overall, we expect MLP to record a small increase in revenues in the health insurance area in 2017. We are anticipating positive stimulus from the additional premiums likely to be charged in the statutory health insurance segment, which will increase the willingness of statutory insurance policy holders to switch to private providers. Due to their above-average income, this is likely to have a pronounced effect on those MLP clients currently holding statutory insurance. We also believe that the occupational health insurance area has a promising future.

Over the course of the next few years, we generally expect to see an increased need for consulting services in the field of professional wealth management among all of the Group's target client groups. More and more clients in the consumer business of MLP Finanzdienstleistungen AG are approaching the age at which financial investments become significantly more important, not least due to their increasing personal wealth. At FERI, we benefit from our comprehensive expertise in alternative forms of investment, particularly given the current framework conditions.

However, we also expect the capital market environment to remain difficult overall with high volatilities. It is therefore safe to assume that investors – both private and institutional – will continue to display risk-averse behaviour. Volume-based and performance-based remuneration could also decline. In an unchanged market situation with no radical events or severe effects on the capital markets, we expect to record stable revenues in the wealth management segment for 2017 and a slight increase in the assets under management segment.

On the basis of the successful integration of DOMCURA, we are anticipating further slight increases in revenue for the non-life insurance area in 2017. The commercial non-life insurance business is one area that offers growth potential. Some initial new concepts are currently being developed for the corporate clients served by MLP in this field of consulting, such as practice owners. MLP's private client base provides further potential for growth. We have established comprehensive system support through DOMCURA to leverage this.

Alongside listed buildings, we are also continuously expanding our brokerage activities for new, existing and concept-driven properties as a way of establishing a broader basis for our consulting services in and around the real estate area. We expect "Other commission and fees" to remain at the same level as the previous year in 2017.

However, a degree of uncertainty remains in all fields of consulting due to the challenging market environment.

Sales revenue estimates: 2017 (in comparison with the previous year)

2017	
Revenue from old-age provision	Unchanged
Revenue from health insurance	Slight increase
Revenue from wealth management	Unchanged
Revenue from non-life insurance	Slight increase

Strategic restructuring accelerated

In order to also sustainably increase the earnings level in spite of the ongoing difficult market conditions in the field of old-age provision, MLP has further accelerated the strategic restructuring since the beginning of 2016. Initiated and successful growth initiatives will be continued to this end.

Further acquisitions possible

Further acquisitions and joint ventures that offer potential for profitable inorganic growth are generally possible in the market of our subsidiaries FERI and DOMCURA.

MLP also expects the ongoing consolidation of the broker market to continue. Should brokerage companies in the core business of MLP Finanzdienstleistungen AG become available for purchase in future, the Executive Board will undertake accurate analyses to determine whether their structure and culture fit in with MLP.

We are also driving the further diversification of our revenue basis through continuous expansion of our consulting fields beyond old-age provision, focussing in particular on non-life insurance and wealth management.

Digitalisation remains in focus

With the relaunch and added functionality of our websites, our activities on social media platforms and the launch of online policy sales, we made important progress within the scope of our digitalisation strategy in 2016. Measures planned for 2017 that will build on this include further establishment and expansion of online product sales as a way of winning new clients and self-service for existing clients. At the same time, MLP is continuing to expand its client acquisition activities on social media platforms. The new MLP client portal, which began its pilot phase at the end of 2016, is also to be made available to all clients in the coming financial year. The application will run on smartphones and, alongside banking functionalities, will include a “digital budget book”. With our combination of individual consulting and supplementary digital offers, we believe that we are well-positioned to compete with fintechs.

Alongside client-facing activities, however, the processes performed in the back office are particularly crucial. Unlike many fintechs, we have taken an important step with the integration of DOMCURA and are keen to use this to help our consultants develop the non-life insurance business as efficiently as possible. We are currently developing a further functionality which will enable users to optimise non-life insurance policies in an app. We will continue to drive these process improvements throughout the Group in 2017.

New applications support client consultants

In the reporting year, we developed two new applications which provide our consultants with targeted support during client meetings. Once the pilot phase has been successfully completed, both the “Budget guide” application and its counterpart “Budget guide easy” for the provision of consultancy services to young clients will be rolled out in stages starting in 2017. The introduction will be supported by a comprehensive training concept.

Winning new consultants also remains a focus of investments in 2017. We have laid important foundations in the last two years with activities such as the introduction of a training allowance for new client consultants or closer networking between university management and recruiting. Our aim is to increase our presence at universities over the course of the next few years. We will therefore bundle all cross-location activities of MLP in the university segment. To this end, MLP has appointed a new divisional board member for the university segment, who will work alongside the four other divisional board members for the regions. The objective here is to further accelerate the acquisition of new clients and young consultants. In support of this, we will further intensify our recruiting activities through our online and social media presences. We are anticipating a stable net development of consultant numbers for 2017. Although the changes made at our subsidiary ZSH within the scope of our efficiency programme will initially lead to a slight decline throughout the Group, we then expect to record a slight increase again over the course of the year as a result of our announced focus on the university segment and the intensified activities to win new consultants associated with this. Our overall assessment is based on the fact that annual consultant turnover will not exceed the target limit of around 10%.

Consultant recruiting remains a key focus

We believe that the high quality of our training offers will continue to be the key to success. Indeed, we offer our consultants a programme that exceeds the legally stipulated level. This should help us increase the number of central training days (including online seminars) at our Corporate University slightly compared with the last financial year. This also applies to the total budget for qualifications and further training.

Forecast

To accompany and support the aforementioned growth initiatives, MLP implemented comprehensive efficiency measures in 2016 to further significantly reduce the cost base in the financial year 2017 and subsequent years. As announced, this incurred one-off expenses of € 15.4 million, which will lead to a drop in the administrative cost base of around € 15 million in 2017 relative to 2015 – based on the administrative expenses of DOMCURA for the whole of 2015.

Administrative expenses down

We will continue to develop and optimise MLP in 2017. The forecast administrative expenses therefore still include expenses for future investments.

Alongside administration expenses, the cost of sales (primarily commission expenses) are also relevant for our cost structure. Alongside expenses in the financial services and FERI segments, commission expenses at DOMCURA, which was acquired in August 2015 were included for a full year for the first time from the start of 2016. Since 2015, MLP has also offered a training allowance for new client consultants to support them in their start to self-employment. These costs are also recognised under commissions paid. In 2017, we expect to record a comparable overall ratio of commission income to commission expenses as in the reporting year.

We also expect loan loss provisions to remain at the previous year’s level.

Based on our expected revenues and costs, we are anticipating a significant increase in EBIT for the financial year 2017 over both 2016 and also 2015 (€ 30.7 million). Our forecast therefore still corresponds to the assessment we presented for 2017 in the 2015 Annual Report.

Forecast: Significant increase in EBIT anticipated

Despite markets that remain challenging and the need for comprehensive capital expenditure, including investments to support the ongoing implementation of the digitalisation strategy and the winning of new consultants, we still expect to record profitable growth. This forecast is based on the assumption that the framework conditions in our core markets will not become significantly worse.

As was already the case in the previous year, we once again expect the finance cost to be slightly negative. The tax rate in 2016 was 21.6%. Set against the background of a significant rise in anticipated earnings, we also expect the tax rate to increase significantly in 2017.

In February 2017 MLP decided to further optimise the corporate structure of the Group. This will result in one-off expenses. This matter and its effects on the forecast are outlined under → events subsequent to the reporting date.

Dividends of € 0.08 per share

As a general rule, our dividend policy is aligned to the respective financial and earnings position, as well as the company's future liquidity requirements. Since MLP employs a comparatively low capital-intensive business model, we intend to maintain an attractive and consistent dividend policy for the future. At the same time, we will retain a portion of the profit to comply with the revised capital requirements resulting from the amended definition of equity capital, as well as the stricter capital adequacy requirements as per Basel III. Set against this background, we have been paying out between 50% and 70% of Group net profit as dividends since the financial year 2014.

On this basis, the Executive Board and Supervisory Board will propose a dividend of € 0.08 per share at the Annual General Meeting on June 29, 2017. The one-off expenses accrued within the scope of our efficiency measures had an impact on Group net profit in 2016 and thereby also on the dividends. The distribution rate is around 60%. However, we will continue to pay out between 50% and 70% of Group net profit as dividends in future.

Planned financing activities and investments

The MLP Group held sufficient shareholders' equity and cash holdings as of the balance sheet date. Our business model is not very capital intensive and generates high cash flows. From today's perspective, this provides sufficient internal financing capacity for the forecast period. This therefore makes us largely non-reliant on developments in the capital markets. Even increasing interest rates or more restrictive issuing of loans by banks would not have a negative effect on our financing options or liquidity. We will use our cash flow to allow shareholders to participate in the company's success, to strengthen the Group's financial power and for investments.

Our investment volume was € 18.4 million in the last financial year, whereby the focus remained on IT. You can find more detailed information on this in the chapter entitled → "Economic report – Performance". We will continue to make investments in the financial year 2017, focusing primarily on IT. Due to the capital expenditure of the last few years, however, we anticipate an annual investment volume significantly below the 2016 level. Within our projects, we use further funds that will flow directly into our income statement as expenses. We expect to be able to finance all investments from cash flow.

Significant increase in return on equity anticipated

The return on equity declined from 5.1% to 3.8% in the financial year 2016. This decrease can essentially be attributed to the one-off expenses accrued within the scope of our efficiency measures. However, we are anticipating a significant increase for 2017.

The Group's liquidity rose from € 174 million to around € 265 million in the financial year 2016. However, the overall liquidity situation remains good. Liquidity will be reduced by the intended dividend payment of € 8.7 million for the financial year 2016. It will increase again in the second half of 2017 thanks to the typical year-end business. Acquisitions which we finance with cash holdings would also have a negative effect on the Group's liquidity and capital adequacy. We are not anticipating any liquidity squeezes for the coming financial year.

General statement by corporate management on the expected development of the Group

MLP anticipates that the challenging market conditions will continue throughout the financial year 2017. As a result of the successfully implemented efficiency measures, we are anticipating a significant increase in EBIT over the 2015 figure of € 30.7 million – and also the 2016 figure. We therefore expect to see a positive overall development within the Group. We are financially strong and, in combination with our strong market position as an independent consulting firm, this will enable us to further expand our competitive position.

Prognoses

This documentation includes certain prognoses and information on future developments founded on the conviction of MLP AG's Executive Board, as well as on assumptions and information currently available to MLP AG. Terms such as "expect", "anticipate", "estimate", "assume", "intend", "plan", "should", "could", "might", "project" and any other phrases used in reference to the company describe prognoses based on certain factors subject to uncertainty.

Many factors can contribute to the actual results of the MLP Group differing significantly from the prognoses made in such statements.

MLP AG accepts no liability to the general public for updating or correcting prognoses. All prognoses and predictions are subject to various risks and uncertainties, which can lead to the actual results differing from expectations. The prognoses reflect the points of view at the time when they were made.

Supplementary data for MLP AG (in line with the German Commercial Code (HGB))

In contrast with the consolidated financial statements, the financial statements of MLP AG are not prepared to International Financial Reporting Standards (IFRS), but rather to the rules of the German Commercial Code (HGB).

Business and general conditions

General company situation

MLP AG is the holding company for the MLP Group. The company's primary role is to manage the Corporate Group. It defines strategic goals and ensures coordinated and aligned corporate policy within the Group. Three subsidiaries are arranged under the umbrella of MLP AG: MLP Finanzdienstleistungen AG is the Group's consulting company for private and corporate clients. It holds a banking licence and, as an insurance broker, is registered for brokering insurance policies. The second subsidiary FERI AG (including its own subsidiaries) primarily looks after wealthy private clients and institutional investors. As an underwriting agency, DOMCURA examines all offers in the market when designing, developing and implementing its extensive coverage concepts for private and commercial clients in the field of non-life insurance. In addition, the DOMCURA Group also includes specialist brokers for commercial and industrial insurance. You can find more information on this in the chapter entitled → "Performance" in the joint management report of the MLP Group.

Business development at MLP AG

The following changes were made to the corporate structure in 2016. FERI AG announced the sale of FERI EuroRating Services AG in the reporting period. The transaction was then concluded on August 1, 2016. FERI is now continuing to focus on its core strengths of investment management, investment consulting and investment research, as well as on strategic further development to become the leading investment company in Germany, Luxembourg, Switzerland and Austria.

In the course of the ongoing focus on the corporate structure in the DOMCURA Group, companies including Ralf W. Barth GmbH and F&F Makler AG amongst others were merged into nordias GmbH Versicherungsmakler in the financial year. All activities of the broker business segment have been bundled in this company, which includes specialist brokers for commercial and industrial products.

Due to the profit/loss transfer agreements in place, business performance at MLP AG is largely determined by the economic development of its investments, the performance of which is also described in the Group report. A profit/loss transfer agreement was concluded between MLP AG and the DOMCURA Group over the course of the year 2016 and then approved by the MLP AG Annual General Meeting on June 16, 2016.

In the light of the above, the economic framework conditions, the industry situation and the competitive environment are essentially the same as those of the MLP Group and are described in detail in the sections entitled → "National economic climate" and → "Industry situation and competitive environment".

Results of operations

The German Accounting Directive Implementation Act (BilRUG) came into force on January 1, 2016. This led to a redefinition of revenues. Based on the new rules, revenues must now also be disclosed alongside other operating income.

Revenue in the reporting year was € 5.7 million. These essentially include income from the letting of buildings to affiliated companies. Other operating expenses were € 12.3 million, following € 11.0 million in the previous year. If it had already been necessary to apply the changes resulting from the German Accounting Directive Implementation Act (BilRUG) in the previous year, this would have led to revenue of € 6.6 million and other operating income of € 4.4 million in 2015. On this basis the increase in other operating income can among other things be attributed to the sale of a property and a settlement payment made in connection with judicial proceedings.

Personnel expenses were down from the previous year to € 4.0 million. This reduction can be attributed to lower expenses for salaries and wages, as well as lower expenses for pension commitments as a result of an interest rate adjustment.

At € 3.7 million, amortisation of intangible assets and property, plant and equipment remained virtually constant (€ 3.8 million). Other operating expenses rose to € 10.6 million (€ 9.7 million). Among other factors, this was due to higher consulting expenses. This item also includes expenses of € 0.8 million accrued within the scope of our efficiency programme.

The results of operations of MLP AG are influenced to a great extent by the business development of its largest subsidiary MLP Finanzdienstleistungen AG. As is also the case with FERI AG and the Schwarzer Familienholding GmbH (DOMCURA Group), a profit/loss transfer agreement is in place with this company that is reflected in the finance cost.

The finance cost dropped from € 22.7 million (€ 33.7 million) in the reporting period. Higher profit transfers from FERI AG and DOMCURA were more than offset by the lower profit transfer from MLP Finanzdienstleistungen AG, caused by one-off expenses within the scope of our efficiency programme.

The tax expense dropped to € 4.0 million (€ 8.8 million) in the last financial year. This decrease can be attributed to increased expenses in the previous year pertaining to a retrospective tax payment, as well as a lower assessment basis in 2016. The net profit recorded was therefore € 18.2 million (€ 15.6 million).

Net Assets

The balance sheet total of MLP AG was € 413.3 million (€ 406.7 million) on December 31, 2016.

On the assets side of the balance sheet, the item "Property, plant and equipment" declined slightly from € 42.1 million to € 36.3 million due to the sale of a property. Financial investments increased to € 258.0 million (€ 248.0 million) which is attributable to redeployments of other forms of investment.

The receivables and other assets declined to € 36.6 million (€ 51.6 million). The receivables from affiliated companies included in this item also declined to € 24.1 million. This increase is primarily attributable to receivables due from subsidiaries of MLP AG, resulting from profit/loss transfer agreements in place with these companies. Other assets declined to € 12.2 million (€ 15.1 million). This development was in particular influenced by lower overall receivables from income taxes.

The item “Cash on hand and on deposit with the Deutsche Bundesbank, bank deposits and cheques"” increased to € 79.7 million (€ 63.2 million). This increase can essentially be attributed to the payment received from the sale of a property.

On the equity side of the balance sheet, shareholders’ equity increased slightly to € 392.9 million (€ 387.6 million), while share capital and capital reserves remain unaltered at € 109.3 million and € 139.1 million respectively.

At € 17.1 million, provisions were slightly above the previous year’s level (€ 16.1 million), whereby at € 10.8 million (€ 10.6 million) provisions for pensions and similar obligations remained virtually unchanged year on year. Tax reserves rose to € 2.5 million (€ 0.3 million). Other provisions declined to € 3.8 million (€ 5.1 million). The previous year’s higher figure is essentially due to the provisions for interest established that year within the scope of the general tax audit.

Financial position and dividends

As of the balance sheet date, December 31, 2016, MLP AG had cash holdings (cash on hand and on deposit with the Deutsche Bundesbank, bank deposits and checks) of € 79.7 million (€ 63.2 million). This item was reduced by the dividend payout to our shareholders with a total volume of € 13.1 million at € 0.12 per share, while the profit transfers from our subsidiaries had the opposite effect.

At 95.0% (95.3%), the equity ratio remained virtually constant. MLP AG therefore continues to enjoy a good equity capital backing. In addition to this, MLP AG has open lines of credit of € 50.0 million as of the balance sheet date.

As of the balance sheet date, the liabilities of MLP AG increased to € 3.6 million (€ 3.0 million). This was primarily due to an increase in trade payables from € 0.3 million to € 0.6 million, as well as an increase in other liabilities to € 0.9 million (€ 0.6 million). The liabilities at MLP AG are all current liabilities. Cash and cash equivalents therefore exceed current liabilities several times over.

The dividend payments of MLP AG are made in accordance with the financial and profit situation, as well as future liquidity requirements. As announced, the distribution rate for the financial year 2016 will be between 50% and 70%. In concrete terms, the Executive Board and Supervisory Board will propose a dividend of € 0.08 per share at the Annual General Meeting on June 29, 2017. This corresponds to a distribution rate of around 60% of the Group’s net profit.

Comparison of the actual and forecast development of business

Business development at MLP AG is essentially dependent on the business development of the MLP Group. We therefore make reference to the comparison of actual business development with the forecast development of the MLP Group.

Despite market conditions that generally remained difficult for its subsidiaries, MLP AG was overall able to meet its own objectives and expectations in 2016.

Employees

In the last financial year, MLP AG employed an average of 7 employees, following 7 employees in the previous year.

Stipulations for promoting equal participation of women in management positions pursuant to § 76 (4) and § 111 (5) of the German Stock Corporation Act (AktG) apply equally to MLP AG and the MLP Group. We make reference to stipulations of the MLP Group for promoting equal participation of women in management positions pursuant to § 76 (4) and § 111 (5) of the German Stock Corporation Act (AktG) in this regard. For details see the → corporate governance report of the MLP Group.

Remuneration report of MLP AG

The basic structure and design of the compensation system at MLP AG are the same as those of the MLP Group. We therefore make reference to the remuneration report of the MLP Group.

Risks and opportunities at MLP AG

The risks and opportunities at MLP AG are essentially the same as the opportunities and risks of the MLP Group. We therefore make reference to the risk report and opportunity report of the MLP Group.

As the parent company of the MLP Group, MLP AG is incorporated in the Group-wide risk management system. You can find further information on this in the section of the MLP Group's risk report entitled → "Risk management".

The description of the internal monitoring and risk management system with regard to the accounting process of MLP AG is also the same as that of the MLP Group. We therefore also make reference to the MLP Group's → risk report here.

For further information with regard to the financial instruments and their deployment, we also make reference to the MLP Group's → risk report and accompanying → notes.

Forecast for MLP AG

The development of MLP AG in its role as the holding company is largely dependent on the development and profit transfer of its investments. Set against this background, we make reference to the forecast for the MLP Group.

Explanatory report on the disclosures pursuant to § 176 (1) of the German Stock Corporation Act (AktG) and § 289 (4) of the German Commercial Code (HGB)

The explanatory report on acquisition-relevant disclosures applies equally to MLP AG and the MLP Group. We therefore make reference to the MLP Group's explanatory report on the disclosures pursuant to § 176 (1) of the German Stock Corporation Act (AktG), as well as § 289 (4) and § 315 (4) of the German Commercial Code (HGB).

Declaration on corporate governance pursuant to § 289a of the German Commercial Code (HGB)

The declaration on corporate governance applies equally to MLP AG and the MLP Group. We therefore make reference to the MLP Group's declaration on corporate governance.

Explanatory report on the disclosures pursuant to § 176 (1) of the German Stock Corporation Act (AktG), § 289 (4) and § 315 of the German Commercial Code (HGB)

Composition of capital

As of December 31, 2016, the company's share capital amounts to € 109,334,686 and is divided into 109,334,686 ordinary bearer shares with a nominal value of € 1 per share.

Restrictions on voting rights or on the transfer of shares

There are no restrictions on voting rights or on the transfer of MLP AG's shares.

Capital stakes

The German Securities Trading Act (WpHG) requires any investor whose share of voting rights reaches, exceeds or falls below certain thresholds as the result of purchases, disposals or otherwise, to notify the company and the German Federal Financial Supervisory Authority (BaFin) thereof. The lowest threshold for the duty of notification to apply is 3%. Any stakes that reach or exceed 10% of voting rights must be recorded in this explanatory report. MLP AG has been notified of two shareholders who directly or indirectly exceeded 10% of the voting rights:

	Number of shares*	Shareholding*
Dr. h.c. Manfred Lautenschläger, Gaiberg[1]	25,383,373[1]	23.22%
Angelika Lautenschläger Beteiligungen Verwaltungs GmbH, Gaiberg	22,796,771	20.85%

* Status known to MLP AG as of December 31, 2016
[1] Based on information provided by Dr. h.c. Manfred Lautenschläger, 22,796,771 voting rights (=20.85% of the share capital of MLP AG) are attributable to him by Angelika Lautenschläger Beteiligungen Verwaltungs GmbH in accordance with § 22 (1) Sentence 1 No. 1 of the German Securities Trading Act (WpHG).

Shares with special control rights

Shares which confer special control rights have not been issued.

System of control of any employee share scheme where the control rights are not exercised directly by the employees

Where MLP AG has in the past issued shares to employees within the scope of its employee participation programme, these shares were transferred to the employees directly. Said employees can or could then exercise the control rights granted by the shares issued directly in line with the legal requirements and the company's Articles of Association.

Legal stipulations and provisions of the Articles of Association regarding the appointment and replacement of members of the Executive Board

The appointment and replacement of members of the Executive Board are governed by §§ 84 and 85 of the German Stock Corporation Act (AktG). The company's Articles of Association specify that the Executive Board must comprise at least two people. The members of the Executive Board are appointed for a maximum of five years. A further appointment or extension of the time in office, each for a maximum of five years, is permitted. The Supervisory Board can terminate the appointment of a member of the board before the time in office expires for important reasons. Such reason could be a gross breach of duty, inability to manage the company properly or a vote of no confidence by the Annual General Meeting. The Supervisory Board decides on the number of Executive Board members, their appointment and the revocation of their appointment as well as the conclusion, amendment and termination of the employment contracts with Executive Board members. The Supervisory Board may appoint a Chairman and one or more Vice Chairmen (Chairmen deputies).

Amendments to the company's Articles of Association

In accordance with § 179 (1) of the German Stock Corporation Act (AktG), each amendment to the Articles of Association requires a resolution by the Annual General Meeting. In deviation from § 179 (2) Sentence 1 of the German Stock Corporation Act (AktG), § 17 (4) of the company's Articles of Association stipulates that resolutions on amendments to the Articles of Association can be passed by the Annual General Meeting with a simple majority of the share capital votes entitled to vote on the resolution, unless a greater majority is required due to overriding legal requirements. However, the Supervisory Board is authorized, pursuant to § 21 of the company's Articles of Association, to make amendments to the company's Articles of Association that affect the version.

Authority of the Executive Board to issue or buy back shares

A resolution passed by the Annual General Meeting on June 5, 2014 authorised the Executive Board, with the Supervisory Board's approval, to increase the company's share capital by up to € 22 million in total by June 5, 2019 by issuing on one or more occasions new ordinary bearer shares in exchange for cash or non-cash contributions and, with the Supervisory Board's approval, to exclude the shareholders' subscription rights for the issuance of shares in exchange for non-cash contributions. On the basis of this authorisation and with the consent of the Supervisory Board, the Executive Board utilised the resolution from July 27, 2015 to increase the company's share capital by € 1,456,948.00 by issuing 1,456,948 ordinary bearer shares in MLP AG to Mr. Gerhard Schwarzer in return for shares in Schwarzer Familienholding GmbH, the parent company of the DOMCURA Group, thereby excluding the subscription right. The Executive Board is therefore still authorised to increase the share capital by up to € 20,543,052 million in the aforementioned scope.

If the share capital is increased in exchange against cash contributions, shareholders must be granted subscription rights. However, the Executive Board has been authorised, with the approval of the Supervisory Board, to exclude the subscription right of the shareholders if the issue price does not fall significantly short of the stock market price of company shares with the same structure. However, this authorisation is subject to the condition that shares issued in exclusion of subscription rights as per § 186 (3) Sentence 4 of the German Stock Corporation Act (AktG) do not exceed 10% of the share capital, either at the time of coming into effect or at the time they are exercised (authorised capital).

A resolution passed at the Annual General Meeting on June 6, 2013 also authorised the company, as per § 71 (1) No. 8 of the German Stock Corporation Act (AktG) to purchase up to 10% of the share capital during the authorisation period up to June 5, 2018. No shares were bought by the company on the basis of this authorisation up to December 31, 2016.

Significant agreements to which the company is a party that take effect in the event of a change of control of the company following a takeover bid

There are no significant agreements that take effect in the event of a change of control of the company following a takeover bid.

Settlement agreements between the company and Executive Board or employees in the event of a takeover bid

The contracts of employment between the company and the Chairman of the Board, Dr. Uwe Schroeder-Wildberg, and Executive Board members Manfred Bauer and Reinhard Loose contain a clause stating that said members are entitled to terminate their contracts with a notice period of one month in the event that a third party who had a share in MLP of less than 10% at the time at which the contracts were concluded acquires a share of at least 50% of the voting rights. If any of these Executive Board members chooses to exercise this right to terminate, MLP is obliged to pay said member remuneration corresponding to four times (4x) the respective fixed annual salary if the contract has not been terminated as a result of the change in control, provided that the respective contract is terminated more than two years before it reaches its normal termination date. For all members of the Executive Board, the remuneration to be paid in the event of a "change of control" corresponds to no more than twice the average remuneration, based on the total remuneration of the last full financial year prior to termination of their contract and the total anticipated remuneration for the year still in progress when their contract is terminated. The service contract of Dr. Uwe Schroeder-Wildberg is set to run until December 31, 2017, the service contract of Mr. Bauer is set to run until April 30, 2020 and the service contract of Mr. Reinhard Loose is set to run until January 31, 2019. In the case of a termination of contract within two years of the scheduled termination date, the severance payment will only be paid pro rata temporis.

CORPORATE GOVERNANCE REPORT – DECLARATION ON CORPORATE GOVERNANCE

Every year, the Executive Board and Supervisory Board report on the company's corporate governance in the Annual Report as required by the German Corporate Governance Code (GCGC). The following statements and details are provided as a Declaration on Corporate Governance in the sense of § 289a of the German Commercial Code (HGB).

Compliance with the Corporate Governance Code

Wording of the Declaration of Compliance of MLP AG pursuant to § 161 of the German Stock Corporation Act (AktG)

Pursuant to § 161 of the German Stock Corporation Act (AktG), the Executive Board and Supervisory Board of MLP AG hereby declare that the company has complied with and will continue to comply with the recommendations of the "German Corporate Governance Code" government commission (version dated May 5, 2015) since the last Declaration of Compliance was issued. Only the recommendations specified in Sections 4.1.5 and 4.2.3 page 10, Section 4.2.3 pages 11 to 13, Section 5.1.2. sentence 2, Section 5.1.2 sentence 8 and Section 5.4.1 (2) were not and will not be followed.

The reasons for these deviations from the recommendations are as follows:

Section 4.1.5 (compliance with diversity at management level)

Based on the recommendations of the German Corporate Governance Code, the Executive Board must pay attention to diversity when filling management positions and aim for an appropriate consideration of women. The Executive Board sets out targets for the proportion of women at the two management levels below the Executive Board.

Throughout the current financial year, the Executive Board has strengthened its efforts to secure diversity when filling management positions and in particular aim for an appropriate consideration of women at the management levels within the company. The Executive Board at MLP AG has already implemented measures in the past with the objective of making it easier for staff to combine their career with a family. It also continued to review these measures in the financial year 2016 to determine their effectiveness and passed a complete concept back in November 2013 to ensure that appropriate consideration is given to women in the company's management ranks, taking into account the company's specific situation. Guidelines on diversity-compliant staff promotion also form part of this concept, although these still need to be finalized. No criteria for specific selection decisions when filling vacant positions have therefore been defined to date. Nevertheless, the Executive Board at MLP AG only passed a resolution for a 0% percentage of women at the first management level below the Executive Board, since MLP AG is a holding company with very limited staffing and few managers. In addition to this, there is no second management level below the Executive Board at MLP AG.

The measures are therefore not yet fully compliant with the requirements of Section 4.1.5 of the Code. As was also the case in the financial year 2016, MLP declares not to follow this recommendation in the financial year 2017.

Section 4.2.3 Sentence 10 (specification of the targeted level of benefits)

Based on the recommendations of the German Corporate Governance Code, the Supervisory Board should specify the targeted level of benefits in each case when making benefit obligations – including the total service time on the Executive Board – and then take into account both the annual and long-term costs associated with these benefits for the company.

The new remuneration system introduced by the Supervisory Board within the context of implementing the stipulations of the Appropriateness of Management Board Remuneration Act (VorstAG) provides for a contribution-based commitment to grant benefits when appointing new members of the Executive Board. The level of specific contributions to be made by the company is laid down for each respective member of the Executive Board. They do not hold the risk of any unexpected knock-on effects for the company, since the respective member of the Executive Board actually bears the investment risk in relation to the company. In the course of implementing the new remuneration system, a decision was therefore taken to dispense with the notion of switching over any employer's pension commitments for members of the Executive Board which provide a fixed benefit above a contractually defined age limit to a purely contribution-based system at the time of contract changeover. With specific regard to these employer's pension commitments, which are to remain in place, the company does not comply in full with this recommendation.

Therefore the Supervisory Board is of the opinion that the implementation progress made to date is not yet sufficient to fulfil the requirements of Section 4.2.3 Sentence 10 of the Code in full. As was also the case in the financial year 2016, MLP declares not to follow this recommendation in the financial year 2017.

Section 4.2.3 Sentence 11 to 13 (severance payment cap)

As per the recommendations of the German Corporate Governance Code, attention must be paid when concluding Executive Board member contracts to ensure that any payments to members of the Executive Board do not exceed the value of two years' remuneration including fringe benefits (severance payment cap) of these Executive Board members, should their position be terminated prematurely without serious cause. If the employment contract is terminated for an important reason, for which the member of the Executive Board in question is responsible, no payments are made to said member of the Executive Board. Calculation of the severance payment cap should be based on the total remuneration of the previous financial year and, if available and appropriate, also the total anticipated remuneration of the current financial year. In the event of premature termination of Executive Board membership due to a change of control, any commitment for payments should not exceed 150% of the severance payment cap.

In the course of the financial year 2011, MLP changed all service contracts with members of the Executive Board to a new remuneration system. Following on from this, particular attention was paid in 2014 to ensuring compliance with the requirements the German Banking Act (KWG) and the Ordinance on the Supervisory Requirements for Institutions' Remuneration Systems (InstitutsVergV). MLP has been complying with the aforementioned recommendations since the changeover in 2011.

There is no entitlement to severance payment in the case of termination of contract by mutual agreement. For contractual reasons, provisions regulating severance payment arrangements concerning the termination of contracts by mutual agreement can in any case only be seen as a guideline. And the parties involved are free to deviate from these provisions at any time with mutual consent. For this reason, any provisions of this nature would be no more than a formality.

As was also the case in 2016, MLP has therefore once again elected not to comply with this recommendation in 2017.

Section 5.1.2 Sentence 2 (diversity in the composition of the Executive Board)

Based on the recommendations of the German Corporate Governance Code, the Supervisory Board should also pay attention to diversity in the composition of the Executive Board and in particular aim for an appropriate consideration of women. Based on this, the Supervisory Board is to set out targets for the proportion of women on the Executive Board.

The Supervisory Board at MLP AG aims at increasing its efforts in respecting diversity and, in particular, ensuring appropriate consideration of women in future appointments of Executive Board members. The Supervisory Board gives specific consideration to applications from suitable women in its selection procedures. It continued to address this topic in the financial year 2014 and will implement further measures so that appropriate consideration is also given to women on the company's Executive Board, following on from the Group-wide overall concept passed by the Executive Board for implementation of the recommendation in the Code pursuant to Section 4.1.5 (taking into account diversity when filling managerial positions), considering the company's specific situation. Irrespective of this, the Supervisory Board at MLP AG intends to continue basing its selection decisions primarily on personal and professional qualifications. For this reason, the Supervisory Board has set a target of 0% for the proportion of women on the Executive Board – which currently only has three members anyway.

The Supervisory Board is of the opinion that the implementation progress made to date is not yet sufficient to fulfil the requirements of Section 5.1.2 Sentence 2 of the Code in full. As was also the case in the financial year 2016, MLP declares not to follow this recommendation in the financial year 2017.

Section 5.1.2 Sentence 8 (age limit for members of the Executive Board)

Based on the recommendations of the German Corporate Governance Code, an age limit should be set for members of the Executive Board.

MLP did not follow this recommendation in 2016. No age limit is set for members of the Executive Board at MLP. The appointment of members of the Executive Board should be based solely on their knowledge, skills and specialist experience. As was the case in 2016, MLP has therefore also opted not to follow this recommendation in 2017.

Section 5.4.1 (2) (age limit and overall limit regarding the length of membership in the Supervisory Board)

Based on the recommendations of the German Corporate Governance Code, an age limit and an overall limit regarding the length of membership in the Supervisory Board should be set and taken into account when considering proposals for the election of Supervisory Board members.

MLP did not follow this recommendation in 2016. No age limit or overall limit regarding the length of membership is specified for members of the Supervisory Board. In light of the knowledge, skills and specialist experience stipulated in Section 5.4.1 Sentence 1 of the Code, it seems inappropriate to specify an age limit or overall limit regarding the length of membership. As was the case in 2016, MLP has therefore also opted not to follow this recommendation in 2017.

Section 5.4.1 (2) (specification of concrete objectives for the composition of the Supervisory Board)

Based on the recommendations of the German Corporate Governance Code, the Supervisory Board is to stipulate concrete objectives regarding its composition. As well as giving consideration to the company's specific situation, these objectives also take into account the company's international operations, any potential conflicts of interest, the number of independent members of the Supervisory Board in the sense of Section 5.4.2, an age limit to be specified for members of the Supervisory Board and diversity. These concrete objectives should, in particular, stipulate an appropriate degree of female representation. Recommendations by the Supervisory Board to the respective selection committees should also take these objectives into account. Based on this, the Supervisory Board is to set out targets for the proportion of women on the Supervisory Board. The objectives and present status of implementation are to be published in the corporate governance report.

MLP did not follow this recommendation in 2015. In its meetings during the financial years 2010, 2012, 2014, 2015 and 2016, the Supervisory Board at MLP AG addressed the topic of setting concrete targets for the composition of the Supervisory Board, paying particular attention to diversity. In the past, assuming equivalent professional and personal suitability of the candidates, the Supervisory Board set itself the goal of filling at least 25% of the positions on the Supervisory Board on the shareholder side with suitable female members. Meanwhile however, the legal standpoint predominantly taken is that the Supervisory Board should set a target for the entire Supervisory Board – and not just for shareholder or employee representatives. Based on this, the entire Supervisory Board at MLP AG has set itself the target of filling at least 16.5% of the positions on the Supervisory Board with suitable female members. However, largely due to the low number of members that sit on the Supervisory Board as per the company's Articles of Association, the Supervisory Board does not currently consider it prudent to specify a concrete timetable for implementation of this objective. Therefore, it is currently also not possible to report on any concrete measures for the achievement of objectives in the corporate governance report. Nevertheless, in 2015 the Supervisory Board submitted the resolution to the Annual General Meeting of electing one woman to the company's Supervisory Board. The Annual General Meeting approved this resolution. The target was therefore reached.

Nevertheless, MLP declares – as it also did in the financial year 2016 – that it will not follow this recommendation in the financial year 2017, since MLP has not approved any such targets and instead prefers to appoint members based on their respective qualifications.

Wiesloch, December 2016

MLP AG The Executive Board, The Supervisory Board"

In December 2016, the Executive and Supervisory Boards issued the above Declaration of Compliance pursuant to § 161 of the German Stock Corporation Act (AktG) and made it permanently available to shareholders via the company's website. You can also view the text of the Declaration of Compliance from December 14, 2016 at ↗ www.mlp-ag.com.

You can also find more information on the topic of corporate governance at MLP on the aforementioned homepage.

Corporate governance

Responsible and value adding management

By mainly complying with the stipulations of the German Corporate Governance Code (GCGC) in the version of May 5, 2015, MLP continues to reinforce the confidence of its shareholders, clients, employees and other stakeholders in the management of the company. Responsible management geared toward long-term added value is a high priority for us. The Executive and Supervisory Boards ensure that MLP continues to review and develop corporate governance across the Group.

Management and controlling structure

Executive Board

As the management body of an "Aktiengesellschaft" (public limited company), the Executive Board runs the business and is tied to the interests and business principles of the company within the scope of corporation law. The responsibilities and duties of the Executive Board are laid down in the German Stock Corporation Act (AktG), in MLP AG's Articles of Association, as well as in a set of rules of procedures and the schedule of responsibilities of the Executive Board attached to it.

The members of the Executive Board hold joint responsibility for the entire management. Decisions made by the Executive Board are reached during Executive Board meetings held at regular intervals. Resolutions are drafted as ordinary resolutions with majority votes and recorded accordingly.

The members of the Executive Board are Dr. Uwe Schroeder-Wildberg (Chairman), Manfred Bauer and Reinhard Loose.

Supervisory Board

The Supervisory Board advises and monitors the Executive Board. The responsibilities and duties of the Supervisory Board are derived from the German Stock Corporation Act (AktG), MLP AG's Articles of Association and a set of rules of procedures for the Supervisory Board.

Resolutions of the Supervisory Board are made during meetings convened by the Chairman of the Supervisory Board or on his behalf and require a majority vote. The Supervisory Board is informed of particularly important or urgent projects outside of the regular meetings. Where necessary, resolutions can also take the form of circular resolutions or be passed via telephone. A transcript of each meeting is drafted.

Supervisory Board composition

The Supervisory Board currently consists of six members. These are four shareholder representatives, elected by the Annual General Meeting in 2013, and two employees' representatives, also elected in 2013 by the employees. The members of the Supervisory Board are currently Ms. Tina Müller, Dr. Peter Lütke-Bornefeld (Chairman of the Supervisory Board), Dr. h.c. Manfred Lautenschläger, Dr. Claus-Michael Dill, Mr. Burkhard Schlingermann (employee representative) and Mr. Alexander Beer (employee representative).

Based on the recommendations of the GCGC, the Supervisory Board is to stipulate concrete objectives regarding its composition, which, whilst considering the company's specific situation, take into account the company's international operations, any potential conflicts of interest, the number of independent members of the Supervisory Board, an age limit to be specified for members of the Supervisory Board and diversity.

The Supervisory Board has set itself concrete targets for its composition. One item worthy of particular note here is a requirements profile for Supervisory Board candidates, which was passed in the financial year and which summarises the knowledge, skills, professional experience and personal aptitude characteristics necessary for candidates to be considered. In addition to this, appraisals were made regarding diversity and the number of independent members. You can find further information on the equal participation of women and men in the Supervisory Board in the disclosures on corporate governance practices provided below.

As per the new revisions to § 100 (5) of the German Stock Corporation Act (AktG) that became effective in 2016, members of the Supervisory Board no longer need to meet the personal independence prerequisites due to legal obligations. Instead, the Supervisory Board should comprise what it deems to be an appropriate number of independent members as per Section 5.4.2 of the German Corporate Governance Code (DCGK). For this reason, the Supervisory Board continues to adhere to the requirement for independence. The Supervisory Board considers itself as already consisting of a suitable number of independent members who have no business or personal relationship with the company or members of the Executive Board which could form grounds for a conflict of interest. The Supervisory Board has also set itself the additional goal of filling at least 16.5% of Supervisory Board member positions with suitable female members, in the presence of candidates of equal professional and personal suitability. However, largely due to the low number of members that sit on the Supervisory Board as per the company's Articles of Association, the Supervisory Board does not currently consider it prudent to specify a concrete timetable for implementation of this objective. Nevertheless, this quota was already reached over the course of the year 2015 with the election of Ms. Müller to the company's Supervisory Board. The Supervisory Board also reviewed the knowledge and experience required of the Supervisory Board members and of the Chairman of the Audit Committee under the German Corporate Governance Code with regard to reporting and internal control procedures. The Chairman of the MLP AG Audit Committee fully complies with these requirements.

Efficiency of the Supervisory Board

In the absence of the Executive Board, the Supervisory Board also reviewed the efficiency of its own activities in 2016. Particular attention was paid to the efficiency of the procedures in the Supervisory Board, the information flow between the committees and the Supervisory Board and the timeliness and sufficient content of reporting by the Executive Board to the Supervisory Board. Further measures aimed at increasing efficiency were drafted in the course of intensive discussions.

Supervisory Board committees

The Supervisory Board of MLP AG has set up committees in order to improve the effectiveness of its work. The Personnel Committee prepares the resolutions on HR issues concerning Executive Board members with the company. The Audit Committee is responsible for auditing the accounting processes, risk management issues and the auditing system itself, as well as ensuring the independence of the auditors, awarding the audit contract to the auditors, determining the focal points of the audits and agreements on fees. The Committee also discusses the annual financial statements, the consolidated financial statements and the management reports of MLP AG and the MLP Group and submits a recommendation for resolution to the Supervisory Board. In the financial year 2016, the Supervisory Board also focused intensively on the new legislation of EU Directive 2014/56/EU regarding account auditing, as well as Germany's audit reform legislation (AReG). It adapted procedures to the new legal regulations, so that the stipulations of both the Directive and Germany's audit reform legislation (AReG) can be met. The Supervisory Board has also formed a Nomination Committee, composed exclusively of shareholder representatives, that proposes suitable Supervisory Board candidates for recommendation to the Annual General Meeting and addresses the requirements that these candidates must meet. The members of the Personnel Committee are Ms. Tina Müller, Dr. Peter Lütke-Bornefeld (Chairman of the Personnel Committee) and Mr. Burkhard Schlingermann. The Audit Committee comprises Dr. Claus-Michael Dill (Chairman of the Audit Committee), Dr. h.c. Manfred Lautenschläger, Dr. Peter Lütke-Bornefeld and Mr. Alexander Beer. The Nomination Committee comprises Ms. Tina Müller, Dr. Peter Lütke-Bornefeld (Chairman of the Nomination Committee), Dr. h.c. Manfred Lautenschläger and Dr. Claus-Michael Dill.

Corporate governance in the Supervisory Board

In 2016, the Executive and Supervisory Boards of MLP AG again dealt intensively with the German Corporate Governance Code and further new legislation significant to the work performed by the Supervisory Board and its committees. The Code, and its amendments passed on May 5, 2015, were the object of intensive discussions by the Supervisory Board. Stipulations were analysed and corresponding adjustments to the internal regulations and procedures followed by the Supervisory Board were either proposed or submitted for verification.

Cooperation between Executive Board and Supervisory Board

Intensive dialogue between the Executive and Supervisory Boards forms the basis of transparent and responsible company management. The Executive Board of MLP AG provides the Supervisory Board with regular, timely and comprehensive information on the Group's position, including information on its risk situation, risk management and compliance. The Supervisory Board is informed of particularly important or urgent projects outside of the regular meetings. Furthermore, the Chairman of the Supervisory Board meets with the Executive Board on a regular basis to discuss specific issues. The Chairman of the Supervisory Board informs the other members of the Supervisory Board in detail about the content of his meetings with the Executive Board. The Supervisory Board discussed the Group's corporate planning and plans for strategic growth with the Executive Board.

Significant legal transactions by the Executive Board require the consent of the Supervisory Board. A set of rules of procedures issued by the Supervisory Board in particular governs the distribution of business, powers of approval and co-operation with the Executive Board. Further details on the co-operation between Executive Board and Supervisory Board can be found in the report by the Supervisory Board.

Further disclosures on the Supervisory Board's activities can be found in the report by the Supervisory Board.

Transparency

Shareholdings of members of the Executive and Supervisory Boards as of the balance sheet date:

As of December 31, 2016, the shares held by the members of the company's Executive and Supervisory Boards were distributed as follows:

Supervisory Board member	**Number of shares as of Dec. 31, 2016**	**Number of shares as of Dec. 31, 2015**
Dr. Peter Lütke-Bornefeld	190,000	150,000
Dr. h.c. Manfred Lautenschläger[1]	25,383,373	25,383,373
Tina Müller	–	–
Dr. Claus-Michael Dill	–	–
Burkhard Schlingermann	55	55
Alexander Beer	–	–

[1] Incl. additional voting rights in line with § 22 of the German Securities Trading Act (WpHG)

Executive Board member	Number of shares as of Dec. 31, 2016	Number of shares as of Dec. 31, 2015
Dr. Uwe Schroeder-Wildberg	–	–
Manfred Bauer	11,254	11,254
Reinhard Loose	10,000	10,000

Directors' Dealings

Directors' Dealings

Pursuant to § 15a of the German Securities Trading Act (WpHG), persons discharging managerial responsibilities as an issuer of shares must notify the issuer and the Federal Financial Supervisory Authority (BaFin). This duty also applies to persons with a close relationship to such a person.

Pursuant to § 15a of the German Securities Trading Act (WpHG), four transactions were reported to us in the financial year 2016. These can be viewed on our website ↗ www.mlp-ag.com.

Compliance

Compliance regulations

The trust of our clients, shareholders and business partners in our capacity to act professionally and responsibly forms the basis of our business operations. Compliance with all relevant legislation and codes of conduct for the capital market represents the foundation of our business activities and an integral part of our corporate culture. Violations against applicable legislation and regulations not only have the potential to lead to legal disputes and financial losses, but can also have a negative effect on our Group's reputation. The Executive Board at MLP ensures Group-wide compliance with legal provisions and internal company guidelines, while also guaranteeing both a trusting and transparent system of corporate governance.

The basic principles of abidance to laws, integrity and economically successful business practices are firmly anchored in our internal compliance guidelines. Our compliance activities are based on a Group-wide compliance strategy, which is specifically designed with preventive measures to avoid risks that could arise from non-compliance with applicable legislation, internal standards and processes. The primary focus here is on compliance with the key legal provisions and internal company directives, as well as preventing and combating illegal practices, such as insider trading, money laundering, fraud or any other criminal conduct. In the interests of our clients, shareholders and employees, the Compliance department supports and advises the Executive Board in establishing uniform standards for all Group companies. Taking into account the constantly changing regulatory requirements and market conditions, Compliance steers the continuous further development of our internal behavioural standards and monitors implementation of all applicable requirements.

On the basis of a Group-wide risk analysis, the Compliance department identifies, analyses and evaluates the compliance risks relevant to MLP's business operations. Compliance also collaborates with the specialist departments responsible for developing risk-reducing measures and continuously monitors their effectiveness in our day-to-day business.

Regular training sessions, during which all employees of the MLP Group familiarise themselves with the key regulations as a way of preventing any accidental infractions while also providing support in applying our compliance guidelines, represent an important element of our risk prevention measures. They include in particular web-based training sessions on the topics of securities compliance, data and consumer protection as well as the prevention of money laundering, financing terrorist activities and criminal conduct. Compliance is also available to all employees as a point of contact for reporting anything suspicious with regard to criminal activities or violations against our compliance regulations. Any violations determined are investigated immediately, comprehensively clarified and then used to eliminate any weaknesses identified. The Executive Board and Supervisory Board are regularly informed of all relevant actions and measures taken by the Compliance department.

The Compliance Policy in the MLP Group also sets out the measures for insider trading prevention and describes the internal guidelines for execution of employee transactions. The compliance guidelines also ensure that confidential information is handled responsibly at MLP and define standards for advising and supporting our clients, as well as the policy on giving and accepting invitations and gifts. To prevent any impairment of client interests, we have defined policies regarding the avoidance and monitoring of conflicts of interest and the acceptance and granting of benefits. These policies are regularly reviewed and adapted to changing requirements.

Corporate management practices

Defined company values

MLP defined its core values; a process in which a large number of employees and consultants were involved. “Performance” and “Trust” were identified as values which the corporate mission relies and builds on. You can find details on our corporate mission on our homepage at www.mlp-ag.com. In a further step, the following management principles were then derived from this for MLP.

MLP managers:

- are committed to the interests of MLP clients,
- live out the core values of “Performance” and “Trust”,
- implement agreed targets and decisions consistently,
- are proactive in shaping the future,
- work together openly as team players,
- ensure systematic development of managers and staff.

In accordance with the recommendation of the Corporate Governance Code in Section 4.1.5., the Executive Board has further reinforced its efforts to secure diversity when filling management positions. It will also continue to test the effectiveness of the adopted measures in the financial year 2017 and either make any changes deemed necessary or implement additional measures to ensure that women are given appropriate consideration at the management levels of the company, taking into account the company’s specific situation.

An explanation of the business and risk strategy as well as the risk management system can be found in the chapter → “Risk and disclosure report” of the Annual Report.

Stipulations for promoting equal participation of women in management positions pursuant to § 76 (4) and § 111 (5) of the German Stock Corporation Act (AktG)

The legislation on equal participation of women and men in management positions came into force on May 1, 2015. It stipulates an obligation to specify targets for members of supervisory and executive boards, as well as the two upper management levels, although it does not define an actual minimum target. Insofar as the percentage of women is below 30%, the targets must then not fall below the percentage reached. The deadline to be specified for achievement of the initial targets is set as June 30, 2017. After that deadlines can be up to five years. The targets and deadlines are to be specified in concrete terms. In addition to this, it must be stated whether the specified targets have been achieved and, if not, information as to the reasons must be specified.

MLP places great emphasis on promoting women and helping employees combine a career with a family. The company has therefore already made this topic a focus over the last few years and implemented various measures to promote women into management positions. The concept for example includes measures such as family-friendly meeting arrangements or flexible workplace designs. As a sign of its public commitment to diversity, MLP signed the Diversity Charter in 2014. To help staff more effectively combine their career with a family, MLP opened a parent & child office in February 2015 to provide parents that are struggling to find childcare with the option of taking their children to work with them.

Based on the experience gained within the scope of implementing the individual measures, MLP will stick to the targets already achieved for management levels and thereby comply with the minimum legal requirements stipulated for June 30, 2017. For MLP AG, these are 25% on the shareholder side of the Supervisory Board. Since both the Executive Board and the first management level below the Executive Board now comprise fewer members, we do not consider a fixed quota to be expedient. There is no second management level below the Executive Board, since MLP AG is a holding company and does not employ any further managers beyond its three-person Executive Board and one first level manager. For this reason, we have chosen to continue applying the existing ruling. The Supervisory Board and Executive Board targets at MLP Finanzdienstleistungen AG are the same as those at MLP AG. Targets of 11.11% and 20.69% have been set respectively for the first and second management levels below the Executive Board. In the financial year 2016, the quotas were 21.05% and 18.75% respectively. The changes can be attributed to female managers being promoted from the second to the first management level below the Executive Board, as well as new hirings. In addition to this, MLP has set internal rules for the composition of its Executive Board and Supervisory Board. These stipulate a 25% proportion of women, assuming equal personal and professional aptitude. MLP will also continue to consistently pursue its objective of increasing the number of women in management positions.

Information

By law, the shareholders are involved in all fundamentally important decisions at MLP AG, such as decisions on amendments to the Articles of Association and the issue of new shares. In order to help shareholders assert their rights, MLP offers them the option of having their voting rights exercised in writing by non-discretionary proxies appointed by the company or by postal vote. We report on the main content of the Annual General Meeting on our website at www.mlp.com, where the Chairman’s speech can also be accessed online.

Provision of information to all target groups

We also use the internet in order to provide comprehensive and timely information on the company’s position and significant changes in a way that ensures all stakeholders are treated equally. We provide access to both German and English versions of annual and quarterly reports, press releases, conference calls and presentations on our homepage at www.mlp-ag.com. Our financial calendar includes important events and dates for investors. Analysts’ and media conferences are held at least once a year. In accordance with legal provisions, ad-hoc notices are published on our website, where we also provide comprehensive information on corporate governance at MLP. We provide access to our Declaration of Compliance on our homepage for at least five years.

Accounting and audit

Group accounting is performed in line with International Financial Reporting Standards (IFRS). KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, was appointed as auditor by the Annual General Meeting and has audited the 2016 consolidated financial statements. The Supervisory Board gave its assurance that the relations existing between the auditors and MLP or its governing bodies give no cause for doubting the independence of the auditor. The Supervisory Board at MLP AG also discusses the annual and Group financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

Income statement and statement of comprehensive income

Income statement for the period from January 1 to December 31, 2016

All figures in €'000	Notes	2016	2015*
Revenue	→ (8)	590,559	535,651
Other revenue	→ (9)	19,810	18,667
Total revenue		**610,369**	**554,318**
Commission expenses	→ (10)	-298,505	-253,584
Interest expenses	→ (11)	-1,711	-1,921
Loan loss provisions		-1,619	156
Personnel expenses	→ (12)	-121,847	-113,457
Depreciation and impairment	→ (13)	-23,962	-15,113
Other operating expenses	→ (14)	-145,137	-141,528
Earnings from investments accounted for using the equity method	→ (15)	2,106	1,836
Earnings before interest and tax (EBIT)		**19,694**	**30,706**
Other interest and similar income		906	509
Other interest and similar expenses		-1,851	-3,263
Finance cost	**→ (16)**	**-946**	**-2,753**
Earnings before tax (EBT)		**18,748**	**27,953**
Income taxes	→ (17)	-4,052	-8,170
Net profit		**14,696**	**19,783**
Of which attributable to			
owners of the parent company		14,696	19,783
Earnings per share in €	**→ (18)**		
basic/diluted		0.13	0.18

*Previous year's figures adjusted. The adjustments are disclosed under Note 3.

Statement of comprehensive income for the period from January 1 to December 31, 2016

All figures in €'000	Notes	2016	2015
Net profit		**14,696**	**19,783**
Gains/losses due to the revaluation of defined benefit obligations	→ (28)	-5,387	2,489
Deferred taxes on non-reclassifiable gains/losses	→ (17)	1,602	-727
Non-reclassifiable gains/losses		**-3,784**	**1,762**
Gains/losses from changes in the fair value of available-for-sale securities	→ (24)	140	-339
Deferred taxes on reclassifiable gains/losses	→ (17)	-100	91
Reclassifiable gains/losses		**40**	**-248**
Other comprehensive income		**-3,744**	**1,514**
Total comprehensive income		**10,952**	**21,297**
Of which attributable to			
owners of the parent company		10,952	21,297

Statement of financial position

Assets as of December 31, 2016

All figures in €'000	Notes	Dec. 31, 2016	Dec. 31, 2015
Intangible assets	→ (19)	168,419	174,504
Property, plant and equipment	→ (20)	63,365	65,745
Investments accounted for using the equity method	→ (15)	3,751	3,481
Deferred tax assets	→ (17)	9,063	7,033
Receivables from clients in the banking business	→ (22)	626,479	542,696
Receivables from banks in the banking business	→ (23)	590,972	600,339
Financial assets	→ (24)	162,286	147,916
Tax refund claims	→ (17)	12,115	14,893
Other receivables and assets	→ (25)	122,776	112,531
Cash and cash equivalents	→ (26)	184,829	77,540
Non-current assets held for sale	→ (21)	–	6,040
Total		**1,944,055**	**1,752,719**

Liabilities and shareholders' equity as of December 31, 2016

All figures in €'000	Notes	Dec. 31, 2016	Dec. 31, 2015
Shareholders' equity	→ (27)	383,585	385,753
Provisions	→ (28)	91,225	86,536
Deferred tax liabilities	→ (17)	9,898	10,549
Liabilities due to clients in the banking business	→ (29)	1,271,070	1,102,569
Liabilities due to banks in the banking business	→ (29)	37,720	23,095
Tax liabilities	→ (17)	3,646	4,006
Other liabilities	→ (30)	146,911	140,211
Total		**1,944,055**	**1,752,719**

Statement of cash flow

Statement of cash flow for the period from January 1 to December 31, 2016

All figures in €'000	2016	2015
Net profit (total)	**14,696**	**19,783**
Income taxes paid/reimbursed	2,899	-2,422
Interest received	21,418	21,951
Interest paid	-3,296	-4,990
Earnings from investments accounted for using the equity method	-2,106	-1,836
Dividends received from investments accounted for using the equity method	1,836	1,127
Dividends received	2	1
Depreciation/impairments/write-ups of intangible assets and property, plant and equipment	23,962	15,113
Depreciation/impairments/write-ups of financial assets	-327	71
Allowances for bad debts	1,968	18
Earnings from the disposal of intangible assets and property, plant and equipment	545	121
Earnings from the disposal of financial assets	-45	-74
Adjustments from income taxes, interest and other non-cash transactions	-23,262	-20,811
Changes in operating assets and liabilities		
Receivables from banks in the banking business	9,366	-41,022
Liabilities due to banks in the banking business	14,626	5,715
Receivables from clients in the banking business	-84,745	-46,650
Liabilities due to clients in the banking business	168,501	94,840
Other assets	-12,377	2,447
Other liabilities	6,341	20,906
Provisions	4,689	-5,513
Cash flow from operating activities	**144,691**	**58,775**
Purchase of intangible assets and property, plant and equipment	-18,351	-12,776
Proceeds from disposal of intangible assets and property, plant and equipment	6,773	440
Repayment of/investment in time deposits	-20,000	-15,000
Repayment of/investment in held-to-maturity investments	-1,980	-23,506
Purchase of other financial assets	-14,999	19,916
Proceeds from disposal of other financial assets	5,196	10,785
Net cash inflow/outflow from the acquisition of subsidiaries	2,078	2,127
Cash flow from investing activities	**-41,282**	**-18,014**
Dividends paid to shareholders of MLP AG	-13,120	-18,339
Cash flow from financing activities	**-13,120**	**-18,339**
Change in cash and cash equivalents	90,288	22,422
Cash and cash equivalents at beginning of period	94,540	72,119
Cash and cash equivalents at end of period	**184,829**	**94,540**
Composition of cash and cash equivalents		
Cash and cash equivalents	184,829	77,540
Loans ≤ 3 months	–	17,000
Cash and cash equivalents at end of period	**184,829**	**94,540**

The notes on the statement of cash flow appear in → Note 31.

Statement of changes in equity

Statement of changes in equity for the period from January 1 to December 31, 2016

All figures in €'000					Equity attributable to MLP AG shareholders	
	Share capital	Capital reserves	Gains/losses from changes in the fair value of available-for-sale securities*	Revaluation gains/losses related to defined benefit obligations after taxes	Retained earnings	Total shareholders' equity
As of Jan. 1, 2015	**107,878**	**142,184**	**1,460**	**-10,730**	**136,004**	**376,795**
Dividend	–	–	–	–	-18,339	-18,339
Increase in capital stock as per § 202 of the German Stock Corporation Act (AktG)	1,457	4,543	–	–	–	6,000
Transactions with owners	**1,457**	**4,543**	**–**	**–**	**-18,339**	**-12,339**
Net profit	–	–	–	–	19,783	19,783
Other comprehensive income	**–**	**–**	**-248**	**1,762**	**–**	**1,514**
Total comprehensive income	**–**	**–**	**-248**	**1,762**	**19,783**	**21,297**
As of Dec. 31, 2015	**109,335**	**146,727**	**1,212**	**-8,968**	**137,448**	**385,753**
As of Jan. 1, 2016	**109,335**	**146,727**	**1,212**	**-8,968**	**137,448**	**385,753**
Dividend	–	–	–	–	-13,120	-13,120
Transactions with owners	**–**	**–**	**–**	**–**	**-13,120**	**-13,120**
Net profit	–	–	–	–	14,696	14,696
Other comprehensive income	–	–	40	-3,784	–	-3,744
Total comprehensive income	**–**	**–**	**40**	**-3,784**	**14,696**	**10,952**
As of Dec. 31, 2016	**109,335**	**146,727**	**1,252**	**-12,752**	**139,024**	**383,585**

* Reclassifiable gains/losses.

The notes on the statement of changes in equity appear in → Note 27.

Notes

General information

1 Information about the company

The consolidated financial statements were prepared by MLP AG, Wiesloch, Germany, the ultimate parent company of the MLP Group. MLP AG is listed in the Mannheim Commercial Register under the number HRB 332697 at the address Alte Heerstraße 40, 69168 Wiesloch, Germany.

Since it was founded in 1971, the MLP Group (MLP) has been operating as a broker and adviser for academics and other discerning clients in the fields of old-age provision including occupational pension provision, healthcare provision, non-life insurance, loans and mortgages, wealth management and banking services.

2 Principles governing the preparation of the financial statements

The consolidated financial statements of MLP AG have been prepared in accordance with International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standard Board (IASB), taking into account the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as they apply in the European Union (EU). In addition, the commercial law regulations to be observed pursuant to § 315a (1) of the German Commercial Code (HGB) were also taken into account. The financial year corresponds to the calendar year.

The consolidated financial statements have been prepared on the basis of the historical cost convention with the exception that certain financial instruments are measured at fair value. MLP prepares its consolidated balance sheet based on liquidity. This form of presentation offers information that is more relevant than if it were based on the time-to-maturity factor.

The income statement is prepared in accordance with the nature of expense method.

The consolidated financial statements are drawn up in euros (€), which is the functional currency of the parent company. Unless otherwise specified, all amounts are stated in thousands of euros (€'000). Both single and cumulative figures are values with the smallest rounding difference. As a result, differences to reported total amounts may arise when adding up the individual values.

3 Amendments to the accounting policies, as well as new standards and interpretations

The accounting policies applied are the same as those used in the previous year, with the following exceptions:

In the financial year 2016 the following new or amended standards and interpretations were to be applied for the first time.

In May 2014, the IASB published amendments to **IFRS 11 "Acquisition of an Interest in a Joint Operation"**. This clarifies that acquisitions of shares and additional shares in joint operations that represent business operations in the sense of IFRS 3 "Business Combinations" are to be recorded based on the principles for recognising business combinations pursuant to IFRS 3 and other IFRS standards, insofar as these are not in conflict with the provisions of IFRS 11.

In December 2014, the IASB published its amendments to **IAS 1 "Presentation of Financial Statements"**. The amendments are intended to improve the way information is presented in financial statements. In future, disclosures are to be more relevant and company-specific.

In December 2014, the IASB published its amendments to **IFRS 10, IFRS 12 and IAS 28 "Consolidation Exception"**. These amendments serve to clarify various issues relating to application of the exception from the consolidation obligation pursuant to IFRS 10 if the parent company fulfils the definition of an "investment company". The standard is to be applied to financial years beginning on or after January 1, 2016.

In August 2014, the IASB published amendments to **IAS 27 "Separate Financial Statements (Equity Method)"**. As a result of the amendments, investments in subsidiaries, joint ventures and associates will in future also be recognised in the balance sheet using the equity method for IFRS separate financial statements.

In May 2014, the IASB published amendments to **IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortisation"**. The objective of these amendments is to clarify the correct methods with regard to amortisation of tangible and intangible assets.

The IASB **published its improvements to IFRS 2012–2014** in September 2014. The amendments concern the standards IFRS 5, IFRS 7, IAS 19 and IAS 34. They eliminate inconsistencies and clarify certain formulations.

The standards and amendments to be applied for the first time were predominantly not relevant for the consolidated financial statements. As such, no significant effects resulted from these.

Adoption of the following new or revised standards and interpretations was not yet binding for the financial year commencing on January 1, 2016. The standards were not adopted early:

EU endorsement has already taken place

In July 2014, the IASB completed its project to replace IAS 39 **"Financial Instruments: Recognition and Measurement"** with publication of the final version of **IFRS 9 "Financial Instruments"**. IFRS 9 introduces a uniform approach to classification and measurement of financial assets. The standard refers to the cash flow characteristics and the business model that is used to control them as its basis. In addition to this, it prescribes a new impairment model that is based on anticipated credit defaults.

IFRS 9 also contains new regulations regarding application of hedge accounting to present a company's risk management activities more clearly, in particular with regard to managing non-financial risks. The new standard is to be applied to financial years beginning on or after January 1, 2018. Early adoption is also permitted. As a consequence of the new model for recording credit defaults, we are anticipating higher impairment losses, although without currently being able to quantify these. The company is currently reviewing what effects adoption of IFRS 9 would have on its consolidated financial statements.

In May 2014, the IASB published the new standard **IFRS 15 "Revenue from Contracts with Customers"**. Based on the new standard, the revenue recorded is to include transfer of goods and services promised to the customer at the amount that corresponds to what the company is likely to receive in exchange for these goods or services. Revenue is generated when the customer receives control of the goods or services. IFRS 15 also contains stipulations regarding disclosure of performance surpluses or obligations in place at contractual level. These are assets and liabilities resulting from customer contracts that are based on the relationship between the service performed by the company and the payment made by the customer. In addition to this, the new standard requires disclosure of a whole host of quantitative and qualitative information to allow readers of the consolidated financial statements to understand the type, level and timing of revenue and cash flows from contracts with customers, as well as the uncertainty associated with these. IFRS 15 replaces IAS 11 "Construction Contracts" and IAS 18 "Revenue", as well as the accompanying interpretations. The standard is to be applied to financial years beginning on or after January 1, 2018. Early adoption is also permitted. The company is currently reviewing what effects adoption of IFRS 15 would have on the Group's consolidated financial statements and will then stipulate the timing of the initial application, as well as the transmission methods.

EU endorsement still pending:

The IASB published its new **IFRS 16 "Leases"** standard in January 2016. IFRS 16 replaces IAS 17 and the accompanying interpretations (IFRIC 4, SIC-15, SIC-27). For lessees, the new standard requires a completely new approach for reporting leasing agreements. While with IAS 17 the transfer of key opportunities and risks relating to the lease object was the overriding factor when reporting leases, in future all leases must generally be recorded in the balance sheet by the lessee as a financing transaction. The accounting regulations for lessors have remained largely unchanged. If endorsed in its current form by the EU, the standard is to be applied for the financial years beginning on or after January 1, 2019. Early adoption is possible, provided IFRS 15 is also being applied. The company is currently reviewing what effects adoption of IFRS 16 would have on its consolidated financial statements.

In September 2014, the IASB published amendments to **IFRS 10 and IAS 28 "Sales or Contributions of Assets between an Investor and its Associate/Joint Venture"**. This eliminates an inconsistency that has previously existed between the two standards. The IASB has postponed the timing for initial adoption of this standard indefinitely. The Group currently does not expect this to lead to any significant effects on the consolidated financial statements.

The IASB published amendments to **IFRS 2 "Share-Based Payment"** in June 2016. The amendments concern the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. If endorsed in its current form by the EU, the amendments are to be applied for the financial years beginning on or after January 1, 2018. The Group currently does not expect this to lead to any significant effects on the consolidated financial statements.

The IASB published its amendments to **IAS 7 "Disclosure Initiative"** in January 2016. The amendments target improvement of the information on a company's indebtedness. If endorsed in its current form by the EU, the amendments are to be applied for the financial years beginning on or after January 1, 2017. The Group currently does not expect this to lead to any significant effects on the consolidated financial statements.

The IASB published its amendments to **IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"** in January 2016. The amendments clarify how deferred tax assets relating to unrealised losses are recorded for debt instruments measured at fair value. If endorsed in its current form by the EU, the amendments are to be applied for the financial years beginning on or after January 1, 2017. The Group currently does not expect this to lead to any significant effects on the consolidated financial statements.

The IASB published an amendment to **IAS 40 "Investment property"** in December 2016. The amendment serves to clarify transfers of property to, or from, investment property. More specifically, the question was whether a property under construction or development that was previously classified as inventory could be transferred to investment property when there was an evident change in use. If endorsed in its current form by the EU, the amendment is to be applied for the financial years beginning on or after January 1, 2018. The Group currently does not expect this to lead to any significant effects on the consolidated financial statements.

The IASB published clarifications on **IFRS 15 "Revenue from Contracts with Customers"** in April 2016. The amendments include clarifications on various provisions of IFRS 15, as well as simplifications regarding the transition to the new standard. If endorsed in its current form by the EU, the amendments are to be applied for the financial years beginning on or after January 1, 2018.

The IASB published **IFRIC 22 "Foreign Currency Transactions and Advance Consideration"** in December 2016. **IFRIC 22 addresses an application question regarding IAS 21 "The Effects of Changes in Foreign Exchange Rates"**. If endorsed in its current form by the EU, the interpretation is to be applied for the financial years beginning on or after January 1, 2018.

The IASB **published its improvements to IFRS 2014–2016** in December 2016. The amendments concern the standards IFRS 12, IFRS 1 and IAS 28. They eliminate inconsistencies and clarify certain formulations. If endorsed by the EU, the amendments to IFRS 12 are to be applied to financial years beginning on or after January 1, 2017, while the amendments to IFRS 1 and IAS 28 are to be applied for the first time to financial years starting on or after January 1, 2018. The Group currently does not expect this to lead to any significant effects on the consolidated financial statements.

MLP did not adopt any standards or interpretations ahead of time that have already been issued but have not yet come into force. The Group will apply the new/revised standards and interpretations at the latest when their adoption becomes binding following endorsement by the EU.

For greater clarity, since January 1, 2016 MLP has disclosed loan loss provisions as a separate item in the income statement – and thereby separately from administrative expenses. Among other things, depreciation and impairment costs which were previously recorded under administrative expenses are now recognised under loan loss provisions. The following table shows the adjusted figures from the previous year:

Consolidated income statement

All figures in €'000			2015
	Before adjustment	Adjustment	After adjustment
Other operating income	21,529	-2,862	18,667
Total revenue	557,180	-2,862	554,318
Loan loss provisions	0	156	156
Other operating expenses	-144,234	2,706	-141,528

4 Scope of consolidation, as well as shares in associates and disclosures on non-consolidated structured entities

MLP AG and all significant subsidiaries that are controlled by MLP AG are included in the consolidated financial statements. Associates are accounted for using the equity method.

The following changes to the scope of consolidation were made in the financial year. FERI AG announced the sale of FERI Eurorating Services AG to Scope Corporation AG on June 30, 2016. The transaction was then concluded on August 1, 2016. FERI is now continuing to focus on its core strengths of investment management, investment consulting and investment research, as well as on strategic further development to become the leading investment company in Germany, Luxembourg, Switzerland and Austria. Profit of € 469 thsd was recorded in connection with the sale of the shares. This is recognised under other revenue.

In the course of the ongoing focus on the corporate structure in the DOMCURA Group, Ralf W. Barth GmbH and F&F Makler AG were merged into nordias GmbH Versicherungsmakler, and Nordische Informations-Technologie AG was merged into DOMCURA AG in the financial year.

Alongside MLP AG as the parent company, 13 (previous year: 16) fully consolidated domestic subsidiaries and, as was already the case in the previous year, one fully consolidated foreign subsidiary and one associated company were incorporated in the consolidated financial statements of December 31, 2016.

Listing of shareholdings for the consolidated financial statements as per § 313 of the German Commercial Code (HGB)

As of December 31, 2016	Share of capital in %	Shareholders' equity (€'000)	Net profit (€'000)
Fully consolidated subsidiaries			
MLP Finanzdienstleistungen AG, Wiesloch[1]	100.00	109,548	6,775
TPC GmbH, Hamburg [1] (Wholly-owned subsidiary of MLP Finanzdienstleistungen AG)	100.00	314	64
ZSH GmbH Finanzdienstleistungen, Heidelberg[1] (Wholly-owned subsidiary of MLP Finanzdienstleistungen AG)	100.00	1,190	718
FERI AG, Bad Homburg v.d. Höhe [1]	100.00	19,862	14,092
FERI Trust GmbH, Bad Homburg v.d. Höhe[1] (Wholly-owned subsidiary of FERI AG)	100.00	8,386	2,199
FEREAL AG, Bad Homburg v.d. Höhe[1] (Wholly-owned subsidiary of FERI AG)	100.00	1,949	22
FERI Trust (Luxembourg) S.A., Luxembourg (Wholly-owned subsidiary of FERI AG)	100.00	18,242	13,646
Schwarzer Familienholding GmbH, Kiel[1]	100.00	2,215	2,701
DOMCURA AG, Kiel[1] (Wholly-owned subsidiary of Schwarzer Familienholding GmbH)	100.00	2,380	2,946
Nordvers GmbH, Kiel[1] (Wholly-owned subsidiary of DOMCURA AG)	100.00	26	-1,073
nordias GmbH Versicherungsmakler, Kiel[1] (Wholly-owned subsidiary of Schwarzer Familienholding GmbH)	100.00	435	-388
Willy F. O. Köster GmbH, Hamburg[1] (Wholly-owned subsidiary of nordias GmbH Versicherungsmakler)	100.00	2,025	148
Siebert GmbH Versicherungmakler, Jens/Arnstadt[1] (Wholly-owned subsidiary of nordias GmbH Versicherungsmakler)	100.00	26	-185
MLPdialog GmbH, Wiesloch (Wholly-owned subsidiary of MLP Finanzdienstleistungen AG)	100.00	717	222
Associates consolidated at equity			
MLP Hyp GmbH, Wiesloch (49.8% subsidiary of MLP Finanzdienstleistungen AG)	49.80	6,216	3,216
Companies not consolidated due to immateriality			
MLP Consult GmbH, Wiesloch	100.00	2,320	-8
Michel & Cortesi Asset Management AG, Zurich (Switzerland) [2] [3] (Wholly-owned subsidiary of FERI AG)	100.00	715	251
CORESIS Management GmbH, Bad Homburg v.d. Höhe [2] (25% held by FERI AG)	25.00	366	112
FPE Private Equity Beteiligungs-Treuhand GmbH, Munich [2] (Wholly-owned subsidiary of FERI Trust GmbH)	100.00	181	144
FPE Private Equity Koordinations GmbH, Munich [2] (Wholly-owned subsidiary of FERI Trust GmbH)	100.00	74	47
FPE Direct Coordination GmbH, Munich[2] (Wholly-owned subsidiary of FERI Trust GmbH)	100.00	45	14
FERI Private Equity GmbH & Co. KG, Munich[2] (Wholly-owned subsidiary of FERI Trust GmbH)	100.00	31	179
FERI Private Equity Nr. 2 GmbH & Co. KG, Munich[2] (Wholly-owned subsidiary of FERI Trust GmbH)	100.00	5	-5
AIF Komplementär GmbH, Munich[4] (25% held by FERI AG)	25.00	3	-21
AIF Register-Treuhand GmbH, Munich[4] (Wholly-owned subsidiary of FERI AG)	100.00	18	-7
DIEASS GmbH, Kiel[1] (Wholly-owned subsidiary of DOMCURA AG)	100.00	26	-9
Portus Assekuranz Vermittlungsgesellschaft mbH, Kiel[1] (Wholly-owned subsidiary of DOMCURA AG)	100.00	25	-60
Walther Versicherungsmakler GmbH, Hamburg[1] (Wholly-owned subsidiary of nordias GmbH Versicherungsmakler)	100.00	25	0

[1] A profit and loss transfer agreement is in place. Presentation of the net result for the year before profit transfer.
[2] Shareholders' equity and net profit as of December 31, 2015.
[3] Exchange rate as at the balance sheet date € 1 = CHF 1.07364.
[4] Shareholders' equity and net profit as of December 31, 2014.

Disclosures on non-consolidated structured entities

Structured entities are companies at which the voting rights or comparable rights are not the dominant factor when determining control, such as when voting rights refer exclusively to administrative duties and the relevant activities are governed by contractual agreements. Examples of structured companies include securitisation companies, asset-backed finance companies and private equity companies. As is also the case with subsidiaries, the structured entities need to be consolidated whenever MLP AG controls them.

Non-consolidated structured entities of the MLP Group are **private equity companies**. Due to the fact that they engage in similar activities, disclosures on non-consolidated structured entities are bundled.

The activities of the companies focus on establishing, maintaining and managing a portfolio of passive investments (target companies), in particular by acquiring shareholdings. The investments primarily comprise shareholdings and are regularly financed by shareholders' equity. The business model prescribes utilisation of potential returns for equity suppliers through investments in shareholdings via an umbrella fund concept. The objective is to generate income for the equity suppliers via two different approaches; firstly via regular dividend payouts from profitable target companies, and secondly by selling participations for a profit towards the end of the shareholding. The companies generally do not have any business operations of their own or employ any staff.

The carrying amounts of non-consolidated structured entities in the MLP Group are € 457 thsd as of December 31, 2016 (previous year: € 521 thsd). In the financial year 2016, MLP AG recorded an income of € 68 thsd from non-consolidated structured entities (previous year: € 216 thsd).

The MLP Group's maximum risks of loss from non-consolidated structured entities corresponds to the investment carrying amount.

5 Significant discretionary decisions, estimates and changes in estimates

On occasions, the preparation of the financial statements included in IFRS consolidated financial statements requires discretionary decisions, assumptions and estimates, which influence the level of the disclosed assets and debts, the disclosures of contingent liabilities and receivables, the income and expenses of the reporting period and the other disclosures in the consolidated financial statements.

The estimates include complex and subjective measurements, as well as assumptions, some of which are uncertain due to their very nature and can be subject to changes. The actual values may deviate from the estimates.

Information on significant discretionary decisions, assumptions and estimation uncertainties that have the greatest impact on the amounts disclosed in the consolidated financial statements when applying the accounting policies is provided in the following notes:

- → Note 4 – aggregation principles for structured entities
- → General information→ Notes 6 and → 19 – impairment test (discounted cash flow forecasts and significant assumptions applied)
- → Notes 6 and → 21 – non-current assets held for sale
- → Notes 6, → 22 to → 25 and → 35 – classification and measurement of financial instruments, as well as fair value disclosures.
- → Notes 6, → 22 and → 25 – allowances for bad debts
- → Notes 6, → 28 and → 34 – provisions and corresponding refund claims as well as contingent assets and liabilities
- → Notes 6 and → 28 – measurement of defined benefit obligations
- → Notes 6 and → 33 – classification of leases
- → Note 17 – recognition of tax receivables/tax reserves
- → Note 26 cash and cash equivalents – composition of cash and cash equivalents

6 Accounting policies

Revenue recognition

Revenue is generally recognised if it is probable that MLP will derive definable economic benefit from it.

MLP generates **revenue from commission**. This commission is in turn generated in the areas of old-age provision, wealth management, health insurance, non-life insurance, loans and mortgages and other consulting services.

Commission income from the brokerage of insurance policies is recognised independently of the inflow of funds if the Group is entitled to receive payment. The entitlement to payment automatically arises when the first premium of the policy holder has been collected by the insurance company, but at the earliest upon conclusion of the insurance contract. Obligations to consultants and office managers also arise at this point in time. MLP is entitled to time-limited **trail commissions** for the brokerage of certain contracts (especially pertaining to old-age provision). They are realised according to the same principles as acquisition commissions. MLP receives partially recurrent **trailer fees** for brokered old-age provision and health insurance contracts. The company is usually entitled to these as long as premiums are payable for underlying contracts.

For the obligation to return portions of commission received when brokered insurance policies are prematurely terminated, MLP establishes provisions for cancellation risks on the basis of empirical values and capitalises the refund claims associated with this for consultants and office managers under "Other receivables and assets" as refund claims resulting from recourse claims. The change in provisions is disclosed under revenues, while the change in the refund claim associated with this is disclosed under commission expenses.

In the field of **old-age provision**, only commission income from the brokering of life insurance products is included. In the areas of **non-life and health insurance**, commission income comes from the brokering and management of corresponding insurance products. Revenue from wealth management includes issuing premiums, custody and account maintenance charges, fund management/brokerage fees, as well as brokerage and trailer commission from wealth management mandates. Further wealth management revenue comes from research and rating services. Revenue is generated after service provision.

Commission income from the brokering of loans (credit brokering commission) is attributed to the revenue from the **loans and mortgages** business. MLP realises brokerage commissions for loan brokerage after concluding the respective loan agreement.

Other commission and fees are generated at the level to which consulting services are performed. They are paid in particular for consulting services to companies when setting up occupational pension provision schemes, for consulting services offered in connection with medical practice financing and business start-ups, as well as for real estate brokerage.

In addition to this, **revenue is generated from the interest rate business**. Revenue from the interest rate business also includes interest income from the investment of funds of MLP Finanzdienstleistungen AG.

Interest income is earned by MLP for the duration of the capital investment in line with the effective interest method. Commissions that are part of the effective interest return of a receivable are treated as interest income and recorded in those periods in which they are actually earned. They include commitment interest for giving loan commitments or taking over an existing liability. The company realises fees for other current handling and processing services (for example prematurity compensation) after providing these services.

Interest income from the investment of money from other Group companies is a constituent of the **finance cost** and is earned for the duration of the capital investment in line with the effective interest method, while dividends are recognised the moment an entitlement to payment arises.

Currency translation

The euro is the functional currency of all companies consolidated in MLP's consolidated financial statements. The Group operates exclusively in Germany and Luxembourg.

Fair value

A range of accounting policies and Group disclosures require determination of the fair value for financial and non-financial assets and liabilities. For the determination of the fair value of an asset or liability, MLP uses data observed in the market insofar as possible. If there is no active market on the closing date, the fair value is determined using recognised valuation models. Based on the input factors used in the valuation models, the fair values are classified in various tiers within the fair value hierarchy as per IFRS 13:

1. Fair values at hierarchy level 1 are determined using prices available in active markets for the identical financial instrument (quoted market prices).
2. The fair values at hierarchy level 2 are either determined using prices on active markets for comparable but not identical financial instruments or using valuation techniques based primarily on data from observable markets.
3. When using valuation techniques, which incorporate a key parameter that cannot be observed in the market, fair values are assigned to hierarchy level 3.

If the input factors used to calculate the fair value of an asset or liability can be assigned to various tiers in the fair value hierarchy, the entire measurement of fair value is assigned to the tier in the fair value hierarchy that corresponds to the lowest input factor of overriding importance for the valuation.

The Group recognises re-assignments between the various tiers in the fair value hierarchy at the end of the reporting period in which the respective amendment was implemented.

You can find further information on the assumptions made when determining fair values in the following notes:

- → Note 21 – investment property/non-current assets held for sale
- → Note 35 – additional information on financial instruments

Intangible assets

Intangible assets are disclosed at their acquisition or manufacturing costs minus all accumulated amortisation charges and all accumulated impairment losses. MLP does not apply the revaluation method.

Definite-lived intangible assets need to be estimated with regard to the depreciation methods and duration. The respective useful life periods are defined on the basis of empirical values. Due to changed overall economic circumstances, the amortisation period may need to be adjusted, which can have significant effects on the level of amortisation expenses. At MLP this mainly concerns client relations and software. Definite-lived intangible assets are usually written down on a straight-line basis over their economic life.

Intangible assets generated internally are only capitalised at their cost of conversion if the conditions required pursuant to IAS 38 are fulfilled. The cost of conversion includes all costs directly attributable to the development process and appropriate portions of development-related overheads.

Goodwill and other **indefinite-lived intangible assets** are not amortised. The indefinite-lived intangible assets are subjected to an impairment test once a year or when there are indications of an impairment. These tests are either performed individually or at the level of a cash-generating unit. At MLP, this in particular affects the brands acquired within the scope of business combinations.

Business combinations require estimates of the fair value of the assets acquired, assumed debts and contingent liabilities purchased. Property, plant and equipment are usually valued by independent experts, while marketable securities are shown at their stock market price. If intangible assets are to be valued, MLP either consults an independent external expert or calculates the fair value based on a suitable valuation method, generally discounted cash flows, depending on the type of asset and the complexity involved in calculating the value. Depending on the type of asset and the availability of information, various valuation techniques are applied (market-price-oriented, capital-value-oriented and cost-oriented methods). For instance, when valuing trademarks and licences, the relief-from-royalty method may be appropriate, whereby the value of intangible assets is assessed on the basis of royalties saved for trademarks and licences held by the company itself.

Insofar as cash-generating units are restructured, a re-allocation of the goodwill assigned to these units is performed on the basis of the relative revenue values. Brands are re-allocated on the basis of sustainable revenue or relative revenue values.

MLP tests **goodwill** from business combinations for impairment at least once a year. For the purpose of the impairment test, goodwill is allocated to cash-generating units at the acquisition date. The impairment test compares the carrying amount of the cash-generating units with their recoverable amount. The recoverable amount is the higher amount of either the fair value less costs of sale or the value in use of the cash-generating unit. This requires an estimate of the value in use of the cash-generating unit, to which the goodwill is allocated. To this end, corporate management must estimate the likely future cash flow of the cash-generating units. The calculation of the present value of anticipated future cash flows is based on assumptions on the development of funds under management, future sales volumes and expenses. The cash flow estimate is based on detailed planning periods with a planning horizon of four years. In addition to this, an appropriate discount rate must be selected to determine the present value of this cash flow.

Property, plant and equipment

Items of property, plant and equipment are measured at cost and, if applicable, less straight-line depreciation and impairment losses. MLP does not apply the revaluation method.

The profits or losses resulting from the disposal of assets are determined as the difference between the net disposal proceeds and the carrying amount and are recognised in the income statement as other revenue or other operating expenses in the period in which the item is derecognised. Maintenance and minor repairs are recognised in the income statement immediately.

Impairment test

The carrying amount of all indefinite-lived intangible assets, intangible assets that are not yet ready for use and goodwill is tested at the end of each financial year.

The significant assumptions that are used when calculating the recoverable amount in the form of the use value are the discount rates, terminal value growth rates and growth rate of earnings before tax. The discount rate is based on a risk-free basic interest rate plus a company-specific risk premium, which is derived from the systematic market risk (beta factor) and the current market risk premium. The discounted cash flow model is based on future cash flows over a period of four years. Cash flows after this time period are extrapolated using a growth rate, which is based on the management's estimate of the long-term average annual growth rate in earnings before tax. For further details, please refer to → Note 19.

Leasing

MLP has not signed any agreements that essentially transfer all risks and rewards associated with the ownership of the leased asset to the lessee (finance leases). The further notes are therefore limited to operating leases.

MLP signed multiple leasing agreements as **lessee** of rental properties, motor vehicles and office machines. The agreements are also classified as operating leases, as the lessors bear the key risks and opportunities associated with ownership of the property. Rental payments under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. The same principle applies to benefits received and receivable that serve as an incentive to enter into an operating lease. For further details, please refer to → Note 33.

Investments accounted for using the equity method

The acquisition costs are annually updated by taking into account the equity changes of the associates corresponding to MLP's equity share. Unrealised gains and losses from transactions with associates are eliminated based on the percentage of shares held. The changes of the pro rata shareholders' equity are shown in the company's income statement under earnings from investments accounted for using the equity method. Dividends received reduce the carrying amount. For further details, please refer to → Note 15.

Financial instruments

A financial instrument is a contract that simultaneously gives rise to a financial asset at one entity and a financial liability or equity instrument at the other entity. In the case of regular-way purchases and sales, financial instruments are recognised or derecognised in the balance sheet on the trade date. Regular-way purchases or sales are purchases or sales of financial assets requiring delivery of the assets within a period dictated by market regulations or conventions.

Pursuant to IAS 39, financial instruments are divided into the following categories:

- Financial assets at fair value through profit and loss,
- Held-to-maturity investments,
- Loans and receivables,
- Available-for-sale financial assets,
- Financial liabilities measured at amortised cost and
- Financial liabilities at fair value through profit and loss

MLP defines the classification of its financial assets and liabilities upon initial recognition. They are initially recognised at their fair value. The fair value of a financial instrument is defined as the price paid for the sale of an asset or transfer of a liability in a standard business transaction between market actors on the cut-off date for valuation. Financial assets or liabilities that are not measured at fair value through profit and loss within the scope of the subsequent measurement are initially recognised plus transaction costs that are directly attributable to the acquisition of the financial asset or issue of the financial liability.

Financial assets at fair value through profit and loss comprise the subcategories "Held for trading" and "Designated at fair value through profit and loss". MLP's financial instruments are "designated at fair value through profit and loss" when incongruences would otherwise arise in their valuation or recognition. Subsequent to initial recognition, these assets are measured at their fair value. Profits or losses from the change in fair value are recognised through profit or loss.

MLP tests the carrying amounts of the financial instruments that are not measured at fair value through profit and loss individually at each closing date to determine whether there is objective and material evidence of impairment. A financial asset is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset than can be reliably estimated.

The following are classed as objective evidence that impairment losses have occurred to financial assets:

- Default or delay in payments on the part of the debtor
- Indications that a debtor or issuer is falling into insolvency
- Adverse changes in the payment status of borrowers or issuers
- Economic framework conditions that correlate with defaults
- The disappearance of an active market for a security.

In addition to this, when an equity instrument held suffers a significant or extended decline in fair value to a level below its acquisition costs, this is considered an objective evidence of impairment. MLP classes a decrease in value of 20% to be "significant" and a time period of nine months as an "extended" decline.

MLP has classified financial assets as held-to-maturity investments. Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and a fixed term that MLP wishes to and is capable of retaining until maturity. So far MLP has not prematurely sold any financial assets that were classified as held-to-maturity financial investments. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method. If held-to-maturity investments are likely to be subject to an impairment, this will be recognised through profit or loss. An impairment that was previously recognised as an expense is reversed to income if a recovery in value can be attributed objectively to facts that have arisen since the original impairment charge. An increase in value is only recognised to the extent that it does not exceed the value of the amortised costs that would have resulted without impairment. The recoverable amount of securities held to maturity which is required for impairment testing corresponds to the present value of the expected future cash flow, discounted using the original effective interest rate of the financial asset. The fair value of held-to-maturity investments can temporarily drop below their carrying amount. Insofar as this drop is not due to credit risks, no impairment is recognised.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed on an active market. Subsequent to initial recognition, they are valued at amortised cost using the effective interest method. For receivables from banking business and for other receivables and other assets, impairment losses on portfolio basis are recognised for receivables for which no specific allowances have been made.

Any impairment losses are recognised in profit or loss on the corresponding impairment account. If a receivable is uncollectable (i.e. payment is almost certainly impossible), it will be written off. Allowances for bad debt on a portfolio basis in connection with **loan loss provision in the banking business** are established on the basis of historical loss rates and dunning levels. Specific allowances for bad debts are recognised if receivables are likely to be uncollectable. The **allowances for other receivables and other assets** essentially relate to receivables from branch office managers and consultants. Alongside the allowances formed for losses on individual accounts receivable that are in default, portfolio-based impairment losses are recorded for the remaining accounts receivable. As is also the case with loan loss provisions in the banking business, the allowances are based on historical loss rates. These are set separately for consultants and office managers and applied to the respective accounts receivable. For further details, please refer to Notes 22 and 25.

Available-for-sale financial assets represent non-derivative financial assets which, subsequent to initial recognition, are measured at their fair value. Profits or losses that result from a change in fair value are recognised outside the income statement as other comprehensive income until the respective asset is derecognised. However, allowances for bad debts and profits or losses from currency translations are excluded from this. They are recognised directly in profit or loss. The reversal of profits/losses recorded under other comprehensive income in the income statement is performed either when the respective asset is derecognised or in the event of an impairment.

If a decline in the fair value of an available-for-sale financial asset has been recognised under other comprehensive income and an objective reference to impairment of this asset is in place, this loss recognised previously directly in shareholders' equity is to be transferred from shareholders' equity to the income statement up to the level of the determined impairment.

Impairment losses of an available for sale equity instrument recognised in profit or loss cannot be reversed. MLP records any further increase of the fair value under shareholders' equity with no effect on the operating result.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and this increase can be related objectively to events occurring after the impairment was recognised, the impairment loss is reversed to equity at the appropriate level.

MLP measures equity instruments for which no listed price exists on an active market, and whose fair value cannot be reliably established, at acquisition cost. If objective indicators suggest there is an impairment to a non-listed equity instrument measured at acquisition costs, the amount of impairment is calculated as the difference between the carrying amount and the present value of the estimated future cash flow, which are discounted at the current market rate of return of a comparable asset.

Subsequent to their initial recognition, **financial liabilities** are to be recognised at their amortised costs using the effective interest method. Profits or losses are recognised in the income statement on derecognition, as well as within the scope of amortisation charges. Subsequent to their initial recognition, **financial liabilities at fair value through profit and loss** are measured at their fair value. Profits or losses from the change in fair value are recognised through profit or loss.

Pension provisions

Old-age provision in the Group is performed on the basis of the defined-benefit and defined contribution old-age provision plans.

In the **defined contribution plans**, MLP pays premiums to statutory or private pension insurance institutions based on legal or contractual provisions or on a voluntary basis. After payment of the premiums, MLP has no further benefit obligations.

Commitments to pay premiums into defined contribution schemes are recognised as expenses as soon as the related service has been rendered. Pre-paid premiums are recognised as assets insofar as a right to reimbursement or reduction of future payments arises.

In accordance with IAS 19 “Employee Benefits”, the provisions for pension obligations from **defined benefit plans** are measured using the projected-unit credit method.

The benefit obligations are partly covered by reinsurance. Virtually all reinsurance policies fulfil the conditions of pension scheme assets. For this reason the claims from reinsurance policies are netted against corresponding pension provisions in the balance sheet as per IAS 19.

The Group’s net obligation with regard to defined benefit plans is calculated separately for each plan by estimating future benefits that the employees have earned in the current period and in earlier periods. This amount is discounted and the fair value of any pension scheme assets subtracted from this.

For the measurement of pension obligations, MLP uses actuarial calculations to estimate future events for the calculation of the expenses, obligations and entitlements in connection with these plans. These calculations are based on assumptions with regard to the discount rate, mortality and future salary, as well as pension increases. The interest rate used to discount post-employment benefit obligations is derived from the interest rates of senior, fixed-rate corporate bonds.

Revaluations of net liabilities from defined benefit plans are recognised directly under other comprehensive income. The revaluation encompasses actuarial gains and losses, income from pension scheme assets (without interest) and the effects of any upper asset limit (without interest). The Group calculates net interest expenses (income) on net liabilities (assets) from defined benefit plans for the reporting period through application of the discount rate used for valuation of the defined benefit obligations at the start of the annual reporting period. This discount rate is applied to net liabilities (assets) from defined benefit plans at this time. Any changes to net liabilities (assets) from defined benefit plans that occur as a result of premium and benefit payments over the course of the reporting period are taken into account. Net interest expenses and other expenses for defined benefit plans are recognised as profit or loss.

Further details of pension provisions are given in → Note 28.

Other provisions

In accordance with IAS 37 "Provisions, contingent liabilities and contingent assets" other provisions are recognised when the Group has a present obligation (legal or constructive) resulting from a past event, settlement is expected to result in an outflow of resources and the obligation's amount can be estimated reliably. They represent uncertain obligations that are measured at the amount that represents the best possible estimate of the expenditure required to fulfil the obligations.

Insofar as the level of the provision can only be determined within a range, the most likely value is used. If the probability of occurrence is equal, the weighted average is taken.

Where the effect of the time value of money is material, provisions with a time of more than one year remaining to maturity are discounted at market interest rates that correspond to the risk and the time remaining to maturity.

Reversals of provisions are recognised under other revenue.

If the Group expects to receive a reimbursement of at least part of a practically certain provision from an identifiable third party (e.g. in case of an existing insurance policy), MLP recognises the reimbursement as a separate asset. The expenditure required to set up the provision is recognised in the income statement after deduction of the reimbursement.

For the liability arising due to the premature loss of brokered insurance policies whereby commission that has been earned must be refunded in part, MLP sets up provisions for cancellation risks. MLP estimates the cancellation rate by product group and the period of the underlying policy that has already run on the basis of empirical values. The period in which MLP is obliged to refund portions of the commissions due to the premature loss of a policy is determined either by the statutory provisions of the German Insurance Act or the distribution agreements that have been concluded with the product providers.

Share-based payments

Share-based payments in line with IFRS 2 "Share-Based Payment" comprise remuneration systems paid for in cash.

The proportion of the fair value of share-based payments settled in cash attributable to services provided up to the valuation date is recognised as personnel expenses or as commission expenses and at the same time as a provision. The fair value determined based on the Monte-Carlo simulation or another suitable valuation model is recalculated on each balance sheet date and on the payment date. The recognition of the anticipated expenditure arising from this system demands that assumptions be made about turnover and exercise rates. Any change to the fair value is to be recognised in profit or loss. At the payment date, the fair value of the liability corresponds to the amount which is to be paid to the eligible employee.

You can find further details on the share-based payments in → Note 32.

7 Reportable business segments

The division of MLP into business segments follows the structure in place for internal reporting. The MLP Group is subdivided into the following reportable business segments:

- Financial services
- FERI
- DOMCURA
- Holding

Due to the similarity of the products and services offered, as well as reliance on the same client base and identical sales channels, MLP pooled the "financial services" and "occupational pension provision" business segments under the reportable "financial services" business segment in accordance with IFRS 8.12. The reportable **Financial services** business segment consists of consulting services for academics and other discerning clients, particularly with regard to insurance, investments, occupational pension provision schemes and loans and mortgages, as well as the brokering of contracts concerning these financial services. This segment also includes finance portfolio management, the trustee credit business and the loan and credit card business. The financial services segment incorporates the divisions focused on the brokerage business of MLP Finanzdienstleistungen AG, TPC GmbH, ZSH GmbH Finanzdienstleistungen, MLPdialog GmbH and the associate MLP Hyp GmbH.

The business operations of the reportable **FERI** business segment cover wealth and investment consulting. This segment comprises FERI AG, FERI Trust GmbH, FERI Trust (Luxembourg) S.A. and FEREAL AG.

The business operations of the reportable **DOMCURA** business segment encompass the design, development and implementation of comprehensive coverage concepts in the field of non-life insurance as a so-called underwriting agency. The segment also engages in brokerage activities. It is made up of Schwarzer Familienholding GmbH, DOMCURA AG, Nordvers GmbH, nordias GmbH insurance brokers, Willy F.O. Köster GmbH and Siebert GmbH insurance brokers.

The **Holding** business segment consists of MLP AG. The main internal services and activities are combined in this segment.

Intrasegment supplies and services are settled in principle at normal market prices. In the case of intra-group allocations, an appropriate general overhead surcharge is levied on the direct costs actually incurred.

The management makes decisions on the allocation of resources and determines segment performance on the basis of the income statement for that segment. MLP employs the accounting policies applied in the consolidated financial statements to determine financial information on the segments.

The financial services and DOMCURA segments perform their economic activities predominantly in Germany. The FERI segment conducts its business activities in Germany and in Luxembourg.

In the financial year, revenue of € 290,152 thsd was generated with three product partners in the financial services, FERI and DOMCURA business segments. In the previous year, revenue of € 179,988 thsd was generated with two product partners in the financial services, FERI and DOMCURA business segments.

Information regarding reportable business segments

All figures in €'000	Financial services		FERI		DOMCURA		Holding		Consolidation		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015*
Revenue	400,446	395,515	123,583	123,885	70,664	20,007	–	–	-4,134	-3,757	590,559	535,651
of which total inter-segment revenue	3,825	3,242	309	515	–	–	–	–	-4,134	-3,757	–	–
Other revenue	10,313	10,498	5,081	6,021	3,212	2,052	13,694	10,995	– 12,490	– 10,900	19,810	18,667
of which total inter-segment revenue	1,916	2,017	7	8	1,095	–	9,473	8,875	– 12,491	– 10,900	–	–
Total revenue	**410,759**	**406,014**	**128,664**	**129,906**	**73,876**	**22,059**	**13,694**	**10,995**	**– 16,624**	**– 14,656**	**610,369**	**554,318**
Commission expenses	-183,578	-172,542	-72,072	-70,693	-46,574	-13,454	–	–	3,719	3,105	– 298,505	- 253,584
Interest expenses	-1,719	-1,923	–	–	–	–	–	–	8	2	-1,711	-1,921
Loan loss provisions	-839	161	-768	73	2	58	-13	-137	–	–	-1,619	156
Personnel expenses	-76,015	-74,187	-28,114	-30,361	-14,114	-5,144	-3,604	-3,765	–	–	– 121,847	- 113,457
Depreciation	-8,704	-7,889	-1,545	-1,762	-1,370	-686	-1,908	-2,003	–	–	-13,528	-12,339
Impairments	-10,399	-1,584	–	-	–	–	-36	-1,190	–	–	-10,434	-2,774
Other operating expenses	-126,766	-124,316	-11,848	-13,434	-8,804	-4,672	-10,534	– 10,586	12,815	11,482	– 145,137	- 141,528
Earnings from investments accounted for using the equity method	2,106	1,836	–	–	–	–	–	–	–	–	2,106	1,836
Segment earnings before interest and tax (EBIT)	**4,845**	**25,569**	**14,316**	**13,729**	**3,015**	**-1,839**	**-2,400**	**-6,686**	**-83**	**-67**	**19,694**	**30,706**
Other interest and similar income	362	178	361	50	44	21	172	286	-33	-26	906	509
Other interest and similar expenses	-686	-468	-480	-370	-21	-3	-777	-2,598	113	176	-1,851	-3,263
Finance cost	**-324**	**-290**	**-119**	**-319**	**23**	**19**	**-605**	**-2,312**	**79**	**149**	**-946**	**-2,753**
Earnings before tax (EBT)	**4,521**	**25,279**	**14,198**	**13,409**	**3,039**	**-1,820**	**-3,005**	**-8,998**	**-4**	**82**	**18,748**	**27,953**
Income taxes											-4,052	-8,170
Net profit											**14,696**	**19,783**
Investments accounted for using the equity method	**3,751**	**3,481**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3,751**	**3,481**
Investments in intangible assets and property, plant and equipment	**16,632**	**11,208**	**645**	**768**	**730**	**454**	**344**	**346**	**–**	**–**	**18,351**	**12,776**
Major non-cash expenses:												
Impairments/reversal of impairments on receivables	1,189	12	768	-73	-2	-58	13	137	–	–	1,968	18
Increase/decrease of provisions/accrued liabilities	53,178	42,961	8,125	9,624	3,558	1,239	2,036	2,612	–	–	66,897	56,435

*Previous year's figures adjusted. The adjustments are disclosed under Note 3.

Notes to the income statement

8 Revenue

All figures in €'000	2016	2015
Old-age provision	221,480	215,738
Wealth management	166,360	165,982
Non-life insurance	105,626	54,878
Health insurance	45,777	45,918
Loans and mortgages	15,433	16,186
Other commission and fees	15,414	15,579
Total commission income	**570,090**	**514,282**
Interest income	**20,469**	**21,369**
Total	**590,559**	**535,651**

Other commission and fees include revenue from property brokerage of € 11,345 thsd (previous year: € 11,325 thsd).

9 Other revenue

All figures in €'000	2016	2015*
Income from the reversal of provisions	2,005	2,714
Income from the reversal of deferred obligations	1,786	2,253
Cost transfers to commercial agents	1,622	745
Offset remuneration in kind	1,088	1,018
Own work capitalised	876	1,322
Remuneration of management	809	896
Income from the disposal of fixed assets	584	915
Rent	396	1,644
Income from the disposal of fixed assets	89	80
Sundry other income	10,554	7,080
Total	**19,810**	**18,667**

*Previous year's figures adjusted. The adjustments are disclosed under Note 3.

For more information on income from the reversal of provisions, please refer to → Note 28.

Income from the reversal of deferred obligations essentially comprises income from the reversal of provisions for profit-sharing payments and performance-based remuneration, as well as income from the reversal of provisions for outstanding invoices.

The item "Cost transfers to commercial agents" essentially comprises income from cost transfers of insurance companies, services and material costs.

Own work capitalised results from the collaboration of Group employees in the development of acquired software.

The item "Remuneration for management" contains pre-allocated profits due to management tasks for private equity companies.

Income from the disposal of investments results from the sale of FERI EuroRating Services (FERI segment), as well as sale of the stake in NKK Programm Service AG (DOMCURA segment).

In the previous year, rental income included rent from the operating lease for an office and administration building operated by MLP AG, which ended on December 31, 2015.

Sundry other income includes interest income on tax credit, income from cost reimbursement claims, offset remuneration in kind and income from the performance of IT services.

10 Commission expenses

Commission expenses mainly consist of the commission payments and other remuneration components for the self-employed MLP consultants.

11 Interest expenses

All figures in €'000	2016	2015
Interest and similar expenses		
Financial instruments measured at amortised cost	1,710	1,807
Available-for-sale financial instruments	2	40
Change fair value option		
Financial instruments at fair value through profit and loss	0	74
Total	**1,711**	**1,921**

Interest expenses of € 829 thsd (previous year: € 1,259 thsd) are attributable to interest charges for liabilities due to clients in the banking business.

12 Personnel expenses

All figures in €'000	2016	2015
Salaries and wages	104,981	98,115
Social security contributions	14,339	12,932
Expenses for old-age provisions and benefits	2,527	2,410
Total	**121,847**	**113,457**

Personnel expenses essentially include salaries and wages, remuneration and other payments to employees. The social security contributions include the statutory contributions to be borne by the company in the form of social security insurance premiums. Expenses for old-age provisions and benefits mainly include the employer's shares of supplementary occupational pension provision.

13 Depreciation and impairments

All figures in €'000	2016	2015
Depreciation		
Intangible assets	7,500	6,598
Property, plant and equipment	6,027	5,710
Investment property	–	32
	13,528	**12,339**
Impairments		
Intangible assets	10,399	1,584
Property, plant and equipment	36	–
Investment property	–	1,190
	10,434	**2,774**
Total	**23,962**	**15,113**

Impairments include impairment losses for a software development of € 10,399 thsd (previous year: € 1,584 thsd). Development work on this software has been stopped.

Based on the measurement pursuant to IFRS 5.25, the real estate reclassified under "Assets held for sale" in the previous year was not subject to any depreciation in the financial year 2016 (previous year: € 32 thsd). No impairments due to lower fair value were necessary (previous year: € 1,190 thsd).

The development of non-current assets is disclosed in → Note 19 (intangible assets), → Note 20 (property, plant and equipment) and → Note 21 (non-current assets held for sale).

14 Other operating expenses

All figures in €'000	2016	2015*
IT operations	48,075	47,610
Consultancy	15,898	12,995
Rental and leasing	14,824	14,376
Administration operations	11,381	11,528
Other external services	7,638	6,528
External services – banking business	7,560	7,277
Representation and advertising	6,935	7,941
Premiums and fees	5,180	4,231
Travel expenses	4,460	3,863
Expenses for commercial agents	3,240	2,532
Insurance	2,814	2,624
Training and further education	2,663	4,369
Entertainment	2,297	2,588
Maintenance	2,030	2,390
Goodwill	1,190	1,319
Other employee-related expenses	1,138	1,290
Audit	1,104	1,071
Supervisory Board remuneration	973	969
Sundry other operating expenses	5,738	6,027
Total	**145,137**	**141,528**

*Previous year's figures adjusted. The adjustments are disclosed under Note 3.

The costs of IT operations are mainly attributable to IT services and computer centre services that have been outsourced to an external service provider.

The consulting costs are made up of tax advice costs, legal advice costs as well as general and IT consulting costs.

The expenses for administration operations include costs relating to building operations, office costs and communication costs.

The item "External services - banking business" mainly contains securities settlement and transaction costs in connection with the MLP credit card.

Expenses for representation and advertising include costs incurred due to media presence and client information activities.

Expenses for commercial agents include costs for former consultants and the training allowance granted for new consultants.

Sundry other operating expenses essentially comprise expenses for other taxes, charitable donations, disposal of fixed assets and cars.

15 Earnings from investments accounted for using the equity method

Earnings from investments accounted for using the equity method were € 2,106 thsd in the financial year (previous year: € 1,836 thsd) and resulted from the share of earnings in MLP Hyp GmbH. In line with a company agreement, the profit distribution of MLP Hyp GmbH is disproportionate.

Investments accounted for using the equity method relate only to the 49.8% share in MLP Hyp GmbH, Wiesloch. The company operates the joint mortgage financing business of MLP Finanzdienstleistungen AG, Wiesloch, and Interhyp AG, Munich.

The shares developed as follows:

All figures in €'000	2016	2015
Share as of Jan. 1	**3,481**	**2,772**
Dividend payouts	-1,836	-1,127
Pro rata profit after tax	2,106	1,836
Share as of Dec. 31	**3,751**	**3,481**

The following table contains summarised financial information on MLP Hyp GmbH:

All figures in €'000	Dec. 31, 2016	Dec. 31, 2015
Non-current assets	53	53
Current assets	8,823	7,640
Non-current liabilities	–	–
Current liabilities	-2,660	-1,868
Net assets (100 %)	6,216	5,825
of which MLP's share in net assets (49.8 %)	3,096	2,901
Incidental acquisition costs	**151**	**151**
Dividend payout	**-1,708**	**-1,279**
Cumulative disproportionate profit	**2,213**	**1,708**
Carrying amount of the investment	**3,751**	**3,481**
Revenue	14,579	12,526
Total comprehensive income (100 %)	3,216	2,825
of which MLP's share in total comprehensive income (49.8 %)	1,601	1,407
Disproportionate profit for the current financial year (65.5%/previous year 65%)	**505**	**429**
MLP's share in total comprehensive income	**2,106**	**1,836**

16 Finance cost

All figures in €'000	2016	2015
Other interest and similar income	**906**	**509**
Interest expenses from financial instruments	-133	-145
Interest expenses from net obligations for defined benefit plans	-489	-481
Other interest costs	-1,229	-2,637
Other interest and similar expenses	**-1,851**	**-3,263**
Finance cost	**-946**	**-2,753**

Other interest and similar income of € 52 thsd (previous year: € 140 thsd) is attributable to interest income from deposits with financial institutions which were not included in the banking business segment and € 260 thsd (previous year: € 49 thsd) is attributable to income from the discounting of provisions. Other interest and similar expenses include expenses from the accrued interest of other provisions totalling € 627 thsd (previous year: € 584 thsd).

17 Income taxes

All figures in €'000	2016	2015
Income taxes	4,052	8,170
of which current taxes on income and profit	5,340	9,783
of which deferred taxes	-1,287	-1,613

The current taxes on income and profit include expenses of € -388 thsd (previous year: € 1,967 thsd) which relate to previous periods.

The current and deferred tax is calculated using the relevant country-specific income tax rate. The anticipated combined income tax rate for domestic companies is made up of corporation tax at 15.0% (previous year: 15.0%), the solidarity surcharge at 5.5% (previous year: 5.5%) and an average municipal trade tax rate of 13.53% (previous year: 13.37%) and amounts to 29.36% (previous year: 29.19%).

The taxation rates likely to be applicable at their time of implementation should be used to calculate deferred income taxes. The taxation rates used here are those that are valid or have been announced for the periods in question as of the balance sheet date.

The following reconciliation account shows the relationship between the earnings before tax and the taxes on income and profit in the financial year:

All figures in €'000	2016	2015
Earnings before tax	**18,748**	**27,953**
Group income tax rate	29.36%	29.19%
Calculated income tax expenditure in the financial year	**5,504**	**8,159**
Tax-exempt earnings and permanent differences	-4,901	-3,587
Non-deductible expenses	1,465	1,485
Divergent trade taxation charge	180	211
Effects of other taxation rates applicable abroad	-21	4
Income tax not relating to the period (current and deferred)	2,044	2,249
Other	-219	-351
Income taxes	**4,052**	**8,170**

The effective income tax rate applicable to the earnings before tax is 21.6% (previous year: 29.2%).

The item of tax-exempt earnings and permanent differences in earnings includes profit contributions from the FERI Group and the tax-free capital gains of MLP Hyp GmbH.

Non-deductible expenses result from entertainment expenses, gifts, as well as non-deductible operating expenses incurred in the context of tax-exempt dividends and capital gains, Supervisory Board remuneration, business tax additions and other relevant factors.

The tax deferrals result from the balance sheet items as follows:

All figures in €'000	Deferred tax assets		Deferred tax liabilities	
	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015
Intangible assets	1,288	1,381	12,387	13,579
Property, plant and equipment	–	–	3,854	3,577
Financial assets	–	110	201	262
Investment property	–	–	–	833
Other assets	1,267	3,509	467	210
Provisions	10,998	10,347	2	1,843
Liabilities	2,523	1,474	0	33
Gross value	**16,076**	**16,821**	**16,911**	**20,337**
Netting of deferred tax assets and liabilities	-7,013	-9,788	-7,013	-9,788
Total	**9,063**	**7,033**	**9,898**	**10,549**

The deferred tax expense recognised under other comprehensive income outside the income statement is € 1,502 thsd (previous year: € 636 thsd).

Tax refund claims include € 6,906 thsd (previous year: € 9,378 thsd) of corporation tax and € 5,209 thsd (previous year: € 5,515 thsd) of trade tax. The major portion of € 12,090 thsd (previous year: € 14,668 thsd) is attributable to MLP AG.

Tax liabilities are made up of € 1,712 thsd (previous year: € 2,638 thsd) of corporation tax and € 1,935 thsd (previous year: € 1,369 thsd) of trade tax, of which € 2,511 thsd (previous year: € 333 thsd) is attributable to MLP AG.

The tax liabilities are due to taxes on the income and profit of the individual companies based on the corresponding national tax regime. Contingent tax liabilities are shown under deferred tax liabilities.

As of December 31, 2016, MLP established a provision of € 2.5 million for anticipated retrospective tax payments arising from a tax audit by the fiscal authorities. In two disputed cases, MLP anticipates being able to assert its legal position based on the expert's reports available. In this respect, MLP has recognised an asset for the retrospective tax payment made.

18 Earnings per share

The calculation for the basic and diluted earnings per share is based on the following data:

All figures in €'000	2016	2015
Basis of the basic / diluted net profit per share	14,696	19,783

All figures in number of units		
Weighted average number of shares for the basic / diluted net profit per share	109,334,686	108,484,800

The basic and diluted earnings per share are € 0.13 (previous year: € 0.18).

Notes to the statement of financial position

19 Intangible assets

All figures in €'000	Goodwill	Software (created internally)	Software (purchased)	Advance payments and developments in progress	Other intangible assets	Total
Acquisition costs						
As of Jan. 1, 2015	**90,616**	**16,098**	**76,291**	**25,252**	**46,795**	**255,051**
Changes to the scope of consolidation*	5,663	–	5,984	1	12,215	23,863
Additions	–	382	434	7,118	–	7,934
Disposals	–	–	-2	–	–	-2
Transfers	–	2	8,523	-8,525	–	0
As of Dec. 31, 2015	**96,278**	**16,482**	**91,231**	**23,846**	**59,010**	**286,846**
Changes to the scope of consolidation*	-1,314	-1,770	-312	–	-1,154	-4,549
Additions	–	273	2,453	11,027	1	13,754
Disposals	–	-1,948	-9,950	-12,292	-9	-24,200
Transfers	–	–	22,089	-22,089	–	0
As of Dec. 31, 2016	**94,964**	**13,037**	**105,510**	**492**	**57,848**	**271,851**
Depreciation and impairments						
As of Jan. 1, 2015	**3**	**9,676**	**73,160**	**–**	**16,030**	**98,869**
Changes to the scope of consolidation*	–	–	5,294	–	–	5,294
Depreciation	–	1,822	2,596	–	2,180	6,598
Impairments	–	–	–	1,584	–	1,584
Disposals	–	–	-2	–	–	-2
As of Dec. 31, 2015	**3**	**11,498**	**81,048**	**1,584**	**18,211**	**112,343**
Changes to the scope of consolidation*	–	-1,556	-312	–	-1,154	-3,022
Depreciation	–	1,744	3,413	–	2,344	7,500
Impairments	–	–	–	10,399	–	10,399
Disposals	–	-1,948	-9,847	-11,983	-9	-23,788
As of Dec. 31, 2016	**3**	**9,737**	**74,301**	**0**	**19,392**	**103,432**
Carrying amount Jan. 1, 2015	90,613	6,422	3,131	25,252	30,764	156,182
Carrying amount Dec. 31, 2015	**96,276**	**4,984**	**10,183**	**22,262**	**40,799**	**174,504**
Carrying amount Jan. 1, 2016	96,276	4,984	10,183	22,262	40,799	174,504
Carrying amount Dec. 31, 2016	**94,962**	**3,300**	**31,209**	**492**	**38,456**	**168,419**

* The change to the scope of consolidation in the financial year concerns the sale of FERI EuroRating Services. The outgoing carrying amount for intangible assets is € 1,528 thsd. In the previous year, the scope of consolidation changed as a result of the acquisition of the DOMCURA Group.

Intangible assets comprise definite-lived and indefinite-lived assets. Depreciation/amortisation and impairment on intangible assets are presented in → Note 13.

Useful lives of intangible assets

	Useful life as of Dec. 31, 2016	Useful life as of Dec. 31, 2015
Acquired software / licenses	3-7 years	3-7 years
Software created internally	3-5 years	3-5 years
Acquired trademark rights	10 years	10-15 years
Client relations / contract inventories	10-25 years	10-25 years
Goodwill / brand names	undefinable	undefinable

The **goodwill** originating from company acquisitions was allocated by MLP at the level of the cash-generating units. The disclosures take into account the sale of FERI EuroRating Services, which was completed within the FERI business segment in the financial year. You can find information on this in → Note 4. The reportable Financial Services business segment contains the following groups of cash-generating units: (1) Financial Services, (2) Occupational Pension Provision, (3) ZSH. The reportable FERI business segment includes the cash-generating unit FERI Assetmanagement. The reportable DOMCURA business segment contains one DOMCURA cash-generating unit. Cash-generating units were allocated the following goodwill values arising from business combinations:

All figures in €'000	Dec. 31, 2016	Dec. 31, 2015
Financial services	22,042	22,042
Occupational pension provision	9,955	9,955
ZSH	4,072	4,072
Financial services	**36,069**	**36,069**
FERI Asset Management	53,230	53,230
FERI EuroRating Services	–	1,314
FERI	**53,230**	**54,544**
DOMCURA	5,663	5,663
DOMCURA	**5,663**	**5,663**
Total	**94,962**	**96,276**

As was already the case in the previous year, there was no need for an impairment of capitalised goodwill in the financial year 2016. The significant assumptions presented in the following were based on the impairment test performed.

Reportable Financial Services business segment

Financial services		
Weighted average (in %)	2016	**2015**
Discount rate (before tax)	10.6	10.6
Growth rate of the terminal value	1.0	1.0
Planned EBT growth rate (relative average EBT increase per year)	76.3	0.5

Occupational pension provision		
Weighted average (in %)	2016	**2015**
Discount rate (before tax)	10.2	9.3
Growth rate of the terminal value	1.0	1.0
Planned EBT growth rate (relative average EBT increase per year)	29.0	30.0

ZSH		
Weighted average (in %)	2016	**2015**
Discount rate (before tax)	10.1	9.5
Growth rate of the terminal value	1.0	1.0
Planned EBT growth rate (relative average EBT increase per year)	–*	18.5

Reportable FERI business segment

FERI Assetmanagement		
Weighted average (in %)	2016	**2015**
Discount rate (before tax)	14.7	13.6
Growth rate of the terminal value	1.0	1.0
Planned EBT growth rate (relative average EBT increase per year)	8.1	0.0

FERI EuroRating Services		
Weighted average (in %)	2016	**2015**
Discount rate (before tax)	–	10.0
Growth rate of the terminal value	–	1.0
Planned EBT growth rate (relative average EBT increase per year)	–	–*

Reportable DOMCURA business segment

DOMCURA		
Weighted average (in %)	**2016**	**2015**
Discount rate (before tax)	10.4	9.5
Growth rate of the terminal value	1.0	1.0
Planned EBT growth rate (relative average EBT increase per year)	7.9	4.7

* Growth rates cannot be arithmetically determined due to a negative starting basis.

Within the scope of its impairment testing MLP carried out sensitivity analyses. These analyses examine the effects of an increase of discount interest rates by half a percentage point and the effects of a reduction of the forecast EBT growth by 12% (previous year: 15%). In the asset management cash-generating unit, the reduction in planned EBT growth caused the carrying amount to exceed the recoverable amount by € 4.1 million (previous year: € 9.4 million). However, since the cash-generating unit has in the past been able to confirm the planned EBT growth rates, the Executive Board considers this scenario unlikely. The table below shows the percentage by which the planned EBT growth rate would need to change for the estimated recoverable amount to equal the carrying amount:

Change required for the recoverable amount to equal the carrying amount

Change required for the recoverable amount to equal the carrying amount	2016	2015
Planned EBT growth rate (relative average EBT increase per year)	-9.0%	-7.3%

The items **"Software (in-house), software (purchased), and advance payments and developments in progress"** contain own work in the context of the development and implementation of software. In the financial year 2016, own services with a value of € 876 thsd were capitalised (previous year: € 1,322 thsd). All development and implementation costs incurred complied in full with the criteria for capitalisation pursuant to IAS 38 "Intangible assets". In the financial year 2016 the existing software landscape was consolidated and streamlined.

The item **"Other intangible assets"** contains acquired trademark rights, client relationships/contract inventories with a defined term, as well as indefinite-lived brand names acquired within the scope of company acquisitions. In view of the recognition of these brands, at present no definite end of their useful lives can be specified.

The “FERI” brand is fully attributed to the cash-generating unit of the “FERI” reportable business segment:

All figures in €'000	2016	2015
FERI Asset Management	15,829	15,138
FERI EuroRating Services	–	691
FERI	**15,829**	**15,829**

The “DOMCURA” brand is fully attributed to the cash-generating unit of the “DOMCURA” reportable business segment:

DOMCURA	2016	2015
DOMCURA	**7,023**	**7,023***

*Previous year’s figures adjusted.

There are no restraints on disposal or pledges with regard to intangible assets. As of December 31, 2016 contractual obligations for the purchase of intangible assets have a net total of € 69 thsd (previous year: € 512 thsd).

20 Property, plant and equipment

All figures in €'000	Land, leasehold rights and buildings	Other fixtures, fittings and office equipment	Payments on account and assets under construction	Total
Acquisition costs				
As of Jan. 1, 2015	**79,750**	**64,748**	**1,468**	**145,965**
Changes to the scope of consolidation*	350	3,349	–	3,698
Additions	720	3,092	1,031	4,842
Disposals	-2,411	-6,957	–	-9,368
Transfers	998	1,359	-2,357	0
As of Dec. 31, 2015	**79,406**	**65,590**	**141**	**145,138**
Changes to the scope of consolidation*	–	-21	–	-21
Additions	469	2,964	1,164	4,597
Disposals	-1,540	-9,518	-569	-11,627
Transfers	254	91	-345	0
As of Dec. 31, 2016	**78,590**	**59,105**	**392**	**138,087**
Depreciation				
As of Jan. 1, 2015	**27,964**	**51,964**	**–**	**79,928**
Changes to the scope of consolidation*	206	2,356	–	2,562
Depreciation	1,991	3,718	–	5,710
Disposals	-2,065	-6,742	–	-8,807
As of Dec. 31, 2015	**28,097**	**51,296**	**–**	**79,393**
Changes to the scope of consolidation*	–	-23	–	-23
Depreciation	1,986	4,041	–	6,027
Impairments	–	36	–	36
Disposals	-1,514	-9,197	–	-10,711
As of Dec. 31, 2016	**28,569**	**46,153**	**–**	**74,722**
Carrying amount Jan. 1, 2015	51,786	12,784	1,468	66,037
Carrying amount Dec. 31, 2015	**51,309**	**14,295**	**141**	**65,745**
Carrying amount Jan. 1, 2016	51,309	14,295	141	65,745
Carrying amount Dec. 31, 2016	**50,021**	**12,952**	**392**	**63,365**

*The change to the scope of consolidation in the financial year concerns the sale of FERI EuroRating Services, as well as other minor mergers. The property, plant and equipment included in the sale has been fully amortized. In the previous year, the scope of consolidation changed as a result of the acquisition of the DOMCURA Group.

Useful lives of property, plant and equipment

	Useful life/residual value Dec. 31, 2016	Useful life/residual value Dec. 31, 2015
Administration buildings	33 years to residual value (30% of original cost)	33 years to residual value (30% of original cost)
Land improvements	15-25 years	15-25 years
Leasehold improvements	10 years or duration or the respective tenancy agreement	10 years or duration or the respective tenancy agreement
Furniture and fittings	8-25 years	8-25 years
IT hardware, IT cabling	3-13 years	3-13 years
Office equipment, office machines	3-23 years	3-23 years
Cars	2-6 years	2-6 years
Works of art	15 -20 years	13-20 years

Depreciation/amortisation and impairment of property, plant and equipment are disclosed in → Note 13.

There are no restraints or pledges with regard to property, plant and equipment. Contractual obligations for the purchase of property, plant and equipment amount to € 50 thsd net as of December 31, 2016 (previous year: € 86 thsd).

21 Non-current assets held for sale

The office and administration building in Heidelberg was sold in the financial year 2016. As of December 31, 2015, the property was classified as a long-term asset held for sale. The carrying amount as of December 31, 2015 was € 6,040 thsd.

The sale price was € 6,200 thsd. Selling costs of € 209 thsd were incurred in connection with the sale. Minus selling costs, this results in a loss on disposal of € 49 thsd, which is recognised under sundry other operating expenses in the Holding segment.

22 Receivables from clients in the banking business

All figures in €'000	Dec. 31, 2016	Dec. 31, 2015
Originated loan	338,859	276,782
Corporate bond debts	172,000	145,500
Receivables from credit cards	87,771	95,475
Receivables from current accounts	35,602	33,651
Receivables from wealth management	370	189
Total, gross	**634,603**	**551,596**
Impairment	-8,124	-8,900
Total, net	**626,479**	**542,696**

As of December 31, 2016, receivables (net) with a term of more than one year remaining to maturity are € 457,320 thsd (previous year: € 370,031 thsd).

All figures in €'000	Gross value	Of which financial assets	Financial assets, neither impaired nor overdue	Financial assets, not impaired but overdue within the following time span		
				< 90 days	90-180 days	> 180 days
Receivables from clients (gross) as per Dec. 31, 2016	634,603	634,603	628,039	1,499	280	486
Receivables from clients (gross) as per Dec. 31, 2015	551,596	551,596	546,698	1,315	248	513

At Receivables of € 2,266 thsd (previous year: € 2,076 thsd) for which no specific allowance has been made but which are overdue as of December 31, 2016 are secured with customary banking collaterals.

Receivables from clients due to originated loans are partly secured by mortgages (December 31, 2016: € 94,018 thsd; previous year: € 77,570 thsd), assignments (December 31, 2016: € 46,466 thsd; previous year: € 37,919 thsd) or liens (December 31, 2016: € 20,280 thsd, previous year: € 14,824 thsd). Receivables from current accounts and credit cards are generally not collateralised. With regard to receivables from the banking business which are neither impaired nor overdue, there were no signs at the closing date that debtors will not meet their payment obligations.

As in the previous year, there were no receivables from banking business on the closing date for which new terms were agreed and which would otherwise have been overdue or impaired.

The Group holds forwarded loans of € 36,694 thsd (previous year: € 22,045 thsd) in the form of collateral for liabilities due to refinancing banks.

Due to defaults of debtors, financial and non-financial assets of € 99 thsd (previous year: € 718 thsd), serving as collateral for originated loans and receivables, were utilised. The assets mainly concern property and receivables from claimed life insurance policies.

The loan loss provisions in the lending business cover all identifiable credit risks. Impairment losses are formed on a portfolio basis for the deferred loans risk. Risks are provided for by loan loss provisions carried under assets, and by the recognition of provisions for credit risks (see → Note 28).

The disclosed loan loss provisions due to receivables from clients in the banking business developed as follows:

All figures in €'000	Allowances for losses on individual account		Impairment loss on portfolio basis		Total	
	2016	2015	2016	2015	2016	2015
As of Jan. 1	**2,347**	**3,006**	**6,553**	**7,664**	**8,900**	**10,670**
Allocation	933	34	352	35	1,285	69
Utilisation	-116	-215	-1,411	-886	-1,527	-1,101
Reversal	-497	-478	-37	-261	-534	-738
As of Dec. 31	**2,667**	**2,347**	**5,457**	**6,553**	**8,124**	**8,900**
of which allowances for bad debts measured at amortised cost	2,667	2,347	5,457	6,553	8,124	8,900

For reasons of materiality, a decision was taken not to determine the interest income from impaired receivables from clients (unwinding) in accordance with IAS 39.A93 (Unwinding).

Taking into account direct write-downs of € 211 thsd (previous year: € 301 thsd), income from written-off receivables of € 327 thsd (previous year: € 224 thsd), as well as income from the reversal of provisions of € 3 thsd (previous year: € 109 thsd), the total allocations and reversals recognised in income performed in the reporting year resulted in a net loan loss provision of € 633 thsd (previous year: net loan loss provision of € 702 thsd).

Receivables for which specific allowances have been made amount in total to € 4,299 thsd (previous year: € 2,822 thsd). For € 1,415 thsd of these (previous year: € 272 thsd), the impairment was less than 50% of the gross receivable, while the remaining volume was written down by more than 50%. The allowance for bad debts comes to € 2,667 thsd (previous year: € 2,347 thsd). This corresponds to a percentage of 62% (previous year 83%).

Accounts receivable for which a specific allowance has been made are secured as per December 31, 2016 with customary banking collaterals amounting to € 1,357 thsd (previous year: € 241 thsd).

Further information on receivables from clients in the banking business is disclosed in → Note 35.

23 Receivables from banks in the banking business

All figures in €'000	Dec. 31, 2016	Dec. 31, 2015
Due on demand	203,569	227,961
Other receivables	387,403	317,324
Domestic financial institutions	**590,972**	**545,285**
Due on demand	–	–
Other receivables	–	55,054
Foreign financial institutions	**–**	**55,054**
Total	**590,972**	**600,339**

As of December 31, 2016, receivables with a term of more than one year remaining to maturity are € 59,000 thsd (previous year: € 22,000 thsd). The receivables are not collateralised. At the closing date there are no receivables from banks which are overdue or impaired.

Further information on receivables from financial institutions in the banking business is disclosed in → Note 35.

24 Financial assets

All figures in €'000	Dec. 31, 2016	Dec. 31, 2015
By public-sector issuers	17,521	17,536
By other issuers	66,537	65,295
Debenture and other fixed income securities	**84,058**	**82,831**
Shares and certificates	3,565	3,476
Investment fund shares	3,526	3,456
Shares and other variable yield securities	**7,091**	**6,932**
Fixed and time deposits	**55,102**	**52,120**
Loans	**10,000**	**56**
Investments in non-consolidated subsidiaries	**6,035**	**5,978**
Total	**162,286**	**147,916**

As of December 31, 2016, MLP has portfolios amounting to € 49,530 thsd (previous year: € 61,232 thsd) that are due in more than twelve months.

As per the measurement categories for financial instruments defined in IAS 39, the financial investment portfolio is structured as follows:

All figures in €'000	Dec. 31, 2016	Dec. 31, 2015
Held-to-maturity investments	68,535	67,204
Available-for-sale financial assets	15,523	15,627
Financial assets at fair value through profit and loss	–	–
Debenture and other fixed income securities	**84,058**	**82,831**
Available-for-sale financial assets	5,706	5,714
Financial assets at fair value through profit and loss	1,385	1,217
Shares and other variable yield securities	**7,091**	**6,932**
Fixed and time deposits (loans and receivables)	**55,102**	**52,120**
Loans	**10,000**	**56**
Investments in non-consolidated subsidiaries (available-for-sale financial assets)	**6,035**	**5,978**
Total	**162,286**	**147,916**

Valuation changes of € 477 thsd (previous year: € -143 thsd) were recognised directly in equity for shares and other variable yield securities that are for available for sale, and valuation changes of € -337 thsd (previous year: € -196 thsd) were recognised in the revaluation reserve.

Due to the disposal of financial assets and recording of impairments, € -591 thsd (previous year: € -241 thsd) was withdrawn from the revaluation reserve in the reporting period and recognised under net income for the period.

In the financial year 2016, impairments of € 598 thsd (previous year: € 246 thsd) for available-for-sale financial assets were recognised through profit or loss.

In the reporting period, no losses from valuation changes to financial assets that are rated at fair value through profit and loss were recorded in the net income for the period (previous year: € 104 thsd).

Assets pledged as collateral

As at the closing date, the availability of liquidity facilities provided by Deutsche Bundesbank is collateralised by marketable securities of € 23,161 thsd (previous year: € 24,992 thsd) with a face value of € 24,500 thsd (previous year: € 25,000 thsd).

For further disclosures regarding financial assets, please refer to → Note 35.

25 Other receivables and assets

All figures in €'000	Dec. 31, 2016	Dec. 31, 2015
Trade accounts receivable	69,145	65,007
Refund receivables from recourse claims	16,991	15,877
Receivables from commercial agents	11,850	14,629
Receivables from underwriting business	14,188	6,256
Advance payments	5,362	5,802
Purchase price receivables	330	330
Other assets	11,353	11,902
Total, gross	**129,217**	**119,803**
Impairment	-6,441	-7,272
Total, net	**122,776**	**112,531**

As of December 31, 2016, receivables (net) with a term of more than one year remaining to maturity are € 13,332 thsd (previous year: € 13,216 thsd).

The main items included in trade accounts receivable are commission receivables from insurance companies. They are generally non-interest-bearing and have an average term of payment of 30 days.

Refund receivables from recourse claims are due to MLP consultants and office managers, as well as insurance companies.

Receivables from sales representatives concern MLP consultants and branch office managers.

Receivables from the underwriting business comprise unpaid receivables due from clients, as well as receivables due from insurance companies for claims settlement.

The item "Advance payments" comprises trail commissions paid to self-employed commercial agents in advance on commissions for unit-linked life insurance policies.

All figures in €'000	Gross value	Of which financial assets	Financial assets, neither impaired nor overdue	Financial assets, not impaired but overdue within the following time span		
				< 90 days	90–180 days	> 180 days
Other receivables and assets as of Dec. 31, 2016	129,217	105,321	97,243	1,513	83	238
Other receivables and assets as of Dec. 31, 2015	119,803	97,459	88,964	1,925	445	1,256

Other receivables and assets are usually not collateralised. With regard to receivables and other assets which are neither impaired nor overdue, there are no signs at the closing date that debtors will not meet their payment obligations. On the closing date there were no receivables and other assets for which new terms were agreed and which would otherwise have been overdue or written down.

The allowances for other receivables and other assets are as follows:

All figures in €'000	Allowances for losses on individual account		Impairment loss on portfolio basis		Total	
	2016	2015	2016	2015	2016	2015
As of Jan. 1	**4,658**	**5,009**	**2,614**	**3,035**	**7,272**	**8,043**
Changes to the scope of consolidation	–	122	–	219	–	341
Allocation	1,261	1,399	106	60	1,367	1,458
Utilisation	-307	-1,003	–	–	-307	-1,003
Reversal	-525	-868	-1,366	-700	-1,891	-1,568
As of Dec. 31	**5,087**	**4,658**	**1,354**	**2,614**	**6,441**	**7,272**

In cases where MLP institutes enforcement or where insolvency proceedings are imminent or have already started, receivables are written down based on empirical values. The same applies to receivables which are disputed and where legal action is pending.

Taking into account direct write-downs of € 1,529 thsd (previous year: € 656 thsd) and income from written-off receivables of € 20 thsd (previous year: € 0 thsd), the total allocations and reversals recognised in income performed in the reporting year resulted in a net loan loss provisions of € 986 thsd (previous year: € 547 thsd).

As of December 31, 2016, receivables for which specific allowances have been made amount to a total of € 6,243 thsd (previous year: € 4,869 thsd). For € 1,148 thsd of these (previous year: € 116 thsd) the allowance for bad debts was less than 50% of the gross receivable, the remaining volume was written down by more than 50%. The impairment loss comes to a total of € 5,087 thsd (previous year: € 4,658 thsd). This corresponds to an average impairment rate of 81% (previous year: 96%).

Additional disclosures on other receivables and assets can be found in → Note 35.

26 Cash and cash equivalents

All figures in €'000	Dec. 31, 2016	Dec. 31, 2015
Bank deposits	69,900	66,451
Deposits at Deutsche Bundesbank	114,826	10,965
Cash on hand	103	124
Total	**184,829**	**77,540**

As was the case in previous years, cash and cash equivalents include deposits at the Deutsche Bundesbank. In the financial year 2016, holding funds with commercial banks were transferred to the Bundesbank. This resulted in an increase in cash and cash equivalents, which can be seen within the scope of cash flow from operating activities.

Changes in cash and cash equivalents during the financial year are shown in the statement of cash flow.

27 Shareholders' equity

All figures in €'000	Dec. 31, 2016	Dec. 31, 2015
Share capital	109,335	109,335
Capital reserves	146,727	146,727
Retained earnings		
Statutory reserve	3,117	3,117
Other retained earnings and net profit	135,906	134,330
Revaluation reserve	-11,500	-7,755
Total	**383,585**	**385,753**

Share capital

The share capital of MLP AG comprises 109,334,686 (December 31, 2015: 109,334,686) no-par-value shares.

Authorised capital

Due to partial utilisation and the amendment resolution from July 27, 2015: A resolution passed by the Annual General Meeting on June 5, 2014 authorised the Executive Board, with the consent of the Supervisory Board, to increase the company's share capital by issuing new ordinary bearer shares on one or more occasions by up to € 20,543,052 in exchange for cash or non-cash contributions up to June 5, 2019.

Capital reserves

The capital reserves include increases/decreases in capital stock in MLP AG from previous years. The capital reserves are subject to the restraints on disposal as per § 150 of the German Stock Corporation Act (AktG).

Other retained earnings and net profit

Other equity comprises retained earnings of the MLP Group.

Revaluation reserve

At € 1,562 thsd (previous year: € 1,390 thsd), the provision includes unrealised gains and losses from the change in fair value of securities available for sale and deferred taxes attributable to this of € -310 thsd (previous year: € -210 thsd). In addition to this, the provision includes losses from the revaluation of defined benefit obligations of € 18,051 thsd (previous year: € 12,665 thsd) and deferred taxes attributable to this of € 5,299 thsd (previous year: € 3,697 thsd).

Proposed appropriation of profit

The Executive Board and Supervisory Board of MLP AG will propose a dividend of € 8,747 thsd (previous year: € 13,120 thsd) for the financial year 2016 at the Annual General Meeting. This corresponds to € 0.08 (previous year: € 0.12) per share.

28 Provisions

Pension provisions

At MLP, executive members of staff have been granted direct pension benefits subject to individual contracts in the form of defined benefit plans which guarantee the beneficiaries the following pension payments:

- Old-age pension upon reaching 60, 62 or 65 years
- Disability pension
- Widow's and widower's pension of 60% of the pension of the original recipient
- Orphan's benefit of 10% of the pension of the original recipient

The benefit obligations are partially financed through reinsurance policies, which essentially fulfil the prerequisites of pension scheme assets.

The defined benefit obligation for retirement income, funded only by means of provisions, amounts to € 19,950 thsd (previous year: € 18,157 thsd). Pension insurance policies are in place for all other pension obligations (defined benefit obligation of € 30,004 thsd; previous year: € 26,339 thsd).

The change in net liability from defined benefit plans is summarized in the following table.

All figures in €'000	Defined benefit obligation		Fair value of pension scheme assets		Net liability from defined benefit plans	
	2016	2015	2016	2015	2016	2015
As of Jan. 1	**44,496**	**46,373**	**-22,914**	**-21,200**	**21,582**	**25,173**
Current service cost	234	308	–	–	234	308
Past service cost	–	237	–	–	–	237
Interest expenses (+)/ income (-)	1,053	917	-564	-436	489	481
Recognised in profit or loss	**1,287**	**1,462**	**-564**	**-436**	**723**	**1,026**
Actuarial gains (-)/ losses (+) from:						
financial assumptions	5,376	-3,288	–	–	5,376	-3,288
experience adjustments	20	935	–	–	20	935
Gains (-)/ losses (+) from pension scheme assets without amounts recognized as interest income	–	–	-9	-137	-9	-137
Gains (-)/ losses (+) from revaluations*	**5,396**	**-2,352**	**-9**	**-137**	**5,387**	**-2,489**
Contributions paid by the employer	–	–	-1,591	-1,418	-1,591	-1,418
Payments made	-1,225	-987	436	277	-789	-710
Other	**-1,225**	**-987**	**-1,155**	**-1,141**	**-2,380**	**-2,218**
As of Dec. 31	**49,954**	**44,496**	**-24,642**	**-22,914**	**25,312**	**21,582**

*recognised in other comprehensive income

€ 1,090 thsd of the net liabilities recognised in the balance sheet (previous year: € 579 thsd) are attributable to Executive Board members active at the end of the reporting period.

With regard to net pension provisions, payments of € 1,624 thsd are anticipated for 2017 (previous year: € 2,378 thsd). € 779 thsd thereof (previous year: € 792 thsd) is attributable to direct, anticipated company pension payments, while € 845 thsd (previous year: € 1,586 thsd) is attributable to anticipated reinsurance policy premiums.

Actuarial calculations incorporate the following assumptions:

	2016	2015
Assumed interest rate	1.75%	2.40%
Anticipated annual pension adjustment	1.5/2.5%	1.5/2.5%

The assumptions made regarding future mortality are based on published statistics and mortality tables.

As of December 31, 2016, the weighted average term of defined benefit obligations was 18.3 years (previous year: 17.9).

Sensitivity analysis

If the other assumptions all remained the same, changes to one of the key actuarial assumptions which would have been realistically possible on the closing date would have influenced the defined benefit obligations by the following amounts:

All figures in €'000	Change of parameter	Reduction/ increase of defined obligation
Assumed interest rate	0.5%	–4,215
	–0.5%	4,815
Salary trend	0.5%	–
	–0.5%	–
Pension trend	0.5%	3,800
	–0.5%	–3,420
Mortality	80.0%	1,786

In order to define the sensitivity of mortality, all mortality rates stated in the mortality table were reduced to 80%. By extending life expectancy, this leads to an increase in the scope of defined benefit obligations. Although the analysis does not take into account the full distribution of anticipated cash flow based on the plan, it does provide an approximation of the sensitivity of the assumptions presented.

Alongside defined benefit plans, defined contribution plans are also in place. With these types of plans the company pays premiums to state or private pension insurance institutions in line with legal or contractual regulations or on a voluntary basis. The regular premiums paid for employees are disclosed as personnel expenses. In the financial year 2016 they total € 10,412 thsd (previous year: € 9,672 thsd).

Other provisions are made up as follows:

All figures in €'000			Dec. 31, 2016			Dec. 31, 2015
	Current	Non-current	Total	Current	Non-current	Total
Cancellation risks	11,500	15,701	27,201	11,491	13,064	24,555
Bonus schemes	22,871	–	22,871	25,572	–	25,572
Share-based payments	590	2,473	3,063	1,107	1,628	2,735
Economic loss	2,097	–	2,097	2,388	–	2,388
Claim settlement contributions	2,849	–	2,849	2,108	–	2,108
Litigation risks/ costs	2,041	155	2,196	2,016	198	2,214
Rent	973	538	1,511	325	186	511
Anniversaries	157	338	495	265	228	493
Lending business	170	–	170	173	–	173
Phased retirement	77	–	77	76	72	148
Other	2,283	1,101	3,384	3,325	732	4,057
Total	**45,608**	**20,305**	**65,913**	**48,845**	**16,108**	**64,953**

Other provisions have changed as follows:

All figures in €'000	Jan. 1, 2016	Change in the scope of consolidation	Utilisation	Reversal	Compounding / Discounting	Allocation	Dec. 31, 2016
Cancellation risks	24,555	–	-11,234	–	179	13,700	27,201
Bonus schemes	25,572	–	-25,405	-166	–	22,871	22,871
Share-based payments	2,735	–	-81	-31	-163	604	3,063
Economic loss	2,388	–	-402	-66	–	176	2,097
Claim settlement contributions	2,108	–	-4	-1,051	–	1,796	2,849
Litigation risks/ costs	2,214	–	-130	-538	7	642	2,196
Rent	511	–	-301	-126	16	1,412	1,511
Anniversaries	493	–	-139	-6	-12	159	495
Lending business	173	–	–	-3	–	–	170
Phased retirement	148	–	-74	–	3	–	77
Other	4,057	–	-2,028	-22	-24	1,401	3,384
Total	**64,953**	**–**	**-39,799**	**-2,008**	**6**	**42,761**	**65,913**

Provisions for bonus schemes are recognised as incentive agreements for self-employed commercial agents.

The provisions for cancellation risks allow for the risk of having to refund earned commissions due to a premature loss of brokered insurance policies.

Provisions for share-based payments are recognised as incentive agreements and as profit-sharing schemes for Executive Board members, employees and self-employed commercial agents.

The provisions for economic loss due to liability risks are offset by claims for reimbursement from liability insurance policies with a value of € 1,826 thsd (previous year: € 2,210 thsd).

The provisions classed as short-term are likely to be utilised within the next financial year. The payments for long-term provisions are likely to be incurred within the next two to five years.

29 Liabilities due to banking business

This summary includes the balance sheet items Liabilities due to clients in the banking business and Liabilities due to banks in the banking business.

All figures in €'000	Dec. 31, 2016			Dec. 31, 2015		
	Current	Non-current	Total	Current	Non-current	Total
Liabilities due to clients	1,261,929	9,140	1,271,070	1,095,969	6,599	1,102,569
Liabilities due to banks	2,232	35,489	37,720	1,744	21,351	23,095
Total	**1,264,161**	**44,629**	**1,308,790**	**1,097,713**	**27,950**	**1,125,663**

The change in liabilities due to banking business from € 1,125,663 thsd to € 1,308,789 thsd is essentially attributable to the increase in short-term client deposits in current accounts.

As of December 31, 2016, liabilities due to clients from savings deposits with an agreed notice period of three months amounted to € 16,004 thsd (previous year: € 15,618 thsd).

The liabilities due to clients or due to other banks do not comprise any large individual items.

Further information on liabilities due to banking business is disclosed in → Notes 35 and → 36.

30 Other liabilities

All figures in €'000			Dec. 31, 2016			Dec. 31, 2015
	Current	Non-current	Total	Current	Non-current	Total
Liabilities due to commercial agents	44,784	1,076	45,860	39,390	–	39,390
Liabilities due to underwriting business	22,892	–	22,892	28,409	–	28,409
Trade accounts payable	25,712	–	25,712	20,993	–	20,993
Advance payments received	8,183	–	8,183	8,495	–	8,495
Liabilities due to other taxes	3,703	–	3,703	2,688	–	2,688
Liabilities from social security contributions	174	–	174	154	–	154
Other liabilities	37,630	2,757	40,387	37,116	2,966	40,082
Total	**143,078**	**3,833**	**146,911**	**137,245**	**2,966**	**140,211**

Liabilities due to commercial agents represent unsettled commission claims. Usually they are non-interest-bearing and due on the 15th of the month following the settlement with the insurance company.

Liabilities from the underwriting business include collection liabilities due to insurance companies, open commission claims, as well as liabilities from claims settlement.

The item “Advance payments received” concerns paid-in-advance trail commissions from unit-linked life insurance policies.

Other liabilities comprise commissions withheld from MLP consultants due to cancellations amounting to € 2,757 thsd (previous year: € 3,326 thsd). Commissions withheld are charged with interest. Their term is mainly indefinite. The item also contains liabilities for bonus and profit-sharing payments.

MLP has agreed-upon and non-utilised lines of credit amounting to € 130,671 thsd (previous year: € 58,082 thsd).

Further disclosures on other liabilities can be found in → Note 35 and → 36.

Notes to the statement of cash flow

31 Notes to the statement of cash flow

The consolidated statement of cash flow shows how cash and cash equivalents have changed in the course of the year as a result of inflows and outflows of funds. As per IAS 7 "Statement of Cash Flows", differentiation is made between cash flows from operating activities, from investing activities and from financing activities.

Cash flow from operating activities results from cash flows that cannot be defined as investing or financing activities. It is determined on the basis of net profit. As part of the indirect determination of cash flow, the changes in balance sheet items due to operating activities are adjusted by effects from changes to the scope of consolidation and currency translations where necessary. The changes in the respective balance sheet items can therefore only be partially aligned with the corresponding values in the published consolidated balance sheets. For further details, please refer to the "Financial position" section in the management report.

Cash flow from investing activities is essentially influenced by the investment of cash and cash equivalents in time deposits, as well as time deposits which have reached maturity.

Cash flow from financing activities includes cash-relevant equity changes and loans used and paid back.

Cash and cash equivalents with a term to maturity of not more than three months are recorded under cash and cash equivalents. Cash equivalents are short-term financial assets which can be converted into cash at any time and which are only subject to minor value fluctuation risks.

Cash and cash equivalents

All figures in €'000	Dec. 31, 2016	Dec. 31, 2015
Cash and cash equivalents	184,829	77,540
Loans ≤ 3 months	–	17,000
Cash and cash equivalents	**184,829**	**94,540**

Receivables of MLP Finanzdienstleistungen AG due from banks are included in cash and cash equivalents provided they are separable as own-account investing activities. Inseparable elements are allocated to the operating business of the banking business segment and therefore to cash flow from operating activities. All deposits at the Deutsche Bundesbank are disclosed under cash and cash equivalents.

Miscellaneous information

32 Share-based payments

Participation programme

In the financial year 2008, MLP launched a participation programme for office managers, consultants and employees in order to keep them loyal to the company in the long-term. The programme grants a certain number of phantom shares (stock appreciation rights – SARs) for office managers and consultants based on their sales performance in the core fields of old-age provision, health insurance and wealth management, as well as for employees based on their position and gross annual income. The SARs of the 2008-2011 tranches were allocated in 2009-2012. The assessment period for determining the number of SARs allocated was the calendar year prior to the respective allocation. The total term of each tranche is 12 years and is broken down into 3 phases of 4 years each. The first year of phase 1 represents the assessment period, from which the number of phantom shares to be allocated is calculated. At the start of the second year, the phantom shares are then allocated. Payment of the phantom shares is made no earlier than at the end of the first phase, i.e. 3 years after allocation of the SARs. At the end of the first phase, employees can also choose not to receive payment for the SARs and instead continue to participate in phase 2 (turbo I phase). Only in this case will they receive additional bonus SARs. And anyone who is eligible but chooses not to receive payment at the end of phase 2, but rather continue to phase 3 (turbo II phase), will be granted further bonus SARs. All SARs are paid no later than at the end of phase 3. In the event of termination of employment, all entitlements granted up to this time expire, assuming they have not been vested beforehand. The SARs originally granted become vested at the end of the first phase, the bonus SARs of turbo I phase at the end of phase 2 and those of turbo II at the end of phase 3. Participation in the programme ends with termination of employment or disbursement of SARs.

The level of payment is based on the value of one MLP share at the time payment is requested. A share price guarantee is in place for all previous tranches, although this expires if the eligible participant decides to continue participation in the programme beyond phase 1. If an eligible participant decides to receive the payout to which he or she is entitled from the tranche once phase 1 has expired, the value he or she receives is based on either the share price guarantee or the current MLP share price (whichever is the higher value) multiplied by the number of phantom shares held from phase 1. At all other payout times, eligible participants receive the current share price multiplied by the number of vested phantom shares held.

If the contractual relationship with an eligible participant ends at a time before December 31 in the twelfth year of eligibility, said participant can only demand payment of entitlements pertaining to the number of vested phantom shares held up to this time. Phantom shares allocated from vesting periods not yet completed are then forfeited.

With the 2011 tranche, the participation programme was granted for the last time. It was stopped completely from 2012 onwards.

In terms of eligibility, the 3 phases each represent completed vesting periods. Accordingly, the expenses due to the SARs originally granted are distributed over phase 1 (years 1 to 4), the expenses due to the bonus SARs of turbo I phase over years 5 to 8 and the expenses due to the bonus SARs of turbo II phase over years 9 to 12 (no front-loaded recognition of expenses).

	Tranche 2008	Tranche 2009	Tranche 2010	Tranche 2011	Total
Inventory on Jan. 1, 2016 (units)	146,508	105,254	68,702	124,487	444,951
SARs expired in 2016 (units)	-3,205	-3,197	-1,747	-2,757	-10,906
Paid out in 2016 (units)	-7,750	–	–	–	-7,750
Inventory on Dec. 31, 2016 (units)	**135,553**	**102,057**	**66,955**	**121,730**	**426,295**
Expenses recognised in 2016 (€'000)	79	165	171	189	604
Income recognised in 2016 (€'000)	-7	-14	-8	-2	-31
	72	**151**	**163**	**187**	**573**
Expenses recognised in 2015 (€'000)	126	88	80	69	364
Income recognised in 2015 (€'000)	-20	-16	-16	-38	-90
	107	**72**	**64**	**32**	**274**
Provision as of Dec. 31, 2015 (€'000)	1,107	448	559	620	2,735
Provision as of Dec. 31, 2016 (€'000)	1,040	590	689	744	3,063
Inventory investment certificates on Jan. 1, 2016 (units)	439,524	315,762	108,362	–	863,648
Inventory investment certificates on Dec. 31, 2016 (units)	406,659	306,171	131,612	–	844,442

MLP has hedged the fair value risk attached to the measurement of the liability of the 2008 and 2009 tranches for the SARs and also the cash flow risk from the SARs allocated.

To hedge the cash flow risk, 925,000 certificates were initially acquired for the 2008 tranche and 600,000 certificates for the 2009 tranche, with the right to return them to the issuer at any time within the term of a tranche (or later) at the MLP share price valid at that time, minus a discount. The certificates have an unlimited term. MLP has therefore classified these certificates as equity instruments, which are recognised at fair value directly in equity. The fair value of the certificates is based directly on the price of the MLP share.

The expense and the provision from the participation programme are recognised pro rata temporis throughout the individual phases (vesting period). The provision is measured at fair value through profit and loss. The provision accrued on the respective closing date depends on the price of the MLP share, the number of SARs issued and the length of the remaining vesting period. To hedge the fair value risk associated with the measurement of the provision, MLP can sell the equity-based certificates listed above to the issuer and in return acquire limited term certificates. These represent debt instruments designated by MLP to be "measured at fair value through profit and loss" (fair value option).

By selling the equity-based certificates, measurement gains so far recognised directly in equity are realised and expenses from the increase in liability for the participation programme are compensated. The same applies to a decrease in expenses due to a drop in the price of the MLP share.

33 Leasing

The Group has concluded **operating leases as lessee** for various motor vehicles, administration buildings and office machines. The average term of the contracts is three years for motor vehicles, generally between five and ten years for buildings and four years for office machines. Some of the lease contracts also include extension options.

The following future minimum lease payments (face values) due to irredeemable operating leases were in place on the balance sheet date:

All figures in €'000	Up to 1 year	1–5 years	> 5 years	Total
Outsourcing IT technology	40,082	134,293	–	174,375
Rent on buildings	12,456	38,199	17,735	68,390
Rental/leasing liabilities	1,338	1,137	–	2,474
Purchase commitment	4,437	–	–	4,437
Other obligation	12,280	5,274	71	17,626
Total	**70,593**	**178,903**	**17,806**	**267,301**

IT technology outsourcing essentially relates to a long-term outsourcing contract with Hewlett Packard.

Rented offices were sublet in parts by the Group. For 2017, the subletting contract is expected to generate € 244 thsd.

34 Contingent assets and liabilities, as well as other liabilities

As it is composed of companies from different business segments, MLP is exposed to a variety of legal risks. These include, in particular, risks in the fields of warranty, taxes and litigation. The outcome of currently pending or future legal actions cannot be forecast with any degree of certainty and it follows that expenditure could be incurred as a result of unexpected decisions, which has not been fully covered by loan loss provisions or insurance policies and which is liable to have a material impact on the business and its results. In MLP's opinion, decisions producing a major negative effect on the net assets, financial position and results of operations at the Group's expense are not anticipated with regard to the currently pending legal actions.

On the balance sheet date, actions are pending due to incorrect disclosures in the capital market information published by the company. This predominantly concerns the years 2000 to 2002. However, MLP firmly believes that the actions will not be successful.

On the balance sheet date, there are € 2,934 thsd in contingent liabilities on account of sureties and warranties (face value of the obligation) (previous year: € 2,577 thsd) and irrevocable credit commitments (contingent liabilities) of € 72,231 thsd (previous year: € 60,033 thsd).

Reinsurance has been arranged for benefit obligations for independent commercial agents. Final liability for the benefit obligation lies with MLP in accordance with § 1 (1) Sentence 3 of the German Company Pension Law (BetrAVG). MLP does not currently anticipate any financial consequences as a result of this.

MLP Finanzdienstleistungen AG is a member in the depositors' guarantee fund of the Association of German Banks (BdB e.V.), Berlin, and in the Compensation Scheme of German Banks (EdB GmbH), also in Berlin. Obligations to make additional payments could potentially arise from the allocation obligation here.

35 Additional information on financial instruments

Classifications and fair values

The carrying amounts and fair values of financial assets and financial liabilities, including their (hierarchical) tiers, are grouped into financial instrument classes and categories as shown in the following tables.

All figures in €'000							Dec. 31, 2016
	Carrying amount					Fair value	No financial instruments according to IAS32/39
		Carrying amount corresponds to fair value	Level 1	Level 2	Level 3	Total	
Financial assets measured at fair value	**22,614**		**11,974**	**10,640**		**22,614**	
Fair Value Option	**1,385**		**1,385**			**1,385**	
Financial investments (share certificates and structured bonds)	1,385	–	1,385	–	–	1,385	–
Available-for-sale financial assets	**21,229**		**10,589**	**10,640**		**21,229**	
Financial investments (share certificates and investment fund shares)	5,706	–	5,440	265	–	5,706	–
Financial assets (bonds)	15,523	–	5,149	10,374	–	15,523	–
Financial assets measured at amortized cost	**1,640,832**	**676,701**	**28,150**	**427,964**	**549,080**	**1,681,895**	
Loans and receivables	**1,566,261**	**670,666**		**387,578**	**549,080**	**1,607,324**	
Receivables from banking business – clients	626,479	118,287	–	–	549,080	667,367	–
Receivables from banking business – banks	590,972	203,569	–	387,578	–	591,147	–
Financial investments (fixed and time deposits)	55,102	55,102	–	–	–	55,102	–
Financial investments (loans)	10,000	10,000	–	–	–	10,000	–
Other receivables and assets	98,880	98,880	–	–	–	98,880	23,896

Cash and cash equivalents	184,829	184,829	–	–	–	184,829	–
Held-to-maturity investments	**68,535**		**28,150**	**40,386**		**68,535**	
Financial assets (bonds)	68,535	–	28,150	40,386	–	68,535	–
Available-for-sale financial assets	**6,035**	**6,035**				**6,035**	
Financial assets (investments)	6,035	6,035	–	–	–	6,035	–
Financial liabilities measured at amortized cost	**1,419,782**	**1,357,944**		**61,362**		**1,419,306**	
Liabilities due to banking business – clients	1,271,070	1,245,925	–	25,158	–	1,271,083	–
Liabilities due to banking business – banks	37,720	1,027	–	36,204	–	37,231	–
Other liabilities	110,992	110,992	–	–	–	110,992	35,919
Sureties and warranties	**2,934**	**2,934**				**2,934**	
Irrevocable credit commitments	**72,231**	**72,231**				**72,231**	

All figures in €'000							Dec. 31, 2015
	Carrying amount					Fair value	No financial instruments according to IAS32/39
		Carrying amount corresponds to fair value	Level 1	Level 2	Level 3	Total	
Financial assets measured at fair value	**22,559**		**11,751**	**10,808**		**22,559**	
Fair Value Option	**1,217**		**1,217**			**1,217**	
Receivables from banking business – clients	–	–	–	–	–	–	–
Financial investments (share certificates and structured bonds)	1,217	–	1,217	–	–	1,217	–
Available-for-sale financial assets	**21,342**		**10,533**	**10,808**		**21,342**	
Financial investments (share certificates and investment fund shares)	5,714	–	5,408	306	–	5,714	–
Financial assets (bonds)	15,627	–	5,125	10,502	–	15,627	–
Financial assets measured at amortised cost	**1,436,119**	**576,604**	**40,522**	**398,862**	**449,368**	**1,465,355**	
Loans and receivables	**1,362,938**	**570,626**		**371,741**	**449,368**	**1,391,735**	
Receivables from banking business – clients	542,696	122,762	–	–	449,368	572,129	–
Receivables from banking business – banks	600,339	227,961	–	371,741	–	599,702	–
Financial investments (fixed and time deposits)	52,120	52,120	–	–	–	52,120	–
Financial investments (loans)	56	56	–	–	–	56	–
Other receivables and assets	90,187	90,187	–	–	–	90,187	22,344
Cash and cash equivalents	77,540	77,540	–	–	–	77,540	–
Held-to-maturity investments	**67,204**		**40,522**	**27,121**		**67,643**	
Financial assets (bonds)	67,204	–	40,522	27,121	–	67,643	–
Available-for-sale financial assets	**5,978**	**5,978**				**5,978**	
Financial assets (investments)	5,978	5,978	–	–	–	5,978	–
Financial liabilities measured at amortised cost	**1,231,767**	**1,187,505**		**43,704**		**1,231,209**	
Liabilities due to banking business – clients	1,102,569	1,080,352	–	22,318	–	1,102,670	–
Liabilities due to banking business – banks	23,095	1,050	–	21,386	–	22,436	–
Other liabilities	106,103	106,103	–	–	–	106,103	34,108
Sureties and warranties	**2,577**	**2,577**				**2,577**	
Irrevocable credit commitments	**60,033**	**60,033**				**60,033**	

Cash and cash equivalents, receivables and liabilities due to banking business without agreed terms to maturity, trade receivables, from companies in which the Group holds an interest and other assets all predominantly have short terms to maturity. Their carrying amounts on the balance sheet date are therefore almost identical to the fair values. The same applies to the trade accounts payable.

On the reporting date, MLP held financial guarantees in the form of avals of € 2,784 thsd (previous year: € 2,427 thsd). Within the scope of initial measurement, these financial guarantees are stated at their fair values and netted against the present values of agreed aval commission in accordance with IAS 39. If subsequent measurement results in a higher figure, this will be recognised as a financial liability in accordance with IAS 37.

Determining fair value

Insofar as there is an active market for financial assets and financial liabilities, the prices of the market with the greatest trading volume on the closing date are used as the basis for determining the fair value. With investment shares, the fair value corresponds to the redemption prices published by the capital investment companies. If there is no active market on the closing date, the fair value is determined using recognised valuation models.

For equity instruments of financial investments not listed on an active market, the fair value is generally determined on the basis of the gross rental method using non-observable parameters such as beta factors or risk-equivalent discount interest rates. If it is not possible to reliably determine the fair value, in particular due to a lack of necessary data on earning projections, equity instruments not listed on an active market are recognised at their acquisition costs, minus any impairments. As of the balance sheet date there is no indication of fair values being lower than carrying amounts. There are also no plans to dispose of these investments.

The valuation model for assets and liabilities assigned to tier 2 takes into account the present value of the anticipated future cash inflows/outflows throughout the remaining term, which are discounted using a risk-free discount rate. The discount rate is based on the current yield curve. The anticipated cash flows are adjusted for the effects of credit and default risks. When determining the fair value of financial investments, on the other hand, the discount rate is adjusted to include a credit spread.

The table below shows the valuation techniques that were used to determine tier 3 fair values, as well as the significant, non-observable input factors applied:

Type	Valuation technique	Significant, non-observable input factors	Relationship between significant, non-observable input factors and measurement at fair value
Receivables from banking business – clients with agreed maturity	The valuation model takes into account the present value of the anticipated future cash inflows/outflows throughout the remaining term, which are discounted using a risk-free discount rate. The discount rate is based on the current yield curve. Credit and default risks, administration costs and expected return on equity are taken into account when determining future cash flows.	Adjustment of cash flows by: • credit and counterparty default risks • administrative expenses • expected return on equity	The estimated fair value would increase (decrease) if: • the credit and default risk were to rise (fall) • the admin costs were to fall (rise) • the expected return on equity were fall (rise).

Net gains and losses from financial instruments are distributed among the categories of IAS 39 for financial assets and financial liabilities at the amounts specified:

All figures in €'000	2016	2015
Loans and receivables	17,625	19,870
Held-to-maturity investments	506	814
Available-for-sale financial assets	375	1,195
Financial instruments held for trading	–	–
Fair Value Option	168	-11
Financial liabilities measured at amortised cost	-1,195	-1,650

Net gains or net losses comprise gains and losses on fair value measurement through profit and loss, impairment losses and reversals of impairment losses, and gains and losses on the sale of the financial instruments concerned.

These items also include interest income and expenses, as well as dividends and income from financial assets derecognised in their entirety.

For financial instruments that were not measured at fair value through profit and loss, interest income of € 21,298 thsd (previous year: € 22,216 thsd) and interest costs of € 1,843 thsd (previous year: € 1,974 thsd) were made.

For impairment losses, we refer to the note on the items “Receivables from the banking business”, “Other receivables and assets” and “Financial investments”. Commission income and expenses that were not included in the process for determining the effective interest rate can primarily be attributed to early repayment penalties to a negligible extent.

The maximum default risk of the financial instruments held by MLP corresponds to the carrying amount.

36 Financial risk management

With the exception of the disclosures in line with IFRS 7.36-39 (b), the disclosures on the type and severity of risks resulting from financial instruments (IFRS 7.31-42) are included in the risk report of the joint management report and in → Note 35.

In the following maturity analysis, contractually agreed cash inflows are shown with a positive sign, while contractually agreed outflows of cash and cash equivalents are shown with a negative sign. For financial guarantees and credit commitments, the potential outflow of cash and cash equivalents is disclosed. The contractually agreed maturities do not correspond to the inflows and outflows of cash and cash equivalents actually expected – in particular in the case of the financial guarantees and credit commitments. Management of the default and liquidity risk is disclosed in the risk report of the group management report.

The tables below show the maturity structure of financial liabilities with contractually fixed terms to maturity:

Total cash flow (principal and interest)

Total cash flow (principal and interest) in €'000 as of Dec. 31, 2016	Due on demand	Up to 1 year	1 to 5 years	More than 5 years	Total
Financial liabilities	**1,292,673**	**100,169**	**8,712**	**32,009**	**1,433,563**
Liabilities due to banking business – clients	1,245,925	25,207	–	–	1,271,132
Liabilities due to banking business – banks	1,027	-2,287	6,910	31,506	37,156
Other liabilities	45,721	77,249	1,802	503	125,275
Financial guarantees and credit commitments	**75,165**	**–**	**–**	**–**	**75,165**
Sureties and warranties	2,934	–	–	–	2,934
Irrevocable credit commitments	72,231	–	–	–	72,231
Total	**1,367,838**	**100,169**	**8,712**	**32,009**	**1,508,728**

Total cash flow (principal and interest)

Total cash flow (principal and interest) in €'000 as of Dec. 31, 2015	Due on demand	Up to 1 year	1 to 5 years	More than 5 years	Total
Financial liabilities	**1,120,711**	**86,445**	**7,576**	**16,877**	**1,231,608**
Liabilities due to banking business – clients	1,080,352	22,267*	–	–	1,102,619
Liabilities due to banking business – banks	1,050	87	5,494	16,256	22,886
Other liabilities	39,309	64,091	2,082	621	106,103
Financial guarantees and credit commitments	**62,610**	**–**	**–**	**–**	**62,610**
Sureties and warranties	2,577	–	–	–	2,577
Irrevocable credit commitments	60,033	–	–	–	60,033
Total	**1,183,321**	**86,445**	**7,576**	**16,877**	**1,294,218**

* Previous year's values adjusted

37 Declaration of Compliance with the German Corporate Governance Code pursuant to § 161 of the German Stock Corporation Act (AktG)

The Executive and Supervisory Boards issued a declaration of compliance with the German Corporate Governance Code pursuant to § 161 of the German Stock Corporation Act (AktG) and made it permanently available to the shareholders via its website, **www.mlp-ag.**com and in the corporate governance report of this Annual Report.

38 Related parties

Executive Board	**Mandates in other statutory Supervisory Boards of companies based in Germany**	**Memberships in comparable domestic and foreign control bodies of commercial enterprises**
Dr. Uwe Schroeder-Wildberg, Heidelberg Chairman responsible for Strategy, Communication, Policy/Investor Relations, Marketing, Sales	• FERI AG, Bad Homburg v.d.H. (Chairman)	–
Reinhard Loose, Berlin responsible for Compliance, Controlling, IT, Group Accounting, Risk Management, Internal Audit, Legal, Human Resources	• DOMCURA AG, Kiel • F&F Makler AG, Hamburg (until August 2016) • Nordische Informations-Technologie AG, Kiel (until September 2016)	–
Manfred Bauer, Leimen Responsible for Product management	• DOMCURA AG, Kiel (Chairman) • F&F Makler AG, Hamburg (Chairman) (until August 2016) • Nordische Informations-Technologie AG, Kiel (Chairman) (until September 2016)	• MLP Hyp GmbH, Wiesloch (Supervisory Board)

Supervisory Board	Mandates in other statutory Supervisory Boards of companies based in Germany	Memberships in comparable domestic and foreign control bodies of commercial enterprises
Dr. Peter Lütke-Bornefeld, Everswinkel Chairman Formerly chairman of the Board General Reinsurance AG, Cologne	• VPV Lebensversicherungs-AG, Stuttgart (until June 2016) • VHV Vereinigte Hannoversche Versicherung a.G., Hanover (Chairman) • VHV Holding AG, Hanover (Chairman) • VHV Allgemeine Versicherung AG, Hanover • Hannoversche Direktversicherung AG, Hanover (until June 2016) • Hannoversche Lebensversicherung AG, Hanover • MLP Finanzdienstleistungen AG, Wiesloch (Chairman)	• ITAS Mutua, Trento, Italy (Member of the Governing Board)
Dr. h.c. Manfred Lautenschläger, Gaiberg Vice Chairman Formerly Chairman of the Executive Board MLP AG, Wiesloch	–	• University Hospital Heidelberg, Heidelberg (Supervisory Board)
Dr. Claus-Michael Dill, Murnau Formerly Chairman of the Executive Board AXA Konzern AG, Cologne	• HUK-COBURG Holding AG, Coburg • HUK-COBURG Haftpflicht-Unterstützungs-Kasse kraftfahrender Beamter Deutschlands a.G., Coburg • HUK-COBURG-Allgemeine Versicherung AG, Coburg • XL Catlin Europe SE, Cologne (until December 2016)	• XL Catlin Re Switzerland AG, Zurich, Switzerland (Member of the Governing Board) • XL Group plc, Dublin, Ireland (Non-Executive Director) (until June 2016) • XL Group Ltd., Hamilton/Bermuda (Non-Executive Director) (since July 2016) • XL Europe Re SE, Dublin, Ireland (Non-Executive Director) (since February 2016)
Tina Müller, Frankfurt am Main Chief Marketing Officer and Managing Director at Opel Group GmbH, Rüsselsheim	• STADA Arzneimittel AG, Bad Vilbel (since August 2016)	–
Burkhard Schlingermann, Dusseldorf Employees' representative Employee of MLP Finanzdienstleistungen AG, Wiesloch Member of the works council of MLP AG and MLP Finanzdienstleistungen AG, Wiesloch	• MLP Finanzdienstleistungen AG, Wiesloch (Employees' representative)	–
Alexander Beer, Karlsruhe Employees' representative Employee of MLP Finanzdienstleistungen AG, Wiesloch	–	–

Related persons

Within the scope of the ordinary business, legal transactions were made between individual Group companies and members of the Executive Board and the Supervisory Board as well as related parties. The legal transactions refer to the payment transactions and securities services of € 1,663 thsd (previous year: € 1,772 thsd). The legal transactions were completed under standard market or employee conditions.

As of the reporting date of December 31, 2016, members of the Executive Bodies had current account credit lines and surety loans totalling € 556 thsd (previous year: € 544 thsd). Surety loans are charged an interest rate of 1.0% (previous year: 1.0%) and the current account debits 6.25% to 8.50% (previous year: 6.50% to 8.75%).

The total remuneration for members of the Executive Board active on the reporting date is € 2,443 thsd (previous year: € 2,029 thsd). Of which € 1,344 thsd (previous year: € 1,344 thsd) is attributable to the fixed portion of remuneration and € 1,099 thsd (previous year: € 685 thsd). In the financial year, expenses of € 290 thsd (previous year: € 290 thsd) were accrued for occupational pension provision. As of December 31, 2016, pension provisions of € 18,109 thsd were in place for former members of the Executive Board (previous year: € 16,169 thsd).

Variable portions of remuneration comprise long-term remuneration components.

The members of the Supervisory Board received non-performance-related remuneration of € 500 thsd for their activities in 2016 (previous year: € 494 thsd). In addition, € 17 thsd (previous year: € 17 thsd) was paid as compensation for expenses and training measures.

For the detailed structure of the remuneration system and the remuneration of the Executive Board and Supervisory Board, please refer to the remuneration report in the → "Corporate governance" chapter. The remuneration report is part of the management report.

Related companies

Alongside the consolidated subsidiaries, MLP AG comes into direct and indirect contact and has relations with a large number of companies within the scope of its ordinary business. This also includes subsidiaries, which are non-consolidated for reasons of materiality, as well as associates. All business dealings are concluded at conditions and terms customary in the industry and which as a matter of principle do not differ from delivery and service relationships with other companies. The services performed for the companies listed in the following essentially concern remuneration for wealth management and consulting, as well as brokerage, sales and trailer commission.

Transactions were carried out with major related companies, which led to the following items in the consolidated financial statements:

Related companies 2016

All figures in €'000	Receivables	Liabilities	Income	Expenses
MLP Consult GmbH, Wiesloch	–	2,074	7	–
MLP Hyp GmbH, Wiesloch	224	18	7,108	49
Michel & Cortesi Assetmanagement AG, Zurich	369	106	142	–
Coresis Management GmbH, Bad Homburg v. d. Höhe	23	–	64	625
AIF Komplementär GmbH, Munich	–	23	21	–
FPE Private Equity Beteiligungs-Treuhand GmbH, Munich	–	–	120	–
FPE Private Equity Koordinations GmbH, Munich	–	–	47	–
DIEASS GmbH, Kiel	–	9	5	9
Portus Assekuranz Vermittlungsgesellschaft mbH, Kiel	–	25	5	60
Walther GmbH Versicherungsmakler, Hamburg	0	–	99	–
Total	**617**	**2,255**	**7,618**	**743**

Related companies 2015

All figures in €'000	Receivables	Liabilities	Income	Expenses
MLP Consult GmbH, Wiesloch	–	2,082	–	13
MLP Hyp GmbH, Wiesloch	179	–	6,203	63
Michel & Cortesi Assetmanagement AG, Zurich	633	–	347	134
Coresis Management GmbH, Bad Homburg v. d. Höhe	12	–	62	727
US Treuhand Vertriebsgesellschaft mbH, Bad Homburg v. d. Höhe	–	–	81	57
AIF Komplementär GmbH, Munich	–	48	171	27
FPE Direct Coordination GmbH, Munich	–	–	12	–
FPE Private Equity Beteiligungs-Treuhand GmbH, Munich	–	–	150	–
FPE Private Equity Koordinations GmbH, Munich	–	–	55	–
DIEASS GmbH, Kiel	–	5	–	5
Portus Assekuranz Vermittlungsgesellschaft mbH, Kiel	–	15	–	15
Nordische Informations-Technologie AG, Kiel	10	–	11	–
Walther GmbH Versicherungsmakler, Hamburg	0	24	–	24
Total	**834**	**2,174**	**7,092**	**1,063**

39 Number of employees

The average number of staff employed fell from 1,802 in 2015 to 1,768 in 2016.

	2016			2015		
		of which executive employees	of which marginal part-time employees		of which executive employees	of which marginal part-time employees
Financial services	1,275	25	48	1,300	28	75
FERI	223	7	49	235	9	54
DOMCURA	264	7	16	261	7	25
Holding	7	2	–	7	2	–
Total	**1,768**	**41**	**112**	**1,802**	**46**	**154**

An average of 116 people (previous year: 111) underwent vocational training in the financial year.

40 Auditor's fees

The total fees for services performed by the auditing firm KPMG AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main in the financial year 2016 (including expenses, but excluding statutory value added tax) are as follows:

All figures in €'000	2016	2015
Audit services	606	680
Other assurance services	93	99
Tax advisory services	–	21
Other services	112	107
Total	**811**	**907**

The item Audit services contains the fees paid for the audit of the consolidated financial statements and for the audit of the other legally stipulated financial statements of MLP AG and its subsidiaries.

41 Disclosures on equity / capital control

A primary objective of equity control is to ensure that the legal solvency regulations for banking and financial services businesses, which prescribe a minimum capital adequacy, are fulfilled and that the sound quantitative and qualitative equity base is strengthened. At MLP, the examinations for the purpose of complying with the solvency regulations, which came into force on January 1, 2014, as well as Article 7 and Article 11 et seq. of EU Directive No. 575/2013 of the European Parliament and Council from June 26, 2013 regarding the supervisory requirements of financial institutions and investment firms, are performed on a consolidated basis (Group). As per Article 11 of the CRR, the relevant Group includes MLP AG, Wiesloch, MLP Finanzdienstleistungen AG, Wiesloch, FERI AG, Bad Homburg v. d. Höhe, FERI Trust GmbH, Bad Homburg v. d. Höhe, FEREAL AG, Bad Homburg v. d. Höhe, FERI Trust (Luxembourg) S. A., Luxembourg, ZSH GmbH Finanzdienstleistungen, Heidelberg, as well as Schwarzer Familienholding GmbH, Kiel (SFH Group).

Pursuant to the CRR, the following companies of the SFH Group are to be classified as “other companies”. As was the case in the previous year they are voluntarily included in the scope of consolidation: DOMCURA AG, Kiel, with its subsidiary NORDVERS GmbH, Kiel, nordias GmbH Versicherungsmakler, Kiel, with its subsidiaries Willy F. O. Köster GmbH, Hamburg and Siebert GmbH Versicherungsmakler, Arnstadt.

Pursuant to the CRR, the following companies are not included in the Group as “Other companies”: MLPdialog GmbH, Wiesloch, MLP Hyp GmbH, Wiesloch. At TPC GmbH, Hamburg, use is made of an exemption as per Article 19 of the CRR. These deviations from the IFRS scope of consolidation are considered insignificant.

In deviation from the disclosures in the 2015 Annual Report, the following companies are no longer included in the supervisory scope of consolidation as per CRR: F & F Makler AG, Hamburg (merged into nordias GmbH Versicherungsmakler, Kiel) and Ralf W. Barth GmbH, Hamburg (merged into nordias GmbH Versicherungsmakler, Kiel).

As a depository institution, MLP Finanzdienstleistungen AG, Wiesloch is the controlling institution as per Article 11 of the CRR.

The following means and measures for controlling and adjusting the equity capital of the Group are available to MLP: (I) Issuing new shares and (II) Making transfers to the statutory reserve to strengthen Tier 1 capital.

Pursuant to Article 92 et seq. of the CRR, MLP is obliged to back its capital adequacy requirements for both counterparty default risks and the operational risk at Group level with at least 8.625% eligible own funds (equity ratio) (previous year: 8.0%).

MLP applies the standardised approach to credit risk for determining the risk-weighted exposure values (counterparty default risks) in accordance with Article 111 et seq. of the Capital Requirements Regulation (CRR). The basic indicator approach is used for determining the amount for the operational risk (Article 315 et seq. of the CRR).

As in the previous year, the backing of risk assets with eligible own funds for Tier 1 capital generally requires a minimum ratio of 4.5% throughout.

As per Article 25 et seq. of the CRR, the Group’s Tier 1 capital includes the following equity items of IFRS capital: share capital, capital reserves, statutory reserve and retained earnings. Among other factors, the following serve to reduce Tier 1 capital: intangible assets, treasury stock, goodwill.

As in the previous year, MLP has fulfilled all legal requirements relating to the minimum core capital backing during the financial year 2016. The relationship between core capital requirement and core capital as of the balance sheet date is illustrated below.

All figures on the basis of the financial statements in €'000	2016	2015
Tier 1 common capital	214,655	211,250
Tier 1 additional capital	–	–
Tier 2 capital	–	–
Eligible own funds	214,655	211,250
Capital adequacy requirements for counterparty default risks	75,502	70,392
Capital adequacy requirements for operational risk	45,793	47,532
Equity ratio (at least 8.625 %)(at least 8% + 0.625% (previous year 0.0%) capital conservation buffer)	14.16	14.33
Tier 1 common capital ratio (at least 4.5 %)	14.16	14.33

42 Events subsequent to the reporting date

On February 21, 2017 the MLP AG Supervisory Board consented to the change of Group structure passed by the Executive Board. Through a legal corporate separation of MLP Finanzdienstleistungen AG, the regulated banking business will be united in one company and the brokerage and consulting business in the other. Furthermore, the supervisory scope of consolidation will be narrowed down.

The objective of bundling the banking activities is to significantly increase free regulatory equity capital. On the basis of the current capital adequacy requirements, we expect the free equity capital to increase gradually by around € 75 million by the end of 2021. MLP will thereby expand its scope for action above all for acquisitions and investments, but also in terms of the distribution of dividends.

The new Group structure also has an effect on the anticipated business development. For details see the Forecast section of the Annual Report. For the implementation of the aforementioned measures, we anticipate one-off expenses of € 9 million in the financial year 2017. Taking these one-off expenses into account, MLP expects earnings before interest and tax (EBIT) of at least € 36 million for 2017.

The Executive Board intends to base its dividend proposal for the financial year 2017 on the operating net profit (before one-off expenses) and will maintain a distribution rate of 50 to 70 percent.

It is anticipated that the measures will be implemented in early 2018, assuming final approval is given by the Federal Financial Supervisory Authority (BaFin).

Beyond this there were no appreciable events after the balance sheet date affecting the net assets, financial position and results of operations of the Group.

43 Release of consolidated financial statements

The Executive Board prepared the consolidated financial statements on February 23, 2017 and will present them to the Supervisory Board on March 15, 2017 for publication.

Wiesloch February 23, 2017
MLP AG
Executive Board

Dr. Uwe Schroeder-Wildberg   Manfred Bauer   Reinhard Loose

Auditor's Report

We have audited the consolidated financial statements prepared by the MLP AG, Wiesloch, comprising the consolidated income statement and statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flow and consolidated statement of changes in equity and the notes to the consolidated financial statements and its joint management report on the position of the Company and the Group for the business year from January 1 to 31 December 2016. The preparation of the consolidated financial statements and the joint management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB [Handelsgesetzbuch "German Commercial Code"] are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the joint management report based on our audit.

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

Our audit has not led to any reservations.

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

Frankfurt/ Main, March 2, 2017

KPMG AG
Wirtschaftsprüfungsgesellschaft

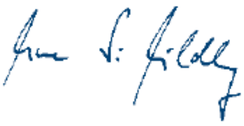
Dr. Hübner
Wirtschaftsprüfer
(German Public Auditor)

Hahn
Wirtschaftsprüfer
(German Public Auditor)

Responsibility statement

"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 net assets, financial position and results of operations of the Group, and the joint management report gives a fair view of the performance of the business including business results and the overall position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group."

Wiesloch, February 23, 2017



Dr. Uwe Schroeder-Wildberg | Manfred Bauer | Reinhard Loose

Financial calendar

FEBRUARY

February 23, 2017

Publication of the results for the financial year 2016.
Annual press conference and analyst conference in Frankfurt.

MARCH

March 23, 2017

Publication of the Annual Report for the financial year 2016.

MAY

May 11, 2017

Publication of the results for the first quarter 2017.

JUNE

June 29, 2017

Annual General Meeting (AGM) of MLP AG in Wiesloch.
MLP AG holds its AGM at the Palatin Congress Center in Wiesloch.

AUGUST

August 10, 2017

Publication of the results for the first half-year and the second quarter 2017.

NOVEMBER

November 14, 2017

Publication of the results for the first nine months and the third quarter 2017.

More information at ↗ www.mlp-ag.com, Investor Relations, Calendar

Any questions?

MLP AG

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Board of Directors

- Dr. Uwe Schroeder-Wildberg (Vorstandsvorsitzender)
- Manfred Bauer
- Reinhard Loose

Chairman of the Supervisory Board
Dr. Peter Lütke-Bornefeld

Commercial Register
Registergericht Mannheim HRB 332697

Value Added Tax Identification Number
DE 143449956

Concept, design and production
heureka GmbH – einfach kommunizieren., Essen

Appropriate regulatory authority

Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin) [1]
Graurheindorfer Str. 108
D-53117 Bonn
Marie-Curie-Str. 24-28
D-60439 Frankfurt am Main
www.bafin.de

[1] Appropriate regulatory authority according German Banking Act (Kreditwesengesetz, KWG)

European Central Bank [2]
Sonnemannstraße 20
D-60314 Frankfurt am Main
www.ecb.europa.eu

[2] Appropriate regulatory authority according CRR