Notes

General information

1 Information about the company

The consolidated financial statements were prepared by MLP SE (formerly MLP AG, Wiesloch), Germany, the ultimate parent company of the MLP Group. MLP SE is listed in the Mannheim Commercial Register under the number HRB 728672 (formerly 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 SE 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 § 315e (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.

The contractual relationships of MLP consultants and branch office managers have changed as a result of the spin-off of the brokerage branch of activity from MLP Finanzdienstleistungen AG into MLP Finanzberatung SE, as well as continuation of the banking branch of activity at MLP Finanzdienstleistungen AG and its subsequent name change to MLP Banking AG. The consultants now have a direct contractual relationship with both MLP Banking AG and MLP Finanzberatung SE. At MLP Banking AG, alongside their status as commercial agents pursuant to § 84 of the German Commercial Code (HGB), they now also have the supervisory status of tied agents pursuant to § 2 (10) of the German Banking Act (KWG). For MLP Finanzberatung SE, they operate as commercial agents pursuant to § 84 of the German Commercial Code (HGB). For the purpose of clarity, the term "MLP consultant" is used uniformly throughout the following part of the report.

The branch office managers now also have a direct contractual relationship with both MLP Banking AG and MLP Finanzberatung SE. At MLP Banking AG, they work on the basis of a sales agent contract, while at MLP Finanzberatung SE they work on the basis of a branch office manager contract. For the purpose of clarity, the term "branch office manager" is used uniformly throughout the following part of the report.

The term "commercial agent", which is used in the following report section, encompasses the sales agents at MLP Banking AG, the branch office managers at MLP Finanzberatung SE and the MLP consultants from both companies.

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:

The amendments to IAS 7 "Disclosure Initiative" and to IAS 12 “Recognition of Deferred Tax Assets for Unrealised Losses” were to be applied in the current financial year. This application did not result in any effects for MLP.

Adoption of the following new or revised standards and interpretations was not yet binding for the financial year commencing January 1, 2017. The standards were not adopted early:

IFRS 9	Financial instruments 1)
IFRS 15	Revenue from Contracts with Customers 1) and associated clarifications 1)
IFRS 16	Leases 2)
IFRS 17	Insurance Contracts 3)
Amendments to IFRS 10 and IAS 28	Sales or contributions of assets between an investor and its associate/joint venture 1), 5)
Amendments to IFRS 2	Classification and measurement of share based payment transactions 1)
Annual improvements to the IFRS	2014- 2161 Cycle 1) or 2015- 2015 Cycle 2), 5)
Amendments to IAS 19	Plan Amendment, curtailment or settlement 2), 5)
Amendments to IAS 40	Transfer of Investment Property 1), 5)
IFRIC 22	Foreign Currency Transactions and Advance Consideration 1), 5)
IFRIC 23	Accounting for Uncertainties in Income Taxes 2), 5)

1 To be applied for financial years beginning on or after January 1, 2018.
2 To be applied for financial years beginning on or after January 1, 2019.
3 To be applied for financial years beginning on or after January 1, 2021.
4 Timing for initial adoption postponed indefinitely.
5 EU endorsement still pending.

EU endorsement has already taken place

The IASB published **IFRS 9** "Financial Instruments" in July 2014. 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 future, the subsequent measurement of financial assets will be based on three categories: (1) Measurement at acquisition costs using the effective interest method ("AC"), (2) Measurement at fair value with changes in fair value recorded and recognised directly in equity under other comprehensive income ("FVTOCI") and (3) Measurement at fair value with recognition in the income statement of changes in fair value ("FVPL"). In addition to this, IFRS 9 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.

Based on the analysis of the Group's financial assets and debts as of December 31, 2017, as well as the facts and circumstances in place at this time, the MLP Group is anticipating the following effects on its consolidated financial statements as a result of IFRS 9:

In terms of financial assets, the "hold" **business model** is the one predominantly used by the MLP Group. This applies both to the banking business (lending business) and proprietary trading (money market and securities transactions, promissory note bonds). MLP Banking AG has the status of a non-trading book institute, so transactions with a view to making a trading or short-term profit are not contracted, and originated loans are generally maintained over the contractually agreed term. Proprietary trading (including securities transactions and promissory note bonds) is performed in the MLP Group exclusively with the intention to hold such products to maturity. As such, the business model does not result in a reclassification of financial assets that have been measured at amortised costs in the past.

The subsequent analysis of the **cash flow criterion** indicated that ancillary agreements which would be detrimental to SPPI only affected one fixed income security. However, this security has already been recognised at fair value in the income statement as per IAS 39. All other securities in the portfolio do not contain any ancillary agreements that would be detrimental to SPPI and are classified as AC as per IFRS 9. In terms of the funds, the cash flow criterion is not met. Measurement will therefore continue to be performed at fair value in future. With all other financial instruments, no criteria that would be detrimental to SPPI were identified. Below is a list of all balance sheet items where changes have occurred to the measurement as of December 31, 2017 pursuant to IFRS 9:

All figures in €‘000			IAS 39		IFRS 9
	Amortised cost	Fair value recognised through profit or loss	Fair value recognised directly in equity	AC	FV
	-	4,978	-	-	4,978
	-	-	19,399	19,179	-
Debenture and other fixed income securities	58,322	-	-	58,322	-
Shares and other variable yield securities	-	-	4,047	-	4,047

The effect resulting from the change in classification is € 220 thsd. Minus deferred taxes, this results in an equity movement of € 155 thsd. The initial adoption effect can move within a range of +/-10%.

The **value adjustment model** of **IFRS 9** provides three stages for determining the level of impairment to be recorded. Stage I contains losses already anticipated on acquisition at the level of the present value of an anticipated 12-month loss, while Stage II contains the losses over the entire term remaining to maturity in the event of a significant increase in the default risk. In the event of an objective indication of impairment, interest collection is performed on the basis of the net book value (carrying amount less loan loss provisions – Stage III). As no changes to the definition of default resulted from IFRS 9, financial instruments that were already individually impaired pursuant to IAS 39 are to be transitioned over to IFRS 9 in Stage III. If there are no objective indications of an impairment, in future it will be necessary to investigate whether a significant deterioration of the credit risk in comparison with the credit risk when performing the transaction has occurred as of the respective balance sheet date. If this is the case, the respective financial transaction must be assigned to Stage II. Otherwise, the transaction is assigned to Stage I. As a result of recording losses from Stage I, Stage II and Stage III, MLP is anticipating additional impairments of approximately € 4,538 thsd. Net of deferred taxes, this results in an equity-reducing effect of € 3,206 thsd. The initial adoption effect can move within a range of +/-10%.

MLP is not anticipating any effects on its consolidated financial statements from the new provisions relating to the application of hedge accounting.

In May 2014, the IASB published **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 replaces IAS 11 "Construction Contracts" and IAS 18 "Revenue", as well as the accompanying interpretations. The standard is to be applied for the first time to financial years beginning on or after January 1, 2018. MLP will therefore apply the standard for the first time for the financial year 2018 in line with the modified retrospective method. Changeover effects as of January 1, 2018 will be recorded in retained earnings with no effect on the operating result and the 2017 comparison period will be presented as per the provisions applicable up to December 31, 2017. Findings in the course of implementing IFRS 15 confirm that significant effects on the consolidated financial statements of MLP are only likely to be encountered in the following areas. In future, revenue from brokerage services will also include the estimated revenue from anticipated regular acquisition commissions at the time of contract conclusion, as well as trail commissions paid by the insurer throughout the contribution period. To this extent, IFRS 15 leads to an earlier realisation of revenues. In this context, contractual assets and contractual debts are also to be recorded in the balance sheet for the obligation to make payments to MLP consultants). The following table clarifies the effects on the individual items in the balance sheet:

All figures in €'000	
Item	**Changeover effect***
Contractual assets	41,513
Other receivables and assets	-5,121
Deferred tax assets	-3,079
Contractual liabilities	26,642
Other liabilities	-6,981
Deferred tax liabilities	1,833
Shareholders' equity	11,819

*The changeover effects can move within a range of +/-10%.

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. The company currently checks which rental or leasing contracts need to be capitalised pursuant to IFRS 16.

No significant effects on the consolidated financial statements of MLP SE result from the other new or revised standards.

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.

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

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

Changes to the scope of consolidation:

As per the resolution of the Annual General Meeting from June 29, 2017, MLP AG was converted to a Societas Europaea (SE) with effect from September 21, 2017. The change of the stock market listing was performed on September 22, 2017. The rights of the shareholders, the company's membership in the SDAX index and the stock exchange code remained unaffected by this.

On the basis of the merger agreement dated March 24, 2017, Schwarzer Familienholding GmbH was merged with MLP SE with retroactive effect from January 1. Entry into the Commercial Register was made on May 30, 2017.

Since this time, DOMCURA AG and nordias GmbH insurance brokers are 100% subsidiaries of MLP SE alongside MLP Finanzberatung SE, MLP Banking AG and FERI AG.

Atrium 105. Europäische VV SE was acquired with effect from May 17, 2017. Atrium 105. Europäische VV SE was renamed MLP Finanzberatung SE with entry into the Commercial Register on July 6, 2017. In the financial year 2017, the brokerage branch of activity was spun off from MLP Finanzdienstleistungen AG and reassigned to MLP Finanzberatung SE in line with the spin-off and takeover agreement dated November 10, 2017, as well as the assembly decisions of the respective legal entities from November 10, 2017 and November 16, 2017. The banking branch of activity remained at MLP Finanzdienstleistungen AG. MLP Finanzdienstleistungen AG was renamed MLP Banking AG with entry into the Commercial Register on November 30, 2017. With effect from October 1, 2017 all regulated bank activities have been handled by MLP Banking AG, while the brokerage business has been managed by MLP Finanzberatung SE. With the realignment of the Group structure, MLP will leverage free regulatory equity capital. Furthermore, the new Group structure offers the potential for strategic cooperations.

Alongside MLP SE as the parent company, 13 (previous year: 13) 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 as of December 31, 2017.

With the resolution dated March 7, 2017, MLP SE, as a shareholder in Nordvers GmbH, approved an exemption pursuant to § 264 (3) of the German Commercial Code (HGB) from the need to draft a management report as per § 289 of the German Commercial Code (HGB) for the financial year 2017. The company is included in the 2017 consolidated financial statements of MLP SE with its registered office in Wiesloch. The consolidated financial statements are published in the Federal Gazette (Bundesanzeiger) within the legal deadlines. A single-entity relationship is in place between the company and MLP SE which obliges MLP SE to the assumption of losses as per § 302 of the German Stock Corporation Act (AktG), as well as to the assumption of liability.

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

As of December 31, 2017	Share of capital in %	Shareholders' equity (€'000)	Net profit (€'000)
Fully consolidated subsidiaries			
MLP Finanzberatung SE, Wiesloch	100.00	16,756	16,085
MLP Banking AG, Wiesloch [1)]	100.00	108,998	-2,831
TPC GmbH, Hamburg [1)] (Wholly-owned subsidiary of MLP Finanzberatung SE)	100.00	314	282
ZSH GmbH Finanzdienstleistungen, Heidelberg [1)] (Wholly-owned subsidiary of MLP Finanzberatung SE)	100.00	1,190	1,678
FERI AG, Bad Homburg v.d. Höhe [1)]	100.00	19,862	15,723
FERI Trust GmbH, Bad Homburg v.d. Höhe [1)] (Wholly-owned subsidiary of FERI AG)	100.00	8,386	5,746
FEREAL AG, Bad Homburg v.d. Höhe [1)] (Wholly-owned subsidiary of FERI AG)	100.00	1,949	235
FERI Trust (Luxembourg) S.A., Luxembourg (Wholly-owned subsidiary of FERI AG)	100.00	21,060	14,318
DOMCURA AG, Kiel [1)]	100.00	2,380	6,365
nordias GmbH Versicherungsmakler, Kiel [1)]	100.00	435	-543
Nordvers GmbH, Kiel [1)] (Wholly-owned subsidiary of DOMCURA AG)	100.00	26	319
Willy F.O. Köster GmbH, Hamburg [100)] (Wholly-owned subsidiary of nordias GmbH Versicherungsmakler)	100.00	2,025	-60
Siebert GmbH Versicherungsmakler, Jens/Arnstadt [1)] (Wholly-owned subsidiary of nordias GmbH Versicherungsmakler)	100.00	26	386
MLPdialog GmbH, Wiesloch (Wholly-owned subsidiary of MLP Finanzberatung SE)	100.00	968	251
Associates consolidated at equity			
MLP Hyp GmbH, Wiesloch (49.8 % subsidiary of MLP Finanzberatung SE)	49.80	6,730	3,730
Companies not consolidated due to immateriality			
MLP Consult GmbH, Wiesloch	100.00	2,311	-9
Uniwunder [4)], Dresden (25.10 stake- held by MLP Finanzberatung SE)	25.10	25	-
Michel & Cortesi Asset Management AG, Zurich (Switzerland) [1)] (Wholly-owned subsidiary of FERI AG)	100.00	788 TCHF	222 TCHF
CORESIS Management GmbH, Bad Homburg v.d. Höhe [2)] (25 % held by FERI AG)	25.00	963	597
FPE Private Equity Beteiligungs-Treuhand GmbH, Munich [2)] (Wholly-owned subsidiary of FERI Trust GmbH)	100.00	196	135
FPE Private Equity Koordinations GmbH, Munich [2)] (Wholly-owned subsidiary of FERI Trust GmbH)	100.00	79	50
FPE Direct Coordination GmbH, Munich [2)](Wholly-owned subsidiary of FERI Trust GmbH)	100.00	12	-33
FERI Private Equity GmbH & Co. KG, Munich [2)] (Wholly-owned subsidiary of FERI Trust GmbH)	100.00	20	11
FERI Private Equity Nr. 2 GmbH & Co. KG, Munich [2)] (Wholly-owned subsidiary of FERI Trust GmbH)	100.00	4	-6
AIF Komplementär GmbH, Munich [2)] (25 % held by FERI AG)	25.00	11	-14
AIF Register-Treuhand GmbH, Munich [2)] (Wholly-owned subsidiary of FERI AG)	100.00	0	-26
DIEASS GmbH, Kiel [1)] (Wholly-owned subsidiary of DOMCURA AG)	100.00	26	-11
Portus Assekuranz Vermittlungsgesellschaft mbH, Kiel [1)] (Wholly-owned subsidiary of DOMCURA AG)	100.00	25	-16
Walther Versicherungsmakler GmbH [1)] (Wholly-owned subsidiary of nordias GmbH Versicherungsmakler)	100.00	25	-34

[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 from the annual financial statements 2016.
[3)] Currency conversion rates as of the balance sheet date: € 1 = CHF 1.16928
[4)] Founded in 2016. Statement of initial capital. Financial statements are not available yet.

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 SE controls them.

Non-consolidated structured entities of the MLP Group are **private equity companies**. As 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 pay-outs 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 € 360 thsd as of December 31, 2017 (previous year: € 457 thsd). In the financial year 2017, MLP SE recorded an income of € 221 thsd from non-consolidated structured entities (previous year: € 68 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 occasion, 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
- → Notes 6 and → 19 – impairment test (discounted cash flow forecasts and significant assumptions applied)
- → Notes 6, → 21 to → 24 and → 34 – classification and measurement of financial instruments, as well as fair value disclosures.
- → Notes 6, → 21 and → 24 – allowances for bad debts
- → Notes 6, → 27 and → 33 – provisions and corresponding refund claims as well as contingent assets and liabilities
- → Notes 6 and → 27 – measurement of defined benefit obligations
- → Notes 6 and → 32 – classification of leases
- → Note 17 – recognition of tax receivables/tax reserves
- → Note 25 – 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 MLP 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 MLP 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 Banking 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 Note 34 - 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 portfolio development, 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 the **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 32.

Earnings from 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 a 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 debts on a portfolio basis in connection with **loan loss provisions 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 21 and → 24.

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 27.

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 and using equity instruments.

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.

Share-based payments also include those made through equity instruments ("2017 Participation Programme” for MLP consultants and office managers). The 2017 Participation Programme applies to the calendar year 2017, as well as to MLP consultants and MLP office managers whose commercial agent or office manager contract remained unterminated and in place on December 30, 2017. The remuneration to be made in the form of MLP shares is determined on the basis of the annual commission of the MLP consultant/office manager, applying various performance parameters, and is recorded in the 2017 consolidated financial statements as an expense with a corresponding increase in shareholders' equity.

You can find further details on the share-based payments in → Note 31.

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 consulting
- Banking
- FERI
- DOMCURA
- Holding

As described under Note 4, the brokerage branch of activity was spun off from MLP Finanzdienstleistungen AG and assigned to MLP Finanzberatung SE in the financial year. The banking branch of activity remained at MLP Finanzdienstleistungen AG, which was then renamed MLP Banking AG in the course of the financial year. All regulated banking activities are combined in the MLP Banking AG, while the brokerage business continues to operate in the MLP Finanzberatung SE. As a result, the financial consulting and banking business segments were formed.

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 consulting" and "occupational pension provision" business segments under the reportable **"financial consulting"** business segment in accordance with IFRS 8.12. The object of the reportable **financial consulting** business segment is the provision of consulting services for academics and other discerning clients, particularly with regard to insurance, investments, occupational pension provision and the brokering of contracts in connection with these financial services. The segment comprises MLP Finanzberatung SE, TPC GmbH, ZSH GmbH Finanzdienstleistungen, MLPdialog GmbH, as well as the associate MLP Hyp GmbH.

The task of the reportable **Banking** business segment is to advise on and operate the banking business, including the securities custody business, the commission business, investment consulting and investment brokerage. In addition to this, the insurance brokerage business forms part of the business activities.

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 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 SE. The main internal services and activities are combined in this segment.

Intra-segment 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 consulting, banking 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 € 205,274 thsd was generated with two product partners in the financial consulting, banking, FERI and DOMCURA business segments. In the previous year, revenue of € 258,141 thsd was generated with three product partners in the financial services (now: financial consulting), FERI and DOMCURA business segments.

In line with IFRS 8.30, the previous year's figures have not been adjusted in the segment reporting. However, to make the figures comparable, the values of the current financial year have also been prepared in line with the previous year's segment structure in the following table.

Information regarding reportable business segments

All figures in €'000	Financial consulting		Banking		FERI		DOMCURA		Holding		Consolidation		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Revenue	126,848		278,317		139,710		73,273		–		-9,405		608,743	
of which total inter-segment revenue	6,029		3,371		6		–		–		-9,405		–	
Other revenue	6,394		11,639		4,283		4,642		9,611		-17,146		19,424	
of which total inter-segment revenue	4,445		3,693		28		63		8,915		-17,146		–	
Total revenue	**133,242**		**289,957**		**143,993**		**77,915**		**9,611**		**-26,551**		**628,167**	
Commission expenses	-58,510		-128,959		-81,754		-48,323		–		8,202		-309,344	
Interest expenses	–		-1,055		–		–		–		–		-1,055	
Loan loss provisions	102		-619		-34		40		–		–		-511	
Personnel expenses	-21,467		-53,163		-30,507		-14,337		-3,771		–		-123,245	
Depreciation and impairment	-3,702		-7,461		-1,170		-1,293		-1,666		–		-15,293	
Impairments	–		–		–		–		–		–		–	
Other operating expenses	-27,243		-103,252		-10,614		-8,277		-12,550		18,328		-143,607	
Earnings from investments accounted for using the equity method	2,487		–		–		–		–		–		2,487	
Segment earnings before interest and tax (EBIT)	**24,910**		**-4,553**		**19,914**		**5,724**		**-8,376**		**-20**		**37,600**	
Other interest and similar income	20		102		40		27		45		-24		209	
Other interest and similar expenses	-182		-597		-246		-38		-461		92		-1,433	
Finance cost	**-163**		**-495**		**-206**		**-11**		**-417**		**68**		**-1,223**	
Earnings before tax (EBT)	**24,747**		**-5,047**		**19,708**		**5,713**		**-8,793**		**48**		**36,377**	
Income taxes													-8,582	
Net profit													**27,796**	
Earnings from investments accounted for using the equity method	**4,132**		–		–		–		–		–		**4,132**	
Investments in intangible assets and property, plant and equipment	**1,320**		**3,678**		**527**		**1,523**		**277**		–		**7,324**	
Major non-cash expenses:														
Impairments/reversal of impairments on receivables	-57		965		34		-40		–		–		902	
Increase/decrease of provisions/accrued liabilities	15,905		38,236		10,609		69		2,179		–		66,997	

Information regarding reportable business segments

All figures in €'000	Financial services		FERI		DOMCURA		Holding		Consolidation		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Revenue	400,737	400,446	139,710	123,583	73,273	70,664	–	–	-4,976	-4,134	608,743	590,559
of which total inter-segment revenue	4,970	3,825	6	309	–	–	–	–	-4,976	-4,134	–	–
Other revenue	14,373	10,313	4,283	5,081	4,642	3,212	9,611	13,694	-13,485	-12,490	19,424	19,810
of which total inter-segment revenue	4,478	1,916	28	7	63	1,095	8,915	9,473	-13,485	-12,490	–	–
Total revenue	**415,109**	**410,759**	**143,993**	**128,664**	**77,915**	**73,876**	**9,611**	**13,694**	**-18,461**	**-16,624**	**628,167**	**610,369**
Commission expenses	-184,213	-183,578	-81,754	-72,072	-48,323	-46,574	–	–	4,946	3,719	-309,344	-298,505
Interest expenses	-1,055	-1,719	–	–	–	–	–	–	–	8	-1,055	-1,711
Loan loss provisions	-517	-839	-34	-768	40	2	–	-13	–	–	-511	-1,619
Personnel expenses	-74,630	-76,015	-30,507	-28,114	-14,337	-14,114	-3,771	-3,604	–	–	-123,245	-121,847
Depreciation	-11,164	-8,704	-1,170	-1,545	-1,293	-1,370	-1,666	-1,908	–	–	-15,293	-13,528
Impairments	–	-10,399	–	–	–	–	–	-36	–	–	–	-10,434
Other operating expenses	-125,654	-126,766	-10,614	-11,848	-8,277	-8,804	-12,550	-10,534	13,487	12,815	-143,607	-145,137
Earnings from investments accounted for using the equity method	2,487	2,106	–	–	–	–	–	–	–	–	2,487	2,106
Segment earnings before interest and tax (EBIT)	**20,365**	**4,845**	**19,914**	**14,316**	**5,724**	**3,015**	**-8,376**	**-2,400**	**-27**	**-83**	**37,600**	**19,694**
Other interest and similar income	122	362	40	361	27	44	45	172	-24	-33	209	906
Other interest and similar expenses	-779	-686	-246	-480	-38	-21	-461	-777	92	113	-1,433	-1,851
Finance cost	**-657**	**-324**	**-206**	**-119**	**-11**	**23**	**-417**	**-605**	**68**	**79**	**-1,223**	**-946**
Earnings before tax (EBT)	**19,708**	**4,521**	**19,708**	**14,198**	**5,713**	**3,039**	**-8,793**	**-3,005**	**41**	**-4**	**36,377**	**18,748**
Income taxes											-8,582	-4,052
Net profit											**27,796**	**14,696**
Earnings from investments accounted for using the equity method	**4,132**	**3,751**	–	–	–	–	–	–	–	–	**4,132**	**3,751**
Investments in intangible assets and property, plant and equipment	**4,998**	**16,632**	**527**	**645**	**1,523**	**730**	**277**	**344**	–	–	**7,324**	**18,351**
Major non-cash expenses:												
Impairments/reversal of impairments on receivables	908	1,189	34	768	-40	-2	–	13	–	–	902	1,968
Increase/decrease of provisions/accrued liabilities	54,140	53,178	10,609	8,125	69	3,558	2,179	2,036	–	–	66,997	66,897

Notes to the income statement

8 Revenue

All figures in €'000	2017	2016
Old-age provision	208,117	221,480
Wealth management	190,629	166,360
Non-life insurance	109,850	105,626
Health insurance	45,863	45,777
Loans and mortgages	17,019	15,433
Other commission and fees	18,405	15,414
Total commission income	**589,883**	**570,090**
Interest income	**18,860**	**20,469**
Total	**608,743**	**590,559**

Other commission and fees include revenue from property brokerage of € 13,989 thsd (previous year: € 11,345 thsd). The revenue from the interest rate business includes negative interest from lending and money market transactions of € 1,146 thsd (previous year: € 78 thsd).

9 Other revenue

All figures in €'000	2017	2016
	4,230	2,005
Income from the reversal of provisions	2,396	238
Income from securities of the participation programme	1,878	1,786
Income from the reversal of deferred obligations	1,393	1,622
Cost transfers to commercial agents	1,335	1,088
Offset remuneration in kind	719	809
Remuneration of management	527	393
Income from investments	485	396
Rent	306	876
Own work capitalised	176	114
Income from currency translation	24	89
Income from the disposal of fixed assets	5,955	10,393
Sundry other income	**19,424**	**19,810**

For more information on income from the reversal of provisions, please refer to → Note 27.

The income from securities of the participation programme essentially comprises income in the context of the sale of certificates in the financial year 2017. Please refer to → Note 31 for further details.

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.

Among other things, sundry other income includes advertising subsidies, income from the performance of IT services, as well as income from cost reimbursement claims.

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	2017	2016
Interest and similar expenses		
Financial instruments measured at amortised cost	1,024	1,710
Available-for-sale financial instruments	8	2
Change fair value option		
Financial instruments at fair value through profit and loss	22	0
Total	**1,055**	**1,711**

Interest expenses of € 630 thsd (previous year: € 829 thsd) are attributable to interest charges for liabilities due to clients in the banking business.

12 Personnel expenses

All figures in €'000	2017	2016
Salaries and wages	106,674	104,981
Social security contributions	13,985	14,339
Expenses for old-age provisions and benefits	2,586	2,527
Total	**123,245**	**121,847**

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	2017	2016
Depreciation		
Intangible assets	9,912	7,500
Property, plant and equipment	5,381	6,027
	15,293	**13,528**
Impairments		
Intangible assets	–	10,399
Property, plant and equipment	–	36
	–	**10,434**
Total	**15,293**	**23,962**

Previous year impairments include impairment losses for a software development of € 10,399 thsd. There was no impairment loss in the financial year 2017.

14 Other operating expenses

All figures in €'000	2017	2016
IT operations	45,554	48,075
Consultancy	17,423	15,898
Rental and leasing	12,845	14,824
Administration operations	11,121	11,381
External services – banking business	9,008	7,560
Other external services	7,345	7,638
Representation and advertising	6,504	6,935
Premiums and fees	5,810	5,180
Travel expenses	4,425	4,460
Expenses for commercial agents	4,321	3,240
Training and further education	2,728	2,663
Insurance	2,723	2,814
Entertainment	2,326	2,297
Audit	1,576	1,104
Maintenance	1,563	2,030
Other employee-related expenses	1,299	1,138
Supervisory Board remuneration	963	973
Goodwill	478	1,190
Sundry other operating expenses	5,594	5,738
Total	**143,607**	**145,137**

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 MLP 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 € 2,487 thsd in the financial year (previous year: € 2,106 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 Finanzberatung SE, Wiesloch, and Interhyp AG, Munich.

The shares developed as follows:

All figures in €'000	2017	2016
Share as of Jan. 1	**3,751**	**3,481**
Dividend payouts	-2,106	-1,836
Pro rata profit after tax	2,487	2,106
Share as of Dec. 31	**4,132**	**3,751**

The following table contains summarised financial information on MLP Hyp GmbH:

All figures in €'000	Dec. 31, 2017	Dec. 31, 2016
Non-current assets	74	53
Current assets	10,104	8,823
Non-current liabilities	–	–
Current liabilities	3,448	–2,660
Net assets (100 %)	6,730	6,216
of which MLP's share in net assets (49.8 %)	3,352	3,096
Incidental acquisition costs	**151**	**151**
Dividend payout	**–2,213**	**–1,708**
Cumulative disproportionate profit	**2,843**	**2,213**
Carrying amount of the investment	**4,132**	**3,751**
Revenue	19,124	14,579
Total comprehensive income (100 %)	3,730	3,216
of which MLP's share in total comprehensive income (49.8 %)	1,858	1,601
Disproportionate profit for the current financial year (66.7 % / previous year 65.5 %)	**630**	**505**
MLP's share in total comprehensive income	**2,487**	**2,106**

16 Finance cost

All figures in €'000	2017	2016
Other interest and similar income	**209**	**906**
Interest expenses from financial instruments	–166	–133
Interest expenses from net obligations for defined benefit plans	–429	–489
Other interest costs	–838	–1,229
Other interest and similar expenses	**–1,433**	**–1,851**
Finance cost	**–1,223**	**–946**

Other interest and similar income of € 22 thsd (previous year: € 52 thsd) is attributable to interest income from deposits with financial institutions which were not included in the banking business segment and € 26 thsd (previous year: € 260 thsd) is attributable to income from the discounting of provisions. In addition to this, other interest and similar income includes negative interest on bank deposits of € -85 thsd (previous year: € -31 thsd). Other interest and similar expenses include expenses from the accrued interest of other provisions totalling € 558 thsd (previous year: € 627 thsd).

17 Income taxes

All figures in €'000	2017	2016
Income taxes	8,582	4,052
of which current taxes on income and profit	7,871	5,340
of which deferred taxes	711	-1,287

The current taxes on income and profit include expenses of € -634 thsd (previous year: € -388 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: 13.53%) and amounts to 29.36% (previous year: 29.36%).

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	2017	2016
Earnings before tax	**36,377**	**18,748**
Group income tax rate	29.36%	29.36%
Calculated income tax expenditure in the financial year	**10,680**	**5,504**
Tax-exempt earnings and permanent differences	-4,511	-4,901
Non-deductible expenses	2,580	1,465
Divergent trade taxation charge	89	180
Effects of other taxation rates applicable abroad	-366	-21
Income tax not relating to the period (current and deferred)	52	2,044
Other	57	-219
Income taxes	**8,582**	**4,052**

The effective income tax rate applicable to the earnings before tax is 23.6% (previous year: 21.6%).

The item of tax-exempt earnings and permanent differences in earnings includes profit contributions from the FERI Group and the tax-free dividends of MLP Hyp GmbH.

Non-deductible expenses result from consultancy fees in connection with Group restructuring measures, entertainment expenses, gifts, as well as non-deductible operating expenses incurred in the context of tax-exempt dividends and capital gains, Supervisory Board remuneration 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, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Intangible assets	401	1,288	11,385	12,387
Property, plant and equipment	–	–	4,172	3,854
Financial assets	6	–	128	201
Other assets	1,123	1,267	377	467
Provisions	10,316	10,998	–	2
Liabilities	2,720	2,523	–	0
Gross value	**14,566**	**16,076**	**16,062**	**16,911**
Netting of deferred tax assets and liabilities	-6,531	-7,013	-6,531	-7,013
Total	**8,035**	**9,063**	**9,531**	**9,898**

The deferred tax expense recognised under other comprehensive income outside the income statement is € 48 thsd (previous year: € 1,502 thsd).

Tax refund claims include € 7,197 thsd (previous year: € 6,906 thsd) of corporation tax and € 5,149 thsd (previous year: € 5,209 thsd) of trade tax. The major portion of € 11,881 thsd (previous year: € 12,090 thsd) is attributable to MLP SE.

Tax liabilities are made up of € 5,588 thsd (previous year: € 1,712 thsd) of corporation tax and € 4,655 thsd (previous year: € 1,935 thsd) of trade tax. € 2,572 thsd (previous year: € 2,511 thsd) thereof relate to MLP SE and € 6,633 thsd (previous year: € 0 thsd) to MLP Finanzberatung SE.

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.

18 Earnings per share

The calculation for the basic and diluted earnings per share is based on the following data:

All figures in €'000	2017	2016
Basis of the basic / diluted net profit per share	27,796	14,696

All figures in number of units		
Weighted average number of shares for the basic / diluted net profit per share	109,334,686	109,334,686

The basic and diluted earnings per share are € 0.25 (previous year: € 0.13).

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, 2016	**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**
Additions	–	221	1,049	2,100	–	3,371
Disposals	–	–	-11,212	-35	-593	-11,839
Transfers	–	–	1,664	-1,664	–	–
As of Dec. 31, 2017	**94,964**	**13,259**	**97,011**	**893**	**57,255**	**263,382**
Depreciation and impairment						
As of Jan. 1, 2016	**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
Impairment	–	–	–	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**
Depreciation	–	1,650	6,291	–	1,971	9,912
Impairment	–	–	–	–	–	–
Disposals	–	–	-11,207	–	-593	-11,800
As of Dec. 31, 2017	**3**	**11,387**	**69,385**	**–**	**20,770**	**101,544**
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**
Carrying amount Jan. 1, 2017	94,962	3,300	31,209	492	38,456	168,419
Carrying amount Dec. 31, 2017	**94,962**	**1,871**	**27,626**	**893**	**36,485**	**161,838**

* The change to the scope of consolidation in the previous year concerns the sale of FERI EuroRating Services. The outgoing carrying amount for intangible assets is € 1,528 thsd.

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, 2017	Useful life as of Dec. 31, 2016
Acquired software / licences	3-7 years	3-7 years
Software created internally	3-5 years	3-5 years
Acquired trademark rights	-	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 demerger of MLP Finanzdienstleistungen AG performed in the financial year within the former financial services business segment into the business segments of financial consulting and banking. You can find information on this in Note 4. The reportable financial consulting business segment contains the following groups of cash-generating units: (1) financial consulting, (2) occupational pension provision and (3) ZSH. No goodwill has been allocated to the reportable banking business segment. The reportable FERI business segment includes the cash-generating unit FERI Asset Management. 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, 2017	Dec. 31, 2016
Financial Consulting*	22,042	22,042
Occupational pension provision	9,955	9,955
ZSH	4,072	4,072
Financial consulting	**36,069**	**36,069**
FERI Asset Management	53,230	53,230
FERI	**53,230**	**53,230**
DOMCURA	5,663	5,663
DOMCURA	**5,663**	**5,663**
Total	**94,962**	**94,962**

* The goodwill assigned to the former reportable financial services business segment was allocated in full to the reportable financial consulting business segment within the scope of the demerger.

As was already the case in the previous year, there was no need for an impairment of capitalised goodwill in the financial year 2017. The significant assumptions presented in the following were based on the impairment test performed.

Reportable financial consulting business segment

Financial consulting		
Weighted average (in %)	2017**	**2016****
Discount rate (before tax)	9.8	10.6
Growth rate of the terminal value	1.0	1.0
Planned EBT growth rate (relative average EBT increase per year)	2.5	76.3

Occupational pension provision		
Weighted average (in %)	2017	**2016**
Discount rate (before tax)	9.8	10.2
Growth rate of the terminal value	1.0	1.0
Planned EBT growth rate (relative average EBT increase per year)	4.6	29.0

ZSH		
Weighted average (in %)	2017	**2016**
Discount rate (before tax)	9.8	10.1
Growth rate of the terminal value	1.0	1.0
Planned EBT growth rate (relative average EBT increase per year)	14.0	-*

Reportable FERI business segment

FERI Asset Management		
Weighted average (in %)	2017	**2016**
Discount rate (before tax)	13.4	14.7
Growth rate of the terminal value	1.0	1.0
Planned EBT growth rate (relative average EBT increase per year)	8.0	8.1

Reportable DOMCURA business segment

DOMCURA		
Weighted average (in %)	2017	**2016**
Discount rate (before tax)	9.9	10.4
Growth rate of the terminal value	1.0	1.0
Planned EBT growth rate (relative average EBT increase per year)	-4.0	7.9

* Growth rates cannot be arithmetically determined due to a negative starting basis.
** The goodwill assigned to the former reportable financial services business segment was allocated in full to the reportable financial consulting business segment within the framework of the demerger.

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 1% (previous year: 12%). The sensitivity analyses showed that, from today's perspective, there are no impairment losses for recorded goodwill at any cash-generating unit, even under these assumptions.

The items **Software (in-house), software (purchased), advance payments and developments in progress** contain own work performed within the context of developing and implementing software. In the financial year 2017, own services with a value of € 306 thsd were capitalised (previous year: € 876 thsd). All development and implementation costs incurred complied in full with the criteria for capitalisation pursuant to IAS 38 "Intangible assets".

Other intangible assets contain acquired trademark rights, customer relations/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	2017	2016
FERI Assetmanagement	15,829	15,829
FERI	**15,829**	**15,829**

The “DOMCURA” brand is fully attributed to the cash-generating unit of the “DOMCURA” reportable business segment:

All figures in €'000	2017	2016
DOMCURA	**7,023**	**7,023**

There are no restraints on disposal or pledges with regard to intangible assets. Contractual obligations for the purchase of intangible assets have a net total of € 129 thsd as of December 31, 2017 (previous year: € 69 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, 2016	**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**
Additions	339	2,572	1,043	3,954
Disposals	-3,870	-8,506	-	-12,376
Transfers	575	197	-772	0
As of Dec. 31, 2017	**75,633**	**53,368**	**663**	**129,665**
Depreciation and Impairment				
As of Jan. 1, 2016	**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**
Depreciation	2,008	3,373	-	5,381
Impairments	-	-	-	-
Disposals	-3,867	-8,432	-	-12,299
As of Dec. 31, 2017	**26,710**	**41,094**	**-**	**67,804**
Carrying amount Jan. 1, 2016	51,309	14,295	141	65,745
Carrying amount Dec. 31, 2016	**50,021**	**12,952**	**392**	**63,365**
Carrying amount Jan. 1, 2017	50,021	12,952	392	63,365
Carrying amount Dec. 31, 2017	**48,924**	**12,274**	**663**	**61,861**

* The change to the scope of consolidation in the previous year concerns the sale of FERI EuroRating Services as well as other minor mergers.

Useful lives of property, plant and equipment

	Useful life/residual value Dec. 31, 2017	Useful life/residual value Dec. 31, 2016
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	15-20 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 € 1,687 thsd net as of December 31, 2017 (previous year: € 50 thsd).

21 Receivables from clients in the banking business

Receivables from clients in the banking business

All figures in €'000	Dec. 31, 2017	Dec. 31, 2016
Originated loan	389,613	338,859
Corporate bond debts	194,500	172,000
Receivables from credit cards	89,699	87,771
Receivables from current accounts	34,777	35,602
Receivables from wealth management	746	370
Total, gross	**709,335**	**634,603**
Impairment	-7,360	-8,124
Total, net	**701,975**	**626,479**

As of December 31, 2017, receivables (net) with a term of more than one year remaining to maturity amount to € 515,338 thsd (previous year: € 457,320 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, 2017	709,335	709,335	702,239	1,631	268	556
Receivables from clients (gross) as per Dec. 31, 2016	634,603	634,603	628,039	1,499	280	486

At Receivables of € 2,455 thsd (previous year: € 2,266 thsd) for which no specific allowance has been made but which are overdue as of December 31, 2017 are secured with customary banking collaterals.

Receivables from clients due to originated loans are partly secured by mortgages (December 31, 2017: € 107,500 thsd; previous year: € 94,018 thsd), assignments (December 31, 2017: € 53,314 thsd; previous year: € 46,466 thsd) or liens (December 31, 2017: € 26,849 thsd, previous year: € 20,280 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.

Receivables from banking business for which new terms were agreed and which would otherwise have been overdue or impaired were € 457 thsd on the closing date (previous year: € 0 thsd).

The Group holds forwarded loans of € 60,283 thsd (previous year: € 36,694 thsd) in the form of collateral for liabilities due to refinancing banks.

Due to defaults of debtors, financial and non-financial assets of € 784 thsd (previous year: 99 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 27).

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	
	2017	2016	2017	2016	2017	2016
As of Jan. 1	**2,667**	**2,347**	**5,457**	**6,553**	**8,124**	**8,900**
Allocation	645	933	113	352	758	1,285
Utilisation	-373	-116	-652	-1,411	-1,025	-1,527
Reversal	-126	-497	-371	-37	-497	-534
As of Dec. 31	**2,813**	**2,667**	**4,547**	**5,457**	**7,360**	**8,124**
of which allowances for bad debts measured at amortised cost	2,813	2,667	4,547	5,457	7,360	8,124

For reasons of materiality, a decision was taken not to determine the interest income from impaired receivables from clients in accordance with IAS 39.A93 (Unwinding).

Taking into account direct write-downs of € 517 thsd (previous year: € 211 thsd), income from written-off receivables of € 283 thsd (previous year: € 327 thsd), as well as income from the reversal of provisions of € 63 thsd (previous year: € 3 thsd), the total allocations and reversals recognised in income performed in the reporting year resulted in a net loan loss provision of € 432 thsd (previous year: € 633 thsd).

Receivables for which specific allowances have been made amount in total to € 4,642 thsd (previous year: € 4,299 thsd). For € 1,935 thsd of these (previous year: € 1,415 thsd), the impairment was less than 50% of the gross receivables, while the remaining volume was written down by more than 50%. The allowance for bad debts comes to € 2,813 thsd (previous year: € 2,667 thsd). This corresponds to a percentage of 61% (previous year 62%).

Accounts receivable for which a specific allowance has been made are secured as per December 31, 2017 with customary banking collaterals of € 1,384 thsd (previous year: € 1,357 thsd).

Further information on receivables from clients in the banking business is disclosed in → Note 34.

22 Receivables from banks in the banking business

All figures in €'000	Dec. 31, 2017	Dec. 31, 2016
Due on demand	150,125	203,569
Other receivables	484,024	387,403
Total	**634,150**	**590,972**

All receivables from banks in the banking business are due from domestic credit institutions. As of December 31, 2017, receivables with a term of more than one year remaining to maturity are € 107,000 thsd (previous year: € 59,000 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 34.

23 Financial assets

All figures in €'000	Dec. 31, 2017	Dec. 31, 2016
By public-sector issuers	19,833	17,521
By other issuers	62,866	66,537
Debenture and other fixed income securities	**82,699**	**84,058**
Shares and certificates	4,047	3,565
Investment fund shares	-	3,526
Shares and other variable yield securities	**4,047**	**7,091**
Fixed and time deposits	**55,087**	**55,102**
Loans	**10,000**	**10,000**
Investments in non-consolidated subsidiaries	**6,624**	**6,035**
Total	**158,457**	**162,286**

As of December 31, 2017, MLP has portfolios amounting to € 68,593 thsd (previous year: € 49,530 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, 2017	Dec. 31, 2016
Held-to-maturity investments	58,322	68,535
Available-for-sale financial assets	19,399	15,523
Financial assets at fair value through profit and loss	4,978	-
Debenture and other fixed income securities	**82,699**	**84,058**
Available-for-sale financial assets	4,047	5,706
Financial assets at fair value through profit and loss	-	1,385
Shares and other variable yield securities	**4,047**	**7,091**
Fixed and time deposits (loans and receivables)	**55,087**	**55,102**
Loans	**10,000**	**10,000**
Investments in non-consolidated subsidiaries (available-for-sale financial assets)	**6,624**	**6,035**
Total	**158,457**	**162,286**

Valuation changes of € 227 thsd (previous year: € 477 thsd) for available-for-sale shares and other variable yield securities were recognised directly in equity, and valuation changes of € 0 thsd (previous year: € -337 thsd) for available-for-sale debentures and other fixed-income securities were recognised in the revaluation reserve.

Due to the disposal of financial assets and recording of impairments, € -252 thsd (previous year: € -591 thsd) was withdrawn from the revaluation reserve in the reporting period and recognised under net income for the period.

In the financial year 2017, impairments and disposal losses of € 288 thsd (previous year: € 598 thsd) for available-for-sale financial assets were recognised through profit or loss.

A loss of € 22 thsd (previous year: € 0 thsd) from valuation changes to financial assets that are rated at fair value through profit and loss was recorded in the reporting period under net income for the period.

Assets pledged as collateral

As at the closing date, the availability of liquidity facilities provided by Deutsche Bundesbank is collateralised by marketable securities of € 13,675 thsd (previous year: € 23,161 thsd) with a face value of € 14,500 thsd (previous year: € 24,500 thsd).

For further disclosures regarding financial assets, please refer to → Note 34.

24 Other receivables and assets

All figures in €'000	Dec. 31, 2017	Dec. 31, 2016
Trade accounts receivable	72,414	69,145
Refund receivables from recourse claims	19,012	16,991
Receivables from commercial agents	9,969	11,850
Receivables from underwriting business	13,616	14,188
Advance payments	5,126	5,362
Purchase price receivables	–	330
Other assets	11,037	11,353
Total, gross	**131,174**	**129,217**
Impairment	-5,432	-6,441
Total, net	**125,741**	**122,776**

As of December 31, 2017, receivables (net) with a term of more than one year remaining to maturity amount to € 14,638 thsd (previous year: € 13,332 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 from clients, as well as receivables 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, 2017	131,174	104,671	97,399	2,176	820	333
Other receivables and assets as of Dec. 31, 2016	129,217	105,321	97,243	1,513	83	238

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	
	2017	2016	2017	2016	2017	2016
As of Jan. 1	**5,087**	**4,658**	**1,354**	**2,614**	**6,441**	**7,272**
Allocation	265	1,261	193	106	458	1,367
Utilisation	-777	-307	–	–	-777	-307
Reversal	-476	-525	-214	-1,366	-690	-1,891
As of Dec. 31	**4,099**	**5,087**	**1,333**	**1,354**	**5,432**	**6,441**

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 € 356 thsd (previous year: € 1,529 thsd) and income from written-off receivables of € 57 thsd (previous year: € 20 thsd), the total direct allocations and reversals performed in the reporting year resulted in net loan loss provisions of € 67 thsd (previous year: € 986 thsd).

As of December 31, 2017, the total volume of accounts receivable for which a specific allowance has been made is € 4,636 thsd (previous year: € 6,243 thsd). For € 512 thsd of these (previous year: € 1,148 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 total allowance for bad debts is € 4,099 thsd (previous year: € 5,087 thsd). This corresponds to an average impairment rate of 88% (previous year: 81%).

Additional disclosures on other receivables and assets can be found in → Note 34.

25 Cash and cash equivalents

All figures in €'000	Dec. 31, 2017	Dec. 31, 2016
Bank deposits	81,763	69,900
Deposits at Deutsche Bundesbank	219,165	114,826
Cash on hand	85	103
Total	**301,013**	**184,829**

As was the case in previous years, cash and cash equivalents include deposits at the Deutsche Bundesbank. In the financial year 2017, 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.

26 Shareholders' equity

All figures in €'000	Dec. 31, 2017	Dec. 31, 2016
Share capital	109,335	109,335
Capital reserves	148,754	146,727
Retained earnings		
Statutory reserve	3,129	3,117
Other retained earnings and net profit	154,942	135,906
Revaluation reserve	-11,225	-11,500
Total	**404,935**	**383,585**

Share capital

The share capital of MLP SE comprises 109,334,686 (December 31, 2016: 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.

Acquisition of treasury stock

The Annual General Meeting on June 29, 2017 authorised the Executive Board to buy back own shares on one or more occasions with a pro rata amount of capital stock represented by such shares of up to € 10,933,468 until June 28, 2022. So far, no use has yet been made of this authorisation.

Capital reserves

The capital reserves include increases/decreases in capital stock in MLP SE from previous years. The capital reserves are subject to the restraints on disposal as per § 150 of the German Stock Corporation Act (AktG). The change in capital reserves in the financial year is the result of recording share-based remuneration in line with IFRS 2. For further information please refer to → note 31.

Other retained earnings and net profit

Other equity comprises retained earnings of the MLP Group.

Revaluation reserve

At € 967 thsd (previous year: € 1,562 thsd), provisions include unrealised gains and losses from the change in fair value of securities available for sale and deferred taxes attributable to this of € -8 thsd (previous year: € –310 thsd). In addition to this, the provision includes losses from the revaluation of defined benefit obligations of € 17,230 thsd (previous year: € 18,051 thsd) and deferred taxes attributable to this of € 5,046 thsd (previous year: € 5,299 thsd).

Proposed appropriation of profit

The Executive Board and Supervisory Board of MLP SE will propose a dividend of € 21,867 thsd (previous year: € 8,747 thsd) for the financial year 2017 at the Annual General Meeting. This corresponds to € 0.20 (previous year: € 0.08) per share.

27 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 of age
- 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 € 19,432 thsd (previous year: € 19,950 thsd). Pension insurance policies are in place for all other pension obligations (defined benefit obligation of € 29,708 thsd; previous year: € 30,004 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	
	2017	2016	2017	2016	2017	2016
As of Jan. 1	**49,954**	**44,496**	**–24,642**	**–22,914**	**25,312**	**21,582**
Current service cost	274	234	–	–	274	234
Past service cost	–	–	–	–	–	-
Interest expenses (+)/ income (-)	864	1,053	-435	-564	429	489
Recognised in profit or loss	**1,138**	**1,287**	**-435**	**-564**	**703**	**723**
Actuarial gains (-)/ losses (+) from:						
financial assumptions	-863	5,376	–	–	-863	5,376
experience adjustments	135	20	–	–	135	20
Gains (-)/ losses (+) from pension scheme assets without amounts recognized as interest income	–	–	-92	-9	-92	-9
Gains (-)/ losses (+) from revaluations*	**-729**	**5,396**	**-92**	**-9**	**-821**	**5,387**
Contributions paid by the employer	–	–	-862	-1,591	-862	-1,591
Payments made	-1,223	-1,225	440	436	-783	-789
Other	**-1,223**	**-1,225**	**-422**	**-1,155**	**-1,644**	**-2,380**
As of Dec. 31	**49,140**	**49,954**	**-25,590**	**-24,642**	**23,550**	**25,312**

* recognised in other comprehensive income

€ 959 thsd of the net liabilities recognised in the balance sheet (previous year: € 1,090 thsd) are attributable to Executive Board members active at the end of the reporting period.

With regard to net pension provisions, payments of € 1,191 thsd are anticipated for 2017 (previous year: € 1,624 thsd). € 793 thsd thereof (previous year: € 779 thsd) is attributable to direct, anticipated company pension payments, while € 398 thsd (previous year: € 845 thsd) is attributable to anticipated reinsurance policy premiums.

Actuarial calculations incorporate the following assumptions:

	2017	2016
Assumed interest rate	1.85%	1.75%
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, 2017, the weighted average term of defined benefit obligations was 18.7 years (previous year: 18.3).

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	+0.50%	–3,999
	–0.50%	4,553
Salary trend	+0.50%	–
	–0.50%	–
Pension trend	+0.50%	3,702
	–0.50%	–3,330
Mortality	80.00%	1,756

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 2017 they total € 9,904 thsd (previous year: € 10,412 thsd).

Other provisions are made up as follows:

All figures in €'000			Dec. 31, 2017			Dec. 31, 2016
	Current	Non-current	Total	Current	Non-current	Total
Cancellation risks	12,607	16,965	29,571	11,500	15,701	27,201
Bonus schemes	19,968	–	19,968	22,871	–	22,871
Share-based payments	1,052	3,219	4,271	590	2,473	3,063
Economic loss	2,364	–	2,364	2,097	–	2,097
Litigation risks/ costs	1,505	114	1,619	2,041	155	2,196
Claim settlement contributions	927	–	927	2,849	–	2,849
Rent	631	281	912	973	538	1,511
Anniversaries	171	371	542	157	338	495
Lending business	107	–	107	170	–	170
Phased retirement	–	–	–	77	–	77
Other	3,268	1,639	4,907	2,283	1,101	3,384
Total	**42,598**	**22,589**	**65,187**	**45,608**	**20,305**	**65,913**

Other provisions have changed as follows:

All figures in €'000	Jan, 1, 2017	Change in the scope of consolidation	Utilisation	Reversal	Compounding / Discounting	Allocation	Dec, 31, 2017
Cancellation risks	27,201	–	-10,922	–	181	13,112	29,571
Bonus schemes	22,871	–	-22,825	-46	–	19,968	19,968
Share-based payments	3,063	–	-147	-34	17	1,373	4,271
Economic loss	2,097	–	-432	-112	–	812	2,364
Litigation risks/ costs	2,196	–	-182	-729	4	330	1,619
Claim settlement contributions	2,849	–	–	-2,849	–	927	927
Rent	1,511	–	-800	-194	21	375	912
Anniversaries	495	–	-134	-5	2	185	542
Lending business	170	–	–	-63	–	–	107
Phased retirement	77	–	-77	–	–	–	–
Other	3,384	–	-854	-260	37	2,600	4,907
Total	**65,913**	**–**	**-36,373**	**-4,293**	**261**	**39,680**	**65,187**

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 € 2,114 thsd (previous year: € 1,826 thsd).

The provisions classed as short-term are likely to be utilised within the next financial year. The payments for long-term provisions are essentially likely to be incurred within the next two to seven years.

28 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, 2017			Dec. 31, 2016
	Current	Non- Current	Total	Current	Non-Current	Total
Liabilities due to clients	1,433,046	6,759	1,439,805	1,261,929	9,140	1,271,070
Liabilities due to banks	2,568	58,815	61,383	2,232	35,489	37,720
Total	**1,435,614**	**65,575**	**1,501,188**	**1,264,161**	**44,629**	**1,308,790**

The change in liabilities due to banking business from € 1,308,790 thsd to € 1,501,188 thsd is essentially attributable to the increase in short-term client deposits in current accounts.

As of December 31, 2017, liabilities due to clients from savings deposits with an agreed notice period of three months amounted to € 16,651 thsd (previous year: € 16,004 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 34 and → 35.

29 Other liabilities

All figures in €'000			Dec. 31, 2017			Dec. 31, 2016
	Current	Non-current	Total	Current	Non-current	Total
Liabilities due to commercial agents	43,118	–	43,118	44,784	1,076	45,860
Liabilities due to underwriting business	23,410	–	23,410	22,892	–	22,892
Trade accounts payable	25,049	–	25,049	25,712	–	25,712
Liabilities due to banks	10,000	–	10,000	–	–	–
Advance payments received	7,065	–	7,065	8,183	–	8,183
Liabilities due to other taxes	3,148	–	3,148	3,703	–	3,703
Liabilities due to social security contributions	171	–	171	174	–	174
Other liabilities	37,127	5,826	42,953	37,630	2,757	40,387
Total	**149,087**	**5,826**	**154,913**	**143,078**	**3,833**	**146,911**

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 € 2,347 thsd (previous year: € 2,757 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 of € 131,605 thsd (previous year: € 130,671 thsd).

Further disclosures on other liabilities can be found in → Notes 34 and → 35.

Notes to the statement of cash flow

30 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. In the financial year 2017, operating cash flow was adjusted to take into account the effects of the demerger. 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, 2017	Dec. 31, 2016
Cash and cash equivalents	301,013	184,829
thereof changes due to demerger operations	12,004	-
Cash and cash equivalents	**301,013**	**184,829**

Receivables of MLP Banking AG due from banks are included in cash and cash equivalents, insofar as 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. As a result of the spin-off of the brokerage branch of activity (now: MLP Finanzberatung SE) from MLP Finanzdienstleistungen AG, all bank deposits to be assigned to MLP Finanzberatung SE are now assigned to cash and cash equivalents instead. Prior to the spin-off, these deposits were allocated to cash flow from operating activities as non-separable own holdings.

Miscellaneous information

31 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. The phantom shares are then allocated at the start of the second year.. 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 pay-out 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 pay-out 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, 2017 (units)	135,553	102,057	66,955	121,730	426,295
SARs expired in 2017 (units)	-4,296	-6,325	-1,492	-2,143	-14,256
Paid out in 2017 (units)	-	-8,207	-	-	-8,207
Inventory on Dec. 31, 2017 (units)	**131,257**	**87,525**	**65,463**	**119,587**	**403,832**
Expenses recognised in 2017 (€'000)	494	128	358	393	1,373
Income recognised in 2017 (€'000)	-25	-2	-6	-2	-34
	469	**126**	**352**	**391**	**1,338**
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**
Provision as of Dec. 31, 2016 (€'000)	1,040	590	689	744	3,063
Provision as of Dec. 31, 2017 (€'000)	1,527	545	1,052	1,147	4,271
Inventory investment shares on Jan. 1, 2017 (units)	406,659	306,171	131,612	-	844,442
Inventory investment shares on Dec. 31, 2017 (units)	-	-	-	-	-

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.

The participation programme for MLP consultants and MLP office managers was launched in 2017 ("2017 Participation Programme"). Its objectives are to extend recognition of extraordinary and sustainable performance, as well as the performance and client focus of MLP consultants and MLP office managers, while also making a contribution to keeping high performers both motivated and loyal to the company. Set against this background, MLP consultants and MLP office managers are to be enabled to acquire shares in MLP SE within the scope of the 2017 participation programme and in line with its conditions without having to make any additional payments.

Assuming all eligibility requirements are met, those MLP consultants entitled to participate are each granted a number of bonus shares, determined pursuant to the provisions of the 2017 participation programme (taking into account income tax effects where applicable). This number is calculated by dividing the "2017 bonus amount" by the average closing price of the MLP share. The "2017 bonus amount" is calculated on the basis of the MLP consultant's annual commission, as well as various performance factors. The average closing price applicable for determining how many bonus shares to grant is based on the price of the MLP share in the month of February 2018. The Group estimates that 443,400 shares will be granted in 2018. An expense of € 2,027 thsd was recognised for the 2017 bonus amount in the consolidated financial statements with a reserve-increasing effect.

32 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 up to 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	32,989	98,648	–	131,637
Rent on buildings	12,312	38,394	13,981	64,687
Rental/leasing liabilities	1,402	1,533	1	2,935
Purchase commitment	8,199	–	–	8,199
Other obligation	13,954	3,699	69	17,722
Total	**68,856**	**142,274**	**14,050**	**225,180**

IT technology outsourcing essentially relates to a long-term outsourcing contract with EntServ Deutschland GmbH, Böblingen.

Some of the rented business spaces were sublet. The subletting contracts are anticipated to bring in € 224 thsd in 2018.

33 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 € 3,848 thsd in contingent liabilities on account of sureties and warranties (face value of the obligation) (previous year: € 2,934 thsd) and irrevocable credit commitments (contingent liabilities) of € 51,659 thsd (previous year: € 72,231 thsd). In terms of sureties and warranties, any utilisation remains unlikely as in the past. The irrevocable credit commitments are generally utilised.

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 Banking 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.

34 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. 31,2017
	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	**28,424**		**8,817**	**19,607**		**28,424**	
Fair Value Option	**4,978**		**4,978**			**4,978**	
Financial investments (share certificates and structured bonds)	4,978	–	4,978	–	–	4,978	–
Available-for-sale financial assets	**23,446**		**3,839**	**19,607**		**23,446**	
Financial investments (share certificates and investment fund shares)	4,047	–	3,839	207	–	4,047	–
Financial assets (bonds)	19,399	–	–	19,399	–	19,399	–
Financial assets measured at amortised cost	**1,866,993**	**743,346**	**28,256**	**513,461**	**615,588**	**1,900,650**	
Loans and receivables	**1,802,047**	**736,722**		**483,394**	**615,588**	**1,835,705**	
Receivables from banking business – clients	701,975	120,675	–	–	615,588	736,263	–
Receivables from banking business – banks	634,150	150,125	–	483,394	–	633,520	–
Financial investments (fixed and time deposits)	55,087	55,087	–	–	–	55,087	–
Financial investments (loans)	10,000	10,000	–	–	–	10,000	–
Other receivables and assets	99,822	99,822	–	–	–	99,822	25,920
Cash and cash equivalents	301,013	301,013				301,013	
Held-to-maturity investments	**58,322**		**28,256**	**30,066**		**58,322**	
Financial assets (bonds)	58,322	–	28,256	30,066	–	58,322	–
Available-for-sale financial assets	**6,624**	**6,624**				**6,624**	
Financial assets (investments)	6,624	6,624				6,624	–
Financial liabilities measured at amortised cost	**1,619,206**	**1,535,513**		**81,354**		**1,616,867**	
Liabilities due to banking business – clients	1,439,805	1,416,395	–	23,432	–	1,439,827	–
Liabilities due to banking business – banks	61,383	1,100	–	57,921	–	59,022	–
Other liabilities	118,018	118,018	–	–	–	118,018	36,895
Sureties and warranties	**3,848**	**3,848**				**3,848**	
Irrevocable credit commitments	**51,659**	**51,659**				**51,659**	

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 amortised 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 amortised 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**	

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 € 3,698 thsd (previous year: € 2,784 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.

To avoid incongruities, the fair value option is exercised for a structured product in line with IAS 39.11 A.

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 • administration costs • 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 to 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	2017	2016
Loans and receivables	18,285	17,625
Held-to-maturity investments	406	506
Available-for-sale financial assets	2,463	375
Financial instruments held for trading	–	–
Fair Value Option	485	168
Financial liabilities measured at amortised cost	-1,014	-1,195

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 € 20,579 thsd (previous year: € 21,298 thsd) and interest costs of € 1,238 thsd (previous year: € 1,843 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.

35 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) in €'000 as of Dec. 31, 2017	Due on demand	Up to 1 year	1 to 5 years	More than 5 years	Total
Financial liabilities	**1,458,491**	**93,081**	**12,004**	**53,510**	**1,617,087**
Liabilities due to banking business – clients	1,416,395	23,434	–	–	1,439,829
Liabilities due to banking business – banks	1,100	–4,822	9,986	53,159	59,424
Other liabilities	40,996	74,469	2,018	351	117,834
Financial guarantees and credit commitments	**55,507**				**55,507**
Sureties and warranties	3,848	–	–	–	3,848
Irrevocable credit commitments	51,659	–	–	–	51,659
Total	**1,513,998**	**93,081**	**12,004**	**53,510**	**1,672,594**

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**

36 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-se.com** and in the corporate governance report of this Annual Report.

37 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, Sales, Communication, Policy/Investor Relations, Marketing, Sustainability	• 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	–
Manfred Bauer, Leimen Responsible for Product management	• DOMCURA AG, Kiel (Chairman)	• 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 Executive Board of General Reinsurance AG Cologne	• VHV Vereinigte Hannoversche Versicherung a.G., Hanover (Chairman) • VHV Holding AG, Hanover (Chairman) • VHV Allgemeine Versicherung AG, Hanover • Hannoversche Lebensversicherung AG, Hanover • MLP Banking AG, Wiesloch (Chairman) (formerly MLP Finanzdienstleistungen AG) • MLP Finanzberatung SE, Wiesloch (Chairman) (since November 17, 2017)	• ITAS Mutua, Trient, Italy (Member of the Governing Board)
Dr. h.c. Manfred Lautenschläger, Gaiberg Vice Chairman Formerly Chairman of the Executive Board at MLP AG, Wiesloch	–	• University Hospital Heidelberg, Heidelberg (Supervisory Board)
Dr. Claus-Michael Dill, Murnau Formerly Chairman of the Executive Board at 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 Re Switzerland AG, Zurich, Switzerland (Member of the Governing Board) • XL Group Ltd., Hamilton/Bermuda (Non-Executive Director) • XL Europe Re SE, Dublin, Irland (Non-Executive Director) • XL Insurance Co. SE, London, UK (since September 1, 2017) (Non-Executive Director)
Tina Müller, Frankfurt am Main Chief Executive Officer (CEO) at Douglas GmbH, Düsseldorf (since November 1, 2017)	• STADA Arzneimittel AG, Bad Vilbel	–
Burkhard Schlingermann, Dusseldorf Employees' representative MLP employee Finanzberatung SE, Wiesloch Works council member at MLP SE and MLP Finanzberatung SE, Wiesloch	• MLP Finanzdienstleistungen AG, Wiesloch (employees' representative) Employees' representative) (until November 30, 2017) • MLP Finanzberatung SE, Wiesloch (employees' representative, Vice Chairman) (since November 3, 2017)	–
Alexander Beer, Karlsruhe Employees' representative Employee of MLP Banking 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 € 1,306 thsd (previous year: € 1,663 thsd). The legal transactions were completed under standard market or employee conditions.

As of the reporting date December 31, 2017, members of the Executive Bodies had current account credit lines and surety loans totalling € 548 thsd (previous year: € 556 thsd). Surety loans are charged an interest rate of 2.0% (previous year: 1.0%) and the current account debits 6.25% to 8.50% (previous year: 6.25% to 8.50%).

The total remuneration for members of the Executive Board active on the reporting date is € 2,569 thsd (previous year: € 2,443 thsd) of which € 1,345 thsd (previous year: € 1,344 thsd) is attributable to the fixed portion of remuneration and € 1,223 thsd (previous year: € 1,099 thsd). In the financial year, expenses of € 290 thsd (previous year: € 290 thsd) were accrued for occupational pension provision. As of December 31, 2017, pension provisions of € 16,897 thsd are in place for former members of the Executive Board (previous year: € 18,109 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 2017 (previous year: € 500 thsd). In addition, € 18 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 SE 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 2017

All figures in €'000	Receivables	Liabilities	Income	Expenses
MLP Consult GmbH, Wiesloch	–	2,067	8	–
MLP Hyp GmbH, Wiesloch (associated company)	63	–	9,620	49
Michel & Cortesi Assetmanagement AG, Zurich	428	74	164	287
FPE Private Equity Beteiligungs-Treuhand GmbH, Munich	–	–	50	–
FPE Private Equity Koordinations GmbH, Munich	–	–	50	–
DIEASS GmbH, Kiel	–	11	9	11
Portus Assekuranz Vermittlungsgesellschaft mbH, Kiel	–	16	14	16
Walther GmbH Versicherungsmakler, Hamburg	–	34	151	34
Total	**492**	**2,202**	**10,066**	**397**

Related companies 2016

All figures in €'000	Receivables	Liabilities	Income	Expenses
MLP Consult GmbH, Wiesloch	–	2,074	7	–
MLP Hyp GmbH, Wiesloch (associated company)	224	18	7,108	49
Michel & Cortesi Assetmanagement AG, Zürich	369	106	142	–
Coresis Management GmbH, Bad Homburg v. d. Höhe	23	–	64	625
AIF Komplementär GmbH, München	–	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**

38 Number of employees

The average number of staff employed fell from 1,768 in 2016 to 1,686 in 2017.

	2017			2016		
		of which executive employees	of which marginal part-time employees		of which executive employees	of which marginal part-time employees
Financial consulting/banking *	1,202	32	29	1,275	25	48
FERI	224	7	47	223	7	49
DOMCURA	254	9	15	264	7	16
Holding	6	1	-	7	2	-
Total	**1,686**	**48**	**90**	**1,768**	**41**	**112**

* For better comparability, the figures of the financial consulting and banking segments for the financial year 2017 have been aggregated. For detailed information, please refer to the chapter entitled "Employees and self-employed client consultants" in the management report.

An average of 97 people (previous year: 116) underwent vocational training in the financial year.

39 Auditor's fees

The total fees for services performed by the auditing firm KPMG AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main in the financial year 2017 (including expenses, but excluding statutory value added tax) are as follows:

All figures in €'000	2017	**2016**
Audit services	719	606
Other audit-related services	478	93
Tax advisory services	2	-
Other services	14	112
Total	**1,214**	**811**

The “auditor´s fees” item includes the fees for auditing the financial statement as well as for auditing the other statutory financial statements of the MLP SE and its subsidiary companies. The "Other audit-related services" item includes expenses of € 349 thsd for the interim audit that was performed in the context of the demerger. The tax advisory services refer to a general training event held within the context of the investment tax reform.

40 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 quantitative and qualitative equity base is strengthened. At MLP, the examinations performed for the purpose of complying with the Capital Requirements Regulation (CRR), 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 SE, Wiesloch, MLP Banking 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.

Pursuant to the CRR, the following companies are not included in the Group as "Other companies": MLP Finanzberatung SE, with its companies MLPdialog GmbH, Wiesloch, MLP Hyp GmbH, Wiesloch, TPC GmbH, Hamburg and ZSH GmbH Finanzdienstleistungen, Heidelberg.

In deviation from the disclosures in the 2016 Annual Report, the following companies are no longer included in the supervisory scope of consolidation as per CRR: Schwarzer Familienholding GmbH, Kiel (merged with MLP SE), DOMCURA AG, Kiel, with its subsidiaries (consolidated on a voluntary basis in the previous year), and nordias GmbH Versicherungsmakler, Kiel, with its subsidiaries (consolidated on a voluntary basis in the previous year), as well as ZSH GmbH Finanzdienstleistungen, Heidelberg.

As a depository institution, MLP Banking 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 9.250% eligible own funds (equity ratio) (previous year: 8.625%).

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 and goodwill.

As in the previous year, MLP has fulfilled all legal requirements relating to the minimum core capital backing during the financial year 2017. The relationship between core capital requirement and core capital as of the balance sheet date is illustrated below.

All figures in €'000	2017	2016
Tier 1 common capital	291,003	214,655
Tier 1 additional capital	–	–
Tier 2 capital	–	–
Eligible own funds	291,003	214,655
Capital adequacy requirements for counterparty default risks	73,840	75,502
Capital adequacy requirements for operational risk	42,443	45,793
Equity ratio (at least 9.250 %) (at least 8 % + 1.250 % (previous year 0.625 %) capital conservation buffer)	20.02	14.16
Tier 1 common capital ratio (at least 4.5 %)	20.02	14.16

41 Events after the balance sheet date

There were no appreciable events after the balance sheet date affecting the net assets, financial position or results of operations of the Group.

42 Release of consolidated financial statements

The Executive Board prepared the consolidated financial statements on March 1, 2018, and will present them to the Supervisory Board on March 14, 2018 for publication.

Wiesloch, March 1, 2018

MLP SE

Executive Board

Dr. Uwe Schroeder-Wildberg　　Manfred Bauer　　Reinhard Loose