# CONSOLIDATED FINANCIAL STATEMENTS

# Income statement and statement of comprehensive income

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

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

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

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

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

# Statement of financial position

## Assets as of December 31, 2016

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

## Liabilities and shareholders' equity as of December 31, 2016

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

# Statement of cash flow

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

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

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

# Statement of changes in equity

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

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

* Reclassifiable gains/losses.

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

# Notes

## General information

### 1 Information about the company

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

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

### 2 Principles governing the preparation of the financial statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**EU endorsement has already taken place**

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

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

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

**EU endorsement still pending:**

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

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

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

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

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

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

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

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

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

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

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

**Consolidated income statement**

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

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

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

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

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

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

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

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

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

### Disclosures on non-consolidated structured entities

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

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

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

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

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

## 5 Significant discretionary decisions, estimates and changes in estimates

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

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

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

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

## 6 Accounting policies

### Revenue recognition

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

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

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

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

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

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

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

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

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

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

### Currency translation

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

### Fair value

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

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

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

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

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

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

### Intangible assets

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

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

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

Goodwill and other **indefinite-lived intangible assets** are not amortised. The indefinite-lived intangible assets are subjected to an impairment test once a year or when there are indications of an impairment. These tests are either performed individually or at the level of a cash-generating unit. At MLP, this in particular affects the brands acquired within the scope of business combinations.

**Business combinations** require estimates of the fair value of the assets acquired, assumed debts and contingent liabilities purchased. Property, plant and equipment are usually valued by independent experts, while marketable securities are shown at their stock market price. If intangible assets are to be valued, MLP either consults an independent external expert or calculates the fair value based on a suitable valuation method, generally discounted cash flows, depending on the type of asset and the complexity involved in calculating the value. Depending on the type of asset and the availability of information, various valuation techniques are applied (market-price-oriented, capital-value-oriented and cost-oriented methods). For instance, when valuing trademarks and licences, the relief-from-royalty method may be appropriate, whereby the value of intangible assets is assessed on the basis of royalties saved for trademarks and licences held by the company itself.

Insofar as cash-generating units are restructured, a re-allocation of the goodwill assigned to these units is performed on the basis of the relative revenue values. Brands are re-allocated on the basis of sustainable revenue or relative revenue values.

MLP tests **goodwill** from business combinations for impairment at least once a year. For the purpose of the impairment test, goodwill is allocated to cash-generating units at the acquisition date. The impairment test compares the carrying amount of the cash-generating units with their recoverable amount. The recoverable amount is the higher amount of either the fair value less costs of sale or the value in use of the cash-generating unit. This requires an estimate of the value in use of the cash-generating unit, to which the goodwill is allocated. To this end, corporate management must estimate the likely future cash flow of the cash-generating units. The calculation of the present value of anticipated future cash flows is based on assumptions on the development of funds under management, future sales volumes and expenses. The cash flow estimate is based on detailed planning periods with a planning horizon of four years. In addition to this, an appropriate discount rate must be selected to determine the present value of this cash flow.

### Property, plant and equipment

Items of property, plant and equipment are measured at cost and, if applicable, less straight-line depreciation and impairment losses. MLP does not apply the revaluation method.

The profits or losses resulting from the disposal of assets are determined as the difference between the net disposal proceeds and the carrying amount and are recognised in the income statement as other revenue or other operating expenses in the period in which the item is derecognised. Maintenance and minor repairs are recognised in the income statement immediately.

### Impairment test

The carrying amount of all indefinite-lived intangible assets, intangible assets that are not yet ready for use and goodwill is tested at the end of each financial year.

The significant assumptions that are used when calculating the recoverable amount in the form of the use value are the discount rates, terminal value growth rates and growth rate of earnings before tax. The discount rate is based on a risk-free basic interest rate plus a company-specific risk premium, which is derived from the systematic market risk (beta factor) and the current market risk premium. The discounted cash flow model is based on future cash flows over a period of four years. Cash flows after this time period are extrapolated using a growth rate, which is based on the management's estimate of the long-term average annual growth rate in earnings before tax. For further details, please refer to → Note 19.

### Leasing

MLP has not signed any agreements that essentially transfer all risks and rewards associated with the ownership of the leased asset to the lessee (finance leases). The further notes are therefore limited to operating leases.

MLP signed multiple leasing agreements as **lessee** of rental properties, motor vehicles and office machines. The agreements are also classified as operating leases, as the lessors bear the key risks and opportunities associated with ownership of the property. Rental payments under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. The same principle applies to benefits received and receivable that serve as an incentive to enter into an operating lease. For further details, please refer to → Note 33.

### Investments accounted for using the equity method

The acquisition costs are annually updated by taking into account the equity changes of the associates corresponding to MLP's equity share. Unrealised gains and losses from transactions with associates are eliminated based on the percentage of shares held. The changes of the pro rata shareholders' equity are shown in the company's income statement under earnings from investments accounted for using the equity method. Dividends received reduce the carrying amount. For further details, please refer to → Note 15.

### Financial instruments

A financial instrument is a contract that simultaneously gives rise to a financial asset at one entity and a financial liability or equity instrument at the other entity. In the case of regular-way purchases and sales, financial instruments are recognised or derecognised in the balance sheet on the trade date. Regular-way purchases or sales are purchases or sales of financial assets requiring delivery of the assets within a period dictated by market regulations or conventions.

Pursuant to IAS 39, financial instruments are divided into the following categories:

- Financial assets at fair value through profit and loss,
- Held-to-maturity investments,
- Loans and receivables,
- Available-for-sale financial assets,
- Financial liabilities measured at amortised cost and
- Financial liabilities at fair value through profit and loss

MLP defines the classification of its financial assets and liabilities upon initial recognition. They are initially recognised at their fair value. The fair value of a financial instrument is defined as the price paid for the sale of an asset or transfer of a liability in a standard business transaction between market actors on the cut-off date for valuation. Financial assets or liabilities that are not measured at fair value through profit and loss within the scope of the subsequent measurement are initially recognised plus transaction costs that are directly attributable to the acquisition of the financial asset or issue of the financial liability.

**Financial assets at fair value through profit and loss** comprise the subcategories "Held for trading" and "Designated at fair value through profit and loss". MLP's financial instruments are "designated at fair value through profit and loss" when incongruences would otherwise arise in their valuation or recognition. Subsequent to initial recognition, these assets are measured at their fair value. Profits or losses from the change in fair value are recognised through profit or loss.

MLP tests the carrying amounts of the financial instruments that are not measured at fair value through profit and loss individually at each closing date to determine whether there is objective and material evidence of impairment. A financial asset is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset than can be reliably estimated.

The following are classed as objective evidence that impairment losses have occurred to financial assets:

- Default or delay in payments on the part of the debtor
- Indications that a debtor or issuer is falling into insolvency
- Adverse changes in the payment status of borrowers or issuers
- Economic framework conditions that correlate with defaults
- The disappearance of an active market for a security.

In addition to this, when an equity instrument held suffers a significant or extended decline in fair value to a level below its acquisition costs, this is considered an objective evidence of impairment. MLP classes a decrease in value of 20% to be "significant" and a time period of nine months as an "extended" decline.

MLP has classified financial assets as held-to-maturity investments. Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and a fixed term that MLP wishes to and is capable of retaining until maturity. So far MLP has not prematurely sold any financial assets that were classified as held-to-maturity financial investments. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method. If held-to-maturity investments are likely to be subject to an impairment, this will be recognised through profit or loss. An impairment that was previously recognised as an expense is reversed to income if a recovery in value can be attributed objectively to facts that have arisen since the original impairment charge. An increase in value is only recognised to the extent that it does not exceed the value of the amortised costs that would have resulted without impairment. The recoverable amount of securities held to maturity which is required for impairment testing corresponds to the present value of the expected future cash flow, discounted using the original effective interest rate of the financial asset. The fair value of held-to-maturity investments can temporarily drop below their carrying amount. Insofar as this drop is not due to credit risks, no impairment is recognised.

**Loans and receivables** are non-derivative financial assets with fixed or determinable payments that are not listed on an active market. Subsequent to initial recognition, they are valued at amortised cost using the effective interest method. For receivables from banking business and for other receivables and other assets, impairment losses on portfolio basis are recognised for receivables for which no specific allowances have been made.

Any impairment losses are recognised in profit or loss on the corresponding impairment account. If a receivable is uncollectable (i.e. payment is almost certainly impossible), it will be written off. Allowances for bad debt on a portfolio basis in connection with **loan loss provision in the banking business** are established on the basis of historical loss rates and dunning levels. Specific allowances for bad debts are recognised if receivables are likely to be uncollectable. The **allowances for other receivables and other assets** essentially relate to receivables from branch office managers and consultants. Alongside the allowances formed for losses on individual accounts receivable that are in default, portfolio-based impairment losses are recorded for the remaining accounts receivable. As is also the case with loan loss provisions in the banking business, the allowances are based on historical loss rates. These are set separately for consultants and office managers and applied to the respective accounts receivable. For further details, please refer to Notes 22 and 25.

**Available-for-sale financial assets** represent non-derivative financial assets which, subsequent to initial recognition, are measured at their fair value. Profits or losses that result from a change in fair value are recognised outside the income statement as other comprehensive income until the respective asset is derecognised. However, allowances for bad debts and profits or losses from currency translations are excluded from this. They are recognised directly in profit or loss. The reversal of profits/losses recorded under other comprehensive income in the income statement is performed either when the respective asset is derecognised or in the event of an impairment.

If a decline in the fair value of an available-for-sale financial asset has been recognised under other comprehensive income and an objective reference to impairment of this asset is in place, this loss recognised previously directly in shareholders' equity is to be transferred from shareholders' equity to the income statement up to the level of the determined impairment.

Impairment losses of an available for sale equity instrument recognised in profit or loss cannot be reversed. MLP records any further increase of the fair value under shareholders' equity with no effect on the operating result.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and this increase can be related objectively to events occurring after the impairment was recognised, the impairment loss is reversed to equity at the appropriate level.

MLP measures equity instruments for which no listed price exists on an active market, and whose fair value cannot be reliably established, at acquisition cost. If objective indicators suggest there is an impairment to a non-listed equity instrument measured at acquisition costs, the amount of impairment is calculated as the difference between the carrying amount and the present value of the estimated future cash flow, which are discounted at the current market rate of return of a comparable asset.

Subsequent to their initial recognition, **financial liabilities** are to be recognised at their amortised costs using the effective interest method. Profits or losses are recognised in the income statement on derecognition, as well as within the scope of amortisation charges. Subsequent to their initial recognition, **financial liabilities at fair value through profit and loss** are measured at their fair value. Profits or losses from the change in fair value are recognised through profit or loss.

### Pension provisions

Old-age provision in the Group is performed on the basis of the defined-benefit and defined contribution old-age provision plans.

In the **defined contribution plans**, MLP pays premiums to statutory or private pension insurance institutions based on legal or contractual provisions or on a voluntary basis. After payment of the premiums, MLP has no further benefit obligations.

Commitments to pay premiums into defined contribution schemes are recognised as expenses as soon as the related service has been rendered. Pre-paid premiums are recognised as assets insofar as a right to reimbursement or reduction of future payments arises.

In accordance with IAS 19 "Employee Benefits", the provisions for pension obligations from **defined benefit plans** are measured using the projected-unit credit method.

The benefit obligations are partly covered by reinsurance. Virtually all reinsurance policies fulfil the conditions of pension scheme assets. For this reason the claims from reinsurance policies are netted against corresponding pension provisions in the balance sheet as per IAS 19.

The Group's net obligation with regard to defined benefit plans is calculated separately for each plan by estimating future benefits that the employees have earned in the current period and in earlier periods. This amount is discounted and the fair value of any pension scheme assets subtracted from this.

For the measurement of pension obligations, MLP uses actuarial calculations to estimate future events for the calculation of the expenses, obligations and entitlements in connection with these plans. These calculations are based on assumptions with regard to the discount rate, mortality and future salary, as well as pension increases. The interest rate used to discount post-employment benefit obligations is derived from the interest rates of senior, fixed-rate corporate bonds.

Revaluations of net liabilities from defined benefit plans are recognised directly under other comprehensive income. The revaluation encompasses actuarial gains and losses, income from pension scheme assets (without interest) and the effects of any upper asset limit (without interest). The Group calculates net interest expenses (income) on net liabilities (assets) from defined benefit plans for the reporting period through application of the discount rate used for valuation of the defined benefit obligations at the start of the annual reporting period. This discount rate is applied to net liabilities (assets) from defined benefit plans at this time. Any changes to net liabilities (assets) from defined benefit plans that occur as a result of premium and benefit payments over the course of the reporting period are taken into account. Net interest expenses and other expenses for defined benefit plans are recognised as profit or loss.

Further details of pension provisions are given in → Note 28.

### Other provisions

In accordance with IAS 37 "Provisions, contingent liabilities and contingent assets" other provisions are recognised when the Group has a present obligation (legal or constructive) resulting from a past event, settlement is expected to result in an outflow of resources and the obligation's amount can be estimated reliably. They represent uncertain obligations that are measured at the amount that represents the best possible estimate of the expenditure required to fulfil the obligations.

Insofar as the level of the provision can only be determined within a range, the most likely value is used. If the probability of occurrence is equal, the weighted average is taken.

Where the effect of the time value of money is material, provisions with a time of more than one year remaining to maturity are discounted at market interest rates that correspond to the risk and the time remaining to maturity.

Reversals of provisions are recognised under other revenue.

If the Group expects to receive a reimbursement of at least part of a practically certain provision from an identifiable third party (e.g. in case of an existing insurance policy), MLP recognises the reimbursement as a separate asset. The expenditure required to set up the provision is recognised in the income statement after deduction of the reimbursement.

For the liability arising due to the premature loss of brokered insurance policies whereby commission that has been earned must be refunded in part, MLP sets up provisions for cancellation risks. MLP estimates the cancellation rate by product group and the period of the underlying policy that has already run on the basis of empirical values. The period in which MLP is obliged to refund portions of the commissions due to the premature loss of a policy is determined either by the statutory provisions of the German Insurance Act or the distribution agreements that have been concluded with the product providers.

### Share-based payments

Share-based payments in line with IFRS 2 "Share-Based Payment" comprise remuneration systems paid for in cash.

The proportion of the fair value of share-based payments settled in cash attributable to services provided up to the valuation date is recognised as personnel expenses or as commission expenses and at the same time as a provision. The fair value determined based on the Monte-Carlo simulation or another suitable valuation model is recalculated on each balance sheet date and on the payment date. The recognition of the anticipated expenditure arising from this system demands that assumptions be made about turnover and exercise rates. Any change to the fair value is to be recognised in profit or loss. At the payment date, the fair value of the liability corresponds to the amount which is to be paid to the eligible employee.

You can find further details on the share-based payments in → Note 32.

## 7 Reportable business segments

The division of MLP into business segments follows the structure in place for internal reporting. The MLP Group is subdivided into the following reportable business segments:

- Financial services
- FERI
- DOMCURA
- Holding

Due to the similarity of the products and services offered, as well as reliance on the same client base and identical sales channels, MLP pooled the "financial services" and "occupational pension provision" business segments under the reportable "financial services" business segment in accordance with IFRS 8.12. The reportable **Financial services** business segment consists of consulting services for academics and other discerning clients, particularly with regard to insurance, investments, occupational pension provision schemes and loans and mortgages, as well as the brokering of contracts concerning these financial services. This segment also includes finance portfolio management, the trustee credit business and the loan and credit card business. The financial services segment incorporates the divisions focused on the brokerage business of MLP Finanzdienstleistungen AG, TPC GmbH, ZSH GmbH Finanzdienstleistungen, MLPdialog GmbH and the associate MLP Hyp GmbH.

The business operations of the reportable **FERI** business segment cover wealth and investment consulting. This segment comprises FERI AG, FERI Trust GmbH, FERI Trust (Luxembourg) S.A. and FEREAL AG.

The business operations of the reportable **DOMCURA** business segment encompass the design, development and implementation of comprehensive coverage concepts in the field of non-life insurance as a so-called underwriting agency. The segment also engages in brokerage activities. It is made up of Schwarzer Familienholding GmbH, DOMCURA AG, Nordvers GmbH, nordias GmbH insurance brokers, Willy F.O. Köster GmbH and Siebert GmbH insurance brokers.

The **Holding** business segment consists of MLP AG. The main internal services and activities are combined in this segment.

Intrasegment supplies and services are settled in principle at normal market prices. In the case of intra-group allocations, an appropriate general overhead surcharge is levied on the direct costs actually incurred.

The management makes decisions on the allocation of resources and determines segment performance on the basis of the income statement for that segment. MLP employs the accounting policies applied in the consolidated financial statements to determine financial information on the segments.

The financial services and DOMCURA segments perform their economic activities predominantly in Germany. The FERI segment conducts its business activities in Germany and in Luxembourg.

In the financial year, revenue of € 290,152 thsd was generated with three product partners in the financial services, FERI and DOMCURA business segments. In the previous year, revenue of € 179,988 thsd was generated with two product partners in the financial services, FERI and DOMCURA business segments.

### Information regarding reportable business segments

| All figures in €'000 | Financial services | | FERI | | DOMCURA | | Holding | | Consolidation | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015* |
| Revenue | 400,446 | 395,515 | 123,583 | 123,885 | 70,664 | 20,007 | – | – | -4,134 | -3,757 | 590,559 | 535,651 |
| of which total inter-segment revenue | 3,825 | 3,242 | 309 | 515 | – | – | – | – | -4,134 | -3,757 | – | – |
| Other revenue | 10,313 | 10,498 | 5,081 | 6,021 | 3,212 | 2,052 | 13,694 | 10,995 | -12,490 | -10,900 | 19,810 | 18,667 |
| of which total inter-segment revenue | 1,916 | 2,017 | 7 | 8 | 1,095 | – | 9,473 | 8,875 | -12,491 | -10,900 | – | – |
| **Total revenue** | **410,759** | **406,014** | **128,664** | **129,906** | **73,876** | **22,059** | **13,694** | **10,995** | **-16,624** | **-14,656** | **610,369** | **554,318** |
| Commission expenses | -183,578 | -172,542 | -72,072 | -70,693 | -46,574 | -13,454 | – | – | 3,719 | 3,105 | -298,505 | -253,584 |
| Interest expenses | -1,719 | -1,923 | – | – | – | – | – | – | 8 | 2 | -1,711 | -1,921 |
| Loan loss provisions | -839 | 161 | -768 | 73 | 2 | 58 | -13 | -137 | – | – | -1,619 | 156 |
| Personnel expenses | -76,015 | -74,187 | -28,114 | -30,361 | -14,114 | -5,144 | -3,604 | -3,765 | – | – | -121,847 | -113,457 |
| Depreciation | -8,704 | -7,889 | -1,545 | -1,762 | -1,370 | -686 | -1,908 | -2,003 | – | – | -13,528 | -12,339 |
| Impairments | -10,399 | -1,584 | – | - | – | – | -36 | -1,190 | – | – | -10,434 | -2,774 |
| Other operating expenses | -126,766 | -124,316 | -11,848 | -13,434 | -8,804 | -4,672 | -10,534 | -10,586 | 12,815 | 11,482 | -145,137 | -141,528 |
| Earnings from investments accounted for using the equity method | 2,106 | 1,836 | – | – | – | – | – | – | – | – | 2,106 | 1,836 |
| **Segment earnings before interest and tax (EBIT)** | **4,845** | **25,569** | **14,316** | **13,729** | **3,015** | **-1,839** | **-2,400** | **-6,686** | **-83** | **-67** | **19,694** | **30,706** |
| Other interest and similar income | 362 | 178 | 361 | 50 | 44 | 21 | 172 | 286 | -33 | -26 | 906 | 509 |
| Other interest and similar expenses | -686 | -468 | -480 | -370 | -21 | -3 | -777 | -2,598 | 113 | 176 | -1,851 | -3,263 |
| **Finance cost** | **-324** | **-290** | **-119** | **-319** | **23** | **19** | **-605** | **-2,312** | **79** | **149** | **-946** | **-2,753** |
| **Earnings before tax (EBT)** | **4,521** | **25,279** | **14,198** | **13,409** | **3,039** | **-1,820** | **-3,005** | **-8,998** | **-4** | **82** | **18,748** | **27,953** |
| Income taxes | | | | | | | | | | | -4,052 | -8,170 |
| **Net profit** | | | | | | | | | | | **14,696** | **19,783** |
| **Investments accounted for using the equity method** | **3,751** | **3,481** | – | – | – | – | – | – | – | – | **3,751** | **3,481** |
| **Investments in intangible assets and property, plant and equipment** | **16,632** | **11,208** | **645** | **768** | **730** | **454** | **344** | **346** | – | – | **18,351** | **12,776** |
| **Major non-cash expenses:** | | | | | | | | | | | | |
| Impairments/reversal of impairments on receivables | 1,189 | 12 | 768 | -73 | -2 | -58 | 13 | 137 | – | – | 1,968 | 18 |
| Increase/decrease of provisions/accrued liabilities | 53,178 | 42,961 | 8,125 | 9,624 | 3,558 | 1,239 | 2,036 | 2,612 | – | – | 66,897 | 56,435 |

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

# Notes to the income statement

## 8 Revenue

| All figures in €'000 | 2016 | 2015 |
|---|---|---|
| Old-age provision | 221,480 | 215,738 |
| Wealth management | 166,360 | 165,982 |
| Non-life insurance | 105,626 | 54,878 |
| Health insurance | 45,777 | 45,918 |
| Loans and mortgages | 15,433 | 16,186 |
| Other commission and fees | 15,414 | 15,579 |
| **Total commission income** | **570,090** | **514,282** |
| **Interest income** | **20,469** | **21,369** |
| **Total** | **590,559** | **535,651** |

Other commission and fees include revenue from property brokerage of € 11,345 thsd (previous year: € 11,325 thsd).

## 9 Other revenue

| All figures in €'000 | 2016 | 2015* |
|---|---|---|
| Income from the reversal of provisions | 2,005 | 2,714 |
| Income from the reversal of deferred obligations | 1,786 | 2,253 |
| Cost transfers to commercial agents | 1,622 | 745 |
| Offset remuneration in kind | 1,088 | 1,018 |
| Own work capitalised | 876 | 1,322 |
| Remuneration of management | 809 | 896 |
| Income from the disposal of fixed assets | 584 | 915 |
| Rent | 396 | 1,644 |
| Income from the disposal of fixed assets | 89 | 80 |
| Sundry other income | 10,554 | 7,080 |
| **Total** | **19,810** | **18,667** |

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

For more information on income from the reversal of provisions, please refer to → Note 28.

Income from the reversal of deferred obligations essentially comprises income from the reversal of provisions for profit-sharing payments and performance-based remuneration, as well as income from the reversal of provisions for outstanding invoices.

The item "Cost transfers to commercial agents" essentially comprises income from cost transfers of insurance companies, services and material costs.

Own work capitalised results from the collaboration of Group employees in the development of acquired software.

The item “Remuneration for management” contains pre-allocated profits due to management tasks for private equity companies.

Income from the disposal of investments results from the sale of FERI EuroRating Services (FERI segment), as well as sale of the stake in NKK Programm Service AG (DOMCURA segment).

In the previous year, rental income included rent from the operating lease for an office and administration building operated by MLP AG, which ended on December 31, 2015.

Sundry other income includes interest income on tax credit, income from cost reimbursement claims, offset remuneration in kind and income from the performance of IT services.

## 10 Commission expenses

Commission expenses mainly consist of the commission payments and other remuneration components for the self-employed MLP consultants.

## 11 Interest expenses

| All figures in €'000 | 2016 | 2015 |
|---|---|---|
| **Interest and similar expenses** | | |
| Financial instruments measured at amortised cost | 1,710 | 1,807 |
| Available-for-sale financial instruments | 2 | 40 |
| **Change fair value option** | | |
| Financial instruments at fair value through profit and loss | 0 | 74 |
| **Total** | **1,711** | **1,921** |

Interest expenses of € 829 thsd (previous year: € 1,259 thsd) are attributable to interest charges for liabilities due to clients in the banking business.

## 12 Personnel expenses

| All figures in €'000 | 2016 | 2015 |
|---|---|---|
| Salaries and wages | 104,981 | 98,115 |
| Social security contributions | 14,339 | 12,932 |
| Expenses for old-age provisions and benefits | 2,527 | 2,410 |
| **Total** | **121,847** | **113,457** |

Personnel expenses essentially include salaries and wages, remuneration and other payments to employees. The social security contributions include the statutory contributions to be borne by the company in the form of social security insurance premiums. Expenses for old-age provisions and benefits mainly include the employer's shares of supplementary occupational pension provision.

## 13 Depreciation and impairments

| All figures in €'000 | 2016 | 2015 |
|---|---|---|
| Depreciation | | |
| Intangible assets | 7,500 | 6,598 |
| Property, plant and equipment | 6,027 | 5,710 |
| Investment property | – | 32 |
| | **13,528** | **12,339** |
| Impairments | | |
| Intangible assets | 10,399 | 1,584 |
| Property, plant and equipment | 36 | – |
| Investment property | – | 1,190 |
| | **10,434** | **2,774** |
| **Total** | **23,962** | **15,113** |

Impairments include impairment losses for a software development of € 10,399 thsd (previous year: € 1,584 thsd). Development work on this software has been stopped.

Based on the measurement pursuant to IFRS 5.25, the real estate reclassified under "Assets held for sale" in the previous year was not subject to any depreciation in the financial year 2016 (previous year: € 32 thsd). No impairments due to lower fair value were necessary (previous year: € 1,190 thsd).

The development of non-current assets is disclosed in → Note 19 (intangible assets), → Note 20 (property, plant and equipment) and → Note 21 (non-current assets held for sale).

## 14 Other operating expenses

| All figures in €'000 | 2016 | 2015* |
|---|---|---|
| IT operations | 48,075 | 47,610 |
| Consultancy | 15,898 | 12,995 |
| Rental and leasing | 14,824 | 14,376 |
| Administration operations | 11,381 | 11,528 |
| Other external services | 7,638 | 6,528 |
| External services – banking business | 7,560 | 7,277 |
| Representation and advertising | 6,935 | 7,941 |
| Premiums and fees | 5,180 | 4,231 |
| Travel expenses | 4,460 | 3,863 |
| Expenses for commercial agents | 3,240 | 2,532 |
| Insurance | 2,814 | 2,624 |
| Training and further education | 2,663 | 4,369 |
| Entertainment | 2,297 | 2,588 |
| Maintenance | 2,030 | 2,390 |
| Goodwill | 1,190 | 1,319 |
| Other employee-related expenses | 1,138 | 1,290 |
| Audit | 1,104 | 1,071 |
| Supervisory Board remuneration | 973 | 969 |
| Sundry other operating expenses | 5,738 | 6,027 |
| **Total** | **145,137** | **141,528** |

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

The costs of IT operations are mainly attributable to IT services and computer centre services that have been outsourced to an external service provider.

The consulting costs are made up of tax advice costs, legal advice costs as well as general and IT consulting costs.

The expenses for administration operations include costs relating to building operations, office costs and communication costs.

The item "External services - banking business" mainly contains securities settlement and transaction costs in connection with the MLP credit card.

Expenses for representation and advertising include costs incurred due to media presence and client information activities.

Expenses for commercial agents include costs for former consultants and the training allowance granted for new consultants.

Sundry other operating expenses essentially comprise expenses for other taxes, charitable donations, disposal of fixed assets and cars.

## 15 Earnings from investments accounted for using the equity method

Earnings from investments accounted for using the equity method were € 2,106 thsd in the financial year (previous year: € 1,836 thsd) and resulted from the share of earnings in MLP Hyp GmbH. In line with a company agreement, the profit distribution of MLP Hyp GmbH is disproportionate.

Investments accounted for using the equity method relate only to the 49.8% share in MLP Hyp GmbH, Wiesloch. The company operates the joint mortgage financing business of MLP Finanzdienstleistungen AG, Wiesloch, and Interhyp AG, Munich.

The shares developed as follows:

| All figures in €'000 | 2016 | 2015 |
|---|---|---|
| **Share as of Jan. 1** | **3,481** | **2,772** |
| Dividend payouts | –1,836 | –1,127 |
| Pro rata profit after tax | 2,106 | 1,836 |
| **Share as of Dec. 31** | **3,751** | **3,481** |

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

| All figures in €'000 | Dec. 31, 2016 | Dec. 31, 2015 |
|---|---|---|
| Non-current assets | 53 | 53 |
| Current assets | 8,823 | 7,640 |
| Non-current liabilities | – | – |
| Current liabilities | -2,660 | –1,868 |
| Net assets (100 %) | 6,216 | 5,825 |
| of which MLP's share in net assets (49.8 %) | 3,096 | 2,901 |
| **Incidental acquisition costs** | **151** | **151** |
| **Dividend payout** | **–1,708** | **–1,279** |
| **Cumulative disproportionate profit** | **2,213** | **1,708** |
| **Carrying amount of the investment** | **3,751** | **3,481** |
| Revenue | 14,579 | 12,526 |
| Total comprehensive income (100 %) | 3,216 | 2,825 |
| of which MLP's share in total comprehensive income (49.8 %) | 1,601 | 1,407 |
| **Disproportionate profit for the current financial year (65.5%/previous year 65%)** | **505** | **429** |
| **MLP's share in total comprehensive income** | **2,106** | **1,836** |

## 16 Finance cost

| All figures in €'000 | 2016 | 2015 |
|---|---|---|
| **Other interest and similar income** | **906** | **509** |
| Interest expenses from financial instruments | -133 | -145 |
| Interest expenses from net obligations for defined benefit plans | -489 | -481 |
| Other interest costs | -1,229 | -2,637 |
| **Other interest and similar expenses** | **-1,851** | **-3,263** |
| **Finance cost** | **-946** | **-2,753** |

Other interest and similar income of € 52 thsd (previous year: € 140 thsd) is attributable to interest income from deposits with financial institutions which were not included in the banking business segment and € 260 thsd (previous year: € 49 thsd) is attributable to income from the discounting of provisions. Other interest and similar expenses include expenses from the accrued interest of other provisions totalling € 627 thsd (previous year: € 584 thsd).

## 17 Income taxes

| All figures in €'000 | 2016 | 2015 |
|---|---|---|
| Income taxes | 4,052 | 8,170 |
| of which current taxes on income and profit | 5,340 | 9,783 |
| of which deferred taxes | -1,287 | -1,613 |

The current taxes on income and profit include expenses of € -388 thsd (previous year: € 1,967 thsd) which relate to previous periods.

The current and deferred tax is calculated using the relevant country-specific income tax rate. The anticipated combined income tax rate for domestic companies is made up of corporation tax at 15.0% (previous year: 15.0%), the solidarity surcharge at 5.5% (previous year: 5.5%) and an average municipal trade tax rate of 13.53% (previous year: 13.37%) and amounts to 29.36% (previous year: 29.19%).

The taxation rates likely to be applicable at their time of implementation should be used to calculate deferred income taxes. The taxation rates used here are those that are valid or have been announced for the periods in question as of the balance sheet date.

The following reconciliation account shows the relationship between the earnings before tax and the taxes on income and profit in the financial year:

| All figures in €'000 | 2016 | 2015 |
|---|---|---|
| **Earnings before tax** | **18,748** | **27,953** |
| Group income tax rate | 29.36% | 29.19% |
| **Calculated income tax expenditure in the financial year** | **5,504** | **8,159** |
| Tax-exempt earnings and permanent differences | -4,901 | -3,587 |
| Non-deductible expenses | 1,465 | 1,485 |
| Divergent trade taxation charge | 180 | 211 |
| Effects of other taxation rates applicable abroad | -21 | 4 |
| Income tax not relating to the period (current and deferred) | 2,044 | 2,249 |
| Other | -219 | -351 |
| **Income taxes** | **4,052** | **8,170** |

The effective income tax rate applicable to the earnings before tax is 21.6% (previous year: 29.2%).

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

Non-deductible expenses result from entertainment expenses, gifts, as well as non-deductible operating expenses incurred in the context of tax-exempt dividends and capital gains, Supervisory Board remuneration, business tax additions and other relevant factors.

The tax deferrals result from the balance sheet items as follows:

| All figures in €'000 | Deferred tax assets | | Deferred tax liabilities | |
|---|---|---|---|---|
| | Dec. 31, 2016 | Dec. 31, 2015 | Dec. 31, 2016 | Dec. 31, 2015 |
| Intangible assets | 1,288 | 1,381 | 12,387 | 13,579 |
| Property, plant and equipment | – | – | 3,854 | 3,577 |
| Financial assets | – | 110 | 201 | 262 |
| Investment property | – | – | – | 833 |
| Other assets | 1,267 | 3,509 | 467 | 210 |
| Provisions | 10,998 | 10,347 | 2 | 1,843 |
| Liabilities | 2,523 | 1,474 | 0 | 33 |
| **Gross value** | **16,076** | **16,821** | **16,911** | **20,337** |
| Netting of deferred tax assets and liabilities | -7,013 | -9,788 | -7,013 | -9,788 |
| **Total** | **9,063** | **7,033** | **9,898** | **10,549** |

The deferred tax expense recognised under other comprehensive income outside the income statement is € 1,502 thsd (previous year: € 636 thsd).

Tax refund claims include € 6,906 thsd (previous year: € 9,378 thsd) of corporation tax and € 5,209 thsd (previous year: € 5,515 thsd) of trade tax. The major portion of € 12,090 thsd (previous year: € 14,668 thsd) is attributable to MLP AG.

Tax liabilities are made up of € 1,712 thsd (previous year: € 2,638 thsd) of corporation tax and € 1,935 thsd (previous year: € 1,369 thsd) of trade tax, of which € 2,511 thsd (previous year: € 333 thsd) is attributable to MLP AG.

The tax liabilities are due to taxes on the income and profit of the individual companies based on the corresponding national tax regime. Contingent tax liabilities are shown under deferred tax liabilities.

As of December 31, 2016, MLP established a provision of € 2.5 million for anticipated retrospective tax payments arising from a tax audit by the fiscal authorities. In two disputed cases, MLP anticipates being able to assert its legal position based on the expert’s reports available. In this respect, MLP has recognised an asset for the retrospective tax payment made.

## 18 Earnings per share

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

| All figures in €'000 | 2016 | 2015 |
|---|---|---|
| Basis of the basic / diluted net profit per share | 14,696 | 19,783 |

| All figures in number of units | | |
|---|---|---|
| Weighted average number of shares for the basic / diluted net profit per share | 109,334,686 | 108,484,800 |

The basic and diluted earnings per share are € 0.13 (previous year: € 0.18).

# Notes to the statement of financial position

## 19 Intangible assets

| All figures in €'000 | Goodwill | Software (created internally) | Software (purchased) | Advance payments and developments in progress | Other intangible assets | Total |
|---|---|---|---|---|---|---|
| **Acquisition costs** | | | | | | |
| **As of Jan. 1, 2015** | **90,616** | **16,098** | **76,291** | **25,252** | **46,795** | **255,051** |
| Changes to the scope of consolidation* | 5,663 | – | 5,984 | 1 | 12,215 | 23,863 |
| Additions | – | 382 | 434 | 7,118 | – | 7,934 |
| Disposals | – | – | -2 | – | – | -2 |
| Transfers | – | 2 | 8,523 | -8,525 | – | 0 |
| **As of Dec. 31, 2015** | **96,278** | **16,482** | **91,231** | **23,846** | **59,010** | **286,846** |
| Changes to the scope of consolidation* | -1,314 | -1,770 | -312 | – | -1,154 | -4,549 |
| Additions | – | 273 | 2,453 | 11,027 | 1 | 13,754 |
| Disposals | – | -1,948 | -9,950 | -12,292 | -9 | -24,200 |
| Transfers | – | – | 22,089 | -22,089 | – | 0 |
| **As of Dec. 31, 2016** | **94,964** | **13,037** | **105,510** | **492** | **57,848** | **271,851** |
| **Depreciation and impairments** | | | | | | |
| **As of Jan. 1, 2015** | **3** | **9,676** | **73,160** | **–** | **16,030** | **98,869** |
| Changes to the scope of consolidation* | – | – | 5,294 | – | – | 5,294 |
| Depreciation | – | 1,822 | 2,596 | – | 2,180 | 6,598 |
| Impairments | – | – | – | 1,584 | – | 1,584 |
| Disposals | – | – | -2 | – | – | -2 |
| **As of Dec. 31, 2015** | **3** | **11,498** | **81,048** | **1,584** | **18,211** | **112,343** |
| Changes to the scope of consolidation* | – | -1,556 | -312 | – | -1,154 | -3,022 |
| Depreciation | – | 1,744 | 3,413 | – | 2,344 | 7,500 |
| Impairments | – | – | – | 10,399 | – | 10,399 |
| Disposals | – | -1,948 | -9,847 | -11,983 | -9 | -23,788 |
| **As of Dec. 31, 2016** | **3** | **9,737** | **74,301** | **0** | **19,392** | **103,432** |
| Carrying amount Jan. 1, 2015 | 90,613 | 6,422 | 3,131 | 25,252 | 30,764 | 156,182 |
| **Carrying amount Dec. 31, 2015** | **96,276** | **4,984** | **10,183** | **22,262** | **40,799** | **174,504** |
| Carrying amount Jan. 1, 2016 | 96,276 | 4,984 | 10,183 | 22,262 | 40,799 | 174,504 |
| **Carrying amount Dec. 31, 2016** | **94,962** | **3,300** | **31,209** | **492** | **38,456** | **168,419** |

* The change to the scope of consolidation in the financial year concerns the sale of FERI EuroRating Services. The outgoing carrying amount for intangible assets is € 1,528 thsd. In the previous year, the scope of consolidation changed as a result of the acquisition of the DOMCURA Group.

Intangible assets comprise definite-lived and indefinite-lived assets. Depreciation/amortisation and impairment on intangible assets are presented in → Note 13.

### Useful lives of intangible assets

| | Useful life as of Dec. 31, 2016 | Useful life as of Dec. 31, 2015 |
|---|---|---|
| Acquired software / licenses | 3-7 years | 3-7 years |
| Software created internally | 3-5 years | 3-5 years |
| Acquired trademark rights | 10 years | 10-15 years |
| Client relations / contract inventories | 10-25 years | 10-25 years |
| Goodwill / brand names | undefinable | undefinable |

The **goodwill** originating from company acquisitions was allocated by MLP at the level of the cash-generating units. The disclosures take into account the sale of FERI EuroRating Services, which was completed within the FERI business segment in the financial year. You can find information on this in → Note 4. The reportable Financial Services business segment contains the following groups of cash-generating units: (1) Financial Services, (2) Occupational Pension Provision, (3) ZSH. The reportable FERI business segment includes the cash-generating unit FERI Assetmanagement. The reportable DOMCURA business segment contains one DOMCURA cash-generating unit. Cash-generating units were allocated the following goodwill values arising from business combinations:

| All figures in €'000 | Dec. 31, 2016 | Dec. 31, 2015 |
|---|---|---|
| Financial services | 22,042 | 22,042 |
| Occupational pension provision | 9,955 | 9,955 |
| ZSH | 4,072 | 4,072 |
| **Financial services** | **36,069** | **36,069** |
| FERI Asset Management | 53,230 | 53,230 |
| FERI EuroRating Services | – | 1,314 |
| **FERI** | **53,230** | **54,544** |
| DOMCURA | 5,663 | 5,663 |
| **DOMCURA** | **5,663** | **5,663** |
| **Total** | **94,962** | **96,276** |

As was already the case in the previous year, there was no need for an impairment of capitalised goodwill in the financial year 2016. The significant assumptions presented in the following were based on the impairment test performed.

## Reportable Financial Services business segment

| Financial services | | |
|---|---|---|
| **Weighted average (in %)** | 2016 | **2015** |
| Discount rate (before tax) | 10.6 | 10.6 |
| Growth rate of the terminal value | 1.0 | 1.0 |
| Planned EBT growth rate (relative average EBT increase per year) | 76.3 | 0.5 |

| Occupational pension provision | | |
|---|---|---|
| **Weighted average (in %)** | 2016 | **2015** |
| Discount rate (before tax) | 10.2 | 9.3 |
| Growth rate of the terminal value | 1.0 | 1.0 |
| Planned EBT growth rate (relative average EBT increase per year) | 29.0 | 30.0 |

| ZSH | | |
|---|---|---|
| **Weighted average (in %)** | 2016 | **2015** |
| Discount rate (before tax) | 10.1 | 9.5 |
| Growth rate of the terminal value | 1.0 | 1.0 |
| Planned EBT growth rate (relative average EBT increase per year) | –* | 18.5 |

## Reportable FERI business segment

| FERI Assetmanagement | | |
|---|---|---|
| **Weighted average (in %)** | 2016 | **2015** |
| Discount rate (before tax) | 14.7 | 13.6 |
| Growth rate of the terminal value | 1.0 | 1.0 |
| Planned EBT growth rate (relative average EBT increase per year) | 8.1 | 0.0 |

| FERI EuroRating Services | | |
|---|---|---|
| **Weighted average (in %)** | 2016 | **2015** |
| Discount rate (before tax) | – | 10.0 |
| Growth rate of the terminal value | – | 1.0 |
| Planned EBT growth rate (relative average EBT increase per year) | – | –* |

### Reportable DOMCURA business segment

| DOMCURA | | |
|---|---|---|
| **Weighted average (in %)** | **2016** | **2015** |
| Discount rate (before tax) | 10.4 | 9.5 |
| Growth rate of the terminal value | 1.0 | 1.0 |
| Planned EBT growth rate (relative average EBT increase per year) | 7.9 | 4.7 |

* Growth rates cannot be arithmetically determined due to a negative starting basis.

Within the scope of its impairment testing MLP carried out sensitivity analyses. These analyses examine the effects of an increase of discount interest rates by half a percentage point and the effects of a reduction of the forecast EBT growth by 12% (previous year: 15%). In the asset management cash-generating unit, the reduction in planned EBT growth caused the carrying amount to exceed the recoverable amount by € 4.1 million (previous year: € 9.4 million). However, since the cash-generating unit has in the past been able to confirm the planned EBT growth rates, the Executive Board considers this scenario unlikely. The table below shows the percentage by which the planned EBT growth rate would need to change for the estimated recoverable amount to equal the carrying amount:

### Change required for the recoverable amount to equal the carrying amount

| Change required for the recoverable amount to equal the carrying amount | 2016 | 2015 |
|---|---|---|
| Planned EBT growth rate (relative average EBT increase per year) | -9.0% | -7.3% |

The items **"Software (in-house), software (purchased), and advance payments and developments in progress"** contain own work in the context of the development and implementation of software. In the financial year 2016, own services with a value of € 876 thsd were capitalised (previous year: € 1,322 thsd). All development and implementation costs incurred complied in full with the criteria for capitalisation pursuant to IAS 38 "Intangible assets". In the financial year 2016 the existing software landscape was consolidated and streamlined.

The item **"Other intangible assets"** contains acquired trademark rights, client relationships/contract inventories with a defined term, as well as indefinite-lived brand names acquired within the scope of company acquisitions. In view of the recognition of these brands, at present no definite end of their useful lives can be specified.

The "FERI" brand is fully attributed to the cash-generating unit of the "FERI" reportable business segment:

| All figures in €'000 | 2016 | 2015 |
|---|---|---|
| FERI Asset Management | 15,829 | 15,138 |
| FERI EuroRating Services | – | 691 |
| **FERI** | **15,829** | **15,829** |

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

| DOMCURA | 2016 | 2015 |
|---|---|---|
| **DOMCURA** | **7,023** | **7,023*** |

*Previous year's figures adjusted.

There are no restraints on disposal or pledges with regard to intangible assets. As of December 31, 2016 contractual obligations for the purchase of intangible assets have a net total of € 69 thsd (previous year: € 512 thsd).

## 20 Property, plant and equipment

| All figures in €'000 | Land, leasehold rights and buildings | Other fixtures, fittings and office equipment | Payments on account and assets under construction | Total |
|---|---|---|---|---|
| **Acquisition costs** | | | | |
| **As of Jan. 1, 2015** | **79,750** | **64,748** | **1,468** | **145,965** |
| Changes to the scope of consolidation* | 350 | 3,349 | – | 3,698 |
| Additions | 720 | 3,092 | 1,031 | 4,842 |
| Disposals | -2,411 | -6,957 | – | -9,368 |
| Transfers | 998 | 1,359 | -2,357 | 0 |
| **As of Dec. 31, 2015** | **79,406** | **65,590** | **141** | **145,138** |
| Changes to the scope of consolidation* | – | -21 | – | -21 |
| Additions | 469 | 2,964 | 1,164 | 4,597 |
| Disposals | -1,540 | -9,518 | -569 | -11,627 |
| Transfers | 254 | 91 | -345 | 0 |
| **As of Dec. 31, 2016** | **78,590** | **59,105** | **392** | **138,087** |
| **Depreciation** | | | | |
| **As of Jan. 1, 2015** | **27,964** | **51,964** | **–** | **79,928** |
| Changes to the scope of consolidation* | 206 | 2,356 | – | 2,562 |
| Depreciation | 1,991 | 3,718 | – | 5,710 |
| Disposals | -2,065 | -6,742 | – | -8,807 |
| **As of Dec. 31, 2015** | **28,097** | **51,296** | **–** | **79,393** |
| Changes to the scope of consolidation* | – | -23 | – | -23 |
| Depreciation | 1,986 | 4,041 | – | 6,027 |
| Impairments | – | 36 | – | 36 |
| Disposals | -1,514 | -9,197 | – | -10,711 |
| **As of Dec. 31, 2016** | **28,569** | **46,153** | **–** | **74,722** |
| Carrying amount Jan. 1, 2015 | 51,786 | 12,784 | 1,468 | 66,037 |
| **Carrying amount Dec. 31, 2015** | **51,309** | **14,295** | **141** | **65,745** |
| Carrying amount Jan. 1, 2016 | 51,309 | 14,295 | 141 | 65,745 |
| **Carrying amount Dec. 31, 2016** | **50,021** | **12,952** | **392** | **63,365** |

*The change to the scope of consolidation in the financial year concerns the sale of FERI EuroRating Services, as well as other minor mergers. The property, plant and equipment included in the sale has been fully amortized. In the previous year, the scope of consolidation changed as a result of the acquisition of the DOMCURA Group.

**Useful lives of property, plant and equipment**

| | Useful life/residual value Dec. 31, 2016 | Useful life/residual value Dec. 31, 2015 |
|---|---|---|
| Administration buildings | 33 years to residual value (30% of original cost) | 33 years to residual value (30% of original cost) |
| Land improvements | 15-25 years | 15-25 years |
| Leasehold improvements | 10 years or duration or the respective tenancy agreement | 10 years or duration or the respective tenancy agreement |
| Furniture and fittings | 8-25 years | 8-25 years |
| IT hardware, IT cabling | 3-13 years | 3-13 years |
| Office equipment, office machines | 3-23 years | 3-23 years |
| Cars | 2-6 years | 2-6 years |
| Works of art | 15 -20 years | 13-20 years |

Depreciation/amortisation and impairment of property, plant and equipment are disclosed in → Note 13.

There are no restraints or pledges with regard to property, plant and equipment. Contractual obligations for the purchase of property, plant and equipment amount to € 50 thsd net as of December 31, 2016 (previous year: € 86 thsd).

## 21 Non-current assets held for sale

The office and administration building in Heidelberg was sold in the financial year 2016. As of December 31, 2015, the property was classified as a long-term asset held for sale. The carrying amount as of December 31, 2015 was € 6,040 thsd.

The sale price was € 6,200 thsd. Selling costs of € 209 thsd were incurred in connection with the sale. Minus selling costs, this results in a loss on disposal of € 49 thsd, which is recognised under sundry other operating expenses in the Holding segment.

## 22 Receivables from clients in the banking business

| **All figures in €'000** | Dec. 31, 2016 | Dec. 31, 2015 |
|---|---|---|
| Originated loan | 338,859 | 276,782 |
| Corporate bond debts | 172,000 | 145,500 |
| Receivables from credit cards | 87,771 | 95,475 |
| Receivables from current accounts | 35,602 | 33,651 |
| Receivables from wealth management | 370 | 189 |
| **Total, gross** | **634,603** | **551,596** |
| Impairment | -8,124 | -8,900 |
| **Total, net** | **626,479** | **542,696** |

As of December 31, 2016, receivables (net) with a term of more than one year remaining to maturity are € 457,320 thsd (previous year: € 370,031 thsd).

| All figures in €'000 | Gross value | Of which financial assets | Financial assets, neither impaired nor overdue | Financial assets, not impaired but overdue within the following time span | | |
|---|---|---|---|---|---|---|
| | | | | < 90 days | 90–180 days | > 180 days |
| Receivables from clients (gross) as per Dec. 31, 2016 | 634,603 | 634,603 | 628,039 | 1,499 | 280 | 486 |
| Receivables from clients (gross) as per Dec. 31, 2015 | 551,596 | 551,596 | 546,698 | 1,315 | 248 | 513 |

At Receivables of € 2,266 thsd (previous year: € 2,076 thsd) for which no specific allowance has been made but which are overdue as of December 31, 2016 are secured with customary banking collaterals.

Receivables from clients due to originated loans are partly secured by mortgages (December 31, 2016: € 94,018 thsd; previous year: € 77,570 thsd), assignments (December 31, 2016: € 46,466 thsd; previous year: € 37,919 thsd) or liens (December 31, 2016: € 20,280 thsd, previous year: € 14,824 thsd). Receivables from current accounts and credit cards are generally not collateralised. With regard to receivables from the banking business which are neither impaired nor overdue, there were no signs at the closing date that debtors will not meet their payment obligations.

As in the previous year, there were no receivables from banking business on the closing date for which new terms were agreed and which would otherwise have been overdue or impaired.

The Group holds forwarded loans of € 36,694 thsd (previous year: € 22,045 thsd) in the form of collateral for liabilities due to refinancing banks.

Due to defaults of debtors, financial and non-financial assets of € 99 thsd (previous year: € 718 thsd), serving as collateral for originated loans and receivables, were utilised. The assets mainly concern property and receivables from claimed life insurance policies.

The loan loss provisions in the lending business cover all identifiable credit risks. Impairment losses are formed on a portfolio basis for the deferred loans risk. Risks are provided for by loan loss provisions carried under assets, and by the recognition of provisions for credit risks (see → Note 28).

The disclosed loan loss provisions due to receivables from clients in the banking business developed as follows:

| All figures in €'000 | Allowances for losses on individual account | | Impairment loss on portfolio basis | | Total | |
|---|---|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| **As of Jan. 1** | **2,347** | **3,006** | **6,553** | **7,664** | **8,900** | **10,670** |
| Allocation | 933 | 34 | 352 | 35 | 1,285 | 69 |
| Utilisation | -116 | -215 | -1,411 | -886 | -1,527 | -1,101 |
| Reversal | -497 | -478 | -37 | -261 | -534 | -738 |
| **As of Dec. 31** | **2,667** | **2,347** | **5,457** | **6,553** | **8,124** | **8,900** |
| of which allowances for bad debts measured at amortised cost | 2,667 | 2,347 | 5,457 | 6,553 | 8,124 | 8,900 |

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

Taking into account direct write-downs of € 211 thsd (previous year: € 301 thsd), income from written-off receivables of € 327 thsd (previous year: € 224 thsd), as well as income from the reversal of provisions of € 3 thsd (previous year: € 109 thsd), the total allocations and reversals recognised in income performed in the reporting year resulted in a net loan loss provision of € 633 thsd (previous year: net loan loss provision of € 702 thsd).

Receivables for which specific allowances have been made amount in total to € 4,299 thsd (previous year: € 2,822 thsd). For € 1,415 thsd of these (previous year: € 272 thsd), the impairment was less than 50% of the gross receivable, while the remaining volume was written down by more than 50%. The allowance for bad debts comes to € 2,667 thsd (previous year: € 2,347 thsd). This corresponds to a percentage of 62% (previous year 83%).

Accounts receivable for which a specific allowance has been made are secured as per December 31, 2016 with customary banking collaterals amounting to € 1,357 thsd (previous year: € 241 thsd).

Further information on receivables from clients in the banking business is disclosed in → Note 35.

## 23 Receivables from banks in the banking business

| All figures in €'000 | Dec. 31, 2016 | Dec. 31, 2015 |
|---|---|---|
| Due on demand | 203,569 | 227,961 |
| Other receivables | 387,403 | 317,324 |
| **Domestic financial institutions** | **590,972** | **545,285** |
| Due on demand | – | – |
| Other receivables | – | 55,054 |
| **Foreign financial institutions** | **–** | **55,054** |
| **Total** | **590,972** | **600,339** |

As of December 31, 2016, receivables with a term of more than one year remaining to maturity are € 59,000 thsd (previous year: € 22,000 thsd). The receivables are not collateralised. At the closing date there are no receivables from banks which are overdue or impaired.

Further information on receivables from financial institutions in the banking business is disclosed in → Note 35.

## 24 Financial assets

| All figures in €'000 | Dec. 31, 2016 | Dec. 31, 2015 |
|---|---|---|
| By public-sector issuers | 17,521 | 17,536 |
| By other issuers | 66,537 | 65,295 |
| **Debenture and other fixed income securities** | **84,058** | **82,831** |
| Shares and certificates | 3,565 | 3,476 |
| Investment fund shares | 3,526 | 3,456 |
| **Shares and other variable yield securities** | **7,091** | **6,932** |
| **Fixed and time deposits** | **55,102** | **52,120** |
| **Loans** | **10,000** | **56** |
| **Investments in non-consolidated subsidiaries** | **6,035** | **5,978** |
| **Total** | **162,286** | **147,916** |

As of December 31, 2016, MLP has portfolios amounting to € 49,530 thsd (previous year: € 61,232 thsd) that are due in more than twelve months.

As per the measurement categories for financial instruments defined in IAS 39, the financial investment portfolio is structured as follows:

| All figures in €'000 | Dec. 31, 2016 | Dec. 31, 2015 |
|---|---|---|
| Held-to-maturity investments | 68,535 | 67,204 |
| Available-for-sale financial assets | 15,523 | 15,627 |
| Financial assets at fair value through profit and loss | – | – |
| **Debenture and other fixed income securities** | **84,058** | **82,831** |
| Available-for-sale financial assets | 5,706 | 5,714 |
| Financial assets at fair value through profit and loss | 1,385 | 1,217 |
| **Shares and other variable yield securities** | **7,091** | **6,932** |
| **Fixed and time deposits (loans and receivables)** | **55,102** | **52,120** |
| **Loans** | **10,000** | **56** |
| **Investments in non-consolidated subsidiaries (available-for-sale financial assets)** | **6,035** | **5,978** |
| **Total** | **162,286** | **147,916** |

Valuation changes of € 477 thsd (previous year: € -143 thsd) were recognised directly in equity for shares and other variable yield securities that are for available for sale, and valuation changes of € -337 thsd (previous year: € -196 thsd) were recognised in the revaluation reserve.

Due to the disposal of financial assets and recording of impairments, € -591 thsd (previous year: € -241 thsd) was withdrawn from the revaluation reserve in the reporting period and recognised under net income for the period.

In the financial year 2016, impairments of € 598 thsd (previous year: € 246 thsd) for available-for-sale financial assets were recognised through profit or loss.

In the reporting period, no losses from valuation changes to financial assets that are rated at fair value through profit and loss were recorded in the net income for the period (previous year: € 104 thsd).

### Assets pledged as collateral

As at the closing date, the availability of liquidity facilities provided by Deutsche Bundesbank is collateralised by marketable securities of € 23,161 thsd (previous year: € 24,992 thsd) with a face value of € 24,500 thsd (previous year: € 25,000 thsd).

For further disclosures regarding financial assets, please refer to → Note 35.

## 25 Other receivables and assets

| All figures in €'000 | Dec. 31, 2016 | Dec. 31, 2015 |
| --- | --- | --- |
| Trade accounts receivable | 69,145 | 65,007 |
| Refund receivables from recourse claims | 16,991 | 15,877 |
| Receivables from commercial agents | 11,850 | 14,629 |
| Receivables from underwriting business | 14,188 | 6,256 |
| Advance payments | 5,362 | 5,802 |
| Purchase price receivables | 330 | 330 |
| Other assets | 11,353 | 11,902 |
| **Total, gross** | **129,217** | **119,803** |
| Impairment | -6,441 | -7,272 |
| **Total, net** | **122,776** | **112,531** |

As of December 31, 2016, receivables (net) with a term of more than one year remaining to maturity are € 13,332 thsd (previous year: € 13,216 thsd).

The main items included in trade accounts receivable are commission receivables from insurance companies. They are generally non-interest-bearing and have an average term of payment of 30 days.

Refund receivables from recourse claims are due to MLP consultants and office managers, as well as insurance companies.

Receivables from sales representatives concern MLP consultants and branch office managers.

Receivables from the underwriting business comprise unpaid receivables due from clients, as well as receivables due from insurance companies for claims settlement.

The item “Advance payments” comprises trail commissions paid to self-employed commercial agents in advance on commissions for unit-linked life insurance policies.

| All figures in €'000 | Gross value | Of which financial assets | Financial assets, neither impaired nor overdue | Financial assets, not impaired but overdue within the following time span | | |
|---|---|---|---|---|---|---|
| | | | | < 90 days | 90–180 days | > 180 days |
| Other receivables and assets as of Dec. 31, 2016 | 129,217 | 105,321 | 97,243 | 1,513 | 83 | 238 |
| Other receivables and assets as of Dec. 31, 2015 | 119,803 | 97,459 | 88,964 | 1,925 | 445 | 1,256 |

Other receivables and assets are usually not collateralised. With regard to receivables and other assets which are neither impaired nor overdue, there are no signs at the closing date that debtors will not meet their payment obligations. On the closing date there were no receivables and other assets for which new terms were agreed and which would otherwise have been overdue or written down.

The allowances for other receivables and other assets are as follows:

| All figures in €'000 | Allowances for losses on individual account | | Impairment loss on portfolio basis | | Total | |
|---|---|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| **As of Jan. 1** | **4,658** | **5,009** | **2,614** | **3,035** | **7,272** | **8,043** |
| Changes to the scope of consolidation | – | 122 | – | 219 | – | 341 |
| Allocation | 1,261 | 1,399 | 106 | 60 | 1,367 | 1,458 |
| Utilisation | -307 | -1,003 | – | – | -307 | -1,003 |
| Reversal | -525 | -868 | -1,366 | -700 | -1,891 | -1,568 |
| **As of Dec. 31** | **5,087** | **4,658** | **1,354** | **2,614** | **6,441** | **7,272** |

In cases where MLP institutes enforcement or where insolvency proceedings are imminent or have already started, receivables are written down based on empirical values. The same applies to receivables which are disputed and where legal action is pending.

Taking into account direct write-downs of € 1,529 thsd (previous year: € 656 thsd) and income from written-off receivables of € 20 thsd (previous year: € 0 thsd), the total allocations and reversals recognised in income performed in the reporting year resulted in a net loan loss provisions of € 986 thsd (previous year: € 547 thsd).

As of December 31, 2016, receivables for which specific allowances have been made amount to a total of € 6,243 thsd (previous year: € 4,869 thsd). For € 1,148 thsd of these (previous year: € 116 thsd) the allowance for bad debts was less than 50% of the gross receivable, the remaining volume was written down by more than 50%. The impairment loss comes to a total of € 5,087 thsd (previous year: € 4,658 thsd). This corresponds to an average impairment rate of 81% (previous year: 96%).

Additional disclosures on other receivables and assets can be found in → Note 35.

## 26 Cash and cash equivalents

| All figures in €'000 | Dec. 31, 2016 | Dec. 31, 2015 |
|---|---|---|
| Bank deposits | 69,900 | 66,451 |
| Deposits at Deutsche Bundesbank | 114,826 | 10,965 |
| Cash on hand | 103 | 124 |
| **Total** | **184,829** | **77,540** |

As was the case in previous years, cash and cash equivalents include deposits at the Deutsche Bundesbank. In the financial year 2016, holding funds with commercial banks were transferred to the Bundesbank. This resulted in an increase in cash and cash equivalents, which can be seen within the scope of cash flow from operating activities.

Changes in cash and cash equivalents during the financial year are shown in the statement of cash flow.

## 27 Shareholders' equity

| All figures in €'000 | Dec. 31, 2016 | Dec. 31, 2015 |
|---|---|---|
| Share capital | 109,335 | 109,335 |
| Capital reserves | 146,727 | 146,727 |
| Retained earnings | | |
| Statutory reserve | 3,117 | 3,117 |
| Other retained earnings and net profit | 135,906 | 134,330 |
| Revaluation reserve | -11,500 | -7,755 |
| **Total** | **383,585** | **385,753** |

### Share capital

The share capital of MLP AG comprises 109,334,686 (December 31, 2015: 109,334,686) no-par-value shares.

### Authorised capital

Due to partial utilisation and the amendment resolution from July 27, 2015: A resolution passed by the Annual General Meeting on June 5, 2014 authorised the Executive Board, with the consent of the Supervisory Board, to increase the company's share capital by issuing new ordinary bearer shares on one or more occasions by up to € 20,543,052 in exchange for cash or non-cash contributions up to June 5, 2019.

### Capital reserves

The capital reserves include increases/decreases in capital stock in MLP AG from previous years. The capital reserves are subject to the restraints on disposal as per § 150 of the German Stock Corporation Act (AktG).

### Other retained earnings and net profit

Other equity comprises retained earnings of the MLP Group.

### Revaluation reserve

At € 1,562 thsd (previous year: € 1,390 thsd), the provision includes unrealised gains and losses from the change in fair value of securities available for sale and deferred taxes attributable to this of € -310 thsd (previous year: € -210 thsd). In addition to this, the provision includes losses from the revaluation of defined benefit obligations of € 18,051 thsd (previous year: € 12,665 thsd) and deferred taxes attributable to this of € 5,299 thsd (previous year: € 3,697 thsd).

### Proposed appropriation of profit

The Executive Board and Supervisory Board of MLP AG will propose a dividend of € 8,747 thsd (previous year: € 13,120 thsd) for the financial year 2016 at the Annual General Meeting. This corresponds to € 0.08 (previous year: € 0.12) per share.

## 28 Provisions

### Pension provisions

At MLP, executive members of staff have been granted direct pension benefits subject to individual contracts in the form of defined benefit plans which guarantee the beneficiaries the following pension payments:

- Old-age pension upon reaching 60, 62 or 65 years
- Disability pension
- Widow's and widower's pension of 60% of the pension of the original recipient
- Orphan's benefit of 10% of the pension of the original recipient

The benefit obligations are partially financed through reinsurance policies, which essentially fulfil the prerequisites of pension scheme assets.

The defined benefit obligation for retirement income, funded only by means of provisions, amounts to € 19,950 thsd (previous year: € 18,157 thsd). Pension insurance policies are in place for all other pension obligations (defined benefit obligation of € 30,004 thsd; previous year: € 26,339 thsd).

The change in net liability from defined benefit plans is summarized in the following table.

| All figures in €'000 | Defined benefit obligation | | Fair value of pension scheme assets | | Net liability from defined benefit plans | |
|---|---|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| **As of Jan. 1** | **44,496** | **46,373** | **-22,914** | **-21,200** | **21,582** | **25,173** |
| Current service cost | 234 | 308 | – | – | 234 | 308 |
| Past service cost | – | 237 | – | – | – | 237 |
| Interest expenses (+)/ income (-) | 1,053 | 917 | -564 | -436 | 489 | 481 |
| **Recognised in profit or loss** | **1,287** | **1,462** | **-564** | **-436** | **723** | **1,026** |
| Actuarial gains (-)/ losses (+) from: | | | | | | |
| financial assumptions | 5,376 | -3,288 | – | – | 5,376 | -3,288 |
| experience adjustments | 20 | 935 | – | – | 20 | 935 |
| Gains (-)/ losses (+) from pension scheme assets without amounts recognized as interest income | – | – | -9 | -137 | -9 | -137 |
| **Gains (-)/ losses (+) from revaluations*** | **5,396** | **-2,352** | **-9** | **-137** | **5,387** | **-2,489** |
| Contributions paid by the employer | – | – | -1,591 | -1,418 | -1,591 | -1,418 |
| Payments made | -1,225 | -987 | 436 | 277 | -789 | -710 |
| **Other** | **-1,225** | **-987** | **-1,155** | **-1,141** | **-2,380** | **-2,218** |
| **As of Dec. 31** | **49,954** | **44,496** | **-24,642** | **-22,914** | **25,312** | **21,582** |

*recognised in other comprehensive income

€ 1,090 thsd of the net liabilities recognised in the balance sheet (previous year: € 579 thsd) are attributable to Executive Board members active at the end of the reporting period.

With regard to net pension provisions, payments of € 1,624 thsd are anticipated for 2017 (previous year: € 2,378 thsd). € 779 thsd thereof (previous year: € 792 thsd) is attributable to direct, anticipated company pension payments, while € 845 thsd (previous year: € 1,586 thsd) is attributable to anticipated reinsurance policy premiums.

Actuarial calculations incorporate the following assumptions:

| | 2016 | 2015 |
|---|---|---|
| Assumed interest rate | 1.75% | 2.40% |
| Anticipated annual pension adjustment | 1.5/2.5% | 1.5/2.5% |

The assumptions made regarding future mortality are based on published statistics and mortality tables.

As of December 31, 2016, the weighted average term of defined benefit obligations was 18.3 years (previous year: 17.9).

### Sensitivity analysis

If the other assumptions all remained the same, changes to one of the key actuarial assumptions which would have been realistically possible on the closing date would have influenced the defined benefit obligations by the following amounts:

| All figures in €'000 | Change of parameter | Reduction/ increase of defined obligation |
|---|---|---|
| Assumed interest rate | 0.5% | –4,215 |
| | –0.5% | 4,815 |
| Salary trend | 0.5% | – |
| | –0.5% | – |
| Pension trend | 0.5% | 3,800 |
| | –0.5% | –3,420 |
| Mortality | 80.0% | 1,786 |

In order to define the sensitivity of mortality, all mortality rates stated in the mortality table were reduced to 80%. By extending life expectancy, this leads to an increase in the scope of defined benefit obligations. Although the analysis does not take into account the full distribution of anticipated cash flow based on the plan, it does provide an approximation of the sensitivity of the assumptions presented.

Alongside defined benefit plans, defined contribution plans are also in place. With these types of plans the company pays premiums to state or private pension insurance institutions in line with legal or contractual regulations or on a voluntary basis. The regular premiums paid for employees are disclosed as personnel expenses. In the financial year 2016 they total € 10,412 thsd (previous year: € 9,672 thsd).

**Other provisions** are made up as follows:

| All figures in €'000 | | | Dec. 31, 2016 | | | Dec. 31, 2015 |
|---|---|---|---|---|---|---|
| | Current | Non-current | Total | Current | Non-current | Total |
| Cancellation risks | 11,500 | 15,701 | 27,201 | 11,491 | 13,064 | 24,555 |
| Bonus schemes | 22,871 | – | 22,871 | 25,572 | – | 25,572 |
| Share-based payments | 590 | 2,473 | 3,063 | 1,107 | 1,628 | 2,735 |
| Economic loss | 2,097 | – | 2,097 | 2,388 | – | 2,388 |
| Claim settlement contributions | 2,849 | – | 2,849 | 2,108 | – | 2,108 |
| Litigation risks/ costs | 2,041 | 155 | 2,196 | 2,016 | 198 | 2,214 |
| Rent | 973 | 538 | 1,511 | 325 | 186 | 511 |
| Anniversaries | 157 | 338 | 495 | 265 | 228 | 493 |
| Lending business | 170 | – | 170 | 173 | – | 173 |
| Phased retirement | 77 | – | 77 | 76 | 72 | 148 |
| Other | 2,283 | 1,101 | 3,384 | 3,325 | 732 | 4,057 |
| **Total** | **45,608** | **20,305** | **65,913** | **48,845** | **16,108** | **64,953** |

Other provisions have changed as follows:

| All figures in €'000 | Jan. 1, 2016 | Change in the scope of consolidation | Utilisation | Reversal | Compounding / Discounting | Allocation | Dec. 31, 2016 |
|---|---|---|---|---|---|---|---|
| Cancellation risks | 24,555 | – | -11,234 | – | 179 | 13,700 | 27,201 |
| Bonus schemes | 25,572 | – | -25,405 | -166 | – | 22,871 | 22,871 |
| Share-based payments | 2,735 | – | -81 | -31 | -163 | 604 | 3,063 |
| Economic loss | 2,388 | – | -402 | -66 | – | 176 | 2,097 |
| Claim settlement contributions | 2,108 | – | -4 | -1,051 | – | 1,796 | 2,849 |
| Litigation risks/ costs | 2,214 | – | -130 | -538 | 7 | 642 | 2,196 |
| Rent | 511 | – | -301 | -126 | 16 | 1,412 | 1,511 |
| Anniversaries | 493 | – | -139 | -6 | -12 | 159 | 495 |
| Lending business | 173 | – | – | -3 | – | – | 170 |
| Phased retirement | 148 | – | -74 | – | 3 | – | 77 |
| Other | 4,057 | – | -2,028 | -22 | -24 | 1,401 | 3,384 |
| **Total** | **64,953** | **–** | **-39,799** | **-2,008** | **6** | **42,761** | **65,913** |

Provisions for bonus schemes are recognised as incentive agreements for self-employed commercial agents.

The provisions for cancellation risks allow for the risk of having to refund earned commissions due to a premature loss of brokered insurance policies.

Provisions for share-based payments are recognised as incentive agreements and as profit-sharing schemes for Executive Board members, employees and self-employed commercial agents.

The provisions for economic loss due to liability risks are offset by claims for reimbursement from liability insurance policies with a value of € 1,826 thsd (previous year: € 2,210 thsd).

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

## 29 Liabilities due to banking business

This summary includes the balance sheet items Liabilities due to clients in the banking business and Liabilities due to banks in the banking business.

| All figures in €'000 | | | Dec. 31, 2016 | | | Dec. 31, 2015 |
|---|---|---|---|---|---|---|
| | Current | Non-current | Total | Current | Non-current | Total |
| Liabilities due to clients | 1,261,929 | 9,140 | 1,271,070 | 1,095,969 | 6,599 | 1,102,569 |
| Liabilities due to banks | 2,232 | 35,489 | 37,720 | 1,744 | 21,351 | 23,095 |
| **Total** | **1,264,161** | **44,629** | **1,308,790** | **1,097,713** | **27,950** | **1,125,663** |

The change in liabilities due to banking business from € 1,125,663 thsd to € 1,308,789 thsd is essentially attributable to the increase in short-term client deposits in current accounts.

As of December 31, 2016, liabilities due to clients from savings deposits with an agreed notice period of three months amounted to € 16,004 thsd (previous year: € 15,618 thsd).

The liabilities due to clients or due to other banks do not comprise any large individual items.

Further information on liabilities due to banking business is disclosed in → Notes 35 and → 36.

## 30 Other liabilities

| All figures in €'000 | | | Dec. 31, 2016 | | | Dec. 31, 2015 |
|---|---|---|---|---|---|---|
| | Current | Non-current | Total | Current | Non-current | Total |
| Liabilities due to commercial agents | 44,784 | 1,076 | 45,860 | 39,390 | – | 39,390 |
| Liabilities due to underwriting business | 22,892 | – | 22,892 | 28,409 | – | 28,409 |
| Trade accounts payable | 25,712 | – | 25,712 | 20,993 | – | 20,993 |
| Advance payments received | 8,183 | – | 8,183 | 8,495 | – | 8,495 |
| Liabilities due to other taxes | 3,703 | – | 3,703 | 2,688 | – | 2,688 |
| Liabilities from social security contributions | 174 | – | 174 | 154 | – | 154 |
| Other liabilities | 37,630 | 2,757 | 40,387 | 37,116 | 2,966 | 40,082 |
| **Total** | **143,078** | **3,833** | **146,911** | **137,245** | **2,966** | **140,211** |

Liabilities due to commercial agents represent unsettled commission claims. Usually they are non-interest-bearing and due on the 15th of the month following the settlement with the insurance company.

Liabilities from the underwriting business include collection liabilities due to insurance companies, open commission claims, as well as liabilities from claims settlement.

The item “Advance payments received” concerns paid-in-advance trail commissions from unit-linked life insurance policies.

Other liabilities comprise commissions withheld from MLP consultants due to cancellations amounting to € 2,757 thsd (previous year: € 3,326 thsd). Commissions withheld are charged with interest. Their term is mainly indefinite. The item also contains liabilities for bonus and profit-sharing payments.

MLP has agreed-upon and non-utilised lines of credit amounting to € 130,671 thsd (previous year: € 58,082 thsd).

Further disclosures on other liabilities can be found in → Note 35 and → 36.

# Notes to the statement of cash flow

## 31 Notes to the statement of cash flow

The consolidated statement of cash flow shows how cash and cash equivalents have changed in the course of the year as a result of inflows and outflows of funds. As per IAS 7 "Statement of Cash Flows", differentiation is made between cash flows from operating activities, from investing activities and from financing activities.

**Cash flow from operating activities** results from cash flows that cannot be defined as investing or financing activities. It is determined on the basis of net profit. As part of the indirect determination of cash flow, the changes in balance sheet items due to operating activities are adjusted by effects from changes to the scope of consolidation and currency translations where necessary. The changes in the respective balance sheet items can therefore only be partially aligned with the corresponding values in the published consolidated balance sheets. For further details, please refer to the "Financial position" section in the management report.

**Cash flow from investing activities** is essentially influenced by the investment of cash and cash equivalents in time deposits, as well as time deposits which have reached maturity.

**Cash flow from financing activities** includes cash-relevant equity changes and loans used and paid back.

Cash and cash equivalents with a term to maturity of not more than three months are recorded under cash and cash equivalents. Cash equivalents are short-term financial assets which can be converted into cash at any time and which are only subject to minor value fluctuation risks.

### Cash and cash equivalents

| All figures in €'000 | Dec. 31, 2016 | Dec. 31, 2015 |
|---|---|---|
| Cash and cash equivalents | 184,829 | 77,540 |
| Loans ≤ 3 months | – | 17,000 |
| **Cash and cash equivalents** | **184,829** | **94,540** |

Receivables of MLP Finanzdienstleistungen AG due from banks are included in cash and cash equivalents provided they are separable as own-account investing activities. Inseparable elements are allocated to the operating business of the banking business segment and therefore to cash flow from operating activities. All deposits at the Deutsche Bundesbank are disclosed under cash and cash equivalents.

# Miscellaneous information

## 32 Share-based payments

### Participation programme

In the financial year 2008, MLP launched a participation programme for office managers, consultants and employees in order to keep them loyal to the company in the long-term. The programme grants a certain number of phantom shares (stock appreciation rights – SARs) for office managers and consultants based on their sales performance in the core fields of old-age provision, health insurance and wealth management, as well as for employees based on their position and gross annual income. The SARs of the 2008-2011 tranches were allocated in 2009-2012. The assessment period for determining the number of SARs allocated was the calendar year prior to the respective allocation. The total term of each tranche is 12 years and is broken down into 3 phases of 4 years each. The first year of phase 1 represents the assessment period, from which the number of phantom shares to be allocated is calculated. At the start of the second year, the phantom shares are then allocated. Payment of the phantom shares is made no earlier than at the end of the first phase, i.e. 3 years after allocation of the SARs. At the end of the first phase, employees can also choose not to receive payment for the SARs and instead continue to participate in phase 2 (turbo I phase). Only in this case will they receive additional bonus SARs. And anyone who is eligible but chooses not to receive payment at the end of phase 2, but rather continue to phase 3 (turbo II phase), will be granted further bonus SARs. All SARs are paid no later than at the end of phase 3. In the event of termination of employment, all entitlements granted up to this time expire, assuming they have not been vested beforehand. The SARs originally granted become vested at the end of the first phase, the bonus SARs of turbo I phase at the end of phase 2 and those of turbo II at the end of phase 3. Participation in the programme ends with termination of employment or disbursement of SARs.

The level of payment is based on the value of one MLP share at the time payment is requested. A share price guarantee is in place for all previous tranches, although this expires if the eligible participant decides to continue participation in the programme beyond phase 1. If an eligible participant decides to receive the payout to which he or she is entitled from the tranche once phase 1 has expired, the value he or she receives is based on either the share price guarantee or the current MLP share price (whichever is the higher value) multiplied by the number of phantom shares held from phase 1. At all other payout times, eligible participants receive the current share price multiplied by the number of vested phantom shares held.

If the contractual relationship with an eligible participant ends at a time before December 31 in the twelfth year of eligibility, said participant can only demand payment of entitlements pertaining to the number of vested phantom shares held up to this time. Phantom shares allocated from vesting periods not yet completed are then forfeited.

With the 2011 tranche, the participation programme was granted for the last time. It was stopped completely from 2012 onwards.

In terms of eligibility, the 3 phases each represent completed vesting periods. Accordingly, the expenses due to the SARs originally granted are distributed over phase 1 (years 1 to 4), the expenses due to the bonus SARs of turbo I phase over years 5 to 8 and the expenses due to the bonus SARs of turbo II phase over years 9 to 12 (no front-loaded recognition of expenses).

| | Tranche 2008 | Tranche 2009 | Tranche 2010 | Tranche 2011 | Total |
|---|---|---|---|---|---|
| Inventory on Jan. 1, 2016 (units) | 146,508 | 105,254 | 68,702 | 124,487 | 444,951 |
| SARs expired in 2016 (units) | -3,205 | -3,197 | -1,747 | -2,757 | -10,906 |
| Paid out in 2016 (units) | -7,750 | – | – | – | -7,750 |
| **Inventory on Dec. 31, 2016 (units)** | **135,553** | **102,057** | **66,955** | **121,730** | **426,295** |
| Expenses recognised in 2016 (€'000) | 79 | 165 | 171 | 189 | 604 |
| Income recognised in 2016 (€'000) | -7 | -14 | -8 | -2 | -31 |
| | **72** | **151** | **163** | **187** | **573** |
| Expenses recognised in 2015 (€'000) | 126 | 88 | 80 | 69 | 364 |
| Income recognised in 2015 (€'000) | -20 | -16 | -16 | -38 | -90 |
| | **107** | **72** | **64** | **32** | **274** |
| Provision as of Dec. 31, 2015 (€'000) | 1,107 | 448 | 559 | 620 | 2,735 |
| Provision as of Dec. 31, 2016 (€'000) | 1,040 | 590 | 689 | 744 | 3,063 |
| Inventory investment certificates on Jan. 1, 2016 (units) | 439,524 | 315,762 | 108,362 | – | 863,648 |
| Inventory investment certificates on Dec. 31, 2016 (units) | 406,659 | 306,171 | 131,612 | – | 844,442 |

MLP has hedged the fair value risk attached to the measurement of the liability of the 2008 and 2009 tranches for the SARs and also the cash flow risk from the SARs allocated.

To hedge the cash flow risk, 925,000 certificates were initially acquired for the 2008 tranche and 600,000 certificates for the 2009 tranche, with the right to return them to the issuer at any time within the term of a tranche (or later) at the MLP share price valid at that time, minus a discount. The certificates have an unlimited term. MLP has therefore classified these certificates as equity instruments, which are recognised at fair value directly in equity. The fair value of the certificates is based directly on the price of the MLP share.

The expense and the provision from the participation programme are recognised pro rata temporis throughout the individual phases (vesting period). The provision is measured at fair value through profit and loss. The provision accrued on the respective closing date depends on the price of the MLP share, the number of SARs issued and the length of the remaining vesting period. To hedge the fair value risk associated with the measurement of the provision, MLP can sell the equity-based certificates listed above to the issuer and in return acquire limited term certificates. These represent debt instruments designated by MLP to be "measured at fair value through profit and loss" (fair value option).

By selling the equity-based certificates, measurement gains so far recognised directly in equity are realised and expenses from the increase in liability for the participation programme are compensated. The same applies to a decrease in expenses due to a drop in the price of the MLP share.

## 33 Leasing

The Group has concluded **operating leases as lessee** for various motor vehicles, administration buildings and office machines. The average term of the contracts is three years for motor vehicles, generally between five and ten years for buildings and four years for office machines. Some of the lease contracts also include extension options.

The following future minimum lease payments (face values) due to irredeemable operating leases were in place on the balance sheet date:

| All figures in €'000 | Up to 1 year | 1–5 years | > 5 years | Total |
|---|---|---|---|---|
| Outsourcing IT technology | 40,082 | 134,293 | – | 174,375 |
| Rent on buildings | 12,456 | 38,199 | 17,735 | 68,390 |
| Rental/leasing liabilities | 1,338 | 1,137 | – | 2,474 |
| Purchase commitment | 4,437 | – | – | 4,437 |
| Other obligation | 12,280 | 5,274 | 71 | 17,626 |
| **Total** | **70,593** | **178,903** | **17,806** | **267,301** |

IT technology outsourcing essentially relates to a long-term outsourcing contract with Hewlett Packard.

Rented offices were sublet in parts by the Group. For 2017, the subletting contract is expected to generate € 244 thsd.

## 34 Contingent assets and liabilities, as well as other liabilities

As it is composed of companies from different business segments, MLP is exposed to a variety of legal risks. These include, in particular, risks in the fields of warranty, taxes and litigation. The outcome of currently pending or future legal actions cannot be forecast with any degree of certainty and it follows that expenditure could be incurred as a result of unexpected decisions, which has not been fully covered by loan loss provisions or insurance policies and which is liable to have a material impact on the business and its results. In MLP's opinion, decisions producing a major negative effect on the net assets, financial position and results of operations at the Group's expense are not anticipated with regard to the currently pending legal actions.

On the balance sheet date, actions are pending due to incorrect disclosures in the capital market information published by the company. This predominantly concerns the years 2000 to 2002. However, MLP firmly believes that the actions will not be successful.

On the balance sheet date, there are € 2,934 thsd in contingent liabilities on account of sureties and warranties (face value of the obligation) (previous year: € 2,577 thsd) and irrevocable credit commitments (contingent liabilities) of € 72,231 thsd (previous year: € 60,033 thsd).

Reinsurance has been arranged for benefit obligations for independent commercial agents. Final liability for the benefit obligation lies with MLP in accordance with § 1 (1) Sentence 3 of the German Company Pension Law (BetrAVG). MLP does not currently anticipate any financial consequences as a result of this.

MLP Finanzdienstleistungen AG is a member in the depositors' guarantee fund of the Association of German Banks (BdB e.V.), Berlin, and in the Compensation Scheme of German Banks (EdB GmbH), also in Berlin. Obligations to make additional payments could potentially arise from the allocation obligation here.

## 35 Additional information on financial instruments

### Classifications and fair values

The carrying amounts and fair values of financial assets and financial liabilities, including their (hierarchical) tiers, are grouped into financial instrument classes and categories as shown in the following tables.

| All figures in €'000 | | | | | | | Dec. 31, 2016 |
|---|---|---|---|---|---|---|---|
| | Carrying amount | Fair value | | | | | No financial instruments according to IAS32/39 |
| | | Carrying amount corresponds to fair value | Level 1 | Level 2 | Level 3 | Total | |
| **Financial assets measured at fair value** | **22,614** | | **11,974** | **10,640** | | **22,614** | |
| **Fair Value Option** | **1,385** | | **1,385** | | | **1,385** | |
| Financial investments (share certificates and structured bonds) | 1,385 | – | 1,385 | – | – | 1,385 | – |
| **Available-for-sale financial assets** | **21,229** | | **10,589** | **10,640** | | **21,229** | |
| Financial investments (share certificates and investment fund shares) | 5,706 | – | 5,440 | 265 | – | 5,706 | – |
| Financial assets (bonds) | 15,523 | – | 5,149 | 10,374 | – | 15,523 | – |
| **Financial assets measured at amortized cost** | **1,640,832** | **676,701** | **28,150** | **427,964** | **549,080** | **1,681,895** | |
| **Loans and receivables** | **1,566,261** | **670,666** | | **387,578** | **549,080** | **1,607,324** | |
| Receivables from banking business – clients | 626,479 | 118,287 | – | – | 549,080 | 667,367 | – |
| Receivables from banking business – banks | 590,972 | 203,569 | – | 387,578 | – | 591,147 | – |
| Financial investments (fixed and time deposits) | 55,102 | 55,102 | – | – | – | 55,102 | – |
| Financial investments (loans) | 10,000 | 10,000 | – | – | – | 10,000 | – |
| Other receivables and assets | 98,880 | 98,880 | – | – | – | 98,880 | 23,896 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | 184,829 | 184,829 | – | – | – | 184,829 | – |
| **Held-to-maturity investments** | **68,535** | | **28,150** | **40,386** | | **68,535** | |
| Financial assets (bonds) | 68,535 | – | 28,150 | 40,386 | – | 68,535 | – |
| **Available-for-sale financial assets** | **6,035** | **6,035** | | | | **6,035** | |
| Financial assets (investments) | 6,035 | 6,035 | – | – | – | 6,035 | – |
| **Financial liabilities measured at amortized cost** | **1,419,782** | **1,357,944** | | **61,362** | | **1,419,306** | |
| Liabilities due to banking business – clients | 1,271,070 | 1,245,925 | – | 25,158 | – | 1,271,083 | – |
| Liabilities due to banking business – banks | 37,720 | 1,027 | – | 36,204 | – | 37,231 | – |
| Other liabilities | 110,992 | 110,992 | – | – | – | 110,992 | 35,919 |
| **Sureties and warranties** | **2,934** | **2,934** | | | | **2,934** | |
| **Irrevocable credit commitments** | **72,231** | **72,231** | | | | **72,231** | |

| All figures in €'000 | | | | | | | Dec. 31, 2015 |
|---|---|---|---|---|---|---|---|
| | Carrying amount | | | | | Fair value | No financial instruments according to IAS32/39 |
| | | Carrying amount corresponds to fair value | Level 1 | Level 2 | Level 3 | Total | |
| **Financial assets measured at fair value** | **22,559** | | **11,751** | **10,808** | | **22,559** | |
| **Fair Value Option** | **1,217** | | **1,217** | | | **1,217** | |
| Receivables from banking business – clients | – | – | – | – | – | – | – |
| Financial investments (share certificates and structured bonds) | 1,217 | – | 1,217 | – | – | 1,217 | – |
| **Available-for-sale financial assets** | **21,342** | | **10,533** | **10,808** | | **21,342** | |
| Financial investments (share certificates and investment fund shares) | 5,714 | – | 5,408 | 306 | – | 5,714 | – |
| Financial assets (bonds) | 15,627 | – | 5,125 | 10,502 | – | 15,627 | – |
| **Financial assets measured at amortised cost** | **1,436,119** | **576,604** | **40,522** | **398,862** | **449,368** | **1,465,355** | |
| **Loans and receivables** | **1,362,938** | **570,626** | | **371,741** | **449,368** | **1,391,735** | |
| Receivables from banking business – clients | 542,696 | 122,762 | – | – | 449,368 | 572,129 | – |
| Receivables from banking business – banks | 600,339 | 227,961 | – | 371,741 | – | 599,702 | – |
| Financial investments (fixed and time deposits) | 52,120 | 52,120 | – | – | – | 52,120 | – |
| Financial investments (loans) | 56 | 56 | – | – | – | 56 | – |
| Other receivables and assets | 90,187 | 90,187 | – | – | – | 90,187 | 22,344 |
| Cash and cash equivalents | 77,540 | 77,540 | – | – | – | 77,540 | – |
| **Held-to-maturity investments** | **67,204** | | **40,522** | **27,121** | | **67,643** | |
| Financial assets (bonds) | 67,204 | – | 40,522 | 27,121 | – | 67,643 | – |
| **Available-for-sale financial assets** | **5,978** | **5,978** | | | | **5,978** | |
| Financial assets (investments) | 5,978 | 5,978 | – | – | – | 5,978 | – |
| **Financial liabilities measured at amortised cost** | **1,231,767** | **1,187,505** | | **43,704** | | **1,231,209** | |
| Liabilities due to banking business – clients | 1,102,569 | 1,080,352 | – | 22,318 | – | 1,102,670 | – |
| Liabilities due to banking business – banks | 23,095 | 1,050 | – | 21,386 | – | 22,436 | – |
| Other liabilities | 106,103 | 106,103 | – | – | – | 106,103 | 34,108 |
| **Sureties and warranties** | **2,577** | **2,577** | | | | **2,577** | |
| **Irrevocable credit commitments** | **60,033** | **60,033** | | | | **60,033** | |

Cash and cash equivalents, receivables and liabilities due to banking business without agreed terms to maturity, trade receivables, from companies in which the Group holds an interest and other assets all predominantly have short terms to maturity. Their carrying amounts on the balance sheet date are therefore almost identical to the fair values. The same applies to the trade accounts payable.

On the reporting date, MLP held financial guarantees in the form of avals of € 2,784 thsd (previous year: € 2,427 thsd). Within the scope of initial measurement, these financial guarantees are stated at their fair values and netted against the present values of agreed aval commission in accordance with IAS 39. If subsequent measurement results in a higher figure, this will be recognised as a financial liability in accordance with IAS 37.

### Determining fair value

Insofar as there is an active market for financial assets and financial liabilities, the prices of the market with the greatest trading volume on the closing date are used as the basis for determining the fair value. With investment shares, the fair value corresponds to the redemption prices published by the capital investment companies. If there is no active market on the closing date, the fair value is determined using recognised valuation models.

For equity instruments of financial investments not listed on an active market, the fair value is generally determined on the basis of the gross rental method using non-observable parameters such as beta factors or risk-equivalent discount interest rates. If it is not possible to reliably determine the fair value, in particular due to a lack of necessary data on earning projections, equity instruments not listed on an active market are recognised at their acquisition costs, minus any impairments. As of the balance sheet date there is no indication of fair values being lower than carrying amounts. There are also no plans to dispose of these investments.

The valuation model for assets and liabilities assigned to tier 2 takes into account the present value of the anticipated future cash inflows/outflows throughout the remaining term, which are discounted using a risk-free discount rate. The discount rate is based on the current yield curve. The anticipated cash flows are adjusted for the effects of credit and default risks. When determining the fair value of financial investments, on the other hand, the discount rate is adjusted to include a credit spread.

The table below shows the valuation techniques that were used to determine tier 3 fair values, as well as the significant, non-observable input factors applied:

| Type | Valuation technique | Significant, non-observable input factors | Relationship between significant, non-observable input factors and measurement at fair value |
|---|---|---|---|
| Receivables from banking business – clients with agreed maturity | The valuation model takes into account the present value of the anticipated future cash inflows/outflows throughout the remaining term, which are discounted using a risk-free discount rate. The discount rate is based on the current yield curve. Credit and default risks, administration costs and expected return on equity are taken into account when determining future cash flows. | Adjustment of cash flows by:<br>• credit and counterparty default risks<br>• administrative expenses<br>• expected return on equity | The estimated fair value would increase (decrease) if:<br>• the credit and default risk were to rise (fall)<br>• the admin costs were to fall (rise)<br>• the expected return on equity were fall (rise). |

**Net gains and losses** from financial instruments are distributed among the categories of IAS 39 for financial assets and financial liabilities at the amounts specified:

| All figures in €'000 | 2016 | 2015 |
|---|---|---|
| Loans and receivables | 17,625 | 19,870 |
| Held-to-maturity investments | 506 | 814 |
| Available-for-sale financial assets | 375 | 1,195 |
| Financial instruments held for trading | – | – |
| Fair Value Option | 168 | -11 |
| Financial liabilities measured at amortised cost | -1,195 | -1,650 |

Net gains or net losses comprise gains and losses on fair value measurement through profit and loss, impairment losses and reversals of impairment losses, and gains and losses on the sale of the financial instruments concerned.

These items also include interest income and expenses, as well as dividends and income from financial assets derecognised in their entirety.

For financial instruments that were not measured at fair value through profit and loss, interest income of € 21,298 thsd (previous year: € 22,216 thsd) and interest costs of € 1,843 thsd (previous year: € 1,974 thsd) were made.

For impairment losses, we refer to the note on the items “Receivables from the banking business”, “Other receivables and assets” and “Financial investments”. Commission income and expenses that were not included in the process for determining the effective interest rate can primarily be attributed to early repayment penalties to a negligible extent.

The maximum default risk of the financial instruments held by MLP corresponds to the carrying amount.

## 36 Financial risk management

With the exception of the disclosures in line with IFRS 7.36-39 (b), the disclosures on the type and severity of risks resulting from financial instruments (IFRS 7.31-42) are included in the risk report of the joint management report and in → Note 35.

In the following maturity analysis, contractually agreed cash inflows are shown with a positive sign, while contractually agreed outflows of cash and cash equivalents are shown with a negative sign. For financial guarantees and credit commitments, the potential outflow of cash and cash equivalents is disclosed. The contractually agreed maturities do not correspond to the inflows and outflows of cash and cash equivalents actually expected – in particular in the case of the financial guarantees and credit commitments. Management of the default and liquidity risk is disclosed in the risk report of the group management report.

The tables below show the maturity structure of financial liabilities with contractually fixed terms to maturity:

### Total cash flow (principal and interest)

| Total cash flow (principal and interest) in €'000 as of Dec. 31, 2016 | Due on demand | Up to 1 year | 1 to 5 years | More than 5 years | Total |
|---|---|---|---|---|---|
| **Financial liabilities** | **1,292,673** | **100,169** | **8,712** | **32,009** | **1,433,563** |
| Liabilities due to banking business – clients | 1,245,925 | 25,207 | – | – | 1,271,132 |
| Liabilities due to banking business – banks | 1,027 | -2,287 | 6,910 | 31,506 | 37,156 |
| Other liabilities | 45,721 | 77,249 | 1,802 | 503 | 125,275 |
| **Financial guarantees and credit commitments** | **75,165** | **–** | **–** | **–** | **75,165** |
| Sureties and warranties | 2,934 | – | – | – | 2,934 |
| Irrevocable credit commitments | 72,231 | – | – | – | 72,231 |
| **Total** | **1,367,838** | **100,169** | **8,712** | **32,009** | **1,508,728** |

### Total cash flow (principal and interest)

| Total cash flow (principal and interest) in €'000 as of Dec. 31, 2015 | Due on demand | Up to 1 year | 1 to 5 years | More than 5 years | Total |
|---|---|---|---|---|---|
| **Financial liabilities** | **1,120,711** | **86,445** | **7,576** | **16,877** | **1,231,608** |
| Liabilities due to banking business – clients | 1,080,352 | 22,267* | – | – | 1,102,619 |
| Liabilities due to banking business – banks | 1,050 | 87 | 5,494 | 16,256 | 22,886 |
| Other liabilities | 39,309 | 64,091 | 2,082 | 621 | 106,103 |
| **Financial guarantees and credit commitments** | **62,610** | **–** | **–** | **–** | **62,610** |
| Sureties and warranties | 2,577 | – | – | – | 2,577 |
| Irrevocable credit commitments | 60,033 | – | – | – | 60,033 |
| **Total** | **1,183,321** | **86,445** | **7,576** | **16,877** | **1,294,218** |

* Previous year's values adjusted

## 37 Declaration of Compliance with the German Corporate Governance Code pursuant to § 161 of the German Stock Corporation Act (AktG)

The Executive and Supervisory Boards issued a declaration of compliance with the German Corporate Governance Code pursuant to § 161 of the German Stock Corporation Act (AktG) and made it permanently available to the shareholders via its website, **www.mlp-ag.**com and in the corporate governance report of this Annual Report.

## 38 Related parties

| Executive Board | Mandates in other statutory Supervisory Boards of companies based in Germany | Memberships in comparable domestic and foreign control bodies of commercial enterprises |
|---|---|---|
| Dr. Uwe Schroeder-Wildberg, Heidelberg<br>Chairman<br>responsible for<br>Strategy, Communication, Policy/Investor Relations, Marketing, Sales | • FERI AG, Bad Homburg v.d.H. (Chairman) | – |
| Reinhard Loose, Berlin<br>responsible for<br>Compliance, Controlling, IT,<br>Group Accounting, Risk Management, Internal Audit, Legal, Human Resources | • DOMCURA AG, Kiel<br>• F&F Makler AG, Hamburg<br>(until August 2016)<br>• Nordische Informations-Technologie AG, Kiel<br>(until September 2016) | – |
| Manfred Bauer, Leimen<br>Responsible for<br>Product management | • DOMCURA AG, Kiel (Chairman)<br>• F&F Makler AG, Hamburg (Chairman)<br>(until August 2016)<br>• Nordische Informations-Technologie AG, Kiel (Chairman)<br>(until September 2016) | • MLP Hyp GmbH, Wiesloch (Supervisory Board) |

| Supervisory Board | Mandates in other statutory Supervisory Boards of companies based in Germany | Memberships in comparable domestic and foreign control bodies of commercial enterprises |
|---|---|---|
| Dr. Peter Lütke-Bornefeld, Everswinkel<br>Chairman<br>Formerly chairman of<br>the Board General<br>Reinsurance AG, Cologne | • VPV Lebensversicherungs-AG, Stuttgart (until June 2016)<br>• VHV Vereinigte Hannoversche Versicherung a.G., Hanover<br>(Chairman)<br>• VHV Holding AG, Hanover (Chairman)<br>• VHV Allgemeine Versicherung AG, Hanover<br>• Hannoversche Direktversicherung AG, Hanover<br>(until June 2016)<br>• Hannoversche Lebensversicherung AG, Hanover<br>• MLP Finanzdienstleistungen AG, Wiesloch (Chairman) | • ITAS Mutua, Trento, Italy (Member of the Governing Board) |
| Dr. h.c. Manfred Lautenschläger, Gaiberg<br>Vice Chairman<br>Formerly Chairman of the Executive Board MLP AG, Wiesloch | – | • University Hospital Heidelberg, Heidelberg (Supervisory Board) |
| Dr. Claus-Michael Dill, Murnau<br>Formerly Chairman of the Executive Board AXA Konzern AG, Cologne | • HUK-COBURG Holding AG, Coburg<br>• HUK-COBURG Haftpflicht-Unterstützungs-Kasse kraftfahrender Beamter Deutschlands a.G., Coburg<br>• HUK-COBURG-Allgemeine Versicherung AG, Coburg<br>• XL Catlin Europe SE, Cologne (until December 2016) | • XL Catlin Re Switzerland AG, Zurich, Switzerland (Member of the Governing Board)<br>• XL Group plc, Dublin, Ireland (Non-Executive Director) (until June 2016)<br>• XL Group Ltd., Hamilton/Bermuda (Non-Executive Director) (since July 2016)<br>• XL Europe Re SE, Dublin, Ireland (Non-Executive Director) (since February 2016) |
| Tina Müller, Frankfurt am Main<br>Chief Marketing Officer and Managing Director at Opel Group GmbH, Rüsselsheim | • STADA Arzneimittel AG,<br>Bad Vilbel (since August 2016) | – |
| Burkhard Schlingermann, Dusseldorf<br>Employees' representative<br>Employee of MLP Finanzdienstleistungen AG, Wiesloch<br>Member of the works council of MLP AG and MLP Finanzdienstleistungen AG, Wiesloch | • MLP Finanzdienstleistungen AG, Wiesloch (Employees' representative) | – |
| Alexander Beer, Karlsruhe<br>Employees' representative<br>Employee of MLP Finanzdienstleistungen AG, Wiesloch | – | – |

### Related persons

Within the scope of the ordinary business, legal transactions were made between individual Group companies and members of the Executive Board and the Supervisory Board as well as related parties. The legal transactions refer to the payment transactions and securities services of € 1,663 thsd (previous year: € 1,772 thsd). The legal transactions were completed under standard market or employee conditions.

As of the reporting date of December 31, 2016, members of the Executive Bodies had current account credit lines and surety loans totalling € 556 thsd (previous year: € 544 thsd). Surety loans are charged an interest rate of 1.0% (previous year: 1.0%) and the current account debits 6.25% to 8.50% (previous year: 6.50% to 8.75%).

The total remuneration for members of the Executive Board active on the reporting date is € 2,443 thsd (previous year: € 2,029 thsd). Of which € 1,344 thsd (previous year: € 1,344 thsd) is attributable to the fixed portion of remuneration and € 1,099 thsd (previous year: € 685 thsd). In the financial year, expenses of € 290 thsd (previous year: € 290 thsd) were accrued for occupational pension provision. As of December 31, 2016, pension provisions of € 18,109 thsd were in place for former members of the Executive Board (previous year: € 16,169 thsd).

Variable portions of remuneration comprise long-term remuneration components.

The members of the Supervisory Board received non-performance-related remuneration of € 500 thsd for their activities in 2016 (previous year: € 494 thsd). In addition, € 17 thsd (previous year: € 17 thsd) was paid as compensation for expenses and training measures.

For the detailed structure of the remuneration system and the remuneration of the Executive Board and Supervisory Board, please refer to the remuneration report in the → "Corporate governance" chapter. The remuneration report is part of the management report.

### Related companies

Alongside the consolidated subsidiaries, MLP AG comes into direct and indirect contact and has relations with a large number of companies within the scope of its ordinary business. This also includes subsidiaries, which are non-consolidated for reasons of materiality, as well as associates. All business dealings are concluded at conditions and terms customary in the industry and which as a matter of principle do not differ from delivery and service relationships with other companies. The services performed for the companies listed in the following essentially concern remuneration for wealth management and consulting, as well as brokerage, sales and trailer commission.

Transactions were carried out with major related companies, which led to the following items in the consolidated financial statements:

### Related companies 2016

| All figures in €'000 | Receivables | Liabilities | Income | Expenses |
|---|---|---|---|---|
| MLP Consult GmbH, Wiesloch | – | 2,074 | 7 | – |
| MLP Hyp GmbH, Wiesloch | 224 | 18 | 7,108 | 49 |
| Michel & Cortesi Assetmanagement AG, Zurich | 369 | 106 | 142 | – |
| Coresis Management GmbH, Bad Homburg v. d. Höhe | 23 | – | 64 | 625 |
| AIF Komplementär GmbH, Munich | – | 23 | 21 | – |
| FPE Private Equity Beteiligungs-Treuhand GmbH, Munich | – | – | 120 | – |
| FPE Private Equity Koordinations GmbH, Munich | – | – | 47 | – |
| DIEASS GmbH, Kiel | – | 9 | 5 | 9 |
| Portus Assekuranz Vermittlungsgesellschaft mbH, Kiel | – | 25 | 5 | 60 |
| Walther GmbH Versicherungsmakler, Hamburg | 0 | – | 99 | – |
| **Total** | **617** | **2,255** | **7,618** | **743** |

**Related companies 2015**

| All figures in €'000 | Receivables | Liabilities | Income | Expenses |
|---|---|---|---|---|
| MLP Consult GmbH, Wiesloch | – | 2,082 | – | 13 |
| MLP Hyp GmbH, Wiesloch | 179 | – | 6,203 | 63 |
| Michel & Cortesi Assetmanagement AG, Zurich | 633 | – | 347 | 134 |
| Coresis Management GmbH, Bad Homburg v. d. Höhe | 12 | – | 62 | 727 |
| US Treuhand Vertriebsgesellschaft mbH, Bad Homburg v. d. Höhe | – | – | 81 | 57 |
| AIF Komplementär GmbH, Munich | – | 48 | 171 | 27 |
| FPE Direct Coordination GmbH, Munich | – | – | 12 | – |
| FPE Private Equity Beteiligungs-Treuhand GmbH, Munich | – | – | 150 | – |
| FPE Private Equity Koordinations GmbH, Munich | – | – | 55 | – |
| DIEASS GmbH, Kiel | – | 5 | – | 5 |
| Portus Assekuranz Vermittlungsgesellschaft mbH, Kiel | – | 15 | – | 15 |
| Nordische Informations-Technologie AG, Kiel | 10 | – | 11 | – |
| Walther GmbH Versicherungsmakler, Hamburg | 0 | 24 | – | 24 |
| **Total** | **834** | **2,174** | **7,092** | **1,063** |

## 39 Number of employees

The average number of staff employed fell from 1,802 in 2015 to 1,768 in 2016.

| | | | 2016 | | | 2015 |
|---|---|---|---|---|---|---|
| | | of which executive employees | of which marginal part-time employees | | of which executive employees | of which marginal part-time employees |
| Financial services | 1,275 | 25 | 48 | 1,300 | 28 | 75 |
| FERI | 223 | 7 | 49 | 235 | 9 | 54 |
| DOMCURA | 264 | 7 | 16 | 261 | 7 | 25 |
| Holding | 7 | 2 | – | 7 | 2 | – |
| **Total** | **1,768** | **41** | **112** | **1,802** | **46** | **154** |

An average of 116 people (previous year: 111) underwent vocational training in the financial year.

## 40 Auditor's fees

The total fees for services performed by the auditing firm KPMG AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main in the financial year 2016 (including expenses, but excluding statutory value added tax) are as follows:

| All figures in €'000 | 2016 | 2015 |
|---|---|---|
| Audit services | 606 | 680 |
| Other assurance services | 93 | 99 |
| Tax advisory services | – | 21 |
| Other services | 112 | 107 |
| **Total** | **811** | **907** |

The item Audit services contains the fees paid for the audit of the consolidated financial statements and for the audit of the other legally stipulated financial statements of MLP AG and its subsidiaries.

## 41 Disclosures on equity / capital control

A primary objective of equity control is to ensure that the legal solvency regulations for banking and financial services businesses, which prescribe a minimum capital adequacy, are fulfilled and that the sound quantitative and qualitative equity base is strengthened. At MLP, the examinations for the purpose of complying with the solvency regulations, which came into force on January 1, 2014, as well as Article 7 and Article 11 et seq. of EU Directive No. 575/2013 of the European Parliament and Council from June 26, 2013 regarding the supervisory requirements of financial institutions and investment firms, are performed on a consolidated basis (Group). As per Article 11 of the CRR, the relevant Group includes MLP AG, Wiesloch, MLP Finanzdienstleistungen AG, Wiesloch, FERI AG, Bad Homburg v. d. Höhe, FERI Trust GmbH, Bad Homburg v. d. Höhe, FEREAL AG, Bad Homburg v. d. Höhe, FERI Trust (Luxembourg) S. A., Luxembourg, ZSH GmbH Finanzdienstleistungen, Heidelberg, as well as Schwarzer Familienholding GmbH, Kiel (SFH Group).

Pursuant to the CRR, the following companies of the SFH Group are to be classified as “other companies”. As was the case in the previous year they are voluntarily included in the scope of consolidation: DOMCURA AG, Kiel, with its subsidiary NORDVERS GmbH, Kiel, nordias GmbH Versicherungsmakler, Kiel, with its subsidiaries Willy F. O. Köster GmbH, Hamburg and Siebert GmbH Versicherungsmakler, Arnstadt.

Pursuant to the CRR, the following companies are not included in the Group as “Other companies”: MLPdialog GmbH, Wiesloch, MLP Hyp GmbH, Wiesloch. At TPC GmbH, Hamburg, use is made of an exemption as per Article 19 of the CRR. These deviations from the IFRS scope of consolidation are considered insignificant.

In deviation from the disclosures in the 2015 Annual Report, the following companies are no longer included in the supervisory scope of consolidation as per CRR: F & F Makler AG, Hamburg (merged into nordias GmbH Versicherungsmakler, Kiel) and Ralf W. Barth GmbH, Hamburg (merged into nordias GmbH Versicherungsmakler, Kiel).

As a depository institution, MLP Finanzdienstleistungen AG, Wiesloch is the controlling institution as per Article 11 of the CRR.

The following means and measures for controlling and adjusting the equity capital of the Group are available to MLP: (I) Issuing new shares and (II) Making transfers to the statutory reserve to strengthen Tier 1 capital.

Pursuant to Article 92 et seq. of the CRR, MLP is obliged to back its capital adequacy requirements for both counterparty default risks and the operational risk at Group level with at least 8.625% eligible own funds (equity ratio) (previous year: 8.0%).

MLP applies the standardised approach to credit risk for determining the risk-weighted exposure values (counterparty default risks) in accordance with Article 111 et seq. of the Capital Requirements Regulation (CRR). The basic indicator approach is used for determining the amount for the operational risk (Article 315 et seq. of the CRR).

As in the previous year, the backing of risk assets with eligible own funds for Tier 1 capital generally requires a minimum ratio of 4.5% throughout.

As per Article 25 et seq. of the CRR, the Group’s Tier 1 capital includes the following equity items of IFRS capital: share capital, capital reserves, statutory reserve and retained earnings. Among other factors, the following serve to reduce Tier 1 capital: intangible assets, treasury stock, goodwill.

As in the previous year, MLP has fulfilled all legal requirements relating to the minimum core capital backing during the financial year 2016. The relationship between core capital requirement and core capital as of the balance sheet date is illustrated below.

| All figures on the basis of the financial statements in €'000 | 2016 | 2015 |
|---|---|---|
| **Tier 1 common capital** | **214,655** | **211,250** |
| **Tier 1 additional capital** | – | – |
| Tier 2 capital | – | – |
| **Eligible own funds** | **214,655** | **211,250** |
| **Capital adequacy requirements for counterparty default risks** | **75,502** | **70,392** |
| **Capital adequacy requirements for operational risk** | **45,793** | **47,532** |
| **Equity ratio (at least 8.625 %)(at least 8% + 0.625% (previous year 0.0%) capital conservation buffer)** | **14.16** | **14.33** |
| **Tier 1 common capital ratio (at least 4.5 %)** | **14.16** | **14.33** |

## 42 Events subsequent to the reporting date

On February 21, 2017 the MLP AG Supervisory Board consented to the change of Group structure passed by the Executive Board. Through a legal corporate separation of MLP Finanzdienstleistungen AG, the regulated banking business will be united in one company and the brokerage and consulting business in the other. Furthermore, the supervisory scope of consolidation will be narrowed down.

The objective of bundling the banking activities is to significantly increase free regulatory equity capital. On the basis of the current capital adequacy requirements, we expect the free equity capital to increase gradually by around € 75 million by the end of 2021. MLP will thereby expand its scope for action above all for acquisitions and investments, but also in terms of the distribution of dividends.

The new Group structure also has an effect on the anticipated business development. For details see the Forecast section of the Annual Report. For the implementation of the aforementioned measures, we anticipate one-off expenses of € 9 million in the financial year 2017. Taking these one-off expenses into account, MLP expects earnings before interest and tax (EBIT) of at least € 36 million for 2017.

The Executive Board intends to base its dividend proposal for the financial year 2017 on the operating net profit (before one-off expenses) and will maintain a distribution rate of 50 to 70 percent.

It is anticipated that the measures will be implemented in early 2018, assuming final approval is given by the Federal Financial Supervisory Authority (BaFin).

Beyond this there were no appreciable events after the balance sheet date affecting the net assets, financial position and results of operations of the Group.

## 43 Release of consolidated financial statements

The Executive Board prepared the consolidated financial statements on February 23, 2017 and will present them to the Supervisory Board on March 15, 2017 for publication.

Wiesloch February 23, 2017
MLP AG
Executive Board

Dr. Uwe Schroeder-Wildberg | Manfred Bauer | Reinhard Loose