

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).