JOINT MANAGEMENT REPORT

The following joint management report combines the management report of the MLP Group and the management report of MLP AG in accordance with § 315 (3) in connection with § 298 (3) of the German Commercial Code (HGB).

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

FUNDAMENTAL PRINCIPLES OF THE GROUP

Business model

The MLP Group – The partner for all financial matters

The MLP Group (MLP) is the partner for all financial matters – for private clients, companies and institutional investors. Four brands represent a broad range of services:

Broad range of services

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

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

Client requirements in focus

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

MLP Finanzdienstleistungen AG: Focus on individual professional groups

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

Supervisory requirements

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

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

Transparent partner and product selection process

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

Diversification at an advanced stage

The acquisition of Schwarzer Familienholding GmbH (hereinafter referred to as DOMCURA Group) represents another milestone in terms of the ongoing diversification of revenue streams. As an underwriting agency, the DOMCURA Group examines all offers in the market when designing, developing and implementing its extensive coverage concepts in the field of non-life insurance, which are used by market actors. The DOMCURA Group will maintain and significantly expand this successful business model. At the same time, there is considerable potential in the interaction with MLP's existing business. You can find more information on this in the chapter entitled → "Performance". In addition, the DOMCURA Group also includes specialist brokers for commercial and industrial insurance.

DOMCURA – The non-life insurance specialist

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

FERI – Wealth management with independent research

In the Investment Management business segment, FERI Trust GmbH offers a broad spectrum of wealth management services in all asset classes. These range from the development and implementation of individual investment strategies, right through to quantitative risk spreading and control. Investment consulting involves long-term advisory services to major institutional investors and the provision of family office services to high net-worth families. Among other things, the core services at FERI EuroRating Services AG comprise investment ratings for funds and real estate products, as well as credit ratings for loans and mortgage bonds.

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

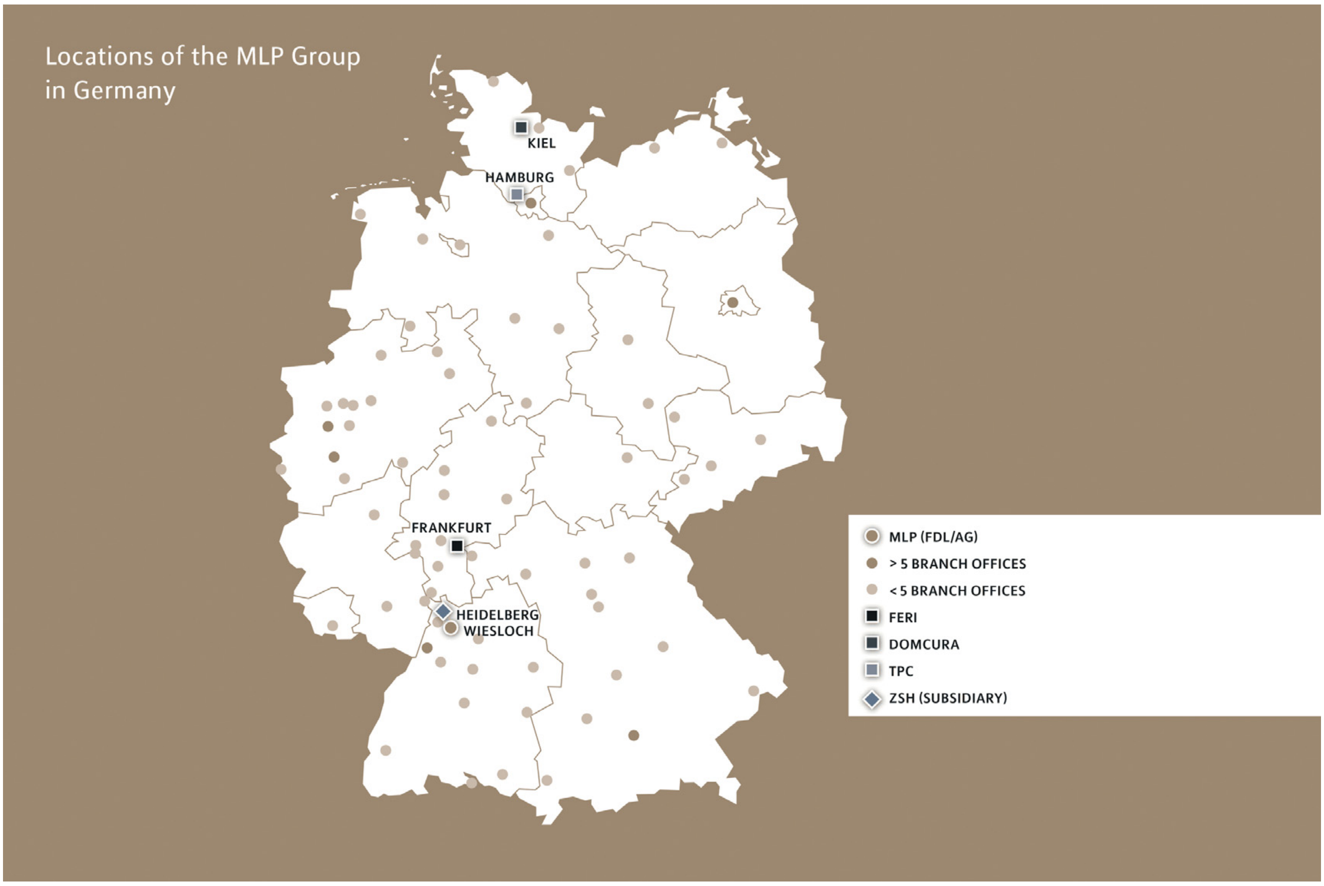
TPC: Sector concepts for occupational pension provision management

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

Qualifications and further training of key importance

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

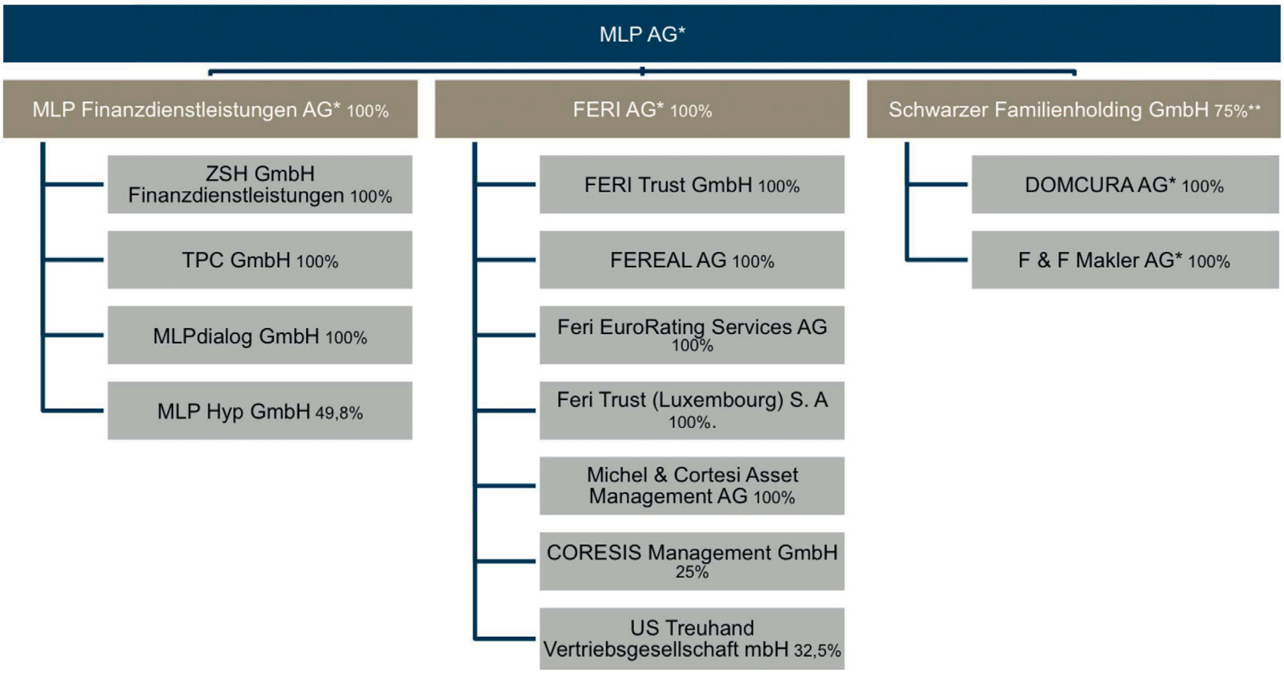
Represented throughout Germany



Legal corporate structure and Executive Bodies

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

Current Group structure of operating companies



* Plus further direct and indirect subsidiaries   ** Remaining 25 % without voting and dividend rights

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

The main fields of business conducted by FERI AG are investment management, investment consulting and investment research, both for institutional and private clients, at FERI Trust GmbH, Bad Homburg v.d.H. As a registered ratings agency under EU law, FERI EuroRating Services AG, Bad Homburg v.d.H. provides research, rating and selection services exclusively for institutional clients (banks, insurance companies, asset managers and pension funds) in the fields of funds, real estates and issuers/issues.

In the reporting period, FEREAL AG was also approved as a capital management company by the Federal Financial Supervisory Authority (BaFin). As such, FERI now complies with the requirements of the AIFM Directive (Alternative Investment Fund Manager Directive), which the German legislator transposed in the form of the Capital Investment Code (KAGB). FEREAL AG offers both issuance and structuring services for alternative investments and fixed asset investments.

The main companies and affiliations in Germany and abroad include FERI Trust (Luxembourg) S.A., which acts as fund manager and coordinates the entire fund structuring and fund floating process, as well as Michel & Cortesi Asset Management AG, which offers investment solutions for private and institutional investors. In the reporting period, FERI Trust AG (Switzerland) was merged with Michel, Cortesi & Partners AG (Switzerland), which was acquired in autumn 2014, to create Michel & Cortesi Asset Management AG (Switzerland). In the field of real estate, FERI AG holds investments in CORESIS Management GmbH, as well as in US Treuhand Vertriebsgesellschaft mbH, which specialises in the US real estate market.

The acquisition of the DOMCURA Group in the second half of 2015 was another milestone in the diversification of revenue streams in the MLP Group. The key subsidiaries include DOMCURA AG and F&F Makler AG. As an underwriting agency, DOMCURA examines all offers in the market when designing, developing and implementing its extensive coverage concepts for private and commercial clients in the field of non-life insurance that are used by market actors. F&F Makler AG encompasses the broker business segment. Among others, this includes specialist brokers for commercial and industrial products.

Factors affecting business development

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

Organisation and administration

The Executive Board at MLP AG consists of three members. Beside the Chairman of the Board, Dr. Uwe Schroeder-Wildberg (Chairman of the Board), Manfred Bauer (Product Management) and Reinhard Loose (Finance), are also members of the Executive Board, which is thereby unchanged.

The Supervisory Board, which is required to monitor the Executive Board under German law, comprised six members. At his own request, Johannes Maret left the MLP AG Supervisory Board at the end of the Annual General Meeting held in the reporting year. Tina Müller, Chief Marketing Officer and member of the Management Board at Opel Group GmbH, was elected to the Supervisory Board in his place.

In the reporting period, the Executive Board contracts of Dr. Matthias Klöpper (Finance) and Dr. Heinz-Werner Rapp (Chief Investment Officer) at FERI AG were extended.

Control system

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

Corporate management

EBIT and sales revenue as top key performance indicators

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

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

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

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

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

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

Risk management: Important management and control element

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

Key figures and early indicators used by corporate controlling

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

Keeping consultant turnover low

Our objective is not only to win over the best consultants in the industry to our business model, but also to keep them loyal to our company in the long term. We therefore continually monitor our employee turnover rate and aim for a maximum annual turnover rate for self-employed consultants of 12% (+/- 2 percentage points).

Central market and client management

With the introduction of central market and client management in 2015, we are further strengthening the sales-oriented approach at the company HQ. Market management is responsible for controlling sales, location planning, as well as for all central sales divisions, including recruiting, university management, consultant workplaces and physicians. Client management handles all activities which are aimed directly at clients. These also include marketing activities, as well as activities within the scope of the digitalisation strategy.

The objectives of the adjustments are to bundle existing expertise, utilise synergies and provide the branch offices with even better channelled and targeted support. To cater to and promote the growing significance of the real estate and financing business in our revenue mix, a dedicated product management has also been established for this segment.

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

Research and development

Since MLP is a service provider, we are not engaged in any research or development.

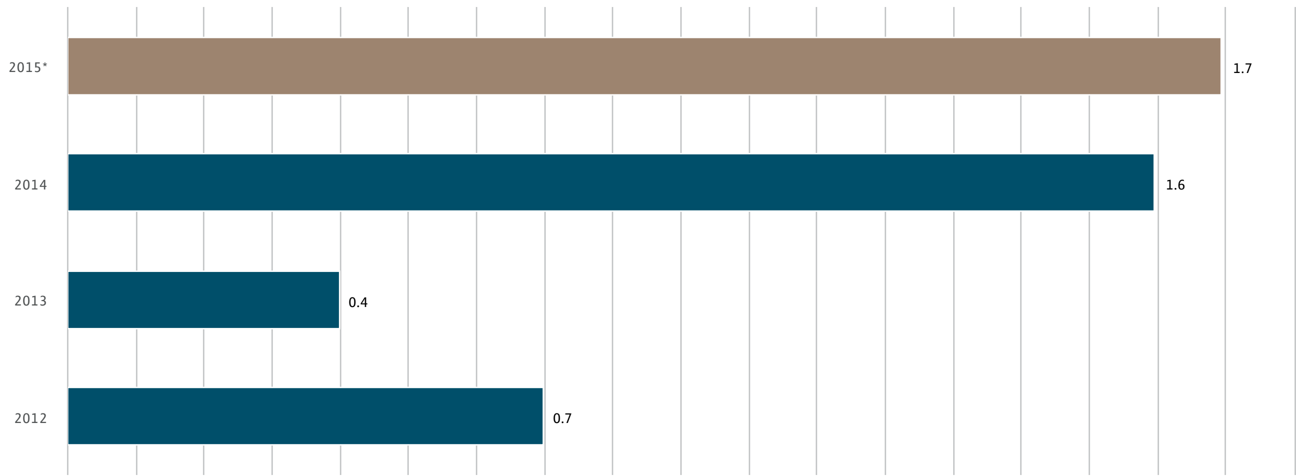
ECONOMIC REPORT

Overall economic climate

Overall economic situation

The economic recovery in the eurozone continued in the reporting year. According to estimates provided by FERI Trust GmbH (FERI Trust), economic growth for the eurozone was 1.5% in 2015. By way of comparison, this figure was just 0.9% in 2014. The economic upturn continued in Germany, too. In its 2015/2016 Annual Report, the German Council of Economic Experts believes that the reasons for this primarily lie in the healthy German employment market and the increase in private consumption that results from this. Thanks to favourable economic developments, the German state once again recorded a government surplus in 2015. As a result of this, inflation-adjusted gross domestic product (GDP) increased by 1.7% in 2015 according to calculations performed at FERI.

Economic growth in Germany (all figures in %)



*estimate / Source: FERI Trust GmbH, rate of change in GDP, price-adjusted

Consumer confidence down, ifo business climate index up

Consumer confidence in Germany deteriorated somewhat in the course of the reporting year. According to the forecast submitted by the German Consumer Research Association (GfK), the Consumer Sentiment Index was at 9.3 points in December 2015. This represented the fourth slight decline in succession. In June 2015, it was still at 10.2 points. The GfK survey states the ongoing flow of refugees into the country as the main reason for the dwindling optimism observed among German citizens regarding the economy. In November 2015, just under 40% of German citizens stated that they expected unemployment to rise. Most respondents (69%) believe the reasons for this are tied directly to the refugee crisis. The Consumer Sentiment Index of the German Consumer Research Association (GfK) is considered one of the most important indicators of behaviour among German consumers and of economic stability.

German companies, however, remain largely unfazed by the increasing worldwide uncertainties. Even the Paris attacks in November 2015 did not seem to dampen business prospects in Germany. Indeed, the ifo business climate index actually increased to 109.0 points in November – from 108.2 points in the previous month. In December, the index then decreased slightly to 108.7 points.

The favourable development of the German employment market continued in the reporting year. According to data published by Germany's Federal Employment Agency, the annual average number of registered jobseekers fell by 104,000 to approximately 2.8 million persons in 2015. This corresponds to an unemployment rate of 6.4%.

Positive development in terms of employment and income

The employment market continued to offer opportunities for high-skilled employees. At 2.5%, the unemployment rate among academics remains very low, indicating full employment.

According to the autumn forecast of the German government, the healthy situation on the employment market led to significant salary increases. Indeed, net wages and salaries are reported to have increased by 2.6% in 2015, while disposable income of private households increased by the same percentage rate. The savings rate in Germany increased slightly in the last financial year, reaching 9.7% (2014: 9.4%; 2013: 9.1%).

ECONOMIC REPORT

Industry situation and competitive environment

Traditionally, the vast majority of MLP's total revenue is generated from the following three core fields of consultancy: old-age provision, health insurance and wealth management. In the financial year 2015, these fields together represented 83% of total revenue. Sales revenues in the fields of old-age provision and health insurance are generated in the financial services segment. Sales revenues in the field of wealth management come from both the FERI segment and the financial services segment. The following describes the main factors that had a particular influence on the market environment and the results of operations in the three aforementioned consulting fields in 2015.

As a result of acquisitions, the relative weighting of non-life insurance increased in the financial year 2015, reaching 11% at the end of the financial year. From the financial year 2016 onwards, the field of non-life insurance will become significantly more important again for the financial services segment and the new DOMCURA segment as a result of the acquisition of the DOMCURA Group. We will therefore deal with this field of consulting in more detail with regard to the anticipated business development.

Old-age provision

In the reporting year 2015, the ongoing period of low interest rates, the negative press on life insurers and their products, as well as the reservations among many consumers about signing long-term contracts continued to negatively impact the market environment in the field of old-age provision in Germany.

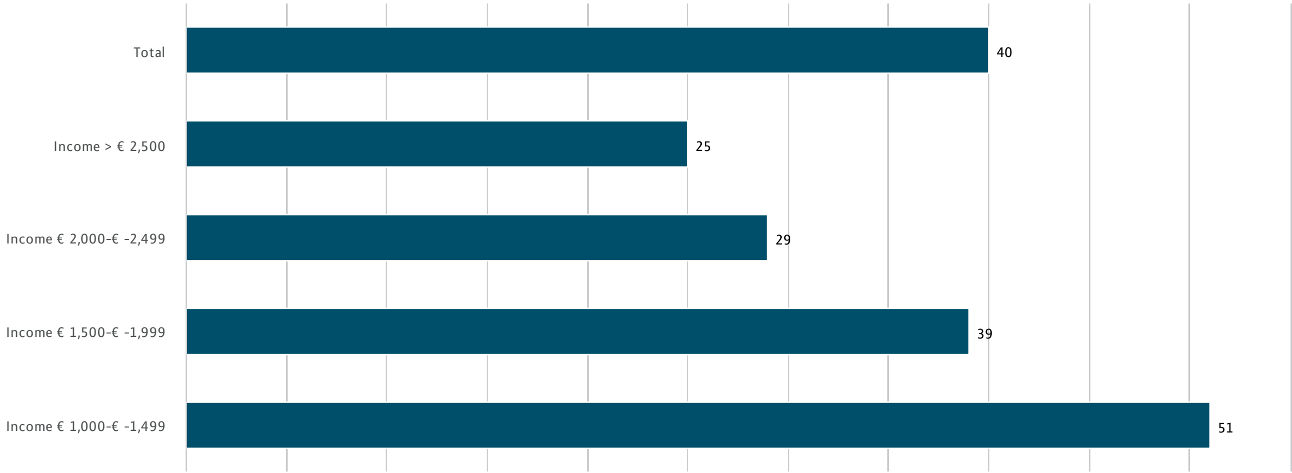
The reduction in the maximum technical interest rate (guaranteed interest rate) associated with the Life Insurance Reform Act (LVRG), which came into force on January 1, 2015, also had a dampening effect on new business. In addition to this, the insurance sector prepared itself for the new European supervisory legislation, Solvency II. (You can also find further information on this in the chapter entitled → "Competition and regulation").

A survey conducted by market research institute YouGov on behalf of MLP underlines the ongoing need for advisory services in the field of old-age provision. Based on this survey, just under 40% of German citizens do not have any clear idea of how much statutory pension they will receive, while a further 30% only have a "rough idea". Almost half (46%) do not know how much income they can expect to receive from private and occupational pension provision plans.

According to the 2015 Wealth Barometer of the DSGV (German Savings Bank Association), the percentage of German citizens who do not save anything on a monthly basis towards their old age increased to 40% in the reporting year. Just two years previously, this figure was 32%. The percentage also increases as income decreases. The majority (61%) of those living on less than € 1,000 per month now no longer save anything at all on a monthly basis – in 2013 this figure was just 43%. Yet, the willingness to save is also dwindling among better earners. One in four people with a monthly income above € 2,500 no longer make any monthly savings (2013: 8%).

Low interest rate phase dampening willingness of German citizens to save for their old age

Percentage of people that do not make any monthly savings towards their old age in 2015 (all disclosures in %)



Source: Source: ICON economic and financial market research on behalf of the DSGV (German Savings Bank Association)

A survey undertaken by AXA Insurance suggests that low interest rates are the main reason why the majority of the working population in Germany (59%) is not willing to sign any new old-age provision contracts, while one in two (49%) question whether private old-age provision even makes sense for them.

According to a survey performed by Norisbank, the most popular savings goal of German citizens is their next holiday, for which 38% of respondents are currently saving. Significantly fewer respondents (24%) are saving for their old age.

Holidays well ahead of old-age provision in terms of saving goals

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

Massive reservations at all three tiers

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

- 1st tier Basic provision: Statutory pension and basic pension
- 2nd tier Supplementary provision: Riester pension and occupational pension provision
- 3rd tier Other supplementary provision: Pension and life insurances, capital market products

Alongside the statutory pension, basic provision (1st tier) also includes the basic pension or Rürup pension, whose premiums can be offset against income tax. Alongside salaried staff, the basic pension is also open to freelancers and self-employed people that are not obliged to pay into the statutory pension insurance fund. Starting in 2015, the German government supplemented and injected dynamism into the former funding framework for the basic pension. The maximum amount that can be offset against tax for a single person is to be increased from € 20,000 to € 22,172 (in the case of joint applications with a spouse/life partner, the maximum amount will increase from € 40,000 to € 44,344). In 2015, over the course of the year taxpayers were able to offset up to 80% of capital invested into a basic provision policy up to this maximum amount.

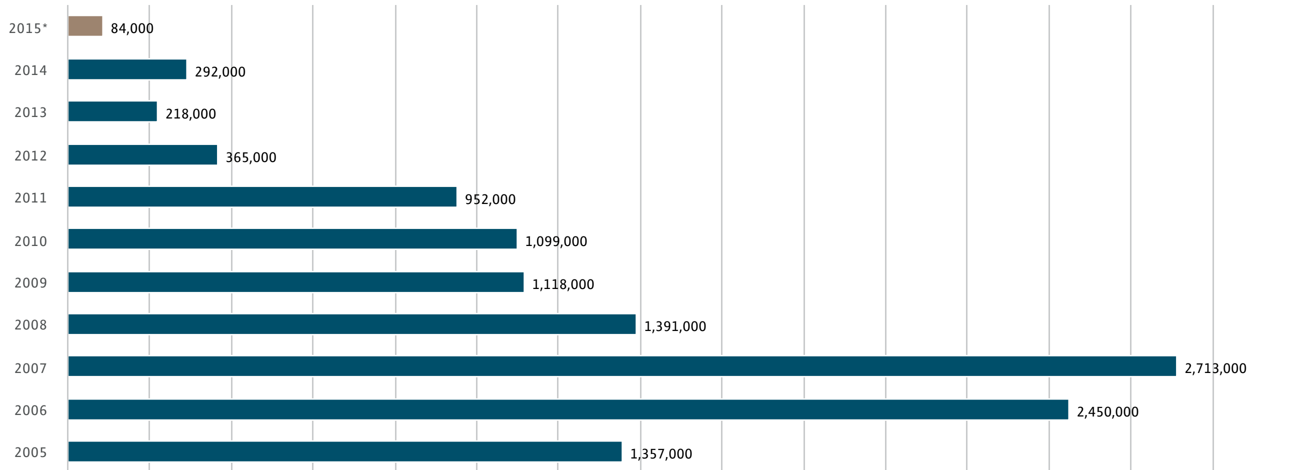
Fewer new basic pensions despite greater incentives

Despite this significant tax incentive, data published by the German Insurance Association (GDV) indicates that only 95,600 new basic annuity contracts had been concluded throughout the market by the reporting date on December 31, 2015. This corresponds to a decline of 14.3%.

The supplementary pension provision (2nd tier) is essentially made up of occupational pension provision and the Riester pension. The sector-wide downward trend in sales continued in terms of new Riester contracts signed in the reporting year. According to the German Federal Ministry of Labour and Social Affairs, 84,000 new contracts were concluded by the end of Q3 2015 (financial year 2014: 292.000). There were therefore approximately almost 16.4 million Riester policies in place – which is only slightly more than on December 31, 2014. As had already been the case in the previous years, there was a clear focus on "Wohn-Riester" or "home annuity policies" among those signing new contracts, which enjoyed continued growth. However, the number of insurance policies displayed a slight downward trend.

"Wohnriester" (state-subsidised housing financing) remains popular

New Riester pension contracts (2005 bis 2015)



* As of September 30, 2015, Source: German Federal Minestry of Labour and Social Affairs

The overall significance of occupational pension provision as a further component of 2nd tier provision is fundamentally great. According to the 2015 Investment Barometer published by the German Consumer Research Association (GfK), 41% of German citizens already consider occupational pension provision to be attractive. Indeed, the only investment more popular than this is the purchase of property at 75%. A survey conducted by PricewaterhouseCoopers (PwC) also comes to similarly positive conclusions. At 43%, occupational pension provision is the most popular form of provision, followed by the Riester pension and private life insurance. Yet despite this, fewer than one in three employees (29%) currently have an employer-funded provision policy in place, and just as few are making use of provision models that require them to invest their own funds (deferred compensation). The study states a lack of proper information from companies and not enough suitable offers as the main reasons for the low level of demand. For example, 61% of respondents that do not make use of deferred compensation are simply not adequately aware of this provision option.

Occupational pension provision: Lack of information and offers

The rate of penetration at companies that offer occupational pension provision stands at 54% of employees. This is the result of a survey conducted by Zurich Versicherung. Small companies in particular have a long way to go in order to catch up. More than one third (36%) do not offer their employees any form of occupational pension provision. Only 3% of larger enterprises with more than 100 employees do not offer a company pension. Small companies state a lack of employee interest and too few total employees as the main reasons why they do not offer any such provision models.

Small and medium-sized enterprises need to catch up

The 3rd tier is also still displaying stifled development, not least due to the lowering of the guaranteed interest rate at the start of 2015. Although almost half of Germans (48%) currently have at least one private life or pension insurance policy in place. TNS Infratest states that the low interest rate environment has led to the number of new contracts concluded falling by 33% over the last five years. At 1,318,373, the number of new standard life and pension insurance policies reported by the German Insurance Association (GDV) for the reporting year is significantly below the level recorded in the comparably strong previous year (-17.3%).

Despite all of the current discussions regarding the growing number of German citizens requiring nursing care, the field of long-term care provision displayed a downward trend in 2015. Based on figures published by the German Insurance Association (GDV e.V.), 23,954 new long term care annuity insurance contracts had been signed by the reporting date, December 31, 2015 – which corresponds to a decline of 25.0% compared to the previous year. You can find more detailed information on the topic of long-term care provision in the following section entitled “Health insurance”.

According to provisional figures published by the German Insurance Association (GDV e.V.), the brokered premium sum of new business with regular premiums was € 119.4 billion in the reporting year, which represents a 4.0% decline compared to the previous year’s level (€ 124,4 billion). This was largely due to the difficult market environment described. Taking into account the new single-premium business, the total brokered premium sum for new business fell to € 145.1 billion (€ 152.8 billion).

Market generally in decline, many single premiums

Health insurance

Health insurance continued to face a difficult market environment in the reporting year – particularly in the case of comprehensive private insurance. According to data published by the Association of Private Health Insurers (PKV), the number of persons holding comprehensive health insurance policies has been in decline for years. In 2014, the decrease was 55,700 policy holders or – 0.6%. At the end of 2014, 8.83 million German residents therefore held private comprehensive health insurance – 150,000 fewer than at the end of 2011.

The experts at the Assekurata ratings agency do not anticipate any reversal in this trend for the reporting year 2015. The industry also shares this assessment. In a study undertaken by Assekurata Solutions GmbH, more than half (58.6%) of brokers surveyed rate the current business situation in the field of fully comprehensive private health insurance as poor.

There are many reasons for the downturn observed in the sector. The loss of confidence in private health insurance, largely caused by the critical press concerning the development of premiums and discussions on the potential introduction of a “citizens insurance” in the run-up to the last parliamentary elections, had a negative impact. Premiums also increased in many cases following the switchover to the unisex tariffs at the end of 2012, which served to further reinforce reservations among potential new clients. The mood among existing clients, on the other hand, is positive. According to the Continentale Survey, 81% of private health insurance policy holders are satisfied with the performance of their health insurance.

Several reasons for drop in private comprehensive insurance

Since January 1, 2015, statutory health insurance funds are entitled to charge an additional premium alongside the general premium rate of 14.6%. Only two statutory health insurance funds managed without an additional premium in 2015. (You can find further information on this in the chapter entitled → “Competition and regulation”)

Low willingness to switch policies despite additional premiums

According to a survey performed by PwC, however, the additional premiums do not as yet represent any reason to change the health insurance provider. This survey revealed that virtually all members (97%) stuck with their statutory health insurance fund in the first quarter of 2015. However, it also indicated that 60% of respondents are not even aware of the level of additional premiums required by their fund. Just as many stated that their healthcare fund had not provided them with sufficient information on this topic.

Supplementary insurance policies on the rise

The trend towards increasing the scope of services provided by the statutory health insurance system through private provision has been apparent for several years. According to data published by the Association of Private Health Insurers, the number of supplementary insurance policies increased by 1.9% to 24.34 million policies in 2014. This increase was slightly below the rise recorded in the previous year (2013: 2.0%). The Assekurata ratings agency is also anticipating gains for 2015, albeit less dynamic.

Population becoming increasingly aware of the need for nursing care

The topic of care has come of age in society. Alongside the approximately 2.6 million citizens who currently require nursing care in Germany, almost 30 million people are affected by this in their family environment. This was the conclusion of a survey undertaken by the Association of Private Health Insurers.

This is also reflected in the increase in supplementary long-term care insurance policies. According to the Association of Private Health Insurers, the number of state-supported supplementary long-term care insurance policies (the so-called "Pflege-Bahr") increased by 55.3% to 558,600 contracts in 2014. Despite the pronounced increase, however, this still represents a low level when viewed absolutely. The number of unsubsidised supplementary policies increased by 4.6% to 2.48 million. As such, a total of over 3 million insurance policies were in place in this sector at the end of 2014 (2013: 2.7 million). Yet new contracts in the field of long-term care annuity insurance, which represents the most comprehensive coverage, displayed a downward trend (please refer to the chapter entitled → "Old-age provision").

The Assekurata ratings agency believes that growth in the field of tax-privileged long-term care provision may have slowed significantly in the reporting year. Experts are blaming the "wait and see" attitude being displayed by clients and brokers when it comes to long-term care provision on the upcoming legal changes associated with the second Care Enhancement Act (PSG), which was approved by the Bundestag in November 2015. The new legislation has been in force since January 1, 2016. (You can find further information on this in the chapter entitled → "Competition and regulation")

Wealth management

In the reporting year, the market environment in the field of wealth management was largely characterised by the ongoing period of low interest rates and high volatility on the capital markets. In light of the potential change in interest rates, investors focused in particular on the monetary policy decisions of the central banks, above all in the US and Europe. However, economic developments in China, national debt crises in countries such as Greece and increased terror threats also influenced the markets in the last financial year.

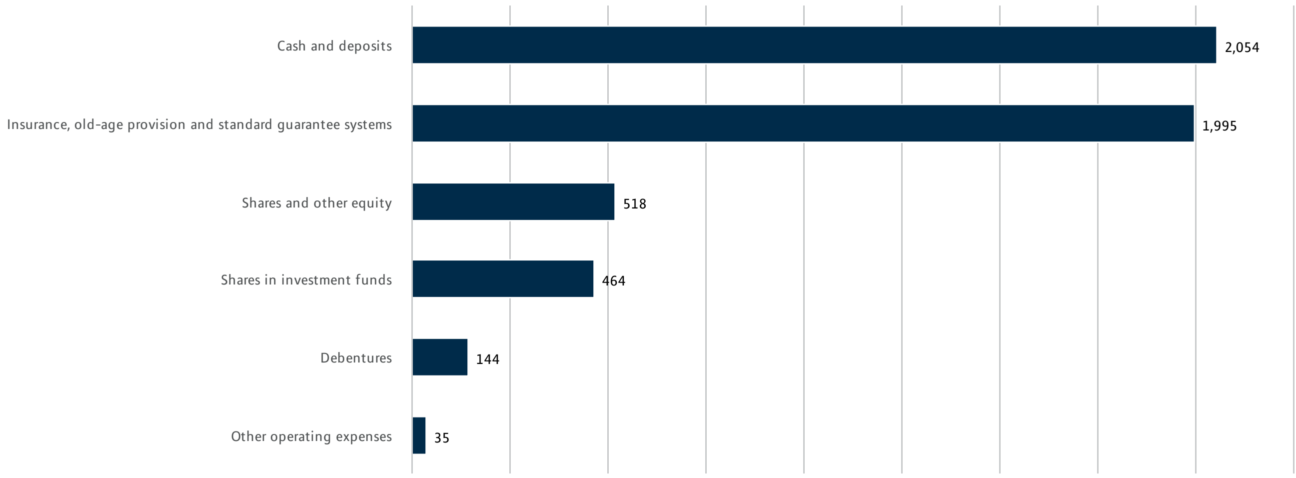
Worldwide wealth on the rise

Despite the current period of low interest rates, global private wealth continued to display significant increases worldwide in 2014. According to the Global Wealth Report 2015, published by the Boston Consulting Group (BCG), personal assets increased by almost 12% to US$ 164 trillion. At 6.6%, however, growth in private monetary assets in Western Europe was only half this level. This was largely due to the euro crisis. Despite this, the number of dollar millionaires in Germany increased by 0.9% to 1.14 million persons in 2014. In 2013, growth was still 11.4%. According to the Global Wealth Report 2015, published by Allianz, the average net assets of German citizens only increased by 1% to € 44,769; in the previous year, the increase was more than 5%.

Secure and liquid investments remain popular

Based on the latest figures of the German Bundesbank, the trend towards liquid and low-risk investments also continued in the reporting year in Germany. The total monetary assets of private households in Germany at the end of Q3 2015 were € 5,210 billion – and therefore more than 4% higher than one year previously. Over € 83 billion was deposited in the first half of the reporting year. Most of this took the form of demand deposits, including cash.

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

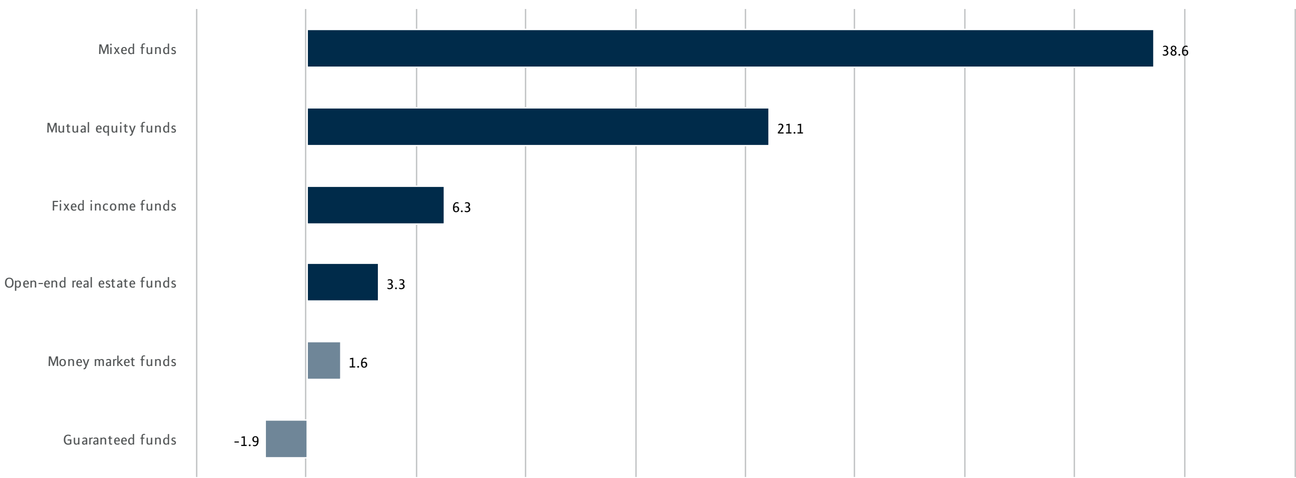


Source: German Bundesbank, dated: Sep 30, 2015

Mixed and mutual equity funds on the rise

Investment funds also recorded positive cash inflows in the reporting year. Based on information provided by the German Association of Investment and Asset Management (BVI e.V.), total assets managed by the German investment industry in Germany at the end of 2015 were € 2,601 billion and thereby 9.1% higher than in 2014. Institutional investors made a significant contribution to this, meaning that investments in special funds increased by 8.7% from € 1,231 billion to € 1,339 billion. This market is relevant for the MLP Group due to the services provided by FERI. As of December 31, 2015, mutual funds rose by 11.9% to € 883 billion in total. At € 38.6 billion, mixed funds recorded by far the greatest cash inflows, followed by mutual equity funds at € 21.1 billion and fixed income funds at € 6.3 billion. In the previous year, investors were still withdrawing massively amounts from mutual equity funds.

Cash inflows and outflows of investment funds from January to December 2015 (all figures in € billion)



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

Private investors are therefore adopting a slightly more offensive investment approach than in previous years. Measured against market conditions, however, they are still displaying reservations regarding riskier forms of investment.

The market for providing consulting and asset management services to high net worth individuals, which we process via FERI, has become more complex and fiercely contested since the financial and economic crisis. The competitive environment is characterised by ongoing consolidation in the field of private banking and wealth management.

Ongoing consolidation in private banking and wealth management

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

In light of the ongoing period of low interest rates, investments in both owner-occupied and investment properties are becoming increasingly important with a view to long-term capital accumulation. According to the 2015 Wealth Barometer, 53% of German citizens consider owner-occupied property the most suitable form of investment for this purpose, while 28% prefer to invest in investment properties for capital accumulation.

Real estate still in focus

Competition and regulation

The competitive situation in the German market for financial services did not change significantly for the MLP Group in 2015 compared to the previous year. The sector remains very heterogeneous and is characterised by a high level of competitive pressure and a trend towards consolidation. The providers include numerous banks, insurance companies and free finance brokers. However, the quality of consulting provided by these companies can vary quite markedly. In addition to this, competitive pressure is growing throughout the entire sector as a result of new, innovative market actors (so-called fintechs).

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

Altered framework conditions drive consolidation

On January 1, 2015, important changes came into force within the scope of the Life Insurance Reform Act (LVRG) that, in some cases, will also have lasting effects on the competitive situation in the market as a whole.

Life Insurance Reform Act (LVRG) having lasting effects

As expected, the reduction in the maximum technical interest rate (guaranteed interest rate) from 1.75% to 1.25% in the reporting year contributed to continued reservations among German citizens in terms of signing long-term old-age provision contracts. The reduction of the maximum zillmerisation rate from 4% to 2.5% also put greater pressure on margins in the market, as highlighted by a survey of independent brokers performed by market research institute YouGov. Based on this, around three quarters of independent brokers (77%) are concerned about the massive wave of consolidation among brokers as a result of the Life Insurance Reform Act (LVRG). The majority (59%) have already observed a drop in brokerage business, as well as reduced remuneration (85%) and greater reversal liability (78%).

As expected, the YouGov survey also indicated that the reduction to the maximum zillmerisation rate led to changes in remuneration systems. Indeed, just under two thirds of companies (64%) had already reduced their acquisition commissions, while more than 40% had also increased their average trailer commissions. As a result of the changes to commission models, the majority (58%) of brokers expect to suffer a moderate to severe loss in earnings in the long-term.

As a quality provider with a large and discerning client base, MLP recorded only comparably minor effects on its own business for the financial year 2015. However, the pressure on margins in smaller and significantly less quality-driven parts of the market has increased significantly, which in our opinion will continue to drive forward the ongoing consolidation process in the market.

Stricter banking regulation in Europe

As was already the case in previous years, clarification of details regarding implementation of Basel III in the European Union (EU) continued to occupy the banking world in Europe in the reporting year. On October 1, 2015, the liquidity coverage ratio (LCR) defined in the legislation came into force in the EU as a binding minimum requirement. The objective of the LCR is to cover the liquidity requirements of the next 30 days by securing sufficient high-value assets that can be liquidated at short notice. To make the transition process towards the new minimum requirement easier for institutions, a gradual increase in the degree of fulfilment has been introduced, whereby 100% fulfilment must be secured in 2018. As an institute with a banking licence, these regulations also apply to MLP Finanzdienstleistungen AG and thereby to the MLP Group. MLP complies with all requirements.

Harmonised banking supervisory authority

On December 19, 2014, the European Banking Authority (EBA) published its final guidelines on the Supervisory Review and Evaluation Process (SREP). With this step, a harmonised framework for the monitoring and evaluation process as per Basel III has been created for the first time for the responsible supervisory authorities within the EU. The guidelines should make the risks of banks more transparent and comparable. In the mid-term, the SREP Directive will ultimately lead to further harmonisation of supervisory legislation and supervisory practice within the EU. In addition to this, the Federal Financial Supervisory Authority (BaFin) is currently working on redrafting the minimum risk management requirements in Germany (MaRisk), which will likely lead to further revisions.

Greater protection for small investors

On April 23, 2015, the German Bundestag passed the Retail Investors Protection Act (KlASG). The new legislation provides consumers with better protection from high-risk and non-transparent financial products. It requires greater and more up-to-date information for investors, as well as sales restrictions for providers of investment products, and also strengthens the supervisory powers governing the financial market.

New statutory health insurance premiums

On January 1, 2015, the Act to Further Develop the Financial Structure and Quality of the Statutory Health Insurance System (FQWG) came into force. With this new legislation, the general premium rate for statutory health insurance was reduced from 15.5% to 14.6%. The reduction is split 50/50 between employee and employer. Alongside this, there is an additional premium that the statutory health insurance funds adjust regularly on the basis of their financial position. In 2015, this additional premium averaged 0.9%. It is paid exclusively by employees and determined individually by the respective funds.

Pension contributions down, income thresholds up

As a result of greater reserves, the pension fund was able to reduce the premium rate for pension insurance in 2015 by 0.2% to 18.7%. At the same time, the income thresholds increased in the fields of pension and health insurance. In the general pension insurance fund (West Germany), the threshold increased from € 5,950 to € 6,050, while in Eastern Germany it rose from € 5,000 to € 5,200 per month. The income threshold for statutory health insurance increased to € 49,500 in 2015, following € 48,600 in the previous year. The statutory insurance limit increased from € 53,550 to € 54,900.

Demand for independent consulting services remains high

The latest surveys also indicate that independent financial consultants, i. e. providers such as MLP that do not offer any of their own products, continue to play a key part in the brokerage of old-age provision products in Germany. According to the 2015 Sales Channel Survey performed by corporate consultancy Towers Watson, these were the third most important specialist consulting sector in the industry in terms of life and pension insurance policy sales. Their market share of brokered new business was 26.5%. Tied agents, which represent just one company, took 2nd place with 28.7%, just behind the banks at 29.5%.

The latest figures from Towers Watson indicate that independent consultants also continue to play a key role in the brokerage of private health insurance policies. With a market share of 34.3%, they are the second most important consultant group after the tied agents.

Business performance

The challenges we faced in our core markets also had a negative impact on our business development in the reporting year 2015, particularly in the field of old-age provision.

In this field, the ongoing low interest rate phase, negative press regarding the stability of life insurers and the reduction in the maximum technical interest rate were the main factors that led to continued reservations in terms of signing long-term contracts. Revenue in the field of old-age provision therefore declined in the reporting year.

Clients in the field of health insurance continued to display reservations in terms of signing new comprehensive private insurance policies. We attribute this to various factors including critical reporting on the topic of premium increases in the field of private health insurance. Yet despite this, our revenues in the field of health insurance displayed a positive development and were slightly above the previous year's level. This is thanks to our good client basis, as well as the close and intensive support our clients receive.

Working together with our subsidiary FERI, we further strengthened our wealth management operations in the reporting period. FERI was able to acquire new clients in all business segments. The consulting and service portfolio was consistently expanded, above all in the areas of investment management, alternative assets and real assets (for example private equity, hedge funds and real estate). The positive development in this field of consulting at MLP Finanzdienstleistungen AG was another factor contributing to the significant increases in revenue in the field of wealth management over the previous year. The increase in assets under management in the MLP Group remains the driving force behind this.

In the field of non-life insurance, revenues were above the previous year's level, even without the additional revenue contributions associated with the acquisition of the DOMCURA Group.

Consulting services expanded in and around the field of real estate

To cater even more effectively to the increased client demand for real estate and sustainably broaden its revenue basis, in the reporting year MLP once again significantly expanded its consulting portfolio in and around the field of real estate, which was launched in 2014. On request, MLP consultants can offer clients real estate objects in the form of owner-occupied properties or investment properties. Corresponding training events were held in the reporting year and further sessions are also planned for the coming year. Quality assurance for the brokerage of real estate objects is performed by the subsidiary FERI EuroRating, which undertakes a check of all providers who collaborate with us. In the field of real estate financing, MLP set new records in brokered new business, while revenue from real estate brokerage (which is reflected in other commission income) also recorded significant gains.

With the exception of a decline in the field of old-age provision as a result of market conditions, the MLP Group was therefore able to increase revenues in all fields of consulting. The further diversification of the revenue basis that MLP drove forward in the reporting year is therefore bearing fruit.

A key focus within the scope of diversifying revenue streams was the acquisition of the DOMCURA Group at the end of July 2015. As a so-called underwriting agency, DOMCURA examines all offers in the market when designing, developing and implementing its extensive coverage concepts in the field of non-life insurance. These are brokered by market actors, such as insurance brokers. The DOMCURA Group will maintain and significantly expand this successful business model. Among others, the DOMCURA Group also includes specialist brokers for commercial and industrial insurance products. With the acquisition and integration of the DOMCURA Group into the MLP Group, MLP is developing another strategically relevant business segment. In addition to this, comprehensive revenue synergies are being created within the MLP Group.

New potential in the field of non-life insurance through DOMCURA acquisition

Another positive effect results from the distribution of sales revenues. In the field of non-life insurance, a large proportion of the DOMCURA Group's annual revenues are accrued in the first quarter, as most insurance premiums are due at the start of the year. Since MLP has traditionally generated a large proportion of its revenue in the 4th quarter, the acquisition of the DOMCURA Group will result in a more even distribution of revenues for the Group over the course of the year.

Due to the digitalisation of the financial services sector new competitors are entering the market. These are both so-called fintechs as well as large companies that offer the core skills of financial services providers in the form of dedicated online offers. MLP took various steps in the reporting year to cater to this development and press ahead with the implementation of our online strategy, including entering into a cooperation with the fintech company massUp. The additional steps are described over the next few paragraphs.

Digitalisation strategy successfully pressed ahead

Within the scope of its online strategy, MLP launched a new internet presence for young adults in the reporting year. MLP financify addresses this target group in its own environment. At the same time, we have further expanded MLP's presence on social media platforms such as Facebook, YouTube and Twitter. Our objective is to use these platforms to also position ourselves as the dialogue partner for all financial matters and stimulate interest. In addition to this, we relaunched our client website mlp.de in 2015. Among other things, the updated internet presence now also includes webpages for all MLP locations and information on each client consultant.

Social media activities as a way of acquiring new clients

With its two new web presences and the recently finalised cooperation with massUp, MLP has created the basis for online policy sales which was launched in January 2016. The technical platform now also provides the basis for extending the online product portfolio. In addition to this, the scope of two pilot projects was extended in the reporting year, focusing on video conferencing as a tool for online consulting and the use of eSignatures. MLP therefore created the technological basis and took important steps for further implementation of its digitalisation strategy throughout the reporting year. You can find details on this in the chapter entitled → "Anticipated business development".

Basis established for extension of the online product portfolio

In 2015, MLP extended its offers in the field of private health insurance. Even policy holders that are not currently MLP clients can now have the MLP review and optimise the contract with their existing insurer. The flat-rate, one-off service charge of € 420 plus VAT is only applied in the case of a successful optimisation. This service remains free-of-charge for existing MLP clients.

Extension of offers in the fields of private health insurance and occupational pension provision

Working to the maxim of "100 for 10", since 2015 MLP has been offering an innovative sector concept for net salary optimisation in the field of occupational pension provision that is geared primarily to the needs of medical practices, law firms and similar enterprises.

To support our client consultants, we introduced the "Quick Check" for non-life insurance policies in the reporting year. This allows consultants to quickly and easily check the old contracts of their clients that were not concluded through MLP to ensure that they are up-to-date and compare them against current market offers. The new analysis tool facilitates comparison of liability, building, contents, accident and legal expenses insurance policies.

"Quick Check" launched for non-life insurance policies

Due to the challenging market environment, MLP is supplementing its growth strategy with a consistent efficiency management programme. Despite comprehensive investments in the future, administrative expenses (prior to acquisition of the DOMCURA Group) remained at the previous year's level and were thereby in line with our budget. Among other things, these include one-off expenses of more than € 5 million which can, as announced, be attributed to recruiting programs, implementation of our digitalisation strategy and investments in IT.

Costs stable despite extensive investments

Changes in the corporate structure

In the reporting period, MLP AG carried out a capital increase in exchange for contributions in kind. 1,456,948 new shares were issued in return for 33.33% of the shares in Schwarzer Familienholding GmbH (SFH GmbH), the parent company of the DOMCURA Group companies. These shares carry full dividend rights for the financial year 2015. This measure increased the share capital by 1.35% from 107,877,738 shares to 109,334,686 shares. The capital increase in exchange for contributions in kind was entered in the Commercial Register at Mannheim District Court on August 10, 2015.

Capital increase against contributions in kind

In June, MLP AG signed a company acquisition agreement for the full takeover of the DOMCURA Group. With conclusion of the transaction on July 29, 2015, MLP AG acquired 41.66% of the shares from SFH GmbH. Within the scope of a capital increase in exchange for non-cash contributions, which was entered into the Commercial Register at Mannheim District Court on August 10, a further 33.33% of the shares in SFH GmbH was transferred to MLP AG. The remaining 25% of the shares, which do not carry any voting rights or dividend entitlements are to be retained by Mr. Schwarzer, and will be transferred to MLP without any additional cash price payment by no later than January 1, 2017. MLP AG is entitled to receive dividends on 100% of the shares with backdated effect from January 1, 2015. The total transaction volume was € 18 million. € 12 million was paid in cash as the purchase price, while a further 6 million was paid in the form of the aforementioned issue of new shares in return for a 33.33% stake in SFH GmbH. With the financial statements as of September 30, 2015, the DOMCURA Group was included in the scope of consolidation at MLP Group level for the first time.

Acquisition of the DOMCURA Group strengthens the field of non-life insurance

Various changes were made to the structure and organisation within the FERI Group in the reporting period. Among other things, FERI Institutional and Family Office GmbH was merged with FERI Trust GmbH. In the same period, FEREAL AG also received approval from the Federal Financial Supervisory Authority (BaFin) to operate as a capital management company. Aside from this, there were no significant changes to the corporate structure of the MLP Group in the reporting year.

FEREAL AG approved as capital management company

In the following description of the MLP Group's financial position, net assets and results of operations pursuant to International Financial Reporting Standards (IFRS), the previous year's figures are given in brackets.

However, the acquisition of the DOMCURA Group means that direct comparison with previous year's figures is only possible to a limited extend.

Results of operations

Development of total revenue

Total revenue increased

Despite the fact that the market environment remains difficult, particularly in the field of old-age provision, MLP was able to increase total revenue to € 557.2 million (€ 531.1 million). This growth was primarily driven by the increase in commission income from € 486.9 million to € 514.3 million. It is important to note here that the € 20.0 million in revenue generated by the DOMCURA Group also contributed to this development. At € 21.4 million (€ 22.9 million), revenue from the interest rate business was slightly below the previous year. This was due to the low interest rate. Other revenue of € 21.5 million (€ 21.4 million) was also slightly below the previous year's level.

New business in the old-age provision segment well below the previous year

German citizens continue to display reservations when it comes signing long-term contracts. This is primarily due to the ongoing low interest rate environment, as well as negative press regarding life insurers and their products. As a result of this, new business in the field of old-age provision declined to a brokered premium sum of € 3.5 billion (€ 4.1 billion). Occupational pension provision contributed 12% (12%) towards this. Revenue in the field of old-age provision declined to € 215.7 million (€ 239.7 million). This was largely as a result of the reduced level of new business.

Health insurance slightly above the previous year

Following declines in the last few years, we were able to record an increase over the previous year in the field of health insurance. Despite the reservations being displayed by many clients due to the ongoing negative press regarding private health insurance in the media, the revenue of € 45.9 million (€ 43.5 million) was 5.5% higher than in the same period of the previous year.

Non-life insurance and loans and mortgages performed distinctly positively

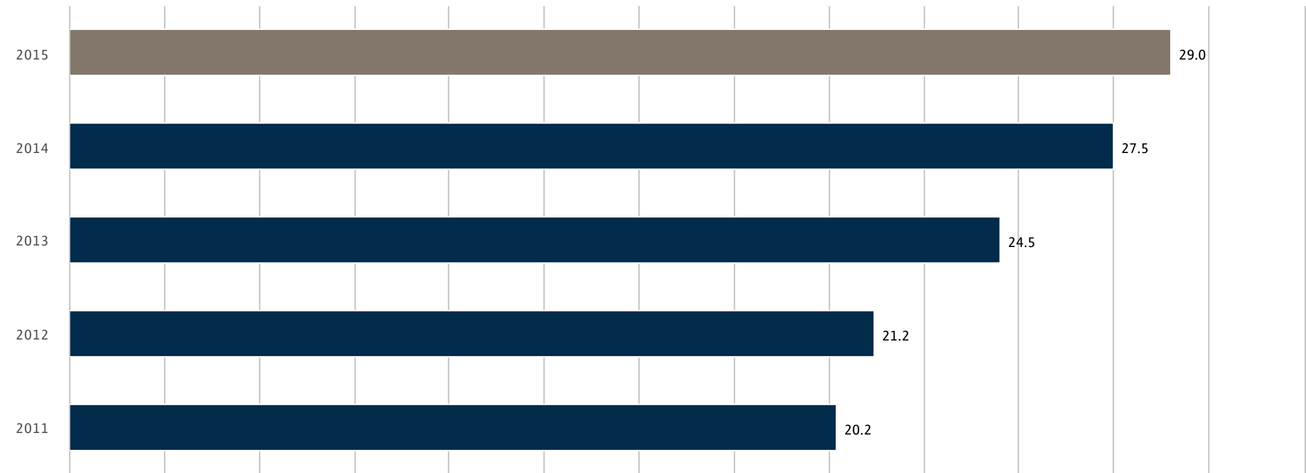
The non-life insurance segment displayed considerably positive development. Supported by the revenue contribution of the DOMCURA Group, whose revenues and earnings have been included in the scope of consolidation of the Group since the end of July, revenue in the field of non-life insurance increased to € 54.9 million (€ 34.6 million).

The volume of brokered loans and mortgages increased significantly to € 1.8 billion (€ 1.4 billion) and thereby reached a new record high. Revenue in this business segment displayed correspondingly positive development. At € 16.2 million (€ 13.6 million), it was significantly above the previous year's level.

Wealth management continued to grow

Having already set a new record in the previous year, revenue in the field of wealth management increased again in the last financial year to € 166.0 million (€ 147.0 million). This increase can be attributed both to the positive development of our subsidiary FERI and to the good development of the division at MLP Finanzdienstleistungen AG. The Group's assets under management were € 29.0 billion (€ 27.5 billion) on the balance sheet date.

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



MLP successfully continued its cost management programme in the financial year. Without taking into account the additional expenses of the DOMCURA Group over the previous year, administrative expenses in the MLP Group (defined as the sum of personnel expenses, amortisation expenses and impairments, as well as other operating expenses) were € 262.3 million (€ 256.8 million). Alongside our expenses in connection with investments in the future, administrative expenses also include transaction costs for the acquisition of the DOMCURA Group. Including the DOMCURA Group, administrative expenses were € 272.8 million.

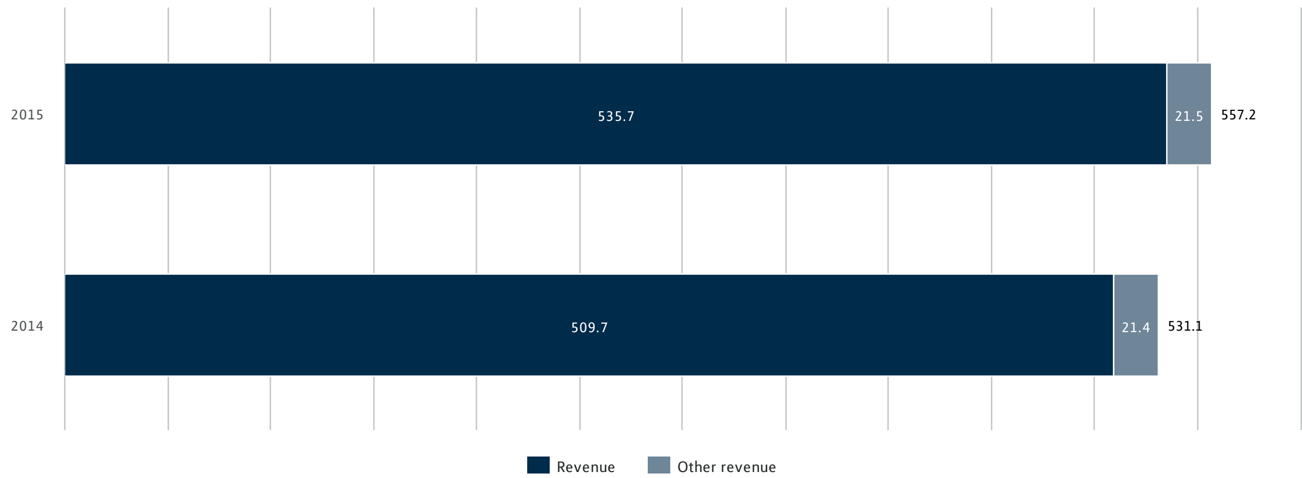
Successful cost management

Pro forma EBIT (prior to acquisitions) was € 32.5 million (€ 39.0 million). EBIT including the DOMCURA acquisition was € 30.7 million. This is due to the seasonal nature of the DOMCURA business model, whereby the subsidiary generally records high revenues and earnings in the first quarter of each year and then records a loss from Q2 to Q4. As expected, however, overall earnings of the DOMCURA Group will be significantly positive. On a pro forma basis (prior to acquisitions), the EBIT margin of the MLP Group was 5.8% (7.3%). Productivity (defined as revenue per consultant in the financial services segment) was € 204,400 (€ 206,800).

Analysis of the change in revenue

Revenue increased to € 535.7 million (€ 509.7 million) in the reporting period, largely due to the € 20.0 million share of revenue of the DOMCURA Group. At € 21.5 million (€ 21.4 million), other revenue remained at the same level as the previous year. Total revenue rose to € 557.2 million (€ 531.1 million).

Development of total revenue (all figures in € million)



The increase in commission income from € 486.9 million to € 514.3 million had a positive effect on revenue development. At € 21.4 million (€ 22.9 million), interest income was slightly below the previous year. This was due to the low interest rate. The old-age provision segment continues to contribute the lion's share of commission income, followed by wealth management. With an increase of 85.7%, other consulting services (which primarily reflect revenue from the extended real estate portfolio) recorded the strongest growth. At 58.7%, revenue in the field of non-life insurance also improved considerably. The following table provides a detailed overview of this:

Breakdown of revenue

All figures in € million	2015	2014	Change in %
Old-age provision	215.7	239.7	-10.0%
Wealth management	166.0	147.0	12.9%
Health insurance	45.9	43.5	5.5%
Non-life insurance	54.9	34.6	58.7%
Loans and mortgages	16.2	13.6	19.1%
Other commission and fees	15.6	8.4	85.7%
Total commission income	514.3	486.9	5.6%
Interest income	21.4	22.9	-6.6%
Total	535.7	509.7	5.1%

Analysis of expenses

Commission expenses primarily comprise performance-linked commission payments to our consultants. They represent the largest single item under expenses. This item also includes the commissions paid in the DOMCURA segment. These variable expenses occur due to the remuneration of brokerage services in the non-life insurance business. Added to these are the commissions paid in the FERI segment, which in particular result from the activities in the field of fund administration. Variable expenses are, for example, accrued in this business segment due to remuneration of the depository bank and fund sales. Commissions paid increased to € 253.6 million (€ 233.6 million). This was largely due to the incorporation of the DOMCURA Group, as well as expansion of the fund administration segment at FERI and the greater revenue associated with this. The commission result was therefore € 260.7 million, following € 253.3 million in the previous year.

Interest expenses fell to € 1.9 million (€ 2.8 million) due to the ongoing downward trend in interest rates. Net interest was € 19.5 million in total, following € 20.1 million in the previous year.

Gross profit increased to € 301.7 million (€ 294.6 million) in the past year.

Slight increase in administrative expenses

Without taking into account DOMCURA and despite our investments in the future, administrative expenses in the reporting period increased only slightly to € 262.3 million (€ 256.8 million). These include expenses associated with the acquisition of the DOMCURA Group of around € 1.2 million, as well as higher other operating expenses due to the successful development of fund administration in the FERI segment. Including the DOMCURA Group, administrative expenses for the year increased to € 272.8 million.

Despite additional expenses in the DOMCURA segment, personnel expenses were only slightly above the previous year. Alongside this acquisition effect, the slight increase can be attributed to general salary increases. Total personnel expenses were € 113.5 million (€ 106.0 million). Among other things, these include € 98.1 million (€ 91.6 million) for salaries and wages, € 12.9 million (€ 12.0 million) for social security contributions and employer-based old-age provision allowances of € 2.4 million (€ 2.4 million). Depreciation/amortisation and impairments increased to € 15.1 million (€ 13.4 million). This increase can be attributed to an impairment on software, as well as a write-down on an investment property. Other operating expenses increased slightly to € 144.2 million (€ 137.4 million). Among other things, this was due to incorporation of the DOMCURA Group, including associated acquisition costs, as well as the higher expenses mentioned for fund administration in the FERI segment.

Breakdown of expenses

All figures in € million	2015	In % of total expenses	2014	In % of total expenses	Change in %
Commission expenses	253.6	48.0%	233.6	47.4%	8.6%
Interest expenses	1.9	0.4%	2.8	0.6%	-32.1%
Personnel expenses	113.5	21.5%	106.0	21.5%	7.1%
Depreciation and amortisation	15.1	2.9%	13.4	2.7%	12.7%
Other operating expenses	144.2	27.3%	137.4	27.9%	4.9%
Total	528.3	100.0%	493.2	100.0%	7.1%

MLP Hyp once again displayed very encouraging business development in the last financial year. We hold a 49.8% stake in this company, which is operated as a joint venture together with the mortgage broker Interhyp. As a result of the excellent business development, our allotted earnings from the company increased to € 1.8 million (€ 1.1 million), thereby considerably exceeding the previous year’s earnings. This is reflected in the income statement under the item “Earnings from investments accounted for using the equity method”.

EBIT in decline

EBIT including the DOMCURA acquisition was € 30.7 million. Pro forma EBIT (prior to acquisitions) is € 32.5 million (€ 39.0 million). This is essentially due to the fact that despite the diversification of revenue streams the effect from the revenue decreases in the field of old-age provision has not yet been equalised by the other fields of consulting and that administrative expenses were slightly higher than in the previous year. This situation is compounded further by the seasonal nature of the DOMCURA business model, associated with incorporation of the DOMCURA Group only with effect from August in the previous year.

Finance cost impacted by one-off effects

The finance cost dropped to € -2.8 million (€ -1.3 million) in the last financial year. The increase in other interest and similar expenses to € -3.3 million (€ -2.0 million) had a significant influence on this development. This development can be attributed to interest due on a retrospective tax payment resulting from MLP's international activities that were ceased back in 2007. At € 0.5 million (€ 0.7 million), other interest and similar income remained virtually constant. Earnings before tax (EBT) declined to € 28.0 million (€ 37.6 million) as a result of this. Income tax expenditure was € 8.2 million (€ 8.7 million). The aforementioned retrospective tax payment had a negative impact here. The tax rate increased to 29.2% (23.1%).

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

Structure and changes in earnings in the Group

All figures in € million	2015	2014	Change in %
Total revenue	557.2	531.1	4.9%
Gross profit [1]	301.7	294.7	2.4%
Gross profit margin (%)	54.1%	55.5%	
EBIT	30.7	39.0	-21.3%
EBIT margin (%)	5.5%	7.3%	
Pro forma EBIT [2]	32.5	39.0	-16.7%
Pro forma EBIT margin (%)	5.8%	7.3%	
Finance cost	-2.8	-1.3	>-100%
EBT	28.0	37.6	-25.5%
EBT margin (%)	5.0%	7.1%	
Income taxes	-8.2	-8.7	-5.7%
Net profit	19.8	29.0	-31.7%
Net margin (%)	3.6%	5.5%	

[1] Gross profit is the result of total revenue less commission expenses and interest expenses
[2] Pro forma EBIT (before acquisitions)

Group net profit declined to € 19.8 million (€ 29.0 million) in the financial year 2015. The diluted and basic earnings per share were € 0.18. This is based on the average number of outstanding shares for the past financial year (108,484,800 units). Relative to the 107,877,738 shares in the same period of the previous year, earnings per share are also € 0.18.

Simulating an acquisition of the new subsidiary DOMCURA with effect from January 1, 2015, Group net profit is € 23.3 million.

Group net profit

All figures in € million	2015	2014	Change in %
Continuing operations	19.8	29.0	-31.7%
GROUP	19.8	29.0	-31.7%
Earnings per share in € (basic)	0.18	0.27	-33.3%
Earnings per share in € (diluted)	0.18	0.27	-33.3%
Number of shares in millions (basic)	108,5*	107.9	0.6%

*Weighted average number of shares

Appropriation of profits

At the start of the past financial year, we announced that we would be paying 50% to 70% of Group net profit to our shareholders in the form of dividends. We paid our shareholders € 0.17 per share in the form of a regular dividend for the financial year 2014. The total dividend paid was therefore € 18.3 million. We did not purchase any treasury stock during the reporting period.

The Executive Board and Supervisory Board will propose a dividend of € 0.12 per share to the Annual General Meeting on June 16, 2015. This corresponds to a distribution rate of 66% of net profit. The new shares issued within the scope of the capital increase in exchange for non-cash contributions carry full dividend entitlements for the financial year 2015.

Financial position

Aims of financial management

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

No significant liabilities or receivables in foreign currencies

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

Financing analysis

The MLP business model is comparatively low in capital intensity and generates high cash flows. However, increased capital has been budgeted for the next few years in order to meet the revised definition of equity and stricter requirements of Basel III.

Equity ratio at 22.0%

The Group's equity capital backing and liquidity remain good. Shareholders' equity increased to € 385.8 million (€ 376.8 million) in the reporting period. This was mainly influenced by Group net profit for the financial year 2015 of € 19.8 million, as well as the aforementioned capital increase in exchange for non-cash contributions in August of this year with a volume of € 6.0 million. However, this was counteracted by the dividend payment of € 18.3 million for the financial year 2014. Due to the higher balance sheet total, the equity ratio declined from 23.2% to 22.0%. The regulatory equity ratio was 14.3% on the balance sheet date. The reduction in the ratio can essentially be attributed to the intangible assets (please also refer to Note 6 "Disclosures on company acquisitions"), which increased as a result of the acquisition of the DOMCURA Group. This effect is softened by the capital increase in exchange for non-cash contributions performed in the third quarter.

At present, we are not using any borrowed funds in the form of securities or promissory note bond issues to finance the Group long-term. Our non-current assets are financed by non-current liabilities. Current liabilities due to clients and banks in the banking business represent further refinancing funds that are generally available to us in the long term. Total liabilities due to clients and financial institutions in the banking business of € 1,125.7 million (€ 1,025.1 million) essentially comprise client deposits, which have no financing function for the Group. These liabilities are offset on the assets side of the balance sheet by € 1,143.0 million (€ 1,054.9 million) in receivables from clients and financial institutions in the banking business.

Since provisions only account for 4.9% (5.7%) of the balance sheet total, they have no significant financing function for the Group. Other liabilities increased to € 140.2 million (€ 117.8 million) on the balance sheet date. This increase can essentially be attributed to the first-time inclusion of the DOMCURA Group and is a result of liabilities from the underwriting business, whereby current liabilities increased to € 137.2 million (€ 115.5 million). These are essentially liabilities from operating activities. Current liabilities are offset on the assets side of the balance sheet by cash and cash equivalents of € 77.5 million (€ 49.1 million), largely influenced by incorporation of the DOMCURA Group as well as financial investments of € 147.9 million (€ 145.3 million) and other current assets of € 99.3 million (€ 104.2 million).

On the balance sheet date of December 31, 2015 there were financial commitments from rental and leasing agreements amounting to € 15.8 million (€ 14.5 million). These mainly constitute liabilities from the renting of our branch offices, as well as leasing of motor vehicles and office equipment. They can result in potential total liabilities of € 70.4 million (€ 59.6 million) by the year 2021. This is essentially due to incorporation of the DOMCURA Group, as well as the establishment of new consulting centres.

Liquidity analysis

Cash flow from operating activities increased to € 58.8 from € 32.3 million in the same period of the previous year. Here, significant cash flows result from the deposit business with our clients and from the investment of these funds.

Cash flow from investing activities changed from € -4.3 million to € -18.0 million. A higher volume of new investments in time deposits were made in the reporting period than in the same period of the previous year.

Condensed statement of cash flow

All figures in € million	2015	2014
Cash and cash equivalents at beginning of period	72.1	61.4
Cash flow from operating activities	58.8	32.3
Cash flow from investing activities	-18.0	-4.3
Cash flow from financing activities	-18.3	-17.3
Change in cash and cash equivalents	22.4	10.8
Cash and cash equivalents at end of period	94.5	72.1

As of the balance sheet date, December 31, 2015, the MLP Group has access to cash holdings of around € 174 million. A good level of liquid funds therefore remains available. There are sufficient cash reserves available to the MLP Group. Alongside cash holdings, free lines of credit are also in place. In 2015, the MLP Group was capable of meeting its payment obligations at all times.

Capital expenditure analysis

MLP generally finances capital expenditures from cash flow. As forecast, the total investment volume in intangible assets and property, plant and equipment decreased in the last financial year to € 12.8 million (€ 15.4 million). This drop can essentially be attributed to the previous year’s higher capital expenditure for IT systems to support sales, as well as operating and office equipment, in particular hardware.

Capital expenditure

All figures in € million	2015	2014	2013	2012	2011
Intangible assets	7.9	8.9	19.5	7.8	4.3
Goodwill	–	–	–	–	–
Software (developed in house)	0.4	0.4	0.4	0.4	0.4
Software (purchased)	0.4	1.1	0.6	0.4	0.2
Other intangible assets	–	–	0.0	0.0	–
Payments on account and assets under construction	7.1	7.4	18.5	7.0	3.6
Property, plant and equipment	4.8	6.6	2.9	6.7	3.5
Land, leasehold rights and buildings	0.7	0.4	0.4	0.4	0.2
Other fixtures, fittings and office equipment	3.1	4.2	1.8	5.4	3.2
Payments on account and assets under construction	1.0	2.0	0.8	0.9	0.0
Total capital expenditures	12.8	15.4	22.5	14.5	7.8

At € 11.2 million, the overwhelming majority of capital expenditure in the last financial year was related to investments in the financial services segment. These investments were made in operating and office equipment and here in particular in sales-supporting IT systems. They contribute to the continuous improvement of consulting support and client service. Alongside these capitalisable investments, we also use other intensive resources for these projects which are recognised as expenses in the income statement. Capital expenditure of € 0.8 million recorded in the FERI segment last year reflected investments in operating & office equipment, as well as intangible assets. Capital expenditure in the DOMCURA segment was € 0.5 million, focusing primarily on operating and office equipment.

Capital expenditure by segment

	Total capital expenditure		Change in %
All figures in € million	2015	2014	
Financial services	11.2	13.6	-17.6%
FERI	0.8	1.1	-27.3%
DOMCURA	0.5	–	–
Holding	0.3	0.7	-57.1%
Total	12.8	15.4	-16.9%

Net Assets

Analysis of the asset and liability structure

On the reporting date of December 31, 2015 the balance sheet total of the MLP Group increased by € 128.0 million to € 1,752.7 million (€ 1,624.7 million).

Further increase in balance sheet total

Intangible assets – essentially including the client base, brand and goodwill – increased from € 156.2 million to € 174.5 million. This increase is primarily associated with the aforementioned acquisition of the DOMCURA Group in the last financial year. At € 65.7 million (€ 66.0 million), property, plant and equipment remained stable. The "Investment property" item declined to € 0.0 million (€ 7.3 million). This was due to the reclassification of property to the "Non-current assets held for sale and disposal groups" item. As of the balance sheet date, this item amounted to € 6.0 million (€ 0.0 million). The difference reflects the write-down performed on this property back in the second quarter of 2015.

Receivables from banks in the banking business increased to € 600.3 million (€ 559.3 million). This rise is essentially the result of an increase in investments in daily deposits due on demand. Receivables from clients in the banking business also increased to € 542.7 million (€ 495.6 million). This can largely be attributed to an increase in loan exposure, as well as an increase in investments in promissory note bonds. Around 66% (66%) of receivables from banks and clients in the banking business have a term to maturity of less than one year.

At € 147.9 million (€ 145.3 million), financial investments remained virtually unchanged from the previous year. Cash and cash equivalents increased to € 77.5 million (€ 49.1 million). The main reason behind this development is the first-time inclusion of the DOMCURA Group in the scope of consolidation, as well as the profit transfers of MLP Finanzdienstleistungen AG and FERI AG for the financial year 2014. Among other factors, the dividend payment to our shareholders, as well as payment of a portion of the purchase price within the scope of the acquisition of the DOMCURA Group, had the opposite effect. You can find detailed information on the change in cash and cash equivalents in the chapter entitled → "Financial position".

Other receivables and assets fell from € 117.7 million to € 112.5 million. This item essentially contains commission receivables from insurance companies resulting from the brokerage of insurance products.

The equity capital backing of the MLP Group remains good. As of December 31, 2015, shareholders' equity was € 385.8 million (€ 376.8 million). The increase can essentially be attributed to the consolidated net earnings in 2015, as well as the aforementioned capital increase in exchange for non-cash contributions. Due to the higher balance sheet total, the equity ratio was 22.0% (23.2%). Based on Group net profit of € 19.8 million, we therefore achieved a return on equity of 5.1% (7.7%).

Equity capital backing remains good

Provisions fell from € 92.0 million to € 86.5 million, largely due to the lower provisions for cancellation risks and pensions.

The deposits of our clients (liabilities due to clients in the banking business) increased to € 1,102.6 million (€ 1,007.7 million) at the end of the reporting period. This increase is primarily attributable to short-term deposits held in bank accounts, credit cards and instant access savings accounts. Liabilities due to banks in the banking business rose to € 23.1 million (€ 17.4 million). This can be attributed to a higher volume of development loans being passed on to our clients. This item includes the refinancing funds from funding institutions.

Further increase in client deposits

Other liabilities increased to € 140.2 million (€ 117.8 million). This item essentially comprises current liabilities due to our consultants and office managers in connection with open commission claims (please also refer to the section entitled → "Financial position"). The increase is primarily the result of the first-time inclusion of the DOMCURA Group.

General statement on the economic situation

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

Comparison of the actual and forecast development of business

At the start of 2015, we issued a forecast for EBIT that indicated a slight increase over the previous year. We also made a qualitative estimate regarding the development of sales revenues.

Although we did not quite reach our target in the field of old-age provision, the field of health insurance recorded a slight increase as planned. In the field of wealth management, we surpassed our original forecast for a slight increase in revenue.

For administrative expenses, we had forecast a constant level of € 255 million. With actual administrative expenses of € 262.3 million (prior to acquisitions) in 2015, we remained largely within our budgetary framework.

With pro forma EBIT (prior to acquisitions) of € 32.5 million, we did not quite reach our original forecast level.

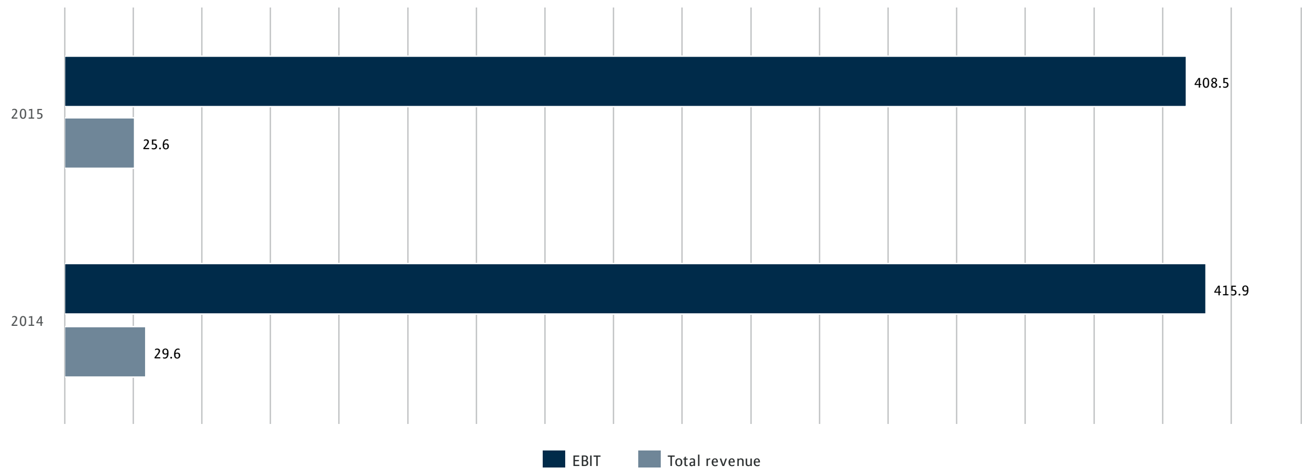
Segment report

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

Financial services segment

Total revenue in the financial services segment declined to € 408.5 million (€ 415.9 million) in 2015. This can essentially be attributed to the lower commission income in the field of old-age provision, which also had a corresponding effect at Group level. Development of the other key fields of consulting in this segment (health insurance, wealth management, non-life insurance) is in line with the positive development in the Group. As was the case in the Group, the loans and mortgages business also displayed positive development. At € 21.4 million (€ 22.9 million), revenue from the interest rate business was slightly below the previous year. This was due to the low interest rate.

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



Commission expenses fell to € 172.5 million (€ 176.0 million) due to lower commission income. Interest expenses also fell to € 1.9 million (€ 2.8 million) due to the low interest rate level.

At € 74.2 million (€ 72.8 million), personnel expenses were slightly above the previous year's level. This was primarily due to general salary increases. At € 9.5 million (€ 9.2 million), depreciation/amortisation and impairment remained virtually unchanged. The decrease in depreciation/amortisation was more than compensated by impairments. At € 126.7 million (€ 126.6 million), other operating expenses also remained at the previous year's level.

EBIT declined to € 25.6 million (€ 29.6 million), in particular due to a lower revenue level. The EBIT margin was 6.3%, following 7.1% in the previous year. The finance cost was € -0.3 million (€ -0.5 million). EBT declined to € 25.3 million (€ 29.0 million).

FERI segment

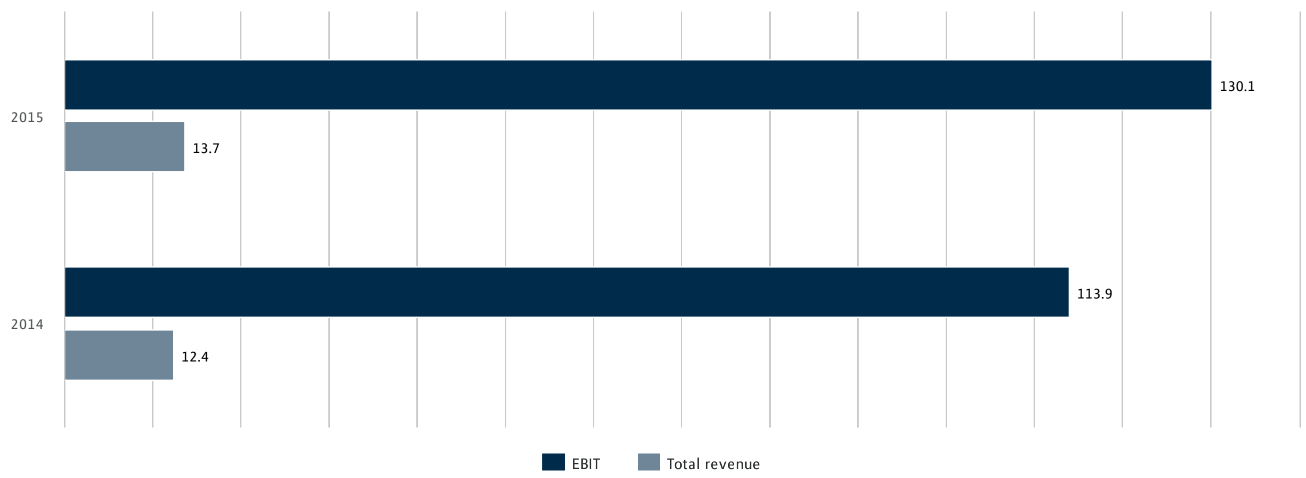
The FERI segment represents the activities of the FERI Group. Revenue is primarily generated in this segment from the wealth management field of consulting.

Total revenue increased to a record level of € 130.1 million (€ 113.9 million) in the last financial year. This increase can in particular be attributed to further gains in the field of fund administration, mandates gained and overall positive developments in terms of performance-based remuneration that FERI receives for the performance of client portfolios (performance fees).

Commission expenses increased to € 70.7 million (€ 60.3 million) as a result of increased revenue in the field of fund administration. Personnel expenses were € 30.4 million, following € 27.6 million in the previous year. This increase can essentially be attributed to higher variable remuneration than in the previous year. Depreciation/amortisation and impairment was € 1.8 million (€ 2.1 million). Other operating expenses increased from € 11.6 million to € 13.6 million, largely due to higher consulting costs within the scope of acquiring a license to operate as a capital management company ("KVG-Lizenz"), as well as the aforementioned changes to the corporate structure at FERI.

EBIT increased to € 13.7 million (€ 12.4 million) due to higher revenues. The EBIT margin was 10.6%, following 10.9% in the previous year. The finance cost was € -0.3 million, following € -0.7 million in the previous year. Accordingly, EBT improved to € 13.4 million (€ 11.7 million).

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



DOMCURA segment

The DOMCURA segment report encompasses the time period from its acquisition up to December 31, 2015 (around 5 months). The DOMCURA segment primarily generates revenue from the brokering of non-life insurance.

DOMCURA's business model is characterised by a high degree of seasonality. Accordingly, the subsidiary records high sales revenue and comparably high earnings in the first quarter of each year. This is then followed by a loss in Q2 to Q4. The total profit each year is therefore generated in the first quarter. However, this period is not included in our abridged reporting period for the financial year 2015. Nevertheless, the MLP Group carries full dividend entitlements for the entire year. The earnings recorded up to the point of closing are recorded in shareholders' equity.

Sales revenues reached € 20.0 million in the period under review since the initial consolidation. This primarily reflects the premium volume received. Other revenue was € 2.2 million. Total revenue therefore reached € 22.2 million. Commission expenses were € 13.5 million. These are essentially accrued as variable remuneration for brokerage services.

Administrative expenses were € 10.5 million. Of these expenses, € 5.1 million is attributable to personnel expenses. Depreciation/amortisation and impairment was € 0.7 million. Other operating expenses were € 4.7 million.

EBIT was € -1.8 million. The EBIT margin was -8.1%. The finance cost was € 0.0 million. The EBT recorded by DOMCURA was therefore also € -1.8 million.

You can find a detailed presentation of the earnings that would have been recorded if the acquisition had been made at the start of the year in Note 6. This provides an indication of the overall positive development.

Holding segment

The Holding segment does not have active operations. Total revenue in the financial year was € 11.0 million (€ 15.4 million). This revenue can essentially be attributed to the letting of buildings to affiliated companies. Among other factors, the previous year's figure was higher due to the reversal of provisions and a positive outcome for MLP in the negative declaratory relief claim against several former shareholders in FERI. Total revenue in 2013 was € 11.5 million.

Following one-off expenses in the previous year, personnel expenses dropped to € 3.8 million (€ 5.5 million). Depreciation/amortisation and impairment charges increased to € 3.2 million (€ 2.1 million). Among other factors, this was partly due to a greater one-off write-down as a result of a property being revalued. Other operating expenses amounted to € 10.7 million compared to € 10.5 million in the previous year. EBIT declined to € -6.7 million (€ -2.7 million) due to lower revenues. As already described at Group level, the finance cost took quite a hit as a result of interest payments due on a retrospective tax payment and therefore declined to € -2.3 million (€ -0.3 million). EBT consequently decreased to € -9.0 million, following € -3.0 million in the previous year.

Employees and self-employed client consultants

As MLP is a knowledge-based service provider, qualified and motivated employees and consultants represent the most important foundation for sustainable company success. An important focus in 2015 was therefore on continuous further development of personnel work, as well as on the qualification, further training, recruiting and development of new consultants.

Low staff turnover rate

The number of employees in the MLP Group increased by around 16.9% in the reporting year 2015 – largely due to the acquisition of the DOMCURA Group. On the reporting date, December 31, 2015, a total of 1,802 employees worked for MLP. Adjusted for the DOMCURA acquisition, however, the number of employees remained largely unchanged from the previous year at 1,541 (1,542). At 5.5%, the staff turnover rate at the company HQ remained at a low level in 2015 (2014: 4.5%). The average age of employees at MLP AG, MLP Finanzdienstleistungen AG, FERI AG and the DOMCURA Group is currently 40.

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

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

Segment	2015	2014	2013	2012	2011
Financial services*	1,300	1,303	1,306	1,265	1,324
FERI	235	232	244	251	249
DOMCURA	261	–	–	–	–
Holding	7	7	9	8	12
Total	1,802	1,542	1,559	1,524	1,584

As of December 31, 2015
* Incl. ZPC, ZSH and MLPdialog

Development programmes for managers and junior staff

To offer our employees even better development opportunities, we launched a modular “management programme” for team leaders in 2015. The objective here is to train existing managers in relevant topics and support them in their role with personnel responsibility. In the coming year, we will also be welcoming a new group of participants to our “Top Talents” programme for junior staff, which has been established since 2013. The goal is to systematically identify talented junior staff from within the company and then provide these with targeted and sustainable development opportunities for future specialist and management duties.

New company agreements on remuneration, assessment and special leave

In the course of further developing our personnel work, four company agreements were signed in the reporting year. Among other things, these involve introduction of a new remuneration system. The objective here is to establish a fair, transparent and motivating remuneration system that rewards personal experience, expertise and achievements on the part of employees, while at the same time remaining competitive. To complement this, a company agreement on holding appraisal meetings was signed. This also provides the basis for targeted sponsorship and development measures.

To offer our employees family-friendly framework conditions that are continuously expanded in keeping with the various phases of their lives, a company agreement that sets out uniform rulings for unpaid special leave was also signed in 2015. With this company agreement, MLP is granting its employees the opportunity to take extended periods of leave in certain circumstances, also in combination with regular leave and flexitime days.

Consultant turnover at a low level

As of December 31, 2015, MLP operated 156 representative offices with a total of 1,935 consultants (2014: 1,952), who work as self-employed commercial agents. The average age of consultants is currently just under 44. The low employee turnover rate is also very pleasing. This rate was just 8.3% in 2015 – and thereby well below the target maximum of 12% (+/- 2 percentage points).

Further progress in the process for recruiting new consultants

Acquiring new consultants was a key topic in the reporting year. To this end, MLP has established a training allowance for new client consultants to help them find their feet in the world of self-employment. They are eligible to receive up to € 24,000 in the first year and up to € 12,000 in the second year. With this step, we are combining high-quality basic and advanced training with improved planning reliability for new consultants.

Internship programme and dual study programme established

The new internship programme, launched in 2014, has now established itself. In the reporting year, some 142 school-leavers and students took the opportunity to get a better idea of what it is like working as an MLP consultant. Our sales-oriented dual study programmes, which were first launched in 2013 and help prepare students for a consultant career at the branch offices, represent another successful recruiting instrument. Some 24 dual study course students and 22 trainees are currently working at the various offices (previous year: 22 and 26), while 25 dual study course students and 23 trainees are working at the company HQ (previous year: 30 and 25).

Significant rise in the number of applicants

The number of applications for consultant positions also displayed positive development in the financial year 2015, increasing by 47% over the previous year. MLP increased its number of consultants over the previous year in both the third and fourth quarters. The recruiting offensive we launched last year is therefore clearly starting to bear fruit. In addition, we have opened a new office in the university city of Würzburg and are preparing to open further offices throughout Germany. You can find further information on the recruitment plans under “Performance forecast”.

Qualifications and further training as the key to success

As a consultancy covering all financial questions and issues, MLP operates in a complex and constantly changing market and competitive environment and must be capable of repeatedly convincing its clientele of the benefits associated with its services.

High-level qualifications and further training represent an indispensable prerequisite in achieving this. The MLP Corporate University (CU), based at the MLP headquarters in Wiesloch, sits at the very heart of our consultant qualification and training program. Following an extensive certification process, in 2013 it was the first corporate university to be awarded the “Certified Corporate University” international seal of approval from the Foundation for International Business Administration Accreditation (FIBAA). The training offered by the CU therefore complies with the international requirements of the European Credit Transfer and Accumulation System (ECTS), which simplifies cooperation with state universities.

“Financial planning” master’s programme in the pipeline

Preparations got underway on a cooperative study programme in the reporting year. In future, the CU will offer a master’s degree in financial planning in collaboration with a state university. The new master’s programme is aimed at young professionals and those in active employment, as well as graduates that are keen to add a master’s degree to their name. The degree course therefore offers our consultants an additional opportunity to gain further qualifications – which also makes it a supplementary instrument within the scope of our recruiting initiative.

The CU has already been accredited by the Financial Planning Standards Board Deutschland e.V. (FPSB Deutschland) for training to the Certified Financial Planner (CFP) standard since 2012 – since which time around 140 financial planners have been trained. Further consultants are also currently in training. In the reporting year, we successfully completed the re-accreditation process, which needs to be regularly repeated. Our accreditation was extended by the FPSB Deutschland for five years up to 2020. The Academic Advisory Board at the MLP Corporate University, which underpins the quality of the basic and advanced training offered at MLP with its broad academic expertise, was also re-appointed in April 2015 on a regular cycle.

Re-accreditation successfully completed

The importance of qualifications and further training is reflected in numerous seminars and events. In 2015, around 900 individual events were held at the CU. The number of central training days (including online seminars) was around 17,700. Alongside numerous training sessions on specialist and consulting-related topics, one focus was on the introduction of a new training programme for consultants that focuses on real estate brokerage. Further expansion of this is planned for 2016.

In the last financial year, total expenditure on qualifications and further training was € 7 million, which was roughly the same level as in the previous year.

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

A big thank you to our employees

Events subsequent to the reporting date

The efficiency measures which are described in the forecast were agreed by the end of February. In addition there were no further appreciable events after the balance sheet date affecting the net assets, financial position and results of operations of the MLP Group.

Remuneration report

Principles of Executive Board remuneration

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

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

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

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

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

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

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

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

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

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

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

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

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

Allocation	Dr. Uwe Schroeder-Wildberg		Reinhard Loose		Manfred Bauer		Muhyddin Suleiman	
	Chairman of the Board		Chief Financial Officer		Member of the Board for Products and Services		Member of the Board for Sales	
	since Jan 1, 2003		since Feb 1, 2011		since May 1, 2010		until Mar 31, 2014	
All figures in €'000	2014	2015	2014	2015	2014	2015	2014	2015
Fixed compensation	550	550	360	360	360	360	360	0
Fringe benefits	30	30	16	17	26	27	20	0
Total fixed compensation	580	580	376	377	386	387	380	0
One-year variable compensation	213	239	124	158	142	160	99	0
Multi-year variable compensation	0	290	0	186	141	232	0	0
Bonus 2010 (2010-2013)	0	0	0	0	141	0	0	0
Bonus 2011 (2011-2014)	0	290	0	186	0	232	0	0
Other	0	-27	0	-17	0	-23	0	0
Total fixed and variable compensation	793	1,083	500	703	669	756	480	0
Pension benefits	205	297	140	140	150	150	158	0
Total compensation (in accordance with the German Corporate Governance Code (DCGK)	998	1,380	640	843	819	906	638	0

Granted remuneration

Benefits granted				Dr. Uwe Schroeder-Wildberg				Reinhard Loose
				Chairman of the Board				Chief Financial Officer
				since Jan. 1, 2003				since Feb. 1, 2011
All figures in €'000	2014	2015	2015 (min.)	2015 (max.)	2014	2015	2015 (min.)	2015 (max.)
Fixed compensation	550	550	550	550	360	360	360	360
Fringe benefits	30	30	30	30	16	17	17	17
Total fixed compensation	580	580	580	580	376	377	377	377
One-year variable compensation	190	194	136	252	152	129	90	168
Multi-year variable compensation	317	283	–	990	254	189	–	660
Bonus 2014 (2014-2017)	317	0	–	0	254	0	–	0
Bonus 2015 (2015-2018)	–	283	–	990	–	189	–	660
Total fixed and variable remuneration	1,087	1,058	713	1,822	781	695	467	1,205
Pension benefits	205	297	297	297	140	140	140	140
Total compensation (in accordance with the German Corporate Governance Code (DCGK))	1,292	1,354	1,013	2,119	921	835	607	1,345

Benefits granted				Manfred Bauer				Muhyddin Suleiman
				Member of the Board for Products and Services				Member of the Board for Sales
				since May 1, 2010				until Mar. 31, 2014
All figures in €'000	2014	2015	2015 (min.)	2015 (max.)	2014	2015	2015 (min.)	2015 (max.)
Fixed compensation	360	360	360	360	360	0	0	0
Fringe benefits	26	27	27	27	20	0	0	0
Total fixed compensation	386	387	387	387	380	0	0	0
One-year variable compensation	152	129	90	168	0	0	0	0
Multi-year variable compensation	254	189	0	660	0	0	0	0
Bonus 2014 (2014-2017)	254	0	0	0	0	0	0	0
Bonus 2015 (2015-2018)	0	189	0	660	0	0	0	0
Total fixed and variable compensation	792	705	477	1,215	380	0	0	0
Pension benefits	150	150	150	150	158	0	0	0
Total compensation (in accordance with the German Corporate Governance Code (DCGK))	942	855	627	1,365	538	0	0	0

As of December 31, 2015, pension provisions totalling € 16,139 thsd (€ 17,631 thsd) were in place for former members of the Executive Board.

Remuneration of the members of the Supervisory Board

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

Individualised Supervisory Board remuneration

All figures in €'000 (without tax)	Remuneration 2015	Remuneration 2014
Dr. Peter Lütke-Bornefeld (Chairman)	135	135
Dr. h. c. Manfred Lautenschläger (Vice Chairman)	100	100
Dr. Claus-Michael Dill	90	90
Johannes Maret*	25.3	55
Tina Müller**	23.6	–
Burkard Schlingermann	55	55
Alexander Beer	65	65
Total	494	500

* until June 18, 2015
** from June 18, 2015

In the financial year 2014 € 17 thsd (previous year: € 22 thsd) was paid as compensation for expenses.

Risk report

Risk management system

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

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

Group-wide risk management

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

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

Segment	Company	IFRS scope of consolidation	MaRisk scope of consolidation (§25a German Banking Act (KWG))
Holding	MLP AG	X	X
	MLP FDL AG	X	X
	TPC GmbH	X	
	ZSH GmbH	X	X
	MLPdialog GmbH	X	
Financial services	MLP Hyp GmbH	X	
	FERI AG	X	X
	FERI Trust GmbH	X	X
	FEREAL AG	X	X
	FERI EuroRating Services AG	X	X
	FERI Trust (Luxembourg) S.A.	X	X
FERI	FERI Institutional & Family Office GmbH	X	X
	Schwarzer Familienholding GmbH	X	X
	DOMCURA AG	X	X
	NORDVERS GmbH	X	X
	F&F Makler AG	X	X
	Nordias GmbH Versicherungsmakler	X	
	Ralf W. Barth GmbH	X	
	Willy F. O. Köster GmbH	X	
DOMCURA	Siebert GmbH Versicherungsmakler	X	

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

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

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

Risk policies

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

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

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

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

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

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

Objective

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

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

Risk capital management and stress tests

Risk capital management – risk-bearing ability

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

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

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

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

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

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

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

As it has the largest business volume and greatest earning power, MLP Finanzdienstleistungen AG bears the greatest risks within the Financial Holding Group. This is also reflected in the allocation of 72% of the risk coverage fund to the financial services segment.

Stress tests

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

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

Organisation

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

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

Functional separation

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

Group Risk Manager

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

Risk controlling function

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

Compliance function

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

Risk management and controlling processes

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

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

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

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

Controlling monitors earnings trends

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

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

Internal controlling system in the accounting process

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

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

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

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

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

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

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

Internal audits

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

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

Risk reporting

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

Risk reports are submitted to the controlling units, the Executive Board and the Supervisory Board. Those receiving the reports are informed promptly and comprehensively of changes to relevant influential factors.

Statement of risks

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

Even after the acquisition of Schwarzer Familienholding GmbH, there were no significant changes to the risk profile in 2015 compared to the previous year.

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

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

Financial risks

Counterparty default risks

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

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

Concentration of risk

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

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

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

Credit management

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

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

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

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

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

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

Loan loss provisions

Amount in € million (previous year)	Opening balance	Allocations	Reversals	Utilisation	Closing balance
Specific allowance for doubtful accounts	7.7 (9.0)	1.3 (1.3)	1.1 (1.2)	1.2 (1.5)	6.7 (7.7)
General allowance for bad debts	5.4 (5.8)	0.0 (0.6)	0.1 (0.1)	0.9 (0.9)	4.5 (5.4)
General allowance for doubtful accounts	5.3 (5.7)	0.0 (0.1)	0.8 (0.2)	0.0 (0.3)	4.5 (5.3)
Provisions	0.3 (0.4)	0.0 (0.0)	0.1 (0.1)	0.0 (0.0)	0.2 (0.3)
Total	18.7 (20.8)	1.4 (2.1)	2.1 (1.5)	2.1 (2.7)	15.9 (18.7)

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

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

Market price risks

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

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

Interest rate risks

Interest rate risks essentially come about from incomplete congruency of interest rate agreements between the loans granted and their refinancing. Market price risks are also caused by internal business activities. These maturity transformation risks are continuously monitored and assessed in compliance with supervisory requirements (stress scenarios).

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

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

The interest risks in the asset ledger of the MLP Financial Holding Group, which are calculated monthly, are as follows:

	Interest rate shock/parallel shift			
	Change in value +200 BP		Change in value -200 BP	
Amount in € million	2015	2014	2015	2014
Total	-15.1	-2.7	6.5	1.4

Price risks

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

Liquidity risks

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

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

Operational liquidity control

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

Structural liquidity control

The funding matrix is the central instrument of structural liquidity control at the MLP Financial Holding Group and also a preliminary step towards economic analysis of additional refinancing costs. It indicates for each time frame whether there is a surplus or possible shortfall of financing means and thereby allows open liquidity items to be controlled. The liquidity value at risk (LVaR), which indicates the additional refinancing costs required to close open liquidity items, is another key instrument of structural liquidity control and is also used in risk capital management. When determining the LVaR as of December 31, 2015, net cash inflows for the year were in line with forecasts and no additional refinancing costs are thus expected to occur. If, contrary to expectations, net cash outflows should occur, sufficient cash reserves are available. The liquidity risk in the MLP Financial Holding Group results primarily from MLP Finanzdienstleistungen AG as the deposit-taking bank. The refinancing structure is based largely on client deposits. There are no plans to issue any promissory note bonds or securities. Appropriate short and medium-term credit lines have also been agreed to safeguard against a possible short-term liquidity shortfall.

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

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

Operational risks

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

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

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

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

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

Risks from internal procedures

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

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

Human resources risks

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

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

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

IT risks

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

Risks from external events

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

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

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

Internal security measures are also set up in such a way that any attempts at fraud, burglary or theft are thwarted before they begin.

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

In 2013, the significant legal provisions and stipulations for the MLP Financial Holding Group were identified within the scope of the requirements of the Compliance function in line with Section 4.4.2 of Germany's "MaRisk" minimum risk management requirements. Failure to comply with these provisions and requirements could pose a considerable threat to the assets of the MLP Group. As per Germany's "MaRisk" minimum risk management requirements, the Compliance function works towards implementation of effective procedures, alongside corresponding control measures by the competent departments, to comply with the significant legal stipulations and internal regulations and provides regular reports, including ad-hoc reports when and where necessary, on its activities to the Executive Board and the Supervisory Board.

Legal risks

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

Taxation risks

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

Other risks

Reputation risks

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

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

General business risks

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

Current topics, such as the Life Insurance Reform Act (LVRG), as well as the ongoing low interest rate environment and associated lack of willingness among German citizens to save, are leading to great uncertainty. The ever stricter regulations in the banking and financial services sectors also continue to influence our business. In addition to this, we are facing growing competitive pressure in the financial sector from new, innovative market actors (FinTechs). More detailed information on the environment, sector and competitive situation can be found in the "Economic report and forecast".

No quantification of other risks is currently performed within the scope of internal risk management. However, to adequately control the risks resulting from this, an adequate buffer is included in the risk-bearing ability.

Leverage risk

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

Resolutions of the G20 nations, as well as recommendations of the Basel Committee consider introduction of the "leverage ratio" to be a prudent supplementary measure to the Basel-III framework regulations. The further recommendation on the part of the European Parliament is that institutes should also monitor both the level of and any changes to their leverage ratio and leverage risk within the scope of their processes for assessing risk bearing ability.

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

Initial calculations and reports on the leverage ratio show that the MLP Financial Holding Group is not currently subjected to any significant leverage risk.

Results of the analysis of risk-bearing ability

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

In 2015, the Executive Board made a risk coverage fund available based on the risk coverage potential (sum of free supervisory equity and plan EBT) up to an upper threshold of € 100 million to cover the following risk types that MLP categorises as significant: counterparty default risk, market price risk, liquidity risk, operational and other risks.

With a share of 44% each, counterparty default risks and operational risks take up the majority of the risk coverage fund available. At 72%, the financial services segment ties up the majority of risk capital.

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

Risk bearing ability of the MLP Financial Holding Group

Risk bearing ability	2015 Utilisation (in %)	2014 Utilisation (in %)
Risk and capital commitment	75.2	71.0
thereof:		
Counterparty default risk	79.6	73.4
Market price risk	53.7	62.5
Operational risk	80.5	75.2
Liquidity risk	–	–

Capital adequacy requirements under banking supervisory law

The backing of risk assets with eligible own funds for tier 1 capital generally requires a minimum ratio of 4.5%. As in the previous year, these requirements did not change during the financial year 2015, even with introduction of the Capital Requirements Regulation (CRR).

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

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

As was also the case in the previous year, the MLP Financial Holding Group fulfilled all legal requirements relating to minimum capital adequacy throughout the financial year 2015. The relationship between the risk assets and equity capital on the balance sheet date is illustrated below.

Supervisory KPIs

Shareholders' equity (in € million)	2015	2014
Tier 1 common capital	211.2	228.2
Tier 1 additional capital	–	–
Tier 2 capital	–	–
Eligible own funds	211.2	228.2
Capital adequacy requirements for counterparty default risks	70.4	71.2
Capital adequacy requirements for operational risk	47.5	45.7
Equity ratio (at least 8%)	14.33	15.62
Tier 1 common capital ratio (at least 4%)	14.33	15.62

Summary

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

Both the MLP Financial Holding Group as a whole as well as the business segments always acted within the scope of their financial risk-bearing ability in 2015.

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

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

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

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

Opportunity report

Opportunity management

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

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

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

Opportunities

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

Opportunities from changing framework conditions

The economic forecasts for the year 2016 suggest only limited opportunities for MLP. Although economic experts are assuming that Germany will enjoy further growth, the aforementioned reservations on the part of clients when it comes to signing long-term savings contracts will hinder progress. In the mid to long term, however, the greater need for private and also occupational pension provision should increase demand for these two products significantly again – particularly among MLP's target groups. Should the German economy enjoy better development than assumed in our forecast, this will only have an indirect influence on short-term operating developments. However, should the reservations disappear altogether (contrary to our expectations) when it comes to signing long-term contracts, this would have direct positive effects for MLP.

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

Corporate strategy opportunities

We see corporate strategy opportunities primarily in MLP's positioning as a partner for all financial matters, a position which has been particularly strengthened over the last few years. Alongside support for private clients, we are now increasingly focusing on our business with corporate clients and institutional investors. In cooperation with our Group companies TPC, DOMCURA and FERI, we will further expand our portfolio for corporate clients and institutional investors in the areas of investment, risk management, non-life insurance and occupational pension provision. Additional opportunities could present themselves to MLP if the German federal government were to provide greater support – particularly in the field of occupational pension provision – as has been set out in the coalition agreement and which is constantly being discussed by the governing parties.

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

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

Business performance opportunities

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

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

We are also keen to use a more targeted penetration of our client base to achieve growth, in particular in the field of wealth management. Since our clients are generally very well-trained and thereby have excellent income prospects, they have a continuous need for sound financial advice and hold corresponding revenue potential.

The private client business is not the only area in which we see opportunities for winning and supporting new clients. There is also a high demand for independent, professional consulting in the business with corporate clients and with institutional clients, which we have now bundled at our subsidiary FERI. Particularly for institutional investors and high net-worth families, the need for consulting services is on the rise, above all in the field of alternative investments. In the non-life insurance sector, DOMCURA offers market actors such as brokers and other intermediaries a diverse product portfolio. The strengthening of the corporate client business thanks to the DOMCURA Group's commercial and industrial brokers will generate further revenue potential.

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

Opportunities from financial risks

The counterparty default risk measures are based on assumptions regarding future developments of macroeconomic circumstances, as well as developments on the credit markets. Economic framework conditions of this kind may develop more positively than anticipated, which could lead to lower potential losses than quantified by the risk measures. Any such potentially positive effects would present opportunities for MLP, which could be used to reduce risks.

These opportunities could in particular present themselves if the loss rates of non-performing loans in future are lower than assumed within the scope of risk quantification. In addition to this, positive developments in terms of loss rates might lead to a lower risk value than initially quantified. Even downward volume or utilisation trends in the credit portfolio can present opportunities in terms of the counterparty default risk. This can, for example, be caused by debtors paying off their loans faster than expected based on the contracts in place.

In terms of market price risks (uncertainty regarding changes in market prices, including interest rates, share prices, exchange rates and raw material prices, as well as the correlations and volatilities that exist between these), opportunities can also arise in the event of market developments that are more favourable than anticipated.

We have not identified any other opportunities which could result in significant positive development of MLP's economic situation in future.

Summary

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

FORECAST

Future overall economic development

The economic recovery in the eurozone remains crisis-prone. Indeed, the economic experts at FERI expect the exogenous driving forces of moderate growth, such as low energy prices and a weak euro, to lose their effectiveness and domestic growth stimulus to remain weak. Although a monetary policy geared towards continuous expansion will secure moderate growth in 2016, this growth will likely be characterised by reduced dynamics over the course of the year.

Moderate growth anticipated in Germany

For Germany, FERI believes that the economic dynamics are likely to remain weak albeit positive. The economy continues to rely on strong domestic demand on the basis of good employment market developments and discernible salary increases, accompanied by very low inflation rates. In the short-term, domestic demand will also be boosted by the need to provide subsistence for around one million migrants in 2015 and further asylum seekers in 2016. The rather muted export prospects with regard to the emerging economies and the US represent a risk of reduced growth dynamics.

On the basis of the aforementioned framework conditions, FERI anticipates eurozone growth of 1.5% for 2016 and 1.7% for 2017. In their forecast for Germany, the economic experts are predicting growth of 1.5% for 2016 and 1.9% for 2017.

Unemployment remains low

Based on estimates of the Institute for Employment Research of the German Federal Employment Agency (IAB), the employment market in Germany will continue to display robust development. In terms of the annual average for 2016, the IAB is forecasting a slight increase of 70,000 unemployed persons to a total of 2.87 million. The immigration of refugees will play a part here, although the effects of this cannot currently be accurately estimated. The labour requirements of companies remain high and the number of redundancies low. The employment market experts at the IAB are therefore predicting an increase in total employment figures of around 250,000 persons in 2016. Overall the German employment market is in a good condition.

Increasing salaries and wages

In its autumn forecast, the German government stated that it expects net wages and salaries to increase by 2.4% per employee in 2016 and that private households in Germany will enjoy a 2.8% increase in disposable income. In connection with low price increases, the significant income gains observed are facilitating considerable rises in private consumption expenditure. According to a forecast published by the German government, price-adjusted expenditure is likely to increase by 1.8% in 2016. The consumption expenditure of private households therefore continues to represent the key pillar of growth in Germany.

Savings rate remains stable

The Insurance Markets Taskforce of the German Insurance Association (GDV) expects the savings rate to remain at the current level of 9.7% in 2016. The experts attribute the slight increase in the propensity to save observed among private households in the reporting year to growing uncertainty regarding the employment market situation as a result of the many refugees coming into the country. According to the German Federal Statistical Office, the savings rate is currently at 9.7%.

Future industry situation and competitive environment

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

Old-age provision

In future, private and occupational pension provision will have to assume an increasingly important role in Germany. Despite the reservations currently being felt by many citizens, there is still massive market potential in the medium to long term. This is the conclusion of a survey conducted by the German Insurance Association (GDV). The majority of German citizens (56%) would be prepared to invest more money into private old-age provision plans – if the state provided more incentives to do so. Most citizens are acutely aware of the need to take action. Indeed, 84% are convinced that private provision is the only way for pensioners to maintain their standard of living in future. Yet despite this, not even half (48%) are currently putting additional money aside for this. The situation is even more acute among 18 to 24-year olds, where only one in four (25%) has private provision in place.

The majority of German citizens do not wish to restrict themselves

According to a survey performed by TNS Infratest, only one in three German citizens is willing to accept financial restrictions in order to make additional savings for private old-age provision. A survey performed by the German Pension Institute (DIA) indicates that even only one in four citizens are willing to save more towards this goal in the next twelve months – despite the fact that two thirds of German citizens know that their own provision plans are inadequate. The main reasons stated by German citizens for not investing in old-age provision plans are that they simply do not have enough money to save for their pension (34%) and that they have other priorities (44%). This was the result of the "Investor Pulse" survey performed by wealth management company BlackRock.

Increasing risk of old age poverty and worries of a drop in standard of living in later life

More than half of those in gainful employment in Germany (59%) state that they are increasingly worried about the risk of old age poverty. This was the result of a survey conducted by AXA. Based on this, 39% of those in active employment expect to suffer a reduction in their quality of life when retired. This is one third more than in the AXA survey conducted ten years ago (29%). Almost half of those in gainful employment (44%) believe that their retirement income will not be sufficient. These worries appear to be justified, as the number of poor pensioners has risen sharply since 2005 – from 10.7% to 15.6%, as indicated by the latest figures from the German Federal Statistical Office.

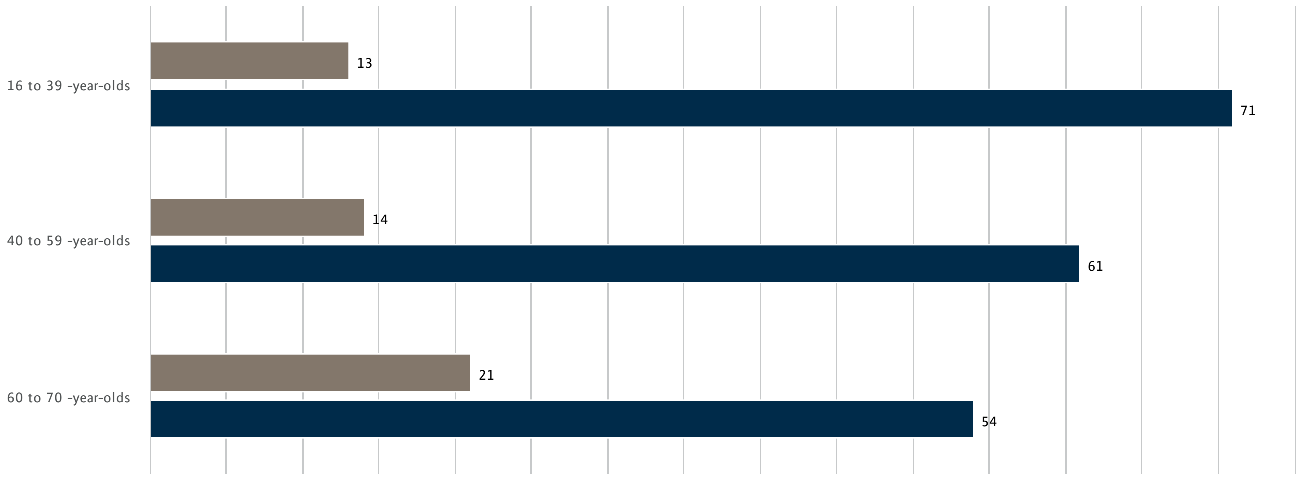
Statutory pension continues to decline

According to the latest Pension Insurance Report of the German government, already back in 2014 the standard pension level (net before taxes) represented 48.1% of the last income earned. This figure is likely to drop to 44.6% by 2029. A survey commissioned by the German Insurance Association (GDV e.V.) and performed by the Prognos Institute predicts that the pension will drop even further to 39% by 2040.

Life expectancy significantly underestimated

Most German citizens massively underestimate their own life expectancy – and thereby also how long they will need to live on their old-age provision plans. This is according to a survey conducted by the ERGO Insurance Group, which states that only one in five German citizens (20%) expects to live to 90 or beyond. However, anywhere from half to two thirds of German citizens (55% to 70%) are actually expected to reach this age. Private pension insurance provides peace of mind for this so-called longevity risk. According to a survey conducted by the Allensbach Institute on behalf of the German Insurance Association (GDV), two thirds (68%) of German citizens already wish to sign up for a lifelong guaranteed private pension, which is 8% more than in 2011.

People considerably underestimate their own life expectancy (all disclosures in %)



Sources: IPSOS, ERGO insurance group

Occupational pension provision on the rise

Occupational pension provision is set to become even more important in Germany. A study performed by Zürich Versicherung predicts that 61% of employees working for a company that offers occupational pension provision will make use of this additional insurance in 2016. This corresponds to a 7% increase in the penetration of occupational pension provision within just one year. Added to this is the fact that one in six companies (17%) that do not currently offer any occupational pension provision schemes are intending to do so.

According to a survey performed by Towers Watson, almost half of German companies (46%) are anticipating increased demand for employer offers in the fields of healthcare and occupational pension provision by 2020. The majority of German companies surveyed therefore believe that it will be their duty in future to provide old-age provision (64%) and health provision (60%) for their staff. There is also a great deal of catching up to be done, as only one in three companies (32%) believe that they are already well-positioned in terms of the provision options they offer their employees up to 2020. Almost exactly the same number (34%) consider it unlikely that their existing offers will remain viable in the mid-term. This leads to significant market potential for consulting services in the mid-term.

Potential improvement of framework conditions

The Chair of Taxation and Accounting at the University of Würzburg has been commissioned by the German government and is currently working on drafting improvement proposals for the tax-related and social law framework conditions of occupational pension provision. The objective here is to remove existing barriers and create new incentives for extending the scope of occupational pension provision. Results of the study are expected to be published in Q1 2016. At the same time, however, the world of politics can potentially also have negative effects. These for example include the new funded "Pension for Germany" (Deutschlandrente) currently being discussed in the coalition. As a centrally managed pension fund in state hands, this could potentially compete with current private and occupational pension provision plans through insurers and investment companies.

New old-age provision products still receive too little attention

In light of the ongoing period of low interest rates, life insurers are today facing significant challenges. In the field of old-age provision, providers are currently streamlining their efforts on new products with modified forms of guarantee.

Based on this, the analyst company Assekurata expects product selection and accompanying consultancy services to become more individual and complex. In addition, experts are predicting that alternative occupational disability insurance policies with reduced scope will become more important. This is because these policies can also be aimed at clients with increased occupational risks who would otherwise simply not be able to afford full coverage.

According to a survey performed by the German Pension Institute (DIA), one-off contract and marketing expenses have fallen by an average of 28.6% for classic pension insurance policies, by 25.5% for classic Riester pensions and by 33.5% for unit-linked Riester pensions since the start of 2015 as a result of the Life Insurance Reform Act (LVRG). The survey largely attributed this development to the reduction in the maximum zillmerisation rate.

Life Insurance Reform Act (LVRG) leads to changes in cost structure

Although the market potential remains promising in the mid-to-long-term, no real improvements should be expected in the short-term. Due to the ongoing period of low interest, German citizens are likely to continue displaying reservations in terms of signing long-term provision contracts in 2016. The Insurance Markets Taskforce of the German Insurance Association (GDV) is forecasting a drop in premium income in the field of life insurance of around 1% for 2016. Drops are being predicted both in regular premium income and the single-premium business.

Health insurance

Further reforms are to be expected in the German healthcare system over the course of the next few years. This is because both statutory and private health insurances are facing future financing challenges.

MLP believes that many statutory insurance policy holders will continue to look for sustainable and attractive alternatives, for example by switching to private health insurance or seeking to improve their individual cover with private supplementary insurance policies.

People insured in the statutory healthcare system can expect to see significant increases in their premiums over the next few years. Based on estimates of the National Association of Statutory Health Insurance Funds (GKV-Verband), the additional premium for the healthcare funds could double by 2019 to between 1.4% and 1.8%. In 2015, more than 60% of all statutory insurance policy holders paid an additional premium of 0.9%. The average additional premium for 2016 will be 1.1%. According to estimates of the Association of Statutory Health Insurance Funds (GKV-Verband), the premium rate for statutory health insurance is set to rise from its current level of 15.5% to between 16.0% and 16.4% by 2019.

Statutory health insurance providers charge ever higher additional premiums

MLP believes that the increases in additional premiums will motivate more people who are currently paying into the statutory healthcare system to switch to private policies – thereby creating new market dynamics in the mid-term. According to ratings agency Assekurata, however, no such desire to switch to private policies should be anticipated in the short-term in the field of comprehensive private insurance, despite the fact that the additional premiums in the statutory health insurance system are increasing.

Private health insurance providers are keen to use a new guideline to make it easier for customers to switch tariffs. The clear and binding code of conduct for insurers, drafted by the industry association, is set to be adopted bindingly by all participating companies no later than 2016.

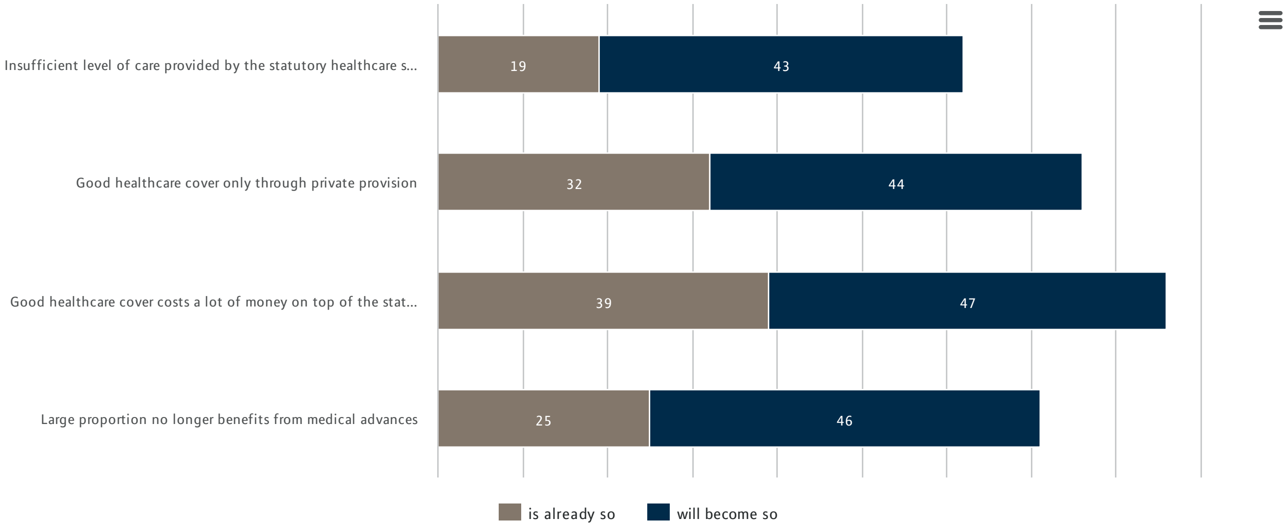
New tariff change guidelines should make private health insurance more attractive

The Assekurata ratings agency believes that the new guidelines will make private health insurance more attractive. At the same time, experts recommend those wishing to make the switch to attend a consultation with a broker. In fact, this is also explicitly stated in the guidelines. MLP expects to see positive stimulus from this and has extended its advisory services in this field accordingly (you can find further information on this in the chapter entitled “Performance”). The Insurance Markets Taskforce of the German Insurance Association (GDV) is forecasting a slight overall increase in premium income of 1.5% in the field of private health insurance for 2016.

Many of those paying into the statutory health insurance system remain sceptical about the future of the healthcare system in Germany. According to the "Continentale Study 2015", almost two thirds of German citizens surveyed (62%) do not believe that the statutory health insurance system will be able to provide them with proper medical care in future. More than three quarters (76%) believe that good healthcare provision can only be secured through additional private provision either now or in the future.

Additional private health provision extremely important for the vast majority

Development of the German healthcare system (all figures in %)



Basis: 1,170 statutory health insurance policy holders, Source: Continentale Krankenversicherung a.G.

A representative survey published by MSR Insights confirms that private supplementary insurance policies in particular hold great growth potential. In addition to this, the latest Healthcare Barometer published by PwC indicates that just under two thirds (61%) of statutory insurance policy holders in Germany currently do not have any supplementary insurance in place.

Supplementary insurances with new flexible tariffs

The Assekurata ratings agency expects insurers to react to the slightly declining growth rates in the field of supplementary insurance with new, flexible modular out-patient care tariffs. These systems allow customers to select supplementary insurance coverage more specifically according to their own personal requirements.

The Second Act to Strengthen Long-term Care, which came into force on January 1, 2016, is likely to provide new impetus for the private long term care provision market (you can find more detailed information on this in the forecast chapter entitled "Competition and regulation"). This long-term care reform will also require insurers to revise their private supplementary policies in the field of long-term care provision. The reason for this is that for many tariffs the level of services provided is based on the care level defined in the statutory system.

Long term care provision offers great growth potential in the mid-term

The Assekurata ratings agency considers the restructuring of tariffs as one reason why growth in the field of supplementary long-term care insurance has slowed down recently. However, the experts generally agree on the future need for private provision to cover long-term care. According to a survey of brokers undertaken by Assekurata Solutions, more than three quarters of the brokers questioned (80%) believe that their customers have a high to extremely high need for coverage in this field. Assekurata expects further improved tariffs to hit the market in the course of the Care Reform Act in 2017 – when the three care levels currently defined will become five degrees of care that cater more effectively to individual nursing care requirements. A market study undertaken by MSR Insights also suggests that there is significant growth potential here – as not even one in five policy holders currently has a private long-term care insurance policy in place.

Wealth management

Ever greater wealth will increase the need for high-quality wealth management services in the long term. In its 2015 Global Wealth Report, the Boston Consulting Group expects global private assets to increase by just under 35% annually and exceed US$ 222 trillion by 2019. The report also anticipates significant gains for Western Europe, where monetary assets are likely to increase by almost one quarter to US$ 49 trillion by 2019.

Growing need for advisory services in the field of old-age retirement planning

Just under a third of German citizens (30%) aged between 45 and 65 with disposable wealth of at least € 200,000 intend to convert their monetary assets or invest them in a more suitable solution for their retirement. This was the result of a YouGov survey on the topic of old-age wealth planning. One in four (25%) are also planning to seek out corresponding advisory services within the next 18 months – primarily with independent financial consultants (35%) and asset managers (29%).

German citizens expect interest rates to remain low

Only one in five German citizens (20%) expects interest on investments to increase again in 2016. Almost half (44%) believe that the rates will remain at their current historical low level. 25% even believe that they may drop further. This is according to a recent survey conducted by Postbank.

Wave of inheritance in Germany

Over the next few years, massive transfers of wealth are to be expected in Germany. Around € 3.1 trillion will be inherited by private households by 2024 – which represents just under 30% of total assets held by private households in Germany. This is the conclusion of a survey conducted by DIA, according to which an average of € 363,000 is to be passed on per inheritance.
Almost one third (31%) of respondents in a YouGov study are also planning to use inheritances in their retirement plans – alongside their own real estate assets and life insurance policies; 44% are already doing this, at least in part.

Increased consolidation among independent wealth management companies

Individual independent asset managers are likely to disappear from the market over the course of the next few years as a result of poor competitiveness – this is the conclusion of the UVV-Study 2015 – Focus on Germany by Simon, Kucherer & Partners. Around 20% of independent asset managers in Germany manage a volume of less than € 50 million. Based on these values, the authors of the study believe that it will no longer be possible for such managers to continue operating in the long-term due to the ever stricter regulatory and technical requirements.

Alternative investments increasingly in demand among large-scale investors

Due to the continuing low interest rate environment, institutional investors in particular are increasingly looking for alternative investments. PwC expects that around US$ 15.3 trillion of global assets under management will be invested in alternative investments in 2020 – almost double the level recorded in 2013 (US$ 7.9 trillion). According to PwC, only passively managed funds, in particular index funds, are likely to grow slightly faster.

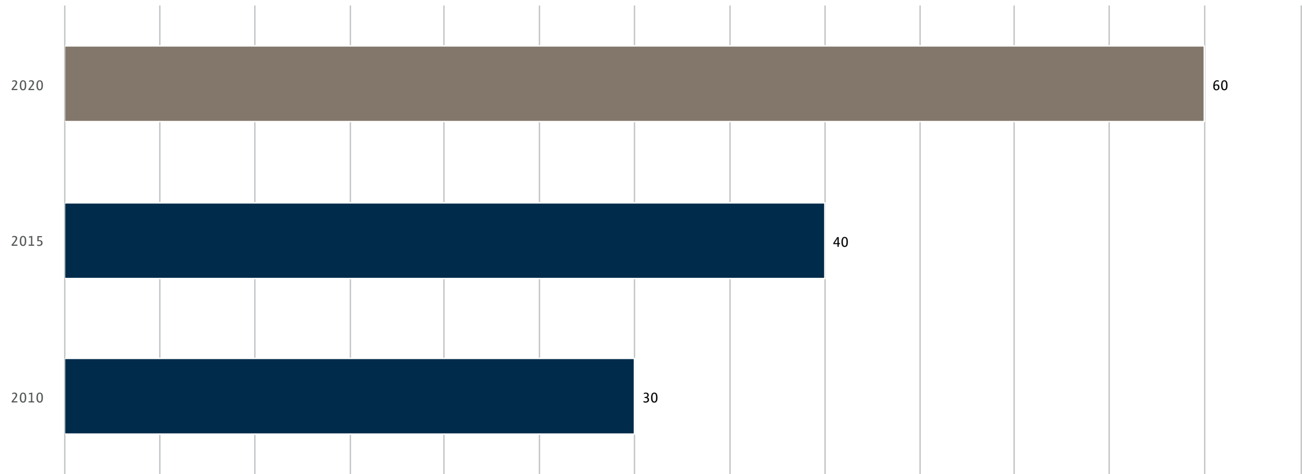
Market environment remains difficult

All in all we expect that 2016 will be a challenging year for investors. Based on estimates of FERI, trust in the effectiveness of monetary policy has already been dented. If this trend continues, the global financial markets could encounter setbacks in 2016. Although shares could in principle benefit from continued quantitative easing, the risk that this effect may eventually cancel itself out is growing. In general, the capital market environment is likely to remain difficult and investors are likely to remain risk-averse. Within this context we expect to see an increased need for consulting services in the field of professional wealth management among all of the Group’s target client groups over the course of the next few years.

Non-life insurance will play an increasingly important role in the market in future. Independent brokers in particular expect the non-life insurance business to become far more important over the course of the next few years. According to a survey of insurance brokers and multiple agents performed by AssCompact, 40% currently consider composite business to be very important. Five years ago, only 30% believed this to be the case. For 2020, 60% of respondents already expect it to be very important. Many market actors are keen to compensate for their declines in revenue in the old-age provision business, which were caused by introduction of the Life Insurance Reform Act (LVRG), by expanding their non-life insurance business.

Non-life insurance increasingly important

Brokers who believe that non-life insurance business will be very important (all figures in %)



Source: AssCompact AWARD – Private non-life insurance 2015

With regard to premium increases, the Insurance Markets Taskforce of the German Insurance Association (GDV) expects to see growth in the field of property and casualty insurance in 2016. However, the increase in the field of private non-life insurance is likely to be below the 2015 level (around 3%). Since they are tied to company success, premium development in the field of non-private non-life insurance could benefit from the favourable economic momentum observed in 2015. The German Insurance Association (GDV e.V.) anticipates an overall increase in premiums for 2016 of around 2.5% (2015: 2.6%).

Positive development of premium rates anticipated

Competition and regulation

The entire market for financial services and the insurance sector are facing consolidation. Germany is considered to be the market with the greatest potential in Europe, in which both national and international service providers are competing. Due to stricter regulations, pressure is in particular mounting on low-level providers, which will lead to a further reduction in the number of market actors.

By 2019, the capital requirements pursuant to Basel III will increase further. Various capital buffers will be implemented from 2016 onwards. The requirements associated with the capital conservation buffer in particular will toughen up from 2016 onwards (0.625%). MLP is ready for these stricter capital requirements. Our capital planning is always set up to exceed the minimum requirements.

Basel III with stricter requirements by 2019

Further consolidation should also be anticipated in the healthcare sector due to increasing cost pressure. The number of statutory health insurance funds already dropped quite sharply in previous decades. While there were 1,815 healthcare funds in 1970, this number had already almost halved to 960 by 1995 and currently stands at just 124 (previous year: 132).

Further consolidation among healthcare funds

According to a survey performed by PwC, the majority of statutory health insurance funds anticipate further consolidation. In future, reducing costs is likely to be the greatest challenge. Indeed, two thirds of respondents believe that 40 to 100 statutory health insurers will be enough in future.

Ongoing concentration among brokers

Similar trends are also to be anticipated among insurance brokers in Germany – not least due to the Life Insurance Reform Act (LVRG), the changes of which came into force in 2014 and 2015. This is the conclusion of the survey performed by market research institute YouGov. Based on this, around three quarters of independent brokers (77%) are concerned about the massive wave of consolidation among brokers. The number of brokers has already dropped significantly in the last few years, falling from more than 260,000 in 2010 to around 233,000 last year. MLP believes that this is likely to continue affecting small brokerage offices and brokers with poor consulting services and portfolios. This is particularly true of market actors that do not cover a broad spectrum and are largely dependent on acquisition commissions. In addition to this, competitive pressure is growing throughout the entire sector as a result of new, innovative market actors (so-called fintechs).

Solvency II comes into force on January 1, 2016

Set primarily against the background of the new European supervisory legislation, Solvency II, the entire insurance market is likely to face further consolidation processes in future. In March 2015, the German Bundesrat approved the Act to Modernise Financial Supervision of Insurance Companies (VAG-Novelle). This legislation transposes the EU Solvency II Directive into German law. The new rulings came into force on January 1, 2016 and represent the largest reform to insurance supervision for decades. The new Insurance Supervision Act (VAG), which rests on three pillars, modernises and harmonises insurance regulations in Europe. The first pillar requires insurance companies to submit a risk-based/fair value-based measurement of their investments and benefit obligations. The second pillar presents requirements pertaining to business organisation (governance), while the third pillar extends the reporting obligations of insurers.

Debate on maximum technical interest rate

The plans to abolish the maximum technical interest rate (guaranteed interest rate) in its present form, which were discussed within the German government in the course of implementing Solvency II, are off the table for the time being. However, during the course of 2016 it is to be reviewed as to which extent the guaranteed interest rate needs to be adapted to market conditions. A potential adjustment is then likely to be made on January 1, 2017. Within in the scope of reviewing the Life Insurance Reform Act (LVRG) it is to be assessed in 2018 as to whether or in what form a guaranteed interest rate remains necessary as a supervisory instrument. Due to the interest rate policy of the central banks and the regulations, many insurers have already launched new products without a guaranteed interest rate.

MiFID II on the home straight

Back in April 2014, the European Parliament already approved a tightening of the Markets in Financial Instruments Directive MiFID II. National regulations for financial services, their transparency and investor protection need to be transposed into national legislation by July 2016 and will then be binding from January 2017 onwards. However, the European Commission has postponed the start of MiFID II by one year. The draft bill of the Federal Finance Ministry for legislation to reform financial market regulations (Financial Market Reform Act) was presented on October 19, 2015. Among other things, this legislation transposes MiFID II into German law. The main areas affected by the new legislation are the German Securities Trading Act (WpHG), the German Banking Act (KWG) and the German Stock Exchange Act (BörsG). The objectives include improved transparency and better investor protection, both of which MLP generally welcomes.

The removal of consultation records in their present form is new. These are to be replaced by a so-called "suitability declaration". In addition to this, the obligation to record telephone conversations is to be included within the scope of the acceptance, brokerage and execution of customer orders.

The Second Act to Strengthen Long-term Care, which provides for noticeably extended and improved support for those in need of care and their families in Germany, came into force on January 1, 2016. Among other things, it includes a new review procedure, introduction of a new concept of care dependency, as well as the restructuring of benefit rates associated with this. The amendments are scheduled to come into force on January 1, 2017. In future the previous three care levels will be replaced by five standard degrees of care which apply uniformly for all those in need of care. At the same time, the premium rate for long-term care insurance is to increase once again from 2017 onwards – by 0.2% to 2.55% for parents and 2.8% for those without children.

Act to Strengthen Long-term Care comes into force

The regulation on basic information sheets for investment products (PRIIP - packaged retail and insurance-based investment products) has already been passed. In future, providers of financial products are to draft a uniform product information sheet that describes the most important features in a brief and comprehensible way. Totalling three pages, the document for example includes a presentation of the opportunities and risks, as well as all direct, indirect, one-off and ongoing costs. The PRIIIP regulation applies to investment products such as funds and certificates, as well as to insurance investment products.

Uniform product information sheet for investment products

In the light of transposing MiFID II into German law, focus is once again shifting toward fee-based investment advisory services. The German government is keen to also include the duality between fee-based consulting and commission-based consulting in the new legislation. Commission-based consulting is therefore still permitted if payment of the commission is intended to improve the quality of the service provided and does not lead to any conflict of interest.

Fee-based investment advisory services: resolving issues with legacy portfolios

MLP already reorganised its compensation structure for investment advisory services back at the start of 2012. As such, it complies with all the important prerequisites for potential registration as a fee-based investment consultant in line with the Fee-Based Investment Advice Act (HAnlBG). However, we have not submitted an application to date, largely because this would lead to complications in advising clients with old contracts due to the impractical nature of the legislation. From our perspective, the remaining details of the Financial Market Reform Act as per MiFID II still require clear rulings and clearly defined boundaries for old contracts in the field of fee-based investment advisory services.

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

MLP is generally open to fee-based consulting, not just in the field of wealth management. We already offer fee-based services in the fields in which our clients request this. These include consulting on medical practice financing and certain areas of occupational pension provision. However, we remain firmly convinced that the quality of investment advice does not depend on the type of compensation, but rather on correct consultant training, the quality of the product selection and transparency for the client. We already consider ourselves to be very well-positioned in this regard through our business model, the extensive qualification and further training opportunities we offer our consultants, as well as our quality-assured partner and product selection process.

MLP already offers fee-based consulting in many fields

The German Bundestag and Bundesrat are currently discussing transposition of the EU Mortgage Credit Directive into German law. The German government initiated a corresponding draft bill in July 2015. This must now be transposed into national law by March 21, 2016.

EU Mortgage Credit Directive: new rules for brokers

The new law requires banks to investigate the financial and economic situation of clients particularly carefully when issuing mortgages. After all, anyone purchasing a home faces serious financial commitments and risks.

In addition to this, mortgage brokers must in future hold a certificate of proficiency, be registered and sign up for professional liability insurance. In the course of implementing the new directive, the German government is introducing the concept of independent fee-based mortgage consultants.

MLP is successfully active in the brokerage of mortgages. Basically our consultants are well-trained for this field of consulting. Depending on the legal implementation, it is necessary for some consultants to pass the future examination at the chamber of industry and commerce (further information can be found in the chapter entitled: → Employees and consultants).

Final sprint towards Insurance Distribution Directive (IDD)

In parallel to the tightening of the Markets in Financial Instruments Directive MiFiD II, the EU is also working on a new draft of the Insurance Distribution Directive. The new Insurance Distribution Directive (IDD) is to govern all sales activities of the insurance industry in Europe. The objective is to increase both transparency and consumer protection. In addition to this, the IDD sets important standards for better quality consulting with uniform principles throughout Europe. For example, brokers will in future not only have to provide evidence of their basic training, but also of their ongoing vocational further training. The directive was signed by the European Parliament and the Council of the European Union at the start of 2016. The individual EU member states then have two years to transpose the legislation into national law. The fact that the IDD does not contain any general ban on accepting commission and that consumers are free to choose between fee-based and commission-based remuneration should also be seen as positive.

Well equipped to handle new regulatory requirements

In summary, we consider our current competitive situation as good, thanks largely to the sustainable diversification of our business model. We were also early adopters of numerous requirements that will become binding law in future and have complied with all disclosure obligations. Thanks to its banking licence, MLP also clearly differentiates itself from other, less strictly supervised market actors in this respect. Implementation expertise is required in order to comply with the legal documentation, qualification and transparency obligations. MLP believes it is generally well prepared for this. But irrespective of this, the regulatory developments overall will certainly represent a challenge.

Anticipated business development

As a partner for all financial matters – for private clients, companies and institutional investors – MLP is a future-oriented company and anticipates positive earnings development in both the mid-term and long-term. As presented in the chapter entitled → "Forecast – Future industry situation and competitive environment", however, market conditions are likely to remain challenging in the financial year 2016.

In the field of old-age provision, MLP expects reservations regarding signing long-term contracts to continue throughout the market. The main reasons for this remain the low interest rate phase, the negative press regarding life insurers and their products, as well as the uncertainty being felt among large sections of the population. The field of occupational pension provision could potentially provide positive stimulus – particularly in view of the fact that the German government will be presenting the results of its reform study on the optimisation potential of occupational pension provision in the first quarter of 2016. We believe that alternative guarantee concepts and single premiums, as well as occupational disability insurance will also become increasingly important. Overall, in the field of old-age provision, we are anticipating to record new business and sales revenues in 2016 that will be around the previous year's level.

Market conditions in the field of health insurance are also unlikely to display any significant improvement in the short-term. This is primarily due to the loss of confidence in private health insurance, caused by various factors including reports on premium increases and discussions on the potential introduction of a "citizens insurance" in the run-up to the last German parliamentary election. The additional premiums anticipated in the statutory health insurance system, on the other hand, could provide positive stimulus that will increase the willingness of those paying into the statutory health insurance system to switch over to a private policy. In addition to this, the field of supplementary insurance promises slightly positive effects. Overall, we expect a small increase in revenues in the field of health insurance in 2016.

Over the course of the next few years, we generally expect to see an increased need for consulting services in the field of professional wealth management among all of the Group's target client groups. More and more clients in the consumer business of MLP Finanzdienstleistungen AG are approaching the age at which financial investments become significantly more important, not least due to their increasing personal wealth. At FERI, we benefit from our comprehensive expertise in alternative forms of investment, particularly given the current framework conditions. However, it is also important to note that the capital market environment remains difficult overall and ongoing volatility should be expected. Not only is this motivating investors – both private and institutional – to remain risk-averse, it is also leading to drops in volume-based and performance-based remuneration. Given these two factors, we anticipate a slight increase in sales revenues in the field of wealth management for 2016. In terms of assets under management, we expect the overall volume to remain at the same level as the previous year.

Not least due to the acquisition of the DOMCURA Group, we are anticipating a pronounced increase in revenue in the field of non-life insurance. Alongside the existing business of the DOMCURA Group, the cooperation with MLP is likely to provide positive stimulus – through the introduction of new concepts, improved service for our clients and optimised processes for our consultants.

Additional potential arises from the brokerage of real estate objects, which is reflected in the item "Other commission and fees". Given the comparably low starting position, we are also anticipating a pronounced increase in sales revenues here in 2016.

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

An altered distribution of revenues must also be taken into account in 2016. MLP will continue to generate a large proportion of its revenues and earnings in the final quarter. However, the acquisition of DOMCURA will also significantly increase the importance of the first quarter. This is due to the seasonal nature of the DOMCURA business model, whereby the subsidiary generally records high revenues and earnings in the first quarter of each year and then records an arithmetic loss from Q2 to Q4. However, we expect positive overall earnings from DOMCURA.

Sales revenue estimates: 2016 (in comparison with the previous year)

2016	
Revenue from old-age provision	Stable
Revenue from wealth management	Slight increase
Revenue from health insurance	Slight increase
Revenue from non-life insurance	Significant increase

One-off increase in administrative expenses due to efficiency measures

From 2016, the administrative expenses of the DOMCURA Group will for the first time be included in full in the administrative expenses of the Group. This will result in a slight rise in administrative expenses of € 280 million in the financial year 2016. In addition to this, we will once more intensify our efficiency management in the reporting year. We therefore expect to record one-off expenses of € 15 million in the financial year 2016. The aim of these measures is to significantly reduce costs once again in the financial year 2017 and the following years and to achieve a significant positive EBIT compared to the financial year 2015.

For greater clarity, in future we will disclose the loan loss provisions in the lending business as a dedicated item in the income statement – and thereby separately from administrative expenses. Firstly, the loan loss provisions in the lending business will include amortisation expenses and impairments, which were previously part of the administrative expenses. Secondly, this item will in future include reversals of impairments that were previously disclosed in other revenue. Accordingly, administrative expenses – defined as personnel expenses, depreciation and impairments, as well as other operating income – will in the future only comprise items that we can control directly. We are anticipating total administrative expenses adjusted for one-off expenses of around € 277 million for 2016. Including one-off expenses of approximately € 15 million in connection with our efficiency measures, administrative expenses are expected to be around € 292 million.

The forecast administrative expenses continue to include expenses in connection with investments in the future – including the ongoing implementation of our digitalisation strategy.

Alongside administration expenses, the cost of sales (primarily commission expenses) are relevant for our cost structure. We are anticipating two key effects for this item in 2016. Firstly, the DOMCURA Group has commission expenses for broker remuneration which will for the first time be reflected in our income statement for the entire year. Secondly, we established a training allowance for new client consultants last year to help them find their feet in the world of self-employment (please refer to the chapter entitled “Employees and self-employed client consultants”). These costs are accrued as commissions paid. As we expect to see an increase in recruitments in 2016, this will also lead to increasing expenses.

Forecast: Operating EBIT (before one-off expenses) expected to be slightly above the previous year's level

Taking into consideration anticipated sales revenue and costs, MLP expects to record a slight increase in operating EBIT (before one-off expenses of € 15 million) for the financial year 2016. The EBIT of € 30.7 million recorded in 2015 is the comparative benchmark here. In the light of one-off costs of around € 15 million in connection with the above-mentioned efficiency measures, we expect a substantial decline in EBIT after one-off expenses. From the financial year 2017 onwards we expect that the efficiency measures will result in a significantly higher EBIT compared to 2015. With this outlook we underscore our commitment to return to profitable growth – despite continuing difficult market conditions and extensive investments such as in the recruitment of new consultants. This forecast is based on the assumption that the general conditions in our core markets do not deteriorate any further.

As was already the case in the previous year, we once again expect the finance cost to be slightly negative. The tax rate in 2015 was 29.2%. For 2016, we are anticipating a slightly lower tax rate.

Dividends of € 0.12 per share

As a general rule, our dividend policy is aligned to the respective financial and earnings position, as well as the company's future liquidity requirements. Since MLP employs a business model that is not very capital-intensive, we intend to maintain an attractive and consistent dividend policy for the future. However, capital requirements have increased due to the revised definition of equity, as well as the stricter capital adequacy requirements as per Basel III, meaning that the Group uses a portion of its earnings for the purpose of reinvestment. Set against this background, we announced a distribution rate of 50% to 70% of Group net profit in the Annual Report for the last financial year.

On the basis of this prognosis, the Executive Board and Supervisory Board will therefore propose a dividend of € 0.12 per share at the Annual General Meeting on June 16, 2016. The distribution rate measured against net profit for the period is 66%. Based on the net profit for the period simulating a DOMCURA acquisition with effect from January 1, 2015, the distribution rate is 56%.

Acquisitions possible

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

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

Integration of the DOMCURA Group and expansion of digitalisation

The ongoing integration of the DOMCURA Group into the MLP Group will be an important topic in 2016. Focus here is on joint further development of the DOMCURA business model, as well as measures offering synergy and added value potential.

MLP made important progress in its digitalization strategy in 2015 with the relaunch of its websites, the possibility for online policy sales and its activities on social media platforms. Building on this, measures planned for 2016 include further establishment of online policy sales as an instrument for winning new customers. We will also further strengthen our social media activities. Preparations for a new MLP client portal will represent a particular focus here.

Alongside the aforementioned acquisitions, we will also examine opportunities for increasing profitability at FERI. This involves in particular the potential bundling of service provision in terms of international activities, as well as the potential bundling of licenses at regulatory level.

We are working on further developing our consulting approach, which is being supported by a new consulting application. This was developed in the reporting year and is currently being tested in a pilot group. The application provides targeted support for consultants during client meetings.

Further development of the consulting approach

Winning new consultants remains a focus of investments in 2016. In the last few years, we have established important conditions for new client consultants through new entry models and introduction of the training allowance. The number of applicants has already significantly increased thanks to these measures. To achieve slight net gains in our number of consultants in 2016, we will also continue to strengthen our recruiting activities through our online media and social media presences. This is based on the assumption that the annual staff turnover rate among our consultants will not exceed the maximum target of 12% (+/- 2 percentage points). To accompany this, we are also planning to found more new branch offices in the university segment.

Consultant recruiting remains growth initiative

We believe that the high quality of our basic and advanced training offers will continue to be the key to success. Indeed, we offer our consultants a programme that exceeds the legally stipulated level. For 2016, we are also planning to introduce a master's degree course with a focus on "Financial Planning". We expect the number of central training days (including online seminars) at our Corporate University to be on a slightly higher level than in the last financial year. This also applies to the total budget for qualifications and further training.

Planned financing activities and investments

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

Our investment volume was € 12.8 million in the last financial year, whereby the focus remained on IT. You can find more detailed information on this in the chapter entitled "Economic report – Performance". We will continue to focus on investing in IT in the financial year 2016 and anticipate an investment volume slightly below the 2015 level. Within our projects, we will also use further financial resources that flow directly into our income statement as expenses. We expect to be able to finance all investments from cash flow.

Return on equity declined from 7.7% to 5.1% in the financial year 2015. In the light of the costs connected with the efficiency measures we expect a significant decline in 2016.

Significant downturn in return on equity expected

Largely influenced by the acquisition of the DOMCURA Group, the Group's liquidity increased from € 155 million to around € 174 million in the financial year 2015. The overall liquidity situation remains good. Liquidity will be reduced by the intended dividend payment of € 13.1 million for the financial year 2015. It will increase again in the second half of 2016 thanks to the typical year-end business. Acquisitions which we finance with cash holdings would also have a negative effect on the Group's liquidity and capital adequacy. We do not expect any liquidity squeezes for the next two financial years.

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

MLP anticipates that the difficult market conditions will continue throughout the financial year 2016. We anticipate a slight overall increase in operating EBIT (prior to one-off expenses). In view of the efficiency measures we expect EBIT to be negatively affected to the extent described. We therefore expect to see a positive overall development within the Group. We are financially strong and, in combination with our strong market position as an independent consulting firm, this will enable us to further expand our competitive position.

Prognoses

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

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

MLP AG accepts no liability to the general public for updating or correcting prognoses. All prognoses and predictions are subject to various risks and uncertainties, which can lead to the actual results differing from expectations.

The prognoses reflect the points of view at the time when they were made.

Supplementary data for MLP AG (Disclosures based on HGB)

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

Business and general conditions

General company situation

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

Business development at MLP AG

The following changes were made to the corporate structure in 2015. In the reporting period, MLP AG performed a capital increase against contributions in kind. 1,456,948 new shares were issued in return for 33.33% of the shares in Schwarzer Familienholding GmbH (SFH GmbH), the parent company of the DOMCURA Group companies. These shares carry full dividend rights for the financial year 2015. This action increased the share capital by 1.35% from 107,877,738 shares to 109,334,686 shares. The capital increase against contributions in kind was entered in the Commercial Register at Mannheim District Court on August 10, 2015. In June, MLP AG signed a company acquisition agreement for the full takeover of the DOMCURA Group. The total transaction volume was € 18 million. € 12 million was paid in cash as the purchase price, while a further 6 million was paid in the form of the aforementioned issue of new shares in return for a 33.33% stake in SFH GmbH. With conclusion of the contract on September 30, 2015, the DOMCURA Group was included in the scope of consolidation at MLP Group level for the first time. You can find more information on this in the chapter entitled → "Business development" in the joint management report of the MLP Group.

Due to the profit/loss transfer agreements in place, business performance at MLP AG is largely determined by the economic development of its investments, the performance of which is also described in the Group report. A profit/loss transfer agreement is scheduled to be signed between MLP AG and the DOMCURA Group during the course of 2016.

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

Results of operations

In the financial year 2015, other operating income declined from € 15.8 million to € 11.0 million. This essentially includes income from the rental of buildings to affiliated companies. The previous year's higher figure was primarily a result of the sale of fixed assets, increased earnings from the reversal of provisions, as well as the decision in favour of MLP in a negative declaratory relief case against several former shareholders in FERI.

At € 6.4 million (€ 6.2 million), personnel expenses remained at the previous year's level. The lower expenses for salaries and wages relative to the previous year were more than compensated by greater expenses for pension commitments. At € 3.8 million (€ 3.9 million), depreciation of fixed assets remained at virtually the same level as the previous year.

Other operating expenses fell from € 11.2 million to € 9.7 million in the reporting period. The previous year's higher figure was largely due to greater amortisation expenses/impairments.

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

Finance cost rose to € 33.7 million (€ 32.1 million) in the reporting period. This development highlights the slightly higher overall volume from the profit/loss transfer agreements. In particular FERI AG, yet also MLP Finanzdienstleistungen AG, had a positive influence on this development. This was offset by a higher interest charge.

Earnings before tax declined to € 24.7 million (€ 26.6 million) as a result of a reduction in other operating income. The tax expense was € 8.8 million (€ 9.1 million) in the past year. The net profit recorded was therefore € 15.6 million (€ 17.1 million).

Net Assets

At € 406.7 million (€ 407.2 million), the balance sheet total of MLP AG on the balance sheet date December 31, 2015 remained at the same level as the previous year.

On the assets side of the balance sheet, the item "Property, plant and equipment" declined slightly from € 45.5 million to € 42.1 million due to impairments. Financial investments increased from € 229.4 million to € 248.0 million, largely due to the acquisition of the DOMCURA Group.

The receivables and other assets declined to € 51.6 million (€ 53.0 million). This includes receivables from affiliated companies, which rose to € 36.5 million (€ 34.0 million). These are primarily receivables due from subsidiaries of MLP AG, resulting from profit/loss transfer agreements in place with these companies. This was countered by the decline of other assets from € 19.0 million to € 15.1 million on the reporting date. This development was in particular influenced by lower overall receivables from income taxes.

The item “Cash on hand and on deposit with the Deutsche Bundesbank, bank deposits and cheques” increased from € 77.0 million to € 63.2 million. The dividend payout to our shareholders, as well as payment of a portion of the purchase price for the DOMCURA Group in cash, reduced this item.

On the equity side of the balance sheet, shareholders’ equity increased to € 387.5 million (€ 384.3 million). This was caused by the described capital increase in exchange for non-cash contributions. In this context, share capital increased to € 109.3 million (€ 107.9 million) and capital reserves increased from € 134.5 million to € 139.1 million.

Provisions declined over the previous year to € 16.1 million (€ 19.3 million). At € 10.6 million (€ 9.2 million), the provisions for pensions and similar obligations were above the previous year’s level. With a value of € 0.3 million, tax reserves were significantly below the value for the same period in the previous year (€ 4.0 million). Large amounts were reversed in the context of a retrospective tax payment. Other provisions declined to € 5.1 million (€ 6.1 million).

Financial position and dividends

As of the balance sheet date, December 31, 2015, MLP AG had cash holdings (cash on hand and on deposit with the Deutsche Bundesbank, bank deposits and cheques) of € 63.2 million (€ 77.0 million). This decline is essentially attributable to the dividend payout to our shareholders of € 0.17 per share amounting to a total of € 18.3 million for the financial year 2014, as well as cash payment of a portion of the purchase price for DOMCURA Group. The profit transfers of subsidiaries had a positive influence.

At 95.3% (94.4%), the equity ratio remained virtually constant. MLP AG therefore continues to enjoy a good equity capital backing. In addition to this, MLP AG had open lines of credit of € 50.0 million as of the balance sheet date.

The liabilities of MLP AG dropped to € 3.0 million (€ 3.6 million) on the balance sheet date. This was primarily due to the decline in other liabilities from € 1.1 million to € 0.6 million. The liabilities at MLP AG are all current liabilities. Cash and cash equivalents therefore exceed current liabilities several times over.

The dividend payments of MLP AG are made in accordance with the financial and profit situation, as well as future liquidity requirements. As announced, the distribution rate for the financial year 2015 will be between 50% and 70%. In concrete terms, the Executive Board and Supervisory Board will propose a dividend of € 0.12 per share at the Annual General Meeting on June 16, 2016. Based on the net profit of the MLP Group, the distribution rate is 66%.

Comparison of the actual and forecast development of business

Business development at MLP AG is essentially dependent on the business development of the MLP Group. We therefore make reference to the comparison of actual business development with the forecast development of the MLP Group. The special characteristics of the acquisition of the DOMCURA Group did not have any impact on the annual financial statements of MLP AG, although they did impact the financial statements of the MLP Group.

Market conditions that generally remained difficult for its subsidiaries meant that MLP AG was not quite able to meet its own expectations in 2015.

Employees

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

Remuneration report of MLP AG

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

Risks and opportunities at MLP AG

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

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

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

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

Events subsequent to the reporting date at MLP AG

As described in the → forecast of the MLP Group, at the end of February efficiency measures were agreed which will mainly have effect in the MLP Finanzdienstleistungen AG. In addition there were no further appreciable events after the balance sheet date affecting the company's financial or asset situation.

Forecast for MLP AG

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

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

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

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

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

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

Composition of capital

As of December 31, 2015, the company's share capital amounts to € 109,334,686 and is divided into 109,334,686 ordinary bearer shares with a nominal value of € 1 per share.

Restrictions on voting rights or on the transfer of shares

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

Capital stakes

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

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

* Status known to MLP AG as of December 31, 2015
[1] Based on information provided by Dr. h.c. Manfred Lautenschläger, 22,796,771 voting rights (=20.85% of the share capital of MLP AG) are attributable to him by Angelika Lautenschläger Beteiligungen Verwaltungs GmbH in accordance with § 22 (1) Sentence 1 No. 1 of the German Securities Trading Act (WpHG).

Shares with special control rights

Shares which confer special control rights have not been issued.

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

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

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

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

Amendments to the company's Articles of Association

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

Authority of the Executive Board to issue or buy back shares

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

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

A resolution passed at the Annual General Meeting on June 6, 2013 authorised the Executive Board to buy back own shares on one or more occasions with a pro rata amount of capital stock represented by such shares of up to € 10,787,773 until June 5, 2018. No shares were bought by the company on the basis of this authorisation up to December 31, 2015.

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

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

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

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