ANNUAL REPORT

2017

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MLP key figures – multi year overview

All figures in € million	2017	2016	2015	2014	2013[1]	2012[1]	2011[1]	2010[1]
Continuing operations								
Total revenue	628.2	610.4	554.3	531.1	499.0	563.6	545.5	522.6
Revenue	608.7	590.6	535.7	509.7	480.5	538.1	526.7	497.3
Other revenue	19.4	19.8	18.7	21.4	18.5	25.5	18.8	25.3
Pro forma earnings before interest and tax (Pro forma EBIT) (before acquisitions)	37.6	19.7	32.5	39.0	30.7	70.5	17.3	47.0
Earnings before interest and tax (EBIT) (before one-off exceptional costs)	46.7	35.1	30.7	39.0	30.7	70.5	50.7	47.0
Operating Earnings before interest and tax (Operating EBIT) (before one-off exceptional costs)	37.6	19.7	30.7	39.0	30.7	70.5	17.3	47.0
EBIT margin (%)[4]	6.0%	3.2%	5.5%	7.3%	6.2%	12.5%	3.2%	9.0%
MLP Group								
Net profit (total)	27.8	14.7	19.8	29.0	23.9	50.5	11.5	34.1
Earnings per share (diluted) in €	0.25	0.13	0.18	0.27	0.22	0.47	0.11	0.31
Dividend per share in €	0.20[2]	0.08	0.12	0.17	0.16	0.32	0.60	0.30
Cash flow from operating activities	115.5	144.7	58.8	32.3	67.6	22.4	53.8	91.0
Capital expenditure	7.3	18.4	12.8	15.4	22.5	14.5	7.8	3.9
Total shareholders' equity	404.9	383.6	385.8	376.8	370.5	381.7	399.6	421.2
Equity ratio	18.7%	19.7%	22.0%	23.2%	24.2%	25.6%	26.8%	27.6%
Balance sheet total	2,169.5	1,944.1	1,752.7	1,624.7	1,533.6	1,491.3	1,489.8	1,524.0
Clients[3]	–	–	858,700	847,600	830,300	816,200	794,500	774,500
Private clients (Family)[5]	529,100	517,400	510,200	–	–	–	–	–
Corporate and institutional clients[5]	19,800	19,200	18,200	–	–	–	–	–
Consultants[3]	1,909	1,940	1,943	1,952	1,998	2,081	2,132	2,273
Branch offices[3]	145	146	156	162	169	174	178	192
University teams	58	–	–	–	–	–	–	–
Employees	1,686	1,768	1,802	1,542	1,559	1,524	1,584	1,672
Brokered new business[3]								
Old-age provision (premium sum in € billion)	3.4	3.7	3.5	4.1	3.6	4.8	5.2	5.0
Loans and mortgages	1,728.4	1,709.7	1,798.0	1,415.0	1,513.0	1,301.0	1,327.0	1,219.0
Assets under management in € billion	33.9	31.5	29.0	27.5	24.5	21.2	20.2	19.8

[1] Values adjusted.
[2] Subject to the consent of the Annual General Meeting on June 14, 2018.
[3] Continuing operations.
[4] EBIT in relation to total revenue.
[5] MLP adjusted the way it counts clients in Q1 2016.

THE EXECUTIVE BOARD

Dr. Uwe Schroeder-Wildberg
Chairman and CEO MLP SE

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

Appointed until December 31, 2022

Manfred Bauer
Member of the Executive Board of MLP SE

Product Management

Appointed until April 30, 2020

Reinhard Loose
Member of the Executive Board of MLP SE

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

Appointed until January 31, 2024

LETTER TO OUR SHAREHOLDERS

Dear Shareholders,

In 2017, we recorded growth and achieved our forecast numbers with good earnings. This could by no means be taken for granted as our industry is far from booming. We are overall satisfied as a result. To ensure we remain successful in future, we will adhere tenaciously to the strategy we have been pursuing for the last few years.

After all, it was precisely this strategy – diversifying our revenue basis, together with strict cost management – that benefited us not only, but especially, over the course of the last twelve months. As you know, the further development of our company is embedded in a difficult environment, in which the high-margin old-age provision business is under enormous pressure. This makes our growth all the more remarkable. It is driven by wide-ranging growth in the consulting areas that we have built up and expanded in recent years – above all wealth management, non-life insurance and real estate brokerage.

The demerger of MLP Finanzdienstleistungen AG into MLP Finanzberatung SE and MLP Banking AG was a key focus of work in the past financial year. With a significant increase in free regulatory capital, we are extending our room to manoeuvre considerably. I would like to take this opportunity to thank all employees and MLP consultants for supporting the successful implementation of this large-scale project, as well as for their very successful work in the past year.

The fact that there are unlikely to be any changes in the foreseeable future in terms of the difficult market conditions in which we operate underlines the importance of strengthening the equity base. Low interest rates, reservations regarding signing long-term contracts, as well as regulations which are not market oriented, and in some cases go too far, will continue to burden us over the course of the next few years. However, we anticipated this early on and have been proactively developing our company since 2005. This has made MLP a completely new company today.

In absolute figures, this means that we have been recording average growth of 12.5 percent per year set aside from the old-age provision area since 2005. As such, we have more than compensated for the decline in revenue in the old-age provision of over €160 million. At the same time, we have increased recurring revenue, i.e. revenue that does not require any new contracts to be signed, from around 30 percent to around two thirds.

In detail, total revenue rose by almost 3 percent to EUR 628.2 million in the last financial year – the highest level since the outbreak of the global financial crisis 10 years ago. We were able to record gains across all consulting segments except for old-age provision. The real estate brokerage segment, which we have been expanding since 2014, recorded the highest percentage increase. This is reported under "Other commission and fees", which increased by almost 20 percent to EUR 18.4 million. The second highest increase recorded by MLP Group was in the wealth management area. Revenues increased by almost 15 percent to EUR 190.6 million here. The non-life insurance area also performed better than the previous year, recording a 4 percent increase in revenue. The loans and mortgages area also recorded significant gains. In the health insurance area, sales revenue remained at the previous year's level – despite the prominent discussions regarding citizens insurance during the election campaign.

Only the old-age provision area remained slightly behind the previous year's figures in 2017 with revenue of EUR 208.1 million. This slight decrease can be attributed to market conditions. This reflects the ongoing reservations being displayed by many citizens throughout the sector when it comes to signing long-term contracts.

Assets under management rose to a new record level of EUR 33.9 billion. This reflects significant gains both at our subsidiary FERI and in MLP's private client business. FERI primarily enjoyed an increase in its institutional business, both in investment management and investment consulting. At the same time, we observed very significant growth in net cash inflows among MLP's private clients. This underlines just how successfully we have positioned ourselves throughout our entire client base for the extremely important topic of wealth management.

Operating EBIT – before one-off expenses – rose by 33 percent to EUR 46.7 million. At EUR 9.1 million, the one-off expenses for further optimising the Group structure were within the announced range. This resulted in EBIT increasing to EUR 37.6 million. Group net profit also increased around 90 percent to EUR 27.8 million.

With the consent of the Supervisory Board, the Executive Board therefore proposes a significant dividend increase from 8 cents to 20 cents per share. 16 cents of this are attributable to our disclosed Group net profit, while the other 4 cents are the result of our compensating the one-off expenses accrued in the course of separating our banking and brokerage activities for our shareholders.

Our strategic outlook: alongside an attractive dividend policy, our strengthened equity base also offers us further opportunities for investments and acquisitions. Indeed, we could envisage purchases in various segments. This primarily concerns vertical acquisitions, i.e. to extend and strengthen the added value chain. A good example of this from the past is the purchase of the underwriting agency DOMCURA. However, we also remain open for acquisitions in the traditional MLP private client business and in the markets of our two subsidiaries DOMCURA and FERI.

We will continue to invest, above all in our IT systems. These investments will essentially focus on the continued implementation of our digitalisation strategy. We believe that our investment in this digitalisation has been confirmed by the steps we have already taken:

- We have established a range of contents for our young target group under the name MLP financify.
- Last year, we acquired more than 35,000 new leads through social media activities and our homepage.
- We also established online policy sales.
- With the client portal, we have also laid the foundations for existing clients to enjoy the benefits of MLP around the clock. We offer a wide range of services here, in particular for the approximately 420,000 accounts at MLP – from "Scan2Bank", through electronic signature, right up to an online account switching service.
- Digitalisation of the administrative processes is also progressing. For example, during client consultations our consultants can have a policy issued online by DOMCURA in under a minute.

We will remain resolute in continuing all of these measures, always working on the premise of providing a complement to face-to-face consulting. In particular with regard to complex issues, face-to-face consulting is of utmost importance for our clientèle.

Alongside digitalisation, our three strategic focuses continue to be the diversification of our revenue basis, strengthening of our university business and cost management.

- In the further *diversification of the revenue basis*, we are building on the successes recorded over the last years. The key focus here is on the consulting fields of wealth management and non-life insurance. We are keen to continue the highly positive trend in MLP's private client business in both of these segments. The respective business of our subsidiaries FERI and DOMCURA also provides additional potential.

- The goal of the *measures to strengthen the university segment* initiated in 2017 is to further expand the two central value drivers in MLP's private client business, i.e. recruiting young consultants and acquiring clients. By taking this step, we are addressing the increasing potential of university graduates. Operational implementation started on July 1, 2017 and we have already seen an increase in the numbers of applicants within this short period. This was also reflected in a significantly higher number of recruitments in the closing quarter than in comparable time periods.

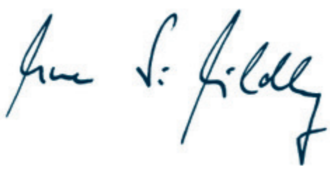
- In addition to this, we have been pressing ahead with our *continuous cost management*. We reduced administration costs very successfully in 2017 and will continue to keep a tight rein on costs in future. At the same time, however, we are also keen to continue investing in future projects. In 2017, funds of around EUR 3.6 million were channelled into strengthening the university segment. The successes achieved are therefore making us all the more determined to continue this work in 2018. In concrete terms, we are anticipating expenses of around EUR 7 million for strengthening the university segment. Although this may limit growth in earnings in the short term, it will greatly increase our future profit potential in the long term.

This brings me to our forecast. What exactly are we expecting on the revenue side? Following the decline recorded last year, we are anticipating slight growth in the old-age provision area. Alongside implementing legislation to strengthen occupational pension provision in Germany, the main determining factors here are our successful efforts in leveraging and capitalising on potential in the university segment and the topic of retirement planning. We are also anticipating slight growth in the non-life insurance area. In the areas of wealth management, loans & mortgages and real estate brokerage, we expect revenue to continue at the same very high level recorded in the last financial year. Likewise, we are anticipating stable development in the health insurance segment.

Following the significant growth in earnings recorded in 2017 and based on revenue and cost development, we are anticipating an EBIT for 2018 around the level of the operating EBIT recorded in 2017 of around EUR 46.7 million. Since no one-off expenses are to be accrued in 2018, this means a significant increase over the EBIT of EUR 37.6 million recorded in 2017. With this step, we are combining sustainable earnings with comprehensive investments to secure future growth.

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

Yours sincerely,



Dr. Uwe Schroeder-Wildberg

THE SUPERVISORY BOARD

Dr. Peter Lütke-Bornefeld
Chairman

Elected until 2018

Dr. h. c. Manfred Lautenschläger
Vice Chairman

Elected until 2018

Alexander Beer
Employees' Representative

Elected until 2018

Dr. Claus-Michael Dill
Elected until 2018

Tina Müller
From June 2015
Elected until 2018

Burkhard Schlingermann
Employees' Representative

Elected until 2018

REPORT BY THE SUPERVISORY BOARD

In the 2017 financial year, the Supervisory Board reviewed the development of the company in depth and performed its supervisory duties to the full. It regularly advised and monitored the Executive Board in running the company's business.

Over the course of the last financial year, the Supervisory Board paid particular attention to the economic development, financial situation, prospects and further strategy of the company and advised the Executive Board on these topics. Its work in the 2017 financial year in particular focused on supporting the Executive Board in the strategic development of the company and of the MLP Group, implementing further measures to increase efficiency and assessing and monitoring the opportunity and risk position of the company and the Group.

The Supervisory Board advised the Executive Board particularly intensively on the change to the Group structure implemented in the 2017 financial year and also gave its consent for this change. As a result of the separation of business with the regulated banking and financial services business pooled under MLP Banking AG and other brokerage and consulting business pooled under MLP Finanzberatung SE, in addition to a tighter supervisory scope of consolidation compared to the scope of consolidation under commercial law or in line with IFRS, MLP expects to gradually increase free regulatory equity capital by approximately €75 million by the end of 2021. The Supervisory Board also submitted a proposal at the 2017 Annual General Meeting of MLP AG suggesting that the company change its corporate form to a Societas Europaea (SE). The Supervisory Board is convinced that the SE legal form supports the business activities and appearance of MLP the most effectively in terms of business and legal transactions. In addition, this new corporate legal form presents an opportunity to work with the workforce representatives to find a tailor-made model for operational and corporate employee participation in the form of a participation agreement.

The Supervisory and Executive Boards met regularly in the reporting year for discussions and joint consultations regarding business development, strategy and key events within the company. The Supervisory Board was directly involved in all decisions of fundamental importance to the company. The Executive Board regularly provided the Supervisory Board with written and oral reports in a timely and comprehensive manner on all relevant issues related to corporate planning, strategic development, the business situation and the position and overall development of the Group as a whole, including the risk situation, risk management, risk-bearing ability and compliance. The Supervisory Board was able to confirm the correctness of the corporate governance by the Executive Board. In 2017, the Executive Board also reported to and advised the Supervisory Board on the content and anticipated effects of legislative or regulatory proposals at national German or EU level, such as the implementation steps for the Markets in Financial Instruments Directive II – MiFID II and the European Insurance Distribution Directive (IDD).

As had already been the case in the previous year, the change of corporate form from MLP AG to a European company (Societas Europaea) was addressed in depth during the meetings of the Supervisory Board and was also the object of multiple face-to-face meetings. The Supervisory Board discussed the preparation and execution of the change of corporate form in detail with the Executive Board, as well as the respective state of negotiations with the special negotiation committee. The focus at the regular Supervisory Board meeting held on March 15, 2017 was the change of corporate form to an SE. This change of corporate form was then proposed to the Annual General Meeting together with the Executive Board and was ultimately approved with 99.79% of the valid votes submitted at the Annual General Meeting.

The term in office of the Supervisory Board at MLP AG ended by operation of law as a result of the change in corporate form. As per the approved conversion plan, the newly formed Supervisory Board of MLP SE comprises the same members that previously sat on the equivalent body at MLP AG, namely D. Peter Lütke-Bornefeld, Dr h.c. Manfred Lautenschläger, Mrs Tina Müller, Dr Claus-Michael Dill, Mr Burkhard Schlingermann and Mr Alexander Beer. There were also no personnel changes to the company's Executive Board in the last financial year. However, new appointments were also necessary for the members of the Executive Board within the scope of the company's change of corporate form.

The Supervisory Board at MLP AG convened in three regular meetings and one extraordinary meeting in the 2017 financial year. With just a few exceptions, all members of the Supervisory Board took part in these meetings either in person or via telephone. In addition to this, the Supervisory Board at MLP SE convened in one constitutive meeting and two regular meetings in the 2017 financial year. All members of the Supervisory Board took part in these meetings either in person or via telephone. The Supervisory Board was also informed by the Executive Board of particularly important or urgent projects outside of the regular meetings. Where necessary, Supervisory Board resolutions were also passed as circular resolutions.

In addition to this, two meetings of the Audit Committee were also held in this year. All committee members took part in these meetings. The Personnel Committee convened twice in the last financial year.

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

Supervisory Board meetings and important resolutions

On January 24, 2017, the Supervisory Board passed a resolution – based on a proposal of the Personnel Committee – to extend the appointment of Dr Uwe Schroeder-Wildberg as member of the Executive Board and Chief Executive Officer until December 31, 2022.

In an extraordinary meeting of the company's Supervisory Board, held on February 21, 2017, further tightening of cost management and a corresponding Executive Board proposal were then approved.

Following preparations in the meeting of the Audit Committee, the Supervisory Board meeting on March 15, 2017 focused on the audit and approval of the financial statements and the consolidated financial statements as of December 31, 2016. The auditors participated in the meeting and provided detailed reports on the course and outcome of their audit of the financial statements and the consolidated financial statements. Following in-depth discussion, the Supervisory Board approved both the financial statements and the consolidated financial statements as at December 31, 2016. In addition to this, the Supervisory Board also reviewed the appropriateness of the Executive Board remuneration – as required in accordance with the Corporate Governance Code – as well as the variable remuneration components of the Executive Board for the 2016 financial year and approved them. The proposed resolutions for the company's Regular Annual General Meeting, including the proposal to change the company's corporate form to a Societas Europaea (SE), was another item.

The regular Supervisory Board meeting on May 10, 2017 primarily focused on discussing the results and business development from the first quarter of 2017.

The results of the second quarter, the business development in the first half of the year, reporting on the internal audit and risk controlling (including report on the notion of materiality, risk strategy and risk-bearing capacity concept) were all on the agenda of the regular Supervisory Board meeting on August 9, 2017.

The first MLP SE Supervisory Board met for its constitutive meeting on the same day. During this meeting, Dr Peter Lütke-Bornefeld was elected as Chairman and Dr h.c. Manfred Lautenschläger was elected as Vice Chairman of the Supervisory Board. Dr Uwe Schroeder-Wildberg, Mr Manfred Bauer and Mr Reinhard Loose were then appointed to the first Executive Board of MLP SE. In addition, the period of their appointment was specified. In this meeting, the Supervisory Board also submitted its report on the formation audit with regard to the SE change of corporate form. Further items on the agenda included adopting the rules of procedure for the SE Supervisory Board, rules of procedure including allocation of duties for the Executive Board at MLP SE with a catalogue of transactions requiring approval, formation of the committees for the SE Supervisory Board and election of the committee members.

The first regular meeting of the Supervisory Board at MLP SE took place on November 9, 2017. The November meeting focused on the business results of the third quarter and the first nine months of the current financial year. Another focus of this Supervisory Board meeting was on evaluating the leadership and performance of the members of the Executive Board, which were discussed in a closed session without the members of the Executive Board.

At the meeting on December 19, 2017, discussions focused on the resolution regarding the Declaration of Compliance as per Section 161 of the German Stock Corporation Act (AktG), alongside adherence to the regulations of the German Corporate Governance Code (GCGC). Extensive reporting was provided on the corporate governance process and the current Declaration of Compliance. Furthermore, the Supervisory Board addressed in detail and approved the strategy and budget of both the Group and the company for the 2018 financial year.

Supervisory Board committees

The Supervisory Board was regularly informed of the work carried out by its committees in 2017. The committees were reformed within the scope of the SE change of corporate form and the constitution of the SE Supervisory Board.

The Audit Committee held two regular meetings in the 2017 financial year. Representatives of the audit firm also took part in some of the meetings, providing the committee with detailed reports. In the presence of the auditors, the Chairman of the Executive Board and the Chief Financial Officer, the Audit Committee discussed the financial statements of MLP AG and MLP Group as well as the proposed appropriation of earnings. Furthermore, the relationship to the auditor, proposals for selecting the auditor, auditor fees, audit assignment and monitoring of the auditor's independence were the subject of extensive discussions. The Audit Committee received regular reports on the work of the Internal Audit and of the Compliance and Risk Management department and was informed of legal and regulatory risks and risks to reputation.

The Personnel Committee met twice in the reporting period and focused in particular on checking the appropriateness of Executive Board remuneration, as well as determining the bonus pool for the MLP Group. The committee also discussed and recommended to the plenary meeting of the Supervisory Board that the appointment of Dr Schroeder-Wildberg as a member of the Executive Board should be extended to December 31, 2022.

The Nomination Committee held one meeting in the 2017 financial year, in which a resolution was passed on the proposals of the Supervisory Board to the Annual General Meeting for election of the first Supervisory Board within the scope of the change of corporate form of MLP AG to a Societas Europaea (SE).

Corporate governance

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

Last year, the Supervisory Board once again used its meeting on December 19, 2017 to discuss in detail the requirements of the German Corporate Governance Code (DCGK) in the version of February 7, 2017.

In the meeting held on December 19, 2017, the Supervisory Board reviewed the efficiency of its actions based on an evaluation form made available to the members of the Supervisory Board in good time prior to the meeting. The Supervisory Board also discussed procedures in the Supervisory Board, the information flow between the Committees and the Supervisory Board, and the timeliness and sufficient content of reporting by the Executive Board to the Supervisory Board on this occasion. Measures aimed at increasing efficiency were discussed and defined.

During the same meeting, MLP SE's Supervisory Board also satisfied itself that the company had met the recommendations of the German Corporate Governance Code (DCGK) as per its Declaration of Compliance pursuant to Section 161 of the German Stock Corporation Act (AktG) in the last financial year and will continue to comply strictly with the recommendations of the Government Commission on the German Corporate Governance Code in the version of February 7, 2017. In December, the Supervisory Board and Executive Board issued a Declaration of Compliance pursuant to Section 161 of the German Stock Corporation Act (AktG) and made it permanently available to the shareholders via its website.

In accordance with the German Corporate Governance Code government commission, we understand conflicts of interest to mean any special professional or private interests of any member of the Supervisory Board that could potentially pose a threat to or contradict the interests of the company. Conflicts of interest in this sense do not include plurality or the existence of various streams of interests when they express diversity in terms of the Supervisory Board composition desired by the legislator or the German Corporate Governance Code government commission. There were no conflicts of interest in this sense in the last financial year. A summary of corporate governance at MLP, including the Declaration of Compliance from December 19, 2017, can be found in the Executive and Supervisory Board's corporate governance report. All relevant information is also available on our homepage at ↗ www.mlp-se.com.

Audit of the annual financial statements and consolidated financial statements for 2017

The financial statements and the joint management report of MLP SE as at December 31, 2017 have been compiled by the Executive Board pursuant to the German Commercial Code (HGB). The consolidated financial statements and the joint management report as of December 31, 2017 were drafted pursuant to Section 315a of the German Commercial Code (HGB) in line with international financial reporting standards (IFRS) as applied in the EU. As at December 31, 2017, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin audited the financial statements and the joint management report of MLP SE in accordance with the principles of commercial law, as well as the Group financial statements and the joint management report in accordance with the principles of IFRS, issuing an unqualified auditor's opinion in each case. The auditor performed the audit in compliance with the basic principles of sound auditing practices determined by the Institut der Wirtschaftsprüfer (German Institute of Auditors).

The financial statements, together with the joint management report, the auditor's reports and the Executive Board's proposal for use of the unappropriated profit were made available to all Supervisory Board members in good time. The Audit Committee of the Supervisory Board reviewed these documents in detail and reported to the Supervisory Board on its audit in addition to explaining the auditor's report. The auditor also reported on the key results of the audit and on the fact that there are no significant weaknesses in the internal monitoring system, the risk management system or with regard to the compliance. The Audit Committee also reviewed the risk management system, the accounting processes and the effectiveness of the internal monitoring, risk management and auditing systems, as well as the relationship to the auditor, the proposals for selection of the auditor, the auditor's remuneration, the audit assignment and monitoring of the auditor's independence and the additional services performed by the auditor. The Supervisory Board also checked and discussed the documentation and reports in detail. In doing so, the Supervisory Board also focused on the key audit matters as described in the Auditors Report including the performed audit activities. In the presence of KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, which reported on the key findings of its audit, the audit reports were reviewed in detail in the Supervisory Board meeting held on March 14, 2018. The Auditor reported on the scope, focus and relevant results of its audit and thereby also especially addressed the key audit matters and the audit activities. With regard to the financial statement of MLP SE these key audit matters especially comprised impairment on investments in affiliated companies. With regard to the group financial statements, the impairment of goodwill as well as the commission income from brokerage of old-age provision products were included. At this meeting, the Executive Board explained the financial statements of MLP SE and of the MLP Group, the risk management system, the accounting processes and the effectiveness of the internal monitoring, risk management system, audit system and compliance, in addition to giving detailed reports on the scope, focuses and costs of the audit.

The Supervisory Board concurred with the outcome of the auditor's audit and, on the basis of the final outcome of the Audit Committee's audit and its own audit, found no grounds for raising an objection. Accordingly, at its meeting on March 14, 2018, the Supervisory Board approved the annual financial statements and the joint management report MLP SE, as well as the consolidated financial statements and the joint management report in accordance with IFRS prepared by the Executive Board. The annual financial statements are therefore adopted. In addition, the Executive Board must also for the first time submit a report on a non-financial declaration or a non-financial Group declaration pursuant to Sections 289b and 315b of the German Commercial Code (HGB). The Supervisory Board has examined the non-financial report – prepared by a meeting of the Audit Committee - and did not have any objections.

After performing its own reviews, the Supervisory Board agreed with the Executive Board's proposal to pay out a dividend of €0.20 per share for the 2017 financial year. The equity and liquidity situation, future regulatory requirements and the company's budget, as well as the shareholders' interest in an appropriate dividend were included and weighed up against one another in its considerations.

The Supervisory Board would like to thank the Executive Board, the Management of the respective Group companies, as well as all employees and consultants of the MLP Group for their exemplary personal commitment and achievements in the 2017 financial year.

Wiesloch, March 2018

The Supervisory Board

Dr Peter Lütke-Bornefeld
Chairman

OUR GOALS AND STRATEGIES

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

An important USP in our traditional private client business is that we support our clients as a partner in all financial matters – from old-age provision and wealth management to health and non-life insurance and financing and brokering of real estate property. Unlike most players in the market, however, we do not offer our own products. Instead, we rely on the products of all relevant providers in the market. In addition to this, clients can take care of all their important banking business with MLP. Gaining a profound understanding of our clients and their life situation also represents a highly important part of our philosophy. Each of our approximately 1,900 client consultants therefore focuses on one professional group, above all doctors, economists, engineers and lawyers.

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

We supplement our growth strategy with a consistent efficiency management programme. For the benefit of healthy profitability, we have reduced our administration costs considerably and continuously since 2008.

INVESTOR RELATIONS

Stock market year 2017 – Development of the markets

Developments on the financial markets were once again shaped by the decisions of the central banks in the first half of 2017. However, geopolitical issues such as the presidential elections in France, the implementation of the political goals of US President Donald Trump and the parliamentary elections in the United Kingdom also had an impact on the stock markets. The looming conflict between the US and North Korea, as well as the crisis in Qatar only unsettled investors briefly. The economic data in Europe and the US was generally positive and led to optimism among investors. In particular, technology shares and small caps recorded above-average inflows into funds in the first six months of the year and developed far better than the blue chips. A lack of investment alternatives due to the ongoing low-interest-rate policy of the European Central Bank (ECB) continued to motivate investors to put their money into shares and led to new record levels on the indices. The SDAX hit a new record of 11,337 points at the start of June, while the DAX also reached a new high of 12,951 points later in the month. When the US Federal Reserve (Fed) then raised the interest rate for the second time in 2017 as anticipated, it presented a surprisingly ambitious outlook, which led to uncertainty among investors and motivated them to sell shares. In this phase technology stocks were among the hardest hit, yet small cap indices outside the tech sector were also affected by pronounced profit taking. An analysis performed by Goldman Sachs regarding a potential overvaluation of the technology sector served to further reinforce this trend. A global hacker attack, as well as doubts regarding the economic aims of US President Trump also unsettled investors.

In the second half of the year, however, the stock markets were able to continue their positive development and once again record significant gains. Impressive quarterly reports from companies, in addition to solid economic data on both sides of the Atlantic, supported the trend and helped instil a sense of confidence among investors. Although the North Korea conflict and the extremely dangerous hurricane "Irma“ generated a degree of uncertainty, their negative effects on share prices only lasted a short time. The ECB's upwards revised growth forecasts for the eurozone convinced investors that the economy was in a healthy condition. The signal from the US Federal Reserve that another interest rate increase was scheduled for December and the return of monthly bond purchases by the ECB were seen as clear indicators of their optimism regarding the economy. After the North Korea conflict had increasingly receded into the background and the German parliamentary elections failed to deliver any new impetus, the prospect of an imminent tax reform in the US was able to spur on the stock markets, which in turn reached new record levels. Following the above-average development of the global stock markets, companies reached ratings that can best be described as ambitious. At 13,525 points, the DAX reached its highest level of the year at the start of November, while MDAX, SDAX and TecDAX also reached new record levels. Disappointing operating results and renewed doubt regarding the success of the US tax reform led to pronounced profit taking in the final quarter. Yet despite this, at least the US stock exchanges managed to recover quickly, setting new record levels at the start of December. Solid economic data on both sides of the Atlantic was enough to convince investors and signal a recovery. Technology stocks were the only ones that struggled to get back on a sound footing and were once again among the losers. In Europe, the upturn in share prices was held back by the strong Euro, which gained ground again at the end of the year and climbed towards the USD 1.20 mark.

MLP share

The MLP SE share enjoyed encouraging development in 2017. Following a rather modest start to the new year, the share recorded significant gains in the course of the first quarter. While it started the year at a price of €4.11, the share rose to €5.47 by March 31 and thereby reached its highest level for more than three years. This trend was supported by the overall positive mood on the capital markets and successful company development. MLP recorded its best start to the year for five years. The readmission to the SDAX in March then generated additional purchasing interest and the share price continued its upwards trend throughout the rest of the reporting period.

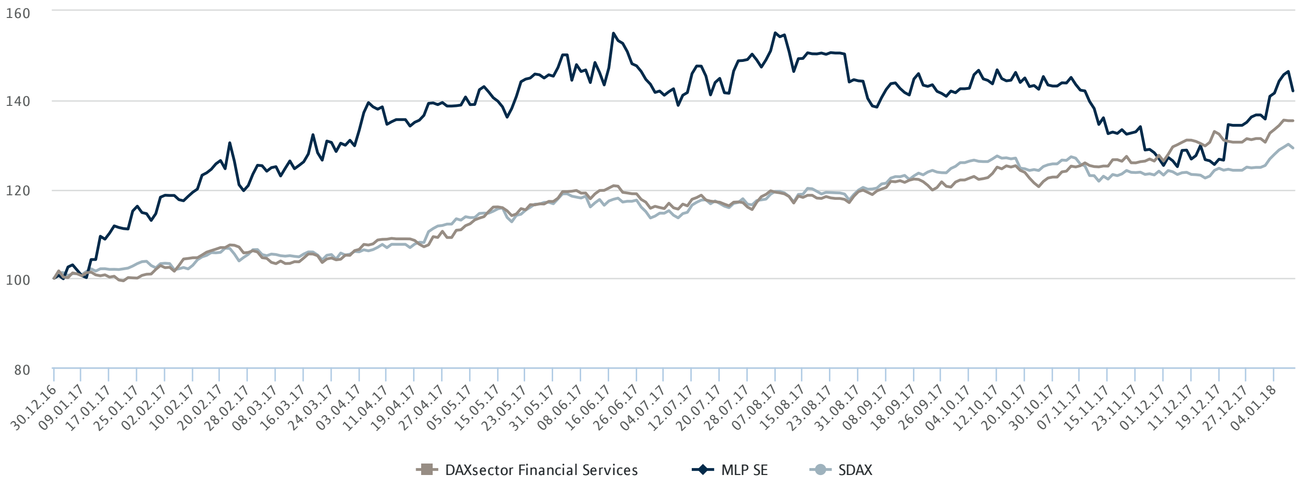
After the share price had reached its annual high of €6.47 on June 20, some short-term profit-taking was observed and the price had declined to €5.60 by the start of July. Positive corporate reports and a favourable stock market environment then secured fast recovery and the share price was soon being quoted at levels near to the annual highs once again. The North Korea conflict put the stock exchanges under pressure at the start of September and the value of the MLP share then declined again to €5.64. In the final quarter, the MLP share was then initially able to benefit from the good sentiment in the financial markets and again reach values above the €6 mark. The share price oscillated at a high level around the 38-day line until the start of November before profit taking was observed again in November and the price declined to €5.15. Significant purchasing interest at the end of the year, and the gains associated with this, then led to the share price rising to €5.63 by the end of the year. The MLP share therefore gained almost 37% over the course of 2017. The DAX recorded an increase of 12.5%, while the SDAX gained 24.9%. The MDAX rose 18.1% in 2017.

You can find further information on the MLP share in the ↗ "MLP Share" section of our Investor Relations page at www.mlp-se.de.

The MLP SE share was once again included in the SDAX of the German stock exchange with effect from March 22, 2017. The increase in the share price over the last few months and the greater trading volume were the main reasons for this and can be attributed to the positive fundamental further development of the MLP Group. In the course of the regular adjustment of the SDAX, the MLP share is no longer member of the index since March 19, 2018. On the basis of a further successful operating development our objective is to once again return to the SDAX.

Readmission to the SDAX

MLP share, SDAX, DAXsector Financial Services 2017



Dividend

MLP will continue its consistent dividend policy for the financial year 2017. As announced, the Executive Board will base its dividend proposal for the 2017 financial year on the operating net profit (before one-off expenses) and will continue to maintain a distribution rate of between 50% and 70%. In concrete terms, the Executive Board and Supervisory Board will propose a dividend of €0.20 per share at the Annual General Meeting on June 14, 2018. This corresponds to a distribution rate of 64% of net operating profit.

Key figures compared to previous year

		2017	2016	2015	2014	2013
Shares in circulation at the end of the year	in units	109,334,686	109,334,686	109,334,686	107,877,738	107,877,738
Share price at the beginning of the year	in €	4.11	3.67	3.71	5.29	5.08
Share price at the end of the year	in €	5.63	4.18	3.67	3.71	5.21
Share price high	in €	6.47	4.25	4.26	5.98	6.58
Share price low	in €	4.11	2.57	3.48	3.48	4.41
Market capitalisation at the end of the year	in € million	615.6	456.5	401.3	400.2	562.2
Average daily turnover of shares	in units	171,210	93,390	80,996	43,775	47,302
Dividend per share	in €	0.20*	0.08	0.12	0.17	0.16
Total dividend	in € million	21.9*	8.7	13.1	18.3	17.3
Return on dividend	in %	3.6*	1.9	3.3	4.6	3.1
Earnings per share	in €	0.25	0.13	0.17	0.27	0.22
Diluted earnings per share	in €	0.25	0.13	0.17	0.27	0.22

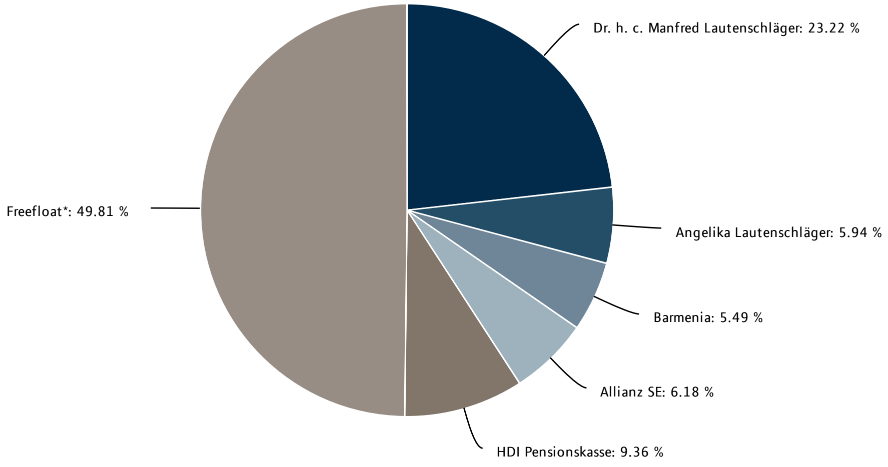
*Subject to the consent fo the Annual General Meeting on June 14, 2018
**related to share price at year end

Changes to the shareholder structure

The following changes were made in the reporting period. The share of the voting rights held by FMR LLC (Fidelity) fell to 2.95% (4.99%) by August 1, 2017. On the other hand, the share of the voting rights held by INKA Internationale Kapitalanlagegesellschaft mbH, Düsseldorf increased. Indeed, it rose to 5.03% as at July 19, 2017 (3.03%).

The free float in the 2017 financial year remained unchanged at 49.8%. In line with the German Stock Exchange's definition, institutional investors are not taken into consideration when determining the free float. The following chart provides an overview of the major shareholders.

MLP Shareholder structure as of December 31, 2017



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

Investor relations activities

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

Online Annual Report wins German Design Award

The 2015 Online Annual Report of MLP AG was presented with the German Design Award in the category "Excellent Communications Design – Online Publications" in the fourth quarter of 2017. The jury were particularly impressed by the graphic implementation – in the style of the corporate website – and the excellent user friendliness offered by the responsive design. The German Design Award ranks among the most recognised design competitions worldwide. This year, the winners were chosen from over 5,000 entries. The jury comprised design aficionados from the fields of business, teaching and science and the design industry.

We also provide a special investor relations newsletter service, whereby anyone interested can sign up to receive e-mails about important events. Anyone who is interested can also keep up-to-date with news from the company and the sector via ↗ twitter. You can find the investor relations section at: ↗ www.mlp-se.de/investor-relations. Please feel free to contact us if you prefer to talk to someone in person.

Key figures for business valuation and statement of financial position analysis

		2017	2016
Equity ratio	in %	18.7	19.7
Return on equity	in %	7.3	3.8
Core-capital ratio	In %	20.0	14.2
Net liquidity	in € million	215.0	184.0
Market capitalisation at the end of the year	in € million as of 31 Dec.	616.0	457.0
Total revenue	in Mio. €	628.2	610.4
EBIT	in Mio. €	37.6	19.7
Operating EBIT*	in Mio. €	46.7	35.1

*before one-off exceptional costs

SUSTAINABILITY AT MLP

Performance and trust sit at the heart of our company values and combine successful entrepreneurship with social commitment in our self-conception.

MLP is the partner for all financial matters – for private clients, companies and institutional investors. Going beyond our responsibility towards our clients, our sustainability report is testimony of our responsibility towards all stakeholders.

Within the scope of our sustainability activities at MLP, we have identified eight principal fields of action.

To ensure our sustainability activities have a comprehensive framework, we have aligned our reporting to the reporting standard of the German Sustainability Code (Deutscher Nachhaltigkeitskodex, DNK). Please refer to the ↗ Declaration of Conformity with the German Sustainability Code for further information and details on our sustainability management.

ATTRACTIVE EMPLOYER AND PARTNER

MLP AS AN ATTRACTIVE EMPLOYER AND PARTNER

MLP is a knowledge-based service provider where qualified and motivated employees and self-employed client consultants represent the fundamental basis for sustainable corporate success. “MLP as an attractive employer and partner” is therefore a strategic area of action within our sustainability management activities.

An important focus is therefore placed on recruiting new self-employed client consultants in addition to their training and further development. The client consultants act as entrepreneurs in the company and have numerous further development possibilities. Details can be found in the sub-chapters "Trusting client relations" as well as "Education & consulting quality".

Also important is personnel work for our employed members of staff. In this context, extensive training opportunities are available to our employees.

In addition MLP offers its employees a large number of social and healthcare programmes that exceed its statutory obligations:

Combining career with a family life

- Flexible working hours models
- Childcare allowance for children up to school age
- Opportunity to take up to a month in unpaid special leave every three years, for example to be able to take better care of children during school holidays
- Parent-child office at Group HQ to cover for last minute gaps in childcare for our employees
- Assumption of costs for offers associated with the "Generation Guide": this provides expert advice in the fields of childcare and upbringing, as well as counselling and support in the fields of homecare and elderly care

Healthcare

- Medical prevention programmes, such as flu shots, eye tests, etc.
- Ergonomic workplaces in addition to relevant advice
- Support for both employees and managers provided by B.A.D. Gesundheitsvorsorge und Sicherheitstechnik GmbH
- Prevention of burnout and support for those affected
- Company sports programmes

With these measures, we support our employees in overcoming the challenges associated with combining career and family. Flexible working times at MLP also make it easier for employees to better balance work and family life.

DIGITALISATION

DIGITALISATION

MLP already laid the foundations for the digitalisation strategy and its implementation in the Group several years ago. With its first step in 2014, MLP established an innovation laboratory named "Finanz-WG". Under the heading of "MLP financify", MLP has revised its web presence for young target groups and tailored it to their needs. More and more digital communication options, such as various social media channels and web portals, are available to clients on a day-to-day basis. MLP has also been testing a chatbot since February 2018. This provides prospective clients with an introduction to the topic of occupational disability and answers their initial questions. We have been offering online policy sales for basic products such as travel health insurance policies since 2016. However, individual advice is still given in face-to-face meetings at MLP – this applies to all complex financial issues. Within the scope of the digitalisation process, we employ an intelligent combination of face-to-face consulting and digital experiences for our existing and prospective clients.

At the same time, we are continuing to drive digital processes within the company forward. In April 2017, the new online client portal entered its first expansion stage. It offers clients all financial information at a glance, accompanied by a personal budget book, which presents income and expenditure in a clearly structured way by category.

Our consultant applications ("Budget guide" and "Budget guide easy" for young clients) support our continuously optimised consulting approach. The roll-out and the accompanying further training measures gained significant ground in the reporting year and are set to continue in the current year.

The extensive roll-out of the new e-signature was started as planned in summer 2017 and is currently being used in the banking business (account and credit card applications). Further roll-out stages are planned.

SUCCESSFUL
BUSINESS MODEL

TRUSTING
CLIENT RELATIONS

EDUCATION &
CONSULTING QUALITY

SUCCESSFUL BUSINESS MODEL

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

- MLP: the dialogue partner for all financial matters
- FERI: the investment expert for institutional investors and high net-worth individuals
- DOMCURA: the underwriting agency focusing on private and commercial non-life insurance products
- TPC: the specialist in occupational pension provision management for companies

Since it was founded by Manfred Lautenschläger and Eicke Marschollek in 1971, MLP Group (MLP) has consistently striven to establish long-term relationships with its clients. This requires profound understanding of their individual requirements.

This business model forms the basis for long-term collaboration with all stakeholder groups.

TRUSTING CUSTOMER RELATIONSHIP

MLP operates in a complex and constantly changing market and competitive environment and needs to always ensure a trusting relationship with its clientèle as a dialogue partner for all financial matters. High quality consulting, as well as a profound understanding of individual requirements are essential for sustainable business success. Each of our approximately 1,900 self-employed client consultants in the private client business therefore focuses on one professional group, mainly consisting of doctors, economists, engineers and lawyers. We support these clients in all financial matters – from old-age provision and wealth management, to health and non-life insurance, financing, real estate brokerage and banking.

The views and expectations of our clients is always the starting point in each of these fields. Building on this, we then present clients with suitable options in an easy-to-understand way so that they can make the right financial decisions themselves.

EDUCATION & CONSULTING QUALITY

Maintaining consistently high-quality consulting makes an important contribution to our added value. That's why we place great emphasis on qualifying our self-employed client consultants at MLP. A high-quality range of training courses are an indispensable prerequisite in achieving this. The MLP Corporate University (CU), which is based at our HQ in Wiesloch, is the centre for the development and provision of training for consultants, office managers and the heads of university teams. With a total of around 20,700 training participant days, we also provided systematic support for the further development of our consultants in 2017.

As a knowledge-based service provider, we also place great emphasis on the training and qualification of our employees, who have access to a comprehensive range of further training opportunities. To offer our employees even better development opportunities, we launched a modular "management programme" in 2015. This was once again successful in the reporting year.

PRODUCTS

COMPLIANCE &
DATA PROTECTION

EFFICIENT ENVIRONMENTAL &
RESOURCE MANAGEMENT

PRODUCTS

When selecting partners and products, we employ high quality standards and place great emphasis on objective and transparent criteria. An analysis and quality check of the providers in the market, as well as their respective products, is performed based on our clients' needs.

Our partner and product selection process is subject to continuous further development and regularly reviews providers and the products/concepts in our portfolio. During their consultations, our self-employed client consultants can therefore provide clients with information and advice based on the results of the selection process in order to help the client to make a decision.

COMPLIANCE & DATA PROTECTION

In addition to complying with relevant legal regulation, we have developed Group-wide compliance guidelines which define general standards of good conduct and principles for the companies in MLP Group.

Our compliance organisation promotes awareness among the members of the Executive Bodies, employees and self-employed client consultants for responsible, fair and professional business practices with one another, as well as towards customers, business partners and shareholders. It also provides support in harmonising business activities with the legal provisions and internal rules that are relevant for MLP.

EFFICIENT ENVIRONMENTAL & RESOURCE MANAGEMENT

Contrary to the manufacturing sector, however, the impact on the use of resources through our business activities as a financial services provider should be considered to be minimal. However, our goal is to handle all resources at our disposal responsibly.

JOINT MANAGEMENT REPORT

In addition to the MLP Group, the following joint management report also encompasses MLP SE.

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. Previous year's figures are given in brackets.

FUNDAMENTAL PRINCIPLES OF THE GROUP

Business model

MLP – The partner for all financial matters

Broad range of services

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

- MLP: The dialogue partner for all financial matters
- FERI: The investment company for institutional investors and high net worth individuals
- DOMCURA: The underwriting agency, focusing on private and commercial non-life insurance products
- TPC: The specialist in occupational pension provision management for companies

Client requirements in focus

Since being established by Manfred Lautenschläger and Eicke Marschollek in 1971, the MLP Group (MLP) has consistently striven to establish long-term relationships with its clients. This requires profound understanding of their individual requirements. Each of our approximately 1,900 consultants in the private client business therefore focuses on one professional group. MLP's clients primarily include physicians, economists, engineers and lawyers. We support these clients in all financial matters – from old-age pension provision and wealth management through to health and non-life insurance to financing, real estate brokerage and banking.

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 offerings of all relevant product providers in the market. Our products are selected and rated on the basis of scientifically substantiated market and product analyses.

Supervisory requirements

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

Transparent partner and product selection process

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. The product selection process is continually improved and optimised.

Qualifications and further training of key importance

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 self-employed client consultants.

Division of MLP Banking AG (operating as MLP Finanzdienstleistungen AG until November 30, 2017)

In the reporting period, the brokerage branch of activity was spun off from MLP Banking AG (operating under the name MLP Finanzdienstleistungen AG until November 30, 2017) with retroactive effect from October 1, 2017. With this step, all regulated banking activities, including investment advisory services, were bundled at MLP Banking AG, while all other consulting services (old-age pension provision, health insurance, non-life insurance, real estate, finance brokerage) are now provided by the new MLP Finanzberatung SE.

MLP Banking AG

MLP Banking AG combines the features of a direct bank with consulting services, which are provided by its consultants. It offers classic banking services to both private and business clients – from accounts and cards through to loans, all the way to the wealth management. MLP Banking AG assumes the following role within the MLP Group:

- Combining direct banking services with face-to-face advisory
- Part of a comprehensive financial consulting offer from MLP and MLP consultants
- Provider of regular account and securities account models, as well as other banking services
- Special expertise in the fields of wealth management and financing

MLP Finanzberatung SE

Atrium 105. Europäische VV SE was acquired with effect from May 17, 2017 and was renamed MLP Finanzberatung SE by entry in the commercial register on July 6, 2017. In the 2017 financial year, the brokerage division was spun off from MLP Finanzdienstleistungen AG and transferred to MLP Finanzberatung SE with retroactive effect from October 1, 2017.

The business activities of MLP Finanzberatung SE focus on providing advisory services to both private and corporate clients on financial issues, as well as brokerage of corresponding products. These are closely intertwined and complement one other. Among others, the consulting areas include old-age provision, health insurance, non-life insurance and real estate brokerage.

As an insurance broker, MLP Finanzberatung SE is also committed to selecting the most suitable product options for clients from the broad range of offers available 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.

As an underwriting agency, DOMCURA designs, develops and implements extensive coverage concepts for private and commercial clients in the non-life insurance segments. The products of DOMCURA are currently used by approximately 5,000 insurance brokers and insurance sales.

DOMCURA and nordias – non-life insurance specialists

With the acquisition of the DOMCURA Group in 2015, MLP also acquired several brokers in the commercial non-life insurance area alongside the primary underwriting agent business. These companies were further developed in the reporting year and integrated into nordias GmbH Versicherungsmakler (nordias) as a direct subsidiary of MLP SE and as a parent company of the other brokerage companies in the DOMCURA Group. DOMCURA AG and nordias have thereby become sister companies within the MLP Group. Over the course of the further development in the DOMCURA Group, nordias assumed additional functions and services for MLP Sales.

As an investment house for institutional investors, high net worth families and foundations, the FERI Group (FERI) offers services in the fields of investment research, investment management and investment consulting. The FERI Cognitive Finance Institute, which was established in 2016, acts as a strategic research centre within the FERI Group with a focus on analyses and method development for long-term economic and capital market research.

FERI – Wealth management with independent research

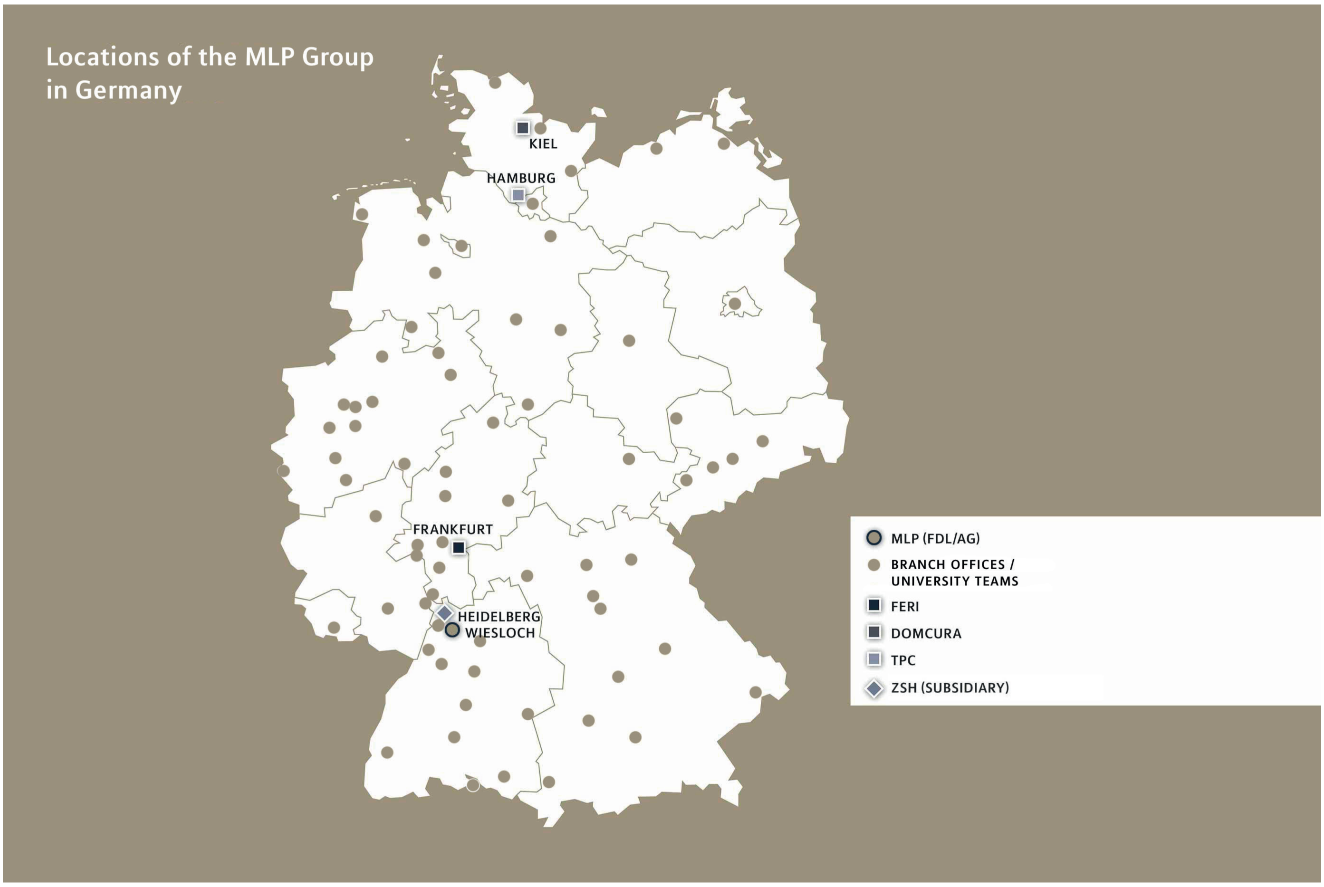
In the Investment Management business area, FERI Trust GmbH offers a broad spectrum of wealth management services in all asset classes. These services range from the development and implementation of individual investment strategies, right through to quantitative risk management and control. Investment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

As a specialist in occupational old-age provision management, TPC GmbH (TPC) offers companies and associations consultancy services covering all issues relating to occupational pension provision and remuneration – from requirements analysis through to individual concept development and implementation, all the way to continuous checking of existing occupational old-age provision systems. The key focus here is on providing consulting services to 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

The registered office of MLP SE, MLP Finanzberatung SE, and also MLP Banking AG is in Wiesloch, Germany, where all internal divisions are centralised. In addition to this, we are represented by our client consultants and offices in all German urban centres, especially in all important university locations. DOMCURA and nordias have their head office in Kiel, while TPC operates out of Hamburg. Alongside its HQ in Bad Homburg vor der Höhe, Germany, FERI maintains offices in Düsseldorf, Munich, Luxembourg, Vienna and Zurich.

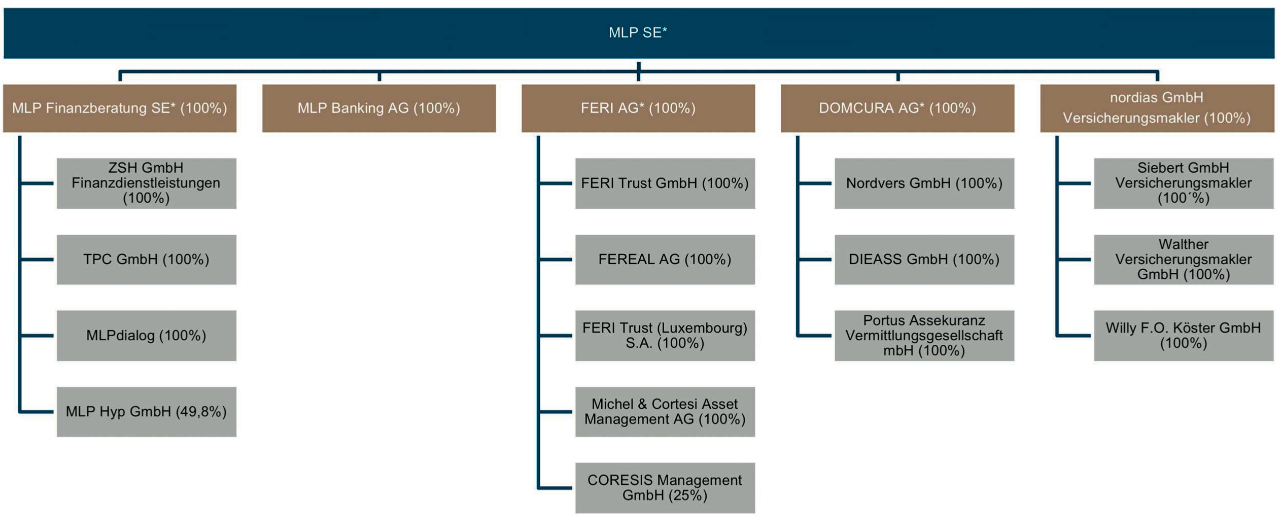
Represented throughout Germany



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 SE. The five subsidiaries MLP Finanzberatung SE, MLP Banking AG, FERI AG, DOMCURA AG and nordias GmbH are arranged below this (see chart). The business divisions each carry end-to-end accountability for results. This organisation reflects the Group's strategic goals and client requirements.

Current Group structure of operating companies



* Plus further direct and indirect subsidiaries

MLP Finanzberatung SE is registered as an insurance broker for the brokerage of insurance products. MLP Finanzberatung SE 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.

MLP Banking AG holds a banking licence and bundles all banking services for both private and corporate clients.

The core business conducted by FERI AG revolves around investment research, investment management and investment consulting for institutional investors, high net worth families and foundations. These are anchored in FERI Trust GmbH, Bad Homburg v.d.H. FEREAL AG acts as a capital management company for alternative asset classes, such as real estate, private equity and infrastructure. In Switzerland, FERI offers investment solutions for private and institutional investors outside the eurozone via Michel & Cortesi Asset Management AG at the Zurich location. As a fund administrator, FERI Trust (Luxembourg) S.A. coordinates the entire fund structuring and fund floating process. In the field of real estate, FERI AG holds investments in CORESIS Management GmbH.

DOMCURA AG specialises in designing, developing and implementing comprehensive coverage concepts in the non-life insurance area for both private and commercial clients. nordias GmbH Versicherungsmakler is primarily home to specialist brokers for commercial and industrial insurance.

Changes in corporate structure

Change in corporate form of MLP Holding to an SE

The change in the corporate form of the MLP holding from a German stock corporation (AG) to a European stock corporation (Societas Europaea/SE) was effectively completed in the reporting period with entry in the Commercial Register on September 21, 2017. This new legal status means that the Supervisory Board can permanently maintain its current size and composition. In addition to this, the SE form is more attractive for foreign investors. The rights of the shareholders, the company's membership in the SDAX index and the stock exchange code remain unaffected by this changeover.

Separation of banking operations and brokerage business

On February 21, 2017 the MLP AG Supervisory Board consented to the change in Group structure passed by the Executive Board. The brokerage branch of activity was spun off from MLP Banking AG (operating under the name MLP Finanzdienstleistungen AG until November 30, 2017) and integrated into MLP Finanzberatung SE with retroactive effect from October 1, 2017. Furthermore, the supervisory scope of consolidation was narrowed down. These steps should significantly increase free regulatory equity capital by the end of 2021. We anticipate free equity capital to gradually increase by around € 75 million compared to 2016. MLP will thereby expand its scope for action above all for acquisitions and investments, but also in terms of the distribution of dividends. The Federal Financial Supervisory Authority (BaFin), which here performs its supervisory role, was kept up to date regarding the implementation of these measures throughout the whole process. With effect from October 1, 2017 all regulated banking activities were bundled at MLP Banking AG, while the brokerage business is continued by MLP Finanzberatung SE.

The merger of Schwarzer Familienholding GmbH (SFH) with MLP AG under commercial law already took place in the first half of the year with retroactive effect from January 1, 2017. From this date on DOMCURA AG and nordias GmbH Versicherungsmakler have been 100% subsidiaries of MLP SE, formerly MLP AG.

Factors affecting business development

Economic developments in Germany have a significant impact on the business operations of the MLP Group, as the company generates or initiates almost all of its revenue in this country. Particularly important non-financial performance indicators in this regard are economic growth, developments in the labour market, salary levels and the general savings rate. They are described in further detail in the chapter entitled → Economic report – Overall economic climate.

The results of operations are influenced even more acutely by market conditions in the consultancy areas of wealth management, old-age provision, non-life insurance, health insurance, real estate as well as loans and mortgages, which we analyse in the corresponding chapters of the → Economic report and forecast. Another important factor is the regulatory environment, which is examined in more detail in the chapter entitled → Economic report and forecast – regulation and competition.

Organisation and administration

The Executive Board at MLP SE comprises three members. The positions on the Board continue to be held by Dr Uwe Schroeder-Wildberg (Chief Executive Officer), Manfred Bauer (Product Management) and Reinhard Loose (Finance). In January 2017 the Supervisory Board at MLP SE had already extended the contract of Chief Executive Officer, Dr Uwe Schroeder-Wildberg, which was running until December 31, 2017 by a further five years to the end of 2022. No personnel changes to the company's Executive Board were made in the last financial year. However, new appointments were also necessary for the members of the Executive Board within the scope of the company's change of corporate form.

The Supervisory Board, which is required to monitor the Executive Board under German law, comprises six members. There were no changes to the personnel on this committee in the reporting year. However, the term in office of the Supervisory Board at MLP AG ended by operation of law as a result of the change in corporate form. As per the approved conversion plan, the newly formed Supervisory Board of MLP SE comprises the same members that previously sat on the equivalent body at MLP AG, i.e. Dr Peter Lütke-Bornefeld, Dr. h.c. Manfred Lautenschläger, Mrs Tina Müller, Dr Claus-Michael Dill, Mr Burkhard Schlingermann and Mr Alexander Beer.

On the Executive Board at FERI AG, Marcel Renné assumed responsibility for Operations on January 1, 2017. He thereby succeeded Dr Matthias Klöpper, who left the Board on expiry of his contract. At the same time, Chief Executive Officer Arnd Thorn assumed responsibility for Finance.

Control system

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

Corporate management

EBIT and revenue as the most crucial key performance indicators

The Executive Board at MLP SE assesses the performance of the various business segments and reaches decisions regarding resource allocation on this basis. Earnings before interest and tax (EBIT) and total revenue (sales revenue) represent the central benchmark at MLP for overall business development in the individual business segments. Alongside this, the Executive Board also receives regular information on the macroeconomic, political and legislative factors that influence developments in the individual consulting fields. Analysis of the old-age provision, wealth management, non-life insurance, health insurance, loans and mortgages and real estate brokerage consulting fields is performed with the objective of explaining the performance of the business segments in the past, 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 consulting	Banking	FERI	DOMCURA
Old-age provision	x			
Wealth management		x	x	
Non-life insurance	x			x
Health Insurance	x			
Loans and mortgages	x			
Real estate brokerage	x			

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

Beside the important key performance indicators of EBIT and revenue, other KPIs include administration costs (defined as the sum of personnel expenses, other operating expenses, as well as regular depreciation and impairments), the return on equity, assets under management, brokered new business in the old-age provision area, the existing portfolio of non-life insurance contracts 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). As such, the Group objectives are broken down across all Group companies and key segments, thereby allowing each business unit to know 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 mandatory ISA process (which is binding throughout the Group), the target achievement level of each unit is tracked through our established planning and reporting processes. ISA provides the Executive Board with a high degree of transparency in the value-added process.

Risk management: Important management and control element

The Executive Board at MLP SE and MLP Banking AG has specified a risk strategy that is consistent with the business strategy and the risks resulting from it. The risk strategy encompasses the objectives of risk management for key business activities, as well as the measures for achieving these objectives. To this end risk management is permanently anchored in MLP's corporate management strategy. The members of the Executive Board, general managers of Group companies and departmental heads are responsible for detecting and classifying risks as quickly as possible. Since ISA managers also bear risk and cost responsibility, we are able to establish a practical link between risk management and controlling. You can find further information on risk management in the chapter entitled → Risk report.

Key figures and early indicators used by corporate controlling

We regularly use simulation scenarios to assess the success of our business. Important early indicators include assets under management, which reflect developments in the wealth management area, brokered new business in the field of old-age provision, and the portfolio of non-life insurance contracts, as these three 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 low annual turnover rate for self-employed consultants of no more than around 10%.

You can find further information on this in the chapters → Employees and self-employed client consultants and → Anticipated business development.

Research and development

Since our consulting company is a service provider, we are not engaged in any research or development in the classic sense. Nevertheless, we make resources available, for example to develop our own software or refine acquired software.

ECONOMIC REPORT

Overall economic climate

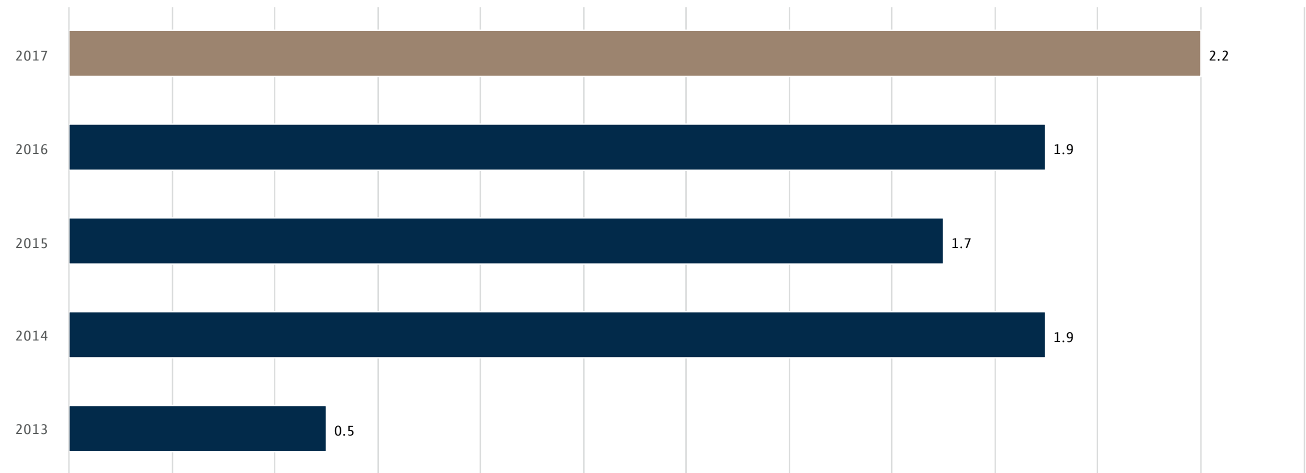
Overall economic situation

The economy in the eurozone displayed strength in the reporting year. Virtually all countries were on a growth course, which led to a reduction in political risks. According to estimates provided by FERI Investment Research, economic growth for the eurozone was 2.3% in 2017 (2016: 1.5%).

German economy displaying robust growth

Economic activity in Germany gained both dynamism and breadth in the last financial year and remains on a growth course. Alongside several years of stable domestic demand, in its autumn outlook the German government noted the upturn in the eurozone and the recovery in the global economy, which has injected new life into exports, as the reasons behind this. According to calculations performed by FERI Investment Research, inflation-adjusted gross domestic product (GDP) in Germany increased considerably by 2.2% in 2017.

Economic growth in Germany (in%)



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

Consumer sentiment unchanged among German citizens

Private consumption, which benefited from the positive situation in the labour market, remained the key growth driver in the reporting year. These framework conditions were expressed in highly positive consumer confidence, as underlined by the Consumer Sentiment Index of the German Consumer Research Association (GfK), which came in at 10.7 points in November 2017, an increase from just 9.7 points in November 2016.

The mood at German companies is also excellent. In November 2017 the ifo business climate index increased to a new record of 117.5 points – having risen from 110.1 points in January 2017. In December 2017 it then slipped slightly to 117.2 points. However, the companies actually rate their current business situation as better than in the previous month.

Excellent prospects in the labour market

The upward trend in the German labour market continued. According to data published by Germany's Federal Employment Agency, the annual average number of registered unemployed persons fell by 158,000 year-on-year to approximately 2.53 million in 2017. This corresponds to an unemployment rate of 5.7% (2016: 6.1%), which is the lowest level in 25 years.

In particular, the prospects for university graduates remained excellent in the German labour market. According to the latest data from Germany's Federal Employment Agency, the unemployment rate among academics remains at a very low level of just 2.3%.

The economic situation of private households was markedly positive in 2017. According to the German Federal Statistical Office, gross wages and salaries increased by 4.4%, while the disposable income of private households increased by 3.9%. The savings rate in Germany remained unchanged in the past financial year, reaching 9.7% in 2017.

ECONOMIC REPORT

Industry situation and competitive environment

The vast majority of MLP's total revenue is generated from the following four fields of consultancy: old-age provision, wealth management, non-life insurance and health insurance. In the 2017 financial year these fields together represented around 94% of total revenue. Revenues in the fields of old-age provision and health insurance are generated in the financial consulting segment. Wealth management revenue is generated at the FERI and banking segments. Alongside the DOMCURA segment, revenue in the non-life insurance area is also generated at MLP Finanzberatung SE.

The main factors that had a particular influence in the market environment and the results of operations in the four aforementioned consulting area in 2017 are described below.

Old-age provision

The old-age provision sector once again faced major challenges in 2017. The ongoing period of low interest rates and the reservations displayed by many consumers when it comes to signing long-term agreements have had a lasting negative impact on the market environment in the old-age provision area in Germany. This situation was compounded further by a reduction in the maximum actuarial interest rate from 1.25% to 0.90% on January 1, 2017, which not only affected the attractiveness of life insurance policies. In fact, this reduction also led to higher premiums for term life, funeral costs, long-term care pension and, above all, occupational disability insurance policies. Based on estimates of the Assekurata ratings agency, this development comes at an unfavourable time for life insurers, who are increasingly focusing on occupational disability insurance as one of the few attractive growth areas.

Product landscape undergoing change

Life insurers are addressing the described challenge with innovations in the product landscape and are increasingly electing to offer their old-age provision products with a flexible interest rate or without any guaranteed interest rate. According to a survey performed by Assekurata, classic life and pension insurance policies have become a niche product for life insurers. As a result of the positive performance in the stock markets, they are more interested in unit-linked policies and biometric products, such as occupational disability insurance.

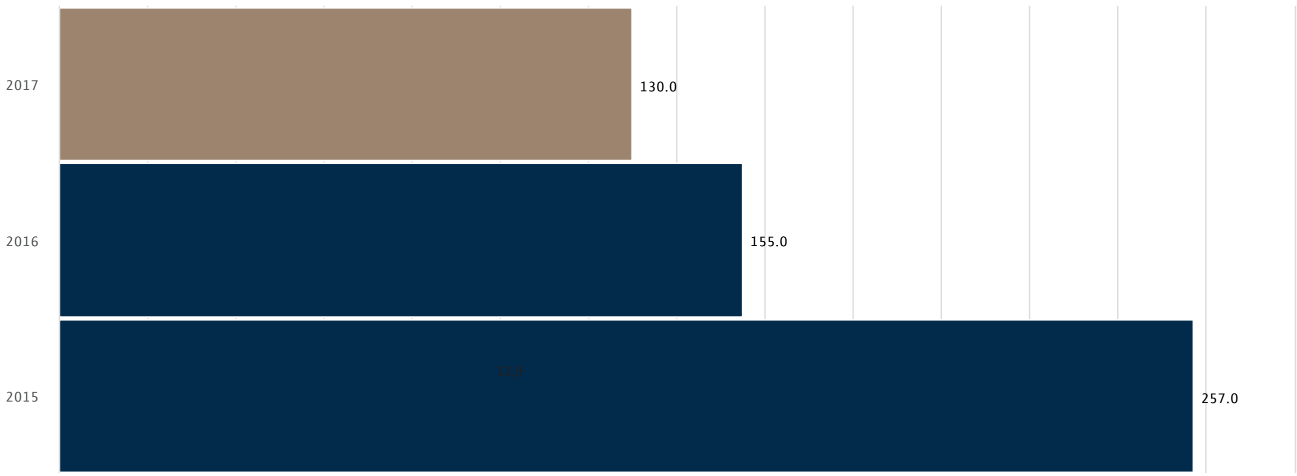
Low interest rate phase leaving German citizens at a loss

The low interest rate phase is generating considerable concerns among German savers: according to the 2017 Wealth Barometer of the Deutsche Sparkassen- und Giroverband Financial Group, more than one in two Germans (53%) are worried about the European Central Bank's interest rate policy. Just under a third (31%) are at a loss as to how they can achieve their own old-age pension provision goals in light of the ongoing period of low interest rates.

Falling saving rates

According to the 2017 AXA Germany Report, 61% of German citizens no longer consider themselves to be adequately covered for their retirement, primarily due to low interest rates. In addition to this, more than half (56%) of those in active employment now expect their quality of life to deteriorate in their old age, which represents a considerable increase from 40% one year previously. Although 79% of those in gainful employment consider financial insurance coverage in their old age as one of their three most important life objectives, German citizens are only saving an average of € 130 per month for their old-age provision according to the AXA Report. This represents 16% fewer than one year previously (2016: € 155). The most frequent reason for inadequate provision, stated by 57% of respondents, is "insufficient income and assets". The second most common reason given was "inadequate support regarding the topic, for example in the form of state subsidies/incentives" (21%). A "lack of knowledge or clarification on the topic" was the third most common reason (11%).

Development of the saving rates of German citizens for old-age provision (all figures in €)



Source: AXA Germany Report Saving Rates of German Citizens – Development

Holiday more important than old-age provision

According to a survey published in 2017 by market research institute Forsa, most German citizens prefer to save for their next holiday than for their private old-age provision. Indeed, 57% would rather set aside money for a trip than for their retirement. Almost a third of respondents are willing to dip into other savings or financial reserves rather than having to skip holidays altogether. According to Forsa, German households spent an average of € 4,307 on all holiday travel in 2016.

Difficult framework conditions discernible in all three tiers

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

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

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

Alongside the statutory pension, basic pension provision (1st tier) also includes the basic or Rürup pension, whose premiums can be deducted from income tax. Alongside salaried staff, the basic pension is also open to freelancers and self-employed persons who are not obligated 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 to make it more attractive. The maximum tax-deductible amount in 2017 was € 23,362 for single persons (€ 46,724 for married couples). In 2017 taxpayers were able to deduct 84% of capital invested in a basic provision policy over the course of the year from income tax as extraordinary expenses.

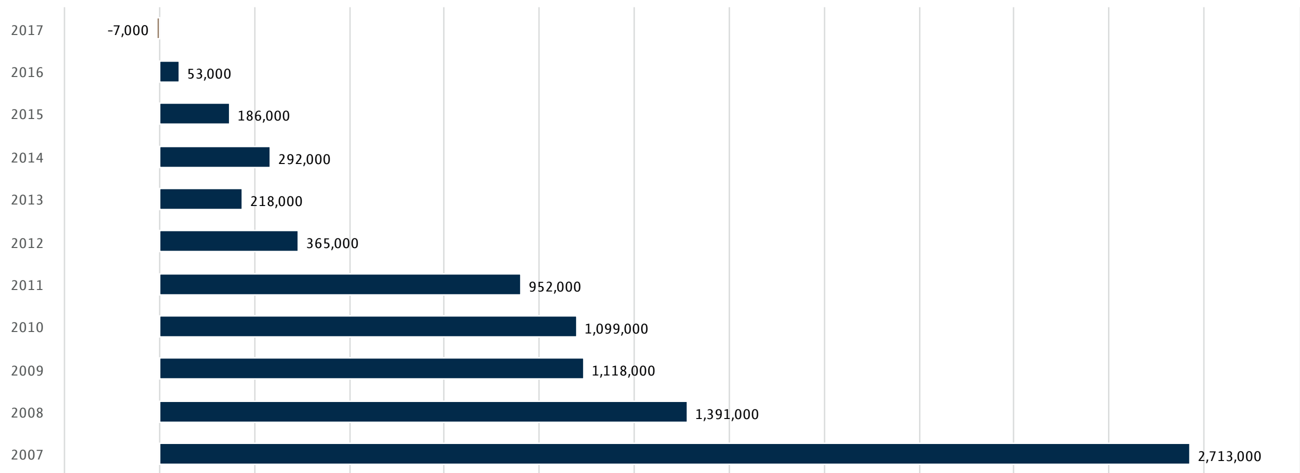
Improved incentives for basic pension not having any impact

Despite this significant tax incentive, data published by the German Insurance Association (GDV) indicates that only 81,000 new basic pension agreements had been concluded throughout the market by the reporting date on December 31, 2017 (2016: 96,000). This corresponds to a decline of 15%.

The supplementary pension provision (2nd tier) essentially comprises the Riester pension and occupational pension provision. The sector-wide downward trend in the sale of new Riester contracts continued in the reporting year. According to the German Federal Ministry of Labour and Social Affairs, the total number of Riester contracts in place fell to 16.53 million at the end of Q3 2017 – which represents a drop of 7,000 contracts compared to the figure as at December 31, 2016. As had already been the case in previous years, the clear focus on "Wohn-Riester" home annuity policies and "investment fund" polices with regard to signing new contracts continued in the reporting year. However, the number of "Riester" pension contracts displayed a sharp downward trend.

Growth only in Wohn-Riester home annuity policies

Development Riester pension contracts (2007 until 2017)



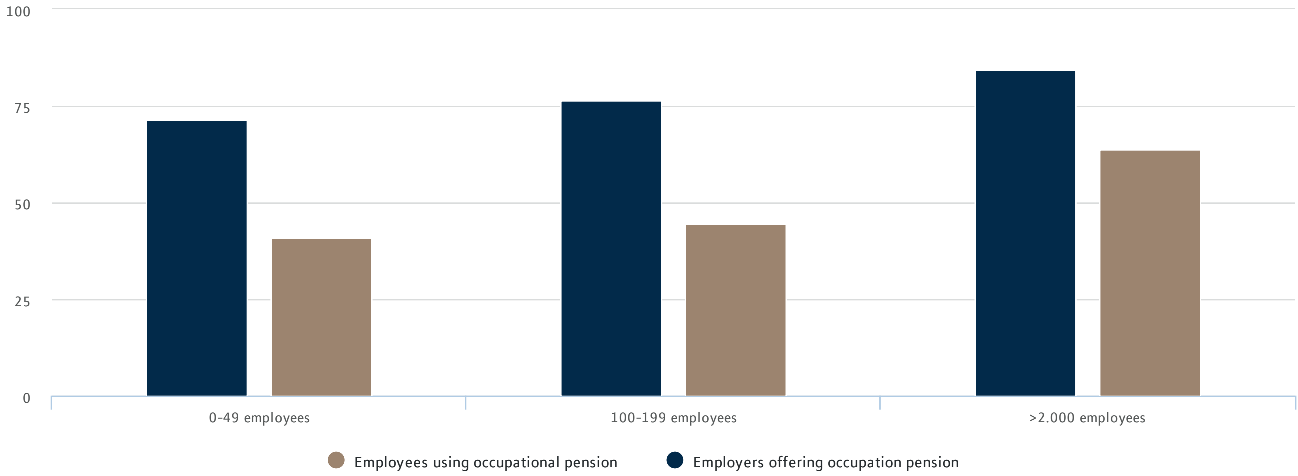
*Date: September 30, 2017, Source: German Federal Ministry of Labour and Social Affairs

The overall significance of occupational pension provision as a further component of 2nd tier provision is fundamentally considerable. According to a survey conducted by the German Consumer Research Association (GfK), 42% of German citizens already consider occupational pension provision to be one of the most attractive forms of saving. Indeed, with 76% the only investment more popular than this is the purchase of real estate.

Occupational pension provision: Greater support by law

Differences can, in particular, be found in terms of company size here. Indeed, virtually 90% of large enterprises with more than 2,000 employees today offer their workforce occupational pension provision. However, only around two thirds of these employees actually have occupational pension provision in place. The potential is even greater at small and medium-sized enterprises. Only 71.5% of small enterprises offer their workforce occupational pension provision and only 41.1% of these employees are currently taking up the offer. Only 76.4% of enterprises with up to around 200 employees offer such a concept, which is taken up by just 44.7% of employees.

Level of occupational pension provision coverage at companies (all figures in%)



Source: Hans Böckler foundation / WSI 2016

Occupational pension provision in Germany enjoys both tax and social security subsidies. At the start of June 2017, the German Bundestag passed legislation to strengthen occupational pension provision in Germany, which could provide positive stimulus to this area. The key points of the new legislation focus, in particular, on increasing the tax subsidy to 8% (previously 4%) of the income threshold per year, as well as a direct financial contribution for low earners. Anyone earning up to € 2,200 gross per month will then receive up to € 144 in state subsidies for an employer's contribution of up to € 480 per year. You can find further details on this in the → forecast section under Competition and regulation.

Life and pension insurance policies less in demand

The 3rd tier is continuing to display rather restrained development, above all in terms of classic life and pension insurance policies. According to the German Insurance Association (GDV e.V.), the number of new contracts once again declined to below the previous year's already low level (-5.2%). In terms of new business, 50% can be attributed to new guarantee products, following 46% in 2016 and 37% in 2015.

Slight downward trend in the overall market

As described above, the market environment remains difficult and the population is still displaying reservations when it comes to signing long-term contracts. At € 144.7 billion according to provisional figures provided by the German Insurance Association (GDV e.V.), the brokered premium sum of new business in the reporting year is therefore slightly (-2.4%) below the previous year's figure (€ 148.3 billion), which was already low in the long-term perspective.

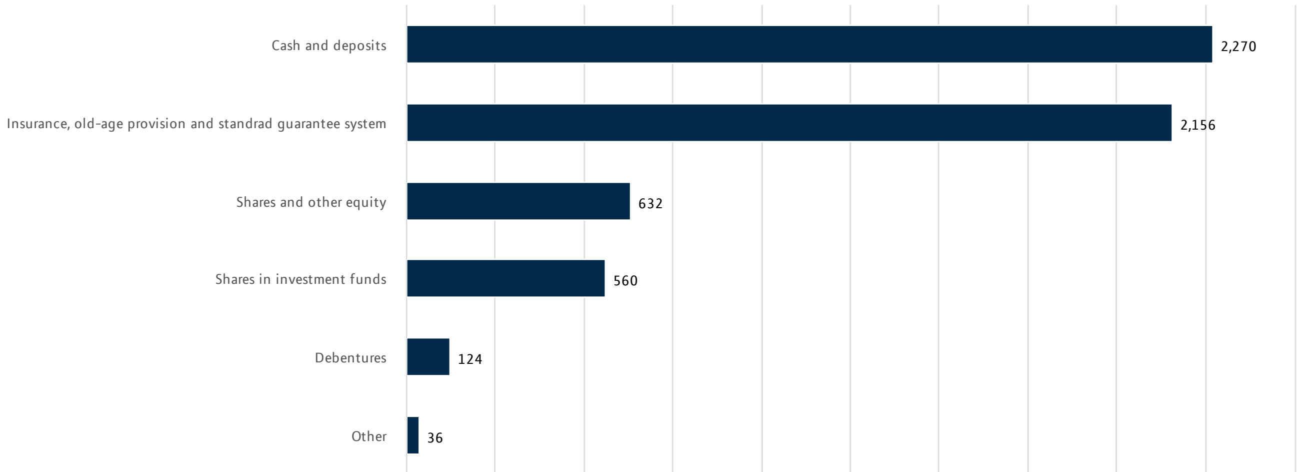
Wealth management

In the reporting year, the market environment in the wealth management area continued to be characterised by the ongoing period of low interest rates and at times high volatility in stock markets. However, a global economy displaying robust overall growth and profit growth, coupled with low interest rates and a friendly monetary policy, provided good stimulus to global stock markets. In the reporting period, the strategic picture in financial markets was primarily characterised by the political, monetary and economic "regime change". The gradual phasing-out of the ultra-expansionary monetary policy by major central banks, the separatist tendencies observed and the shift to the political right in Europe, as well as the unclear consequences of Brexit all contributed to a sense of uncertainty.

According to the Global Wealth Report 2017 of the Boston Consulting Group (BCG), the financial assets of German citizens increased by 3.7% to a total of USD 6.3 trillion in the 2016 reporting period, while global financial assets totalled USD 166.5 trillion. In terms of the wealthiest countries according to the survey, Germany is in fifth place – behind the US, China, Japan and Great Britain. In terms of the total number of millionaire households, Germany is in sixth place.

Overall, private households in Germany are actually richer than ever before. According to data published by the German Bundesbank, their monetary assets increased to a record level of around € 5,778.6 billion by the end of the third quarter of 2017. The Bundesbank also states that private households are continuing to display a preference for liquid and low-risk forms of investment.

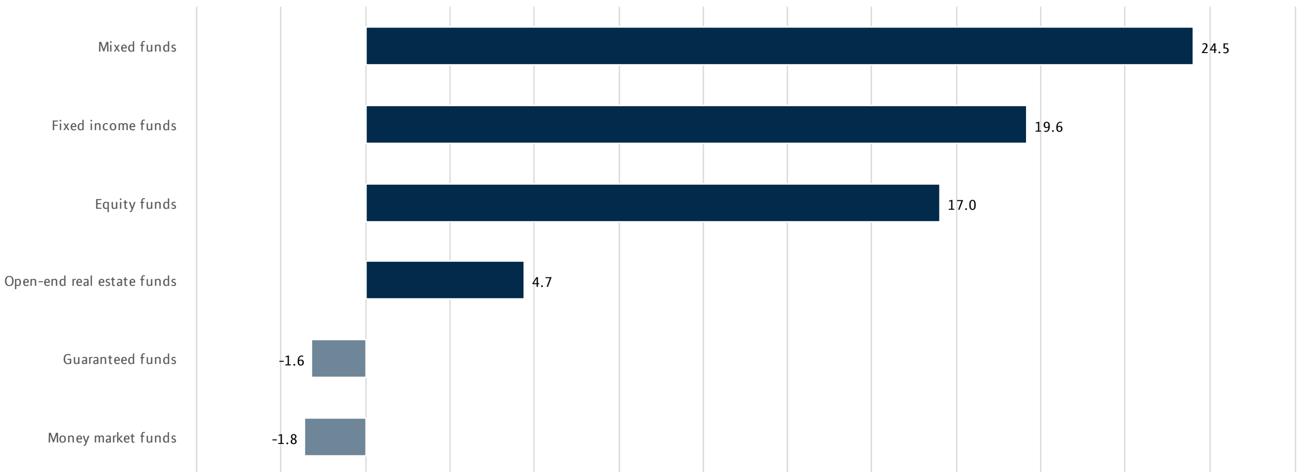
Private monetary assets of German citizens (all figures in € billion)



Source: German Bundesbank as at September 30, 2017

A total of € 138.8 billion net had been invested in the German fund industry by the end of November 2017, which represents a 6.9% increase in the volume of funds under management. The highest percentage gains were recorded by equity funds, which rose by 14.9%, followed by mixed funds, which rose by 13.9%. Fixed income funds recorded an increase of 9.5% in the first eleven months of the reporting year.

Cash inflows and outflows of various types of mutual funds in Germany from January to November 2017 (in € billion)



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

According to the Wealth Barometer published by the Deutsche Sparkassen- und Giroverband Financial Group, the majority of German citizens (59%) are satisfied with their financial situation. This is the highest value for ten years. However, half of the respondents are worried about the low interest rate and/or the European Central Bank's monetary policy. Just under two thirds consider a turnaround on interest rates in the near future as important or very important.

In an environment characterised by low returns and geopolitical risks, institutional investors throughout the world are increasingly turning to alternative forms of investment as a way of diversifying their portfolios. This is the conclusion of the annual RiskMonitor survey undertaken by Allianz Global Investors (AllianzGI). Indeed, seven out of every ten investors surveyed worldwide stated that they have invested in alternatives. According to RiskMonitor, institutional investors focused increasingly on risk management in the reporting period and adjusted their yield expectations down. Despite the fact that stock markets rose sharply in the reporting period, institutional investors are therefore still facing a risk-return problem, as well as the question of whether all risks are factored-in within the markets.

Institutional investors focusing on alternative investments

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 wealth management and in private banking in particular. At the same time, the continuing low interest rate environment is also leading to keener price awareness among clients.

Ongoing consolidation in private banking and wealth management

Non-life insurance

Non-life insurance business has become more important for independent brokers in the past few years. According to a survey performed by AssCompact, in 2017 just under three quarters (70%) of brokers surveyed consider the private non-life insurance business to be highly relevant. In two-year comparison (2015) this figure was just 40%.

Set against the background of the tense and uncertain framework conditions in the life and health insurance areas and as a result of Solvency II taking effect, the very solid overall development of the non-life insurance area is playing a special part for the industry according to rating agency Assekurata. The household contents, accident and liability insurance fields are the main reliable sources of revenue here – particularly in the private client business. In addition to this, Assekurata is observing a more pronounced product-based focus on standardised commercial client business for handicraft businesses or small and medium-sized enterprises (SMEs). Based on the AssCompact AWARD – Commercial Damage / Accident Business 2017 survey, virtually all companies surveyed are currently brokering commercial liability and non-life insurance policies. Commercial insurance policies to cover legal expenses are offered by 87% of brokers, followed by technical insurance policies (74%), vehicle fleet insurance policies (66%), transport insurance policies (55%) and cyber insurance policies (40%). A third of independent brokers are pursuing a sector or target group-based strategy here, focusing on trades, service providers (e.g. estate agents, IT service providers, management consultants), as well as freelancers (e.g. solicitors, doctors, tax advisers).

Non-life insurance as a solid pillar of the business model

German citizens are now displaying a greater degree of willingness to switch car insurers. According to the results of the most recent study conducted by market research institute YouGov at the end of 2016, a fifth (21.4%) of all motor vehicle insurance policy holders in Germany are generally willing to make the switch. When extrapolated, this corresponds to some 9.4 million motor vehicle policy holders. The trend towards switching providers that was observed in the previous years has therefore continued; in 2010 only 13.1% of respondents indicated a willingness to switch.

Ongoing trend to switch vehicle insurance providers

In 2016 storms and heavy rain caused almost ten times more damage covered by insurance than one year previously. Indeed, claims for flood damage totalling € 940 million were submitted, following just € 100 million in 2015. 2016 therefore saw the third highest level of flood damage since 1999. This is one of the findings from the Natural Hazard Report 2017 produced by the German Insurance Association (GDV e.V.).

Risks due to forces of nature increasing

The costs associated with flood damage to residential buildings and their contents are only covered by insurance companies when an extended natural hazard insurance policy is in place. As indicated by the German Insurance Association (GDV e.V.), however, many homeowners in Germany do not have this additional module in their building insurance policy. Indeed, only around 40% of residential dwellings throughout Germany have this additional protection. Yet despite this, some 99% of buildings in Germany qualify for insurance coverage to protect against flooding and heavy rain, as they are not classed as being at risk based on the German zoning system (ZÜRS).

Non-life insurance business continues along its positive growth path

Based on estimates of the German Insurance Association (GDV e. V.), growth in the property and casualty insurance area remained stable in the reporting year. For 2017, the GDV is anticipating an increase in premium income of 2.9%. The ongoing strong increase in premiums in the non-life insurance area can essentially be attributed to the regular premium adjustments in both new and existing business, for example in the residential building insurance and legal expenses insurance areas. The growth in all branches of the non-life insurance area is generally based on rising insured amounts, and partially also extensions in coverage, however not on an increasing number of insurable risks.

Health insurance

Ever fewer holders of comprehensive health insurance policies in Germany

Health insurance continued to face a challenging market environment in the financial year 2017 – 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 5 years in succession. At 8.77 million policy holders on December 31, 2016, the figure was 17,300 (-0.2%) below 2015. According to industry experts, this trend also continued in 2017.

Statutory health insurance getting more expensive

Since 2015, statutory health insurances are entitled to charge an additional premium alongside the general premium rate of 14.6%. The average additional premium was 1.1% in 2017. In addition to this, out-of-pocket payments and co-payments for individual healthcare services have long since become standard for those with statutory health insurance. As the 2017, as Continentale's study shows, 90% of respondents had paid for healthcare services out of their own pocket in the last twelve months – most frequently at the pharmacy (75%) or the dentist (59%). On average, each statutory insurance policy holder paid € 448 during the year for healthcare services in addition to the regular premiums paid into the statutory health insurance system. This represents € 104 or 30% more than in 2012. Older respondents aged 60 or over faced particularly high costs of € 577, followed by high-income earners with costs of € 541. Yet despite this, the number of policy holders making the switch from private health insurance to the statutory health insurance system was still higher in 2016 than the number of those making the opposite switch, i.e. from the statutory health insurance to a private health insurance policy.

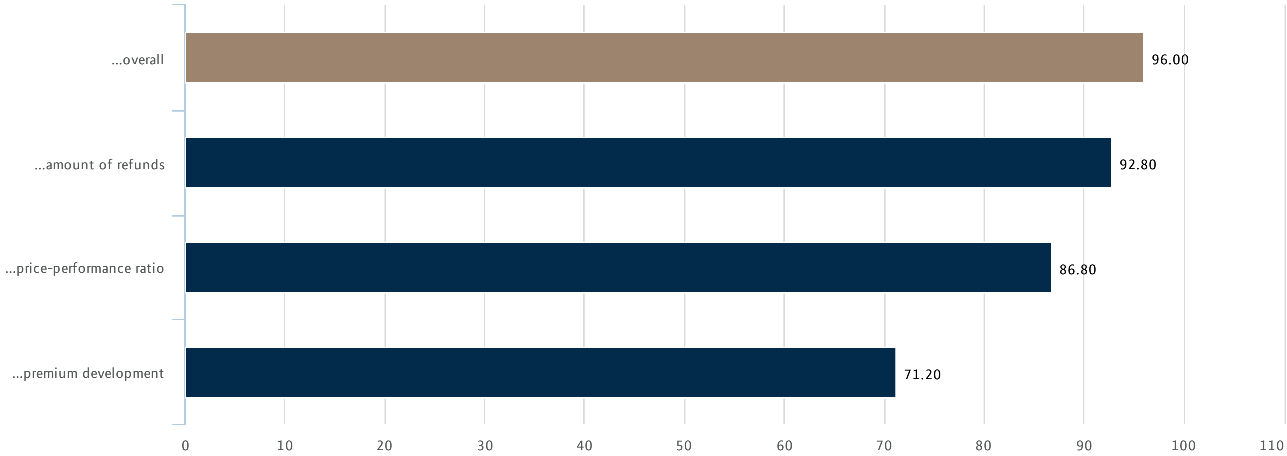
In the course of the German parliamentary elections in 2017 and the subsequent exploratory negotiations among the parties, the public discussion regarding the possible introduction of "citizens insurance" led to uncertainty among German citizens. Even after the elections, the SPD, the Green Party and The Left, in particular, are pressing to move away from the dual system with private and statutory health insurance offers. The SPD was unable to assert its position on this topic in the now completed coalition negotiations.

Irrespective of the discussions around the future of private health insurance, most clients are satisfied, very satisfied or even completely satisfied with their private health policies. These are the results of a survey conducted by rating agency Assekurata Assekuranz, according to which 96% of holders of comprehensive health insurance are satisfied overall with their private health coverage and 71.2% even state they are happy with the premium increases.

Holders of private insurance satisfied with services and premiums

Satisfaction of insurees in comprehensive health insurance with....(in %)

*satisfied, very or completely satisfied



Source: Assekurata Market Outlook 2017

The trend towards private healthcare as a way of supplementing the range of cover provided by the statutory health insurance system continued. According to the latest figures published by the Association of Private Health Insurers, the number of supplementary insurance policies increased by 1.3% in 2016 to 25.1 million contracts.

Supplementary insurance policies on the rise

According to the latest available figures from 2016, dental plans are by far the most popular supplementary insurance option, with around 15.5 million policies currently in place. The number of these policies increased by 1.3%. Supplementary long-term care insurance is another growth driver in the supplementary insurance policy area. The number of state-supported supplementary long-term care insurance policies (Pflege-Bahr) increased by 13.7% to around 777,000 contracts in 2016. The number of unsubsidised supplementary long-term care insurance policies rose by 4.5% to just under € 2.7 million.

A representative survey undertaken by the German Centre for Quality of Nursing Care (ZQP) serves to underline the importance of nursing care. According to information provided by respondents in this survey, almost half (43%) of all German citizens rated the life situation of older citizens and those requiring nursing care as very important when reaching their decision as to how to vote in the German parliamentary elections. This figure rose further to 53% in the particularly relevant age group of 50+, representing the largest group of voters.

Nursing care is an important future topic

Real estate

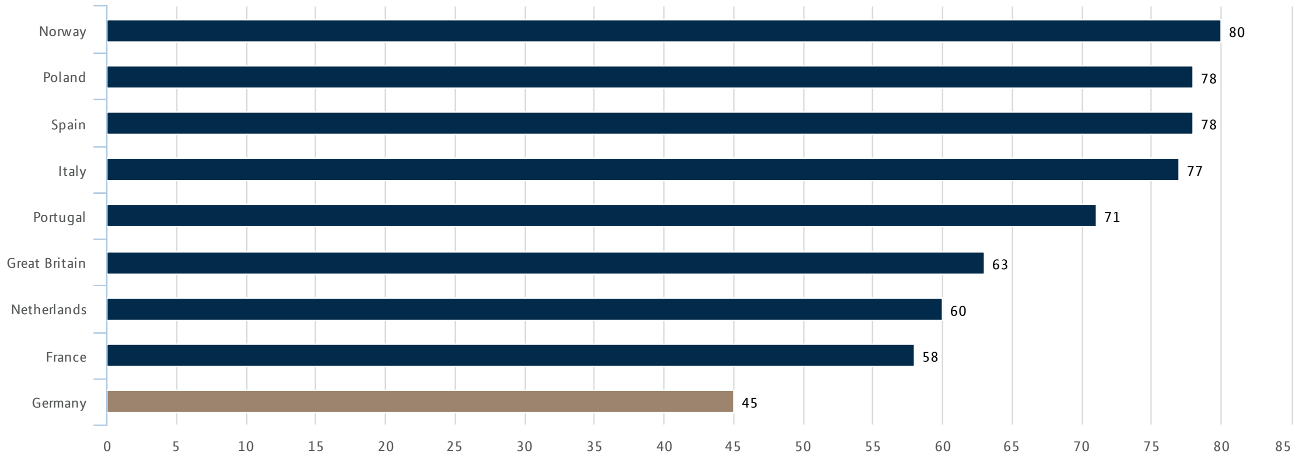
In the light of persistently low interest rates, investments in both owner-occupied and investment properties are becoming increasingly important with a view to long-term capital accumulation. According to the 2017 Wealth Barometer of the Deutsche Sparkassen- und Giroverband Financial Group, 54% of German citizens consider owner-occupied property to be the most suitable form of investment for this purpose - a rise of nine percentage points compared to 2010, while 27% prefer to invest in investment properties for capital accumulation.

In terms of owning their own homes, German citizens bring up the rear when compared to the rest of Europe. While the home ownership level in many European countries such as Norway, Spain and Italy is over 70%, only 45% of residences are owner-occupied in Germany (see chart).

Lowest home ownership level in Europe

Comparison of owner-occupied residence ratios throughout Europe

in %



Source: Euroconstruct/ifo, 2016

Especially the rents for micro-apartments, such as those used by students, have increased by up to 70% over the past seven years. These are the results of a survey undertaken by the Institute of the German Economy (IW). The survey goes on to state that this can be attributed to the general influx into cities, the low amount of housing on offer and the resultant scramble for living space associated with this.

High demand for micro-apartments in major cities

Loans and mortgages

According to the 2017 Wealth Barometer, three quarters of the German population are generally willing to enter into debt to buy and then live in their own property. This figure increases further to 88% among young families. Based on a survey performed by vdp Research, German citizens finance 78% of the construction costs for their home via the bank and invest the rest from equity.

Competition and regulation

The competitive situation in the German market for financial services did not change significantly for the MLP Group in 2017 compared to the previous year. The sector remains very heterogeneous and is characterised by consolidation trends. The providers include numerous banks, insurance companies and free finance brokers. However, the quality of consulting provided by them can vary quite markedly. In addition to this, the entire sector is facing competitive pressure from the new, innovative market actors (fintechs).

Based on information provided in a survey by comdirect, there are currently 699 fintech startups in Germany. However, the speed at which the sector is growing is slowing significantly. While in 2016 a total of 141 startups were established, only 30 were founded in the first nine months of 2017, as highlighted by the comdirect survey. In comparison, 49 new companies had already been registered by the same time in the previous year. Growth is also slowing in terms of the investment volume, as the percentage increase in 2017 was significantly below the previous year's figure of 40%. Despite this slower growth, the challenge faced by established companies due to the large number of fintechs already in the market remains – although opportunities for cooperation are increasingly opening up.

Fintech sector continues to grow – albeit with less momentum

To sustainably increase the degree of transparency and consulting quality in the market, the legislator has already implemented various regulatory changes in recent years. These continued to impact the market conditions in the past financial year and will continue to drive consolidation.

Altered framework conditions drive consolidation

The German Bundestag approved implementation of the Markets in Financial Instruments Directive (MiFID II) in March 2017. Large sections of this legislation will come into effect on January 3, 2018 and will adapt national regulations governing financial market supervision to numerous new European stipulations. The planned changes associated with the MiFID II system of rules and standards have fundamental effects on the business models of the sector participants. Existing processes need to be reviewed and adapted to the new requirements, which could prove quite effortful in certain areas. This is particularly true of the IT processes and product structures. In some cases, products will need to be redeveloped and IT processes implemented to comply with the new stipulations. You can find further details on this in the → forecast section under Competition and regulation.

Focus on greater transparency and better investor protection

In July 2017 the German Bundesrat formally approved transposition of the Insurance Distribution Directive (IDD) into German law; the legislation is set to be introduced on February 23, 2018. It provides new rules for greater transparency and improved consumer protection in insurance sales (further information on this can be found in the forecast under Competition and regulation). The IDD also stipulates that insurance brokers must attend at least 15 hours of further training per year.

Insurance sector busy with IDD implementation

In 2017 the insurance sector and its brokers focused on preparing for the new regulatory requirements associated with the IDD. MLP – just like all other market actors – has to implement extensive process-based adjustments to comply with the IDD stipulations. However, no major effects on MLP's business model are to be expected.

The Life Insurance Reform Act (LVRG), which already came into force in 2015, also had an impact on the market in the reporting year: according to a survey conducted by cosultancy Willis Towers Watson, the Life Insurance Reform Act (LVRG) led to significantly lower insurance brokerage remuneration in 2017. Indeed, the life insurers operating in Germany reduced their acquisition commission rates by 1.5 to 7.0 permille depending on the sales channel.

Life Insurance Reform Act (LVRG) showing effects in the market

As was already the case in previous years, clarification of details regarding implementation of Basel III in the European Union (EU) continued to occupy the banking world in Europe during the reporting year. As an institution with a banking licence, MLP Banking AG is also affected by this.

Stricter banking regulation in Europe

In addition to this, on October 27, 2017 the Federal Financial Supervisory Authority (BaFin) published the latest amendment to the minimum requirements of risk management at credit institutions (MaRisk BA). Here, the Federal Financial Supervisory Authority (BaFin) and the German Bundesbank have revised the minimum requirements to comply with new European and international stipulations. In addition to this, experience gained by BaFin and the German Bundesbank in the course of their daily supervisory duties and during audits has been incorporated in the amendment. Important new content affects the areas of data aggregation and risk reporting, risk culture and outsourcing. The new version of Germany's MaRisk minimum risk management requirements came into force with its publication. The implementation deadline for new requirements is October 31, 2018.

On June 22, 2017 the Bundestag passed the law for introduction of a professional licensing scheme for commercial estate agents and residential property managers. The new law will come into force on August 1, 2018. This will represent the first time that property managers have had to comply with such professional licensing requirements. In addition to the existing licensing authorisation, estate agents must also comply with an obligation to attend further training. You can find further details on this in the → forecast section under Competition and regulation.

Obligation to attend further training also for estate agents

The transitional period within the scope of the EU Mortgage Credit Directive (WIKR) ended on March 21, 2017. Under § 34i of the German Trade Regulation Act (GewO), consultants without authorisation had time to produce a corresponding certificate of proficiency by this cut-off date. In March 2016 the Mortgage Credit Directive (WIKR) transposed an EU directive into German law. Market actors are anticipating market consolidation as a result of the consultant qualification requirements. Thanks to corresponding internal training measures, MLP consultants are prepared for this.

In the summer of 2017, the EU Commission presented its draft of a system of rules for a Pan-European Personal Pension Product – PEPP). As an element of capital market union, the goal is to use PEPP in order to facilitate private old-age provision offers throughout Europe and drive the concept forwards. From the perspective of rating agency Assekurata, the proposed uniform standards within Europe would generally be welcomed in terms of transparency. However, with the current scope of the PEPP, experts are not anticipating any massive growth stimuli, especially for the German insurance sector.

Initial steps towards a "European pension"

The second part of the Care Enhancement Act (PSG II) came into force on January 1, 2017. In place of the three previous care levels, there are now five degrees of care. To finance this, premiums for care insurance increased by a further 0.2 percentage points from 2017 onwards. However, statutory long-term care insurance only offers partial financial security. Good advisory services on private care coverage are therefore becoming increasingly important.

New definition of "need for care" as of 2017

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

According to the latest surveys, independent financial consultants, i.e. providers such as MLP that do not offer any of their own products, continue to play a leading role in the brokerage of old-age provision products in Germany. According to the 2017 Sales Channel Survey performed by corporate consultancy Willis Towers Watson, independent brokers represented the leading sales channel in the industry in terms of life insurance policy sales. Their market share of brokered new business was 28.7% (previous year: 26.3%). Banks came second at 28.6%, while tied agents, who represent just one single company, took third place with 27.2%.

Demand for independent consulting services remains high

The latest figures from Willis 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 33.9%, they represent the second most important consultant group after the tied agents (48.5%). The same applies to the non-life insurance area. Here, independent brokers also represented the second most important sales channel at 26.1% after the tied agents (45.4%).

The number of insurance brokers has been in permanent decline for years. According to current figures provided by the Association of German Chambers of Industry and Commerce (DIHK), the number of brokers on the insurance broker register fell by 4,000 to 224,462 between the start of the year and October 2017. In comparison with 2011, when 263,452 brokers were registered, the decline is around 15%.

Consolidation of brokers ongoing

Business performance

Together with our subsidiary FERI, we have expanded the wealth management segment into a key revenue pillar in recent years. FERI continued its successful course of the past few years in the reporting period and reinforced its position as a leading independent investment company. Despite operating in volatile markets, the company recorded primary growth in all core business areas for the fourth year in succession. FERI was able to win new mandates and expand existing business relations among both private and institutional clients. 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 and real estate). Total revenue generated by FERI in the wealth management area was significantly above the previous year's level. MLP also recorded a significant increase in revenue in the wealth management area in its classic private client business. The total assets under management throughout the Group are above the previous year's level.

In the old-age provision area, the ongoing period of low interest rates and critical media reports on life insurances were the main factors that led to continued pronounced restraints in terms of signing long-term contracts. However, MLP was able to gain an advantage in this area by being quick to recognise and adapt to the growing significance of new guarantee products, which are proving a popular alternative to classic concepts among clients. Indeed, these guarantee products already represented 75.5% of all newly concluded contracts at MLP in 2017. The Riester pension also provided positive stimulus, bucking the industry trend in the reporting year and recording gains at MLP. Due to the continued difficult market environment total revenue in the old-age provision area generated in the reporting year was slightly below the previous year's level.

As anticipated, the successful integration of DOMCURA stimulated an increase in revenue in the non-life insurance area in the 2017 financial year compared to the previous year. Among other things, positive impetus was provided by the pooling concepts, which were launched in 2016 and which were further refined and adapted to market conditions throughout the reporting year. In addition to this, in the form of the DOMCURA special inventory policy, we have developed and successfully established a new product solution in the market that is aimed specifically at physicians and physiotherapists.

In the health insurance area, we continued to encounter reservations in terms of taking out new comprehensive private insurance policies. Premium increases in the private health insurance sector and critical media coverage were the main factors contributing to this development. In the run-up to the 2017 German parliamentary elections and during the subsequent exploratory negotiations among the parties, the public discussion regarding the potential introduction of "citizens insurance" led to uncertainty among consumers. Despite these difficult framework conditions, our revenue in the health insurance segment was only slightly below the previous year's level.

As anticipated, we were able to slightly increase our revenue in the property financing area in 2017 over the previous year. Other commission and fees, in particular for the brokerage of real estate objects, were significantly above the previous year's level. The main reasons for the positive development were the systematic expansion and successful diversification of our real estate portfolio. Alongside the listed buildings sector, MLP also significantly extended its portfolio of new buildings, as well as existing and concept-driven properties (micro-living, properties with nursing care) in the 2017 financial year.

In the course of diversifying our business model and integrating the DOMCURA Group, we have been able to expand the wealth management and the non-life insurance areas into key revenue pillars in the past few years. We have also made substantial progress in the property brokerage area.

Diversification of revenue base is progressing

New client acquisition developed very pleasingly in the reporting year. MLP was able to acquire 19,800 (20,500) new family clients in 2017. Around 12% of these new clients were acquired online.

Number of clients showing pleasing development

As of December 31, 2017, the MLP Group served 529,100 family clients (519,800) and 19,800 corporate and institutional clients (19,200).

Within the scope of its digitalisation strategy, MLP continued to expand and intensify its presence on social media platforms such as Facebook, YouTube and Twitter in the 2017 financial year. In the reporting year, MLP acquired over 12% of new family clients via online sales of basic insurance products such as travel health insurance policies.

Social media activities as a way of acquiring new clients

To further strengthen its online acquisition activities, MLP acquired a 25.1% stake in Uniwunder GmbH in March 2017. The startup has a great deal of expertise in the field of performance marketing. In the university segment, one of the various approaches to acquiring potential clients is via partners such as Hochschulinitiative e. V. or the Spitzenstudent platform. To demonstrate its expertise and present itself as a dialogue partner for all financial matters, MLP offers a range of seminars for students. To promote innovative startup models, MLP also cooperates with the incubator Innospire from Dresden.

In April 2017 the new online client portal entered its first expansion stage. It offers clients all financial information at a glance, accompanied by a personal budget book, which presents income and expenditure in a clearly structured way according to categories. A further step-by-step expansion is envisaged for the next few years. You can find further information on this in the section entitled → Anticipated business development.

New client portal successfully launched

Our new consultant applications (Budget guide and Budget guide easy for young clients) support our continuously refined consulting approach. The roll-out and the accompanying further training measures gained significant ground in the reporting year and are set to continue in the coming year.

New consultant applications developed

The extensive roll-out of the new e-signature was started as planned in summer 2017 and is currently being used in the banking business (account and credit card applications).

Acquiring new consultants was a key topic in 2017. To further strengthen the university segment, MLP completely realigned it in the reporting year. As part of this realignment, MLP also appointed an additional divisional board member, who holds responsibility across all locations for MLP's presence in the university segment. The objective here is to further expand the acquisition of new clients and especially young consultants. With this initiative, MLP is preparing the basis for future growth in revenue. You can find further information on this in the section entitled → Employees and self-employed client consultants.

Realignment of the university segment

We also engaged in intensive cost management in the reporting year. At the same time, previously announced one-off expenses of around € 9.1 million were accrued in the 2017 reporting year for the demerger of MLP Finanzdienstleistungen AG into banking operations and the brokerage business.

Consistent efficiency management programme supports growth strategy

Non-life insurance segment strengthened for commercial clients

With the acquisition of the DOMCURA Group in 2015, MLP also acquired several brokers in the commercial non-life insurance area alongside the primary underwriting agent business. These companies were further refined and then brought together in mid-2017 under the umbrella of nordias GmbH Versicherungsmakler as a subsidiary of MLP SE, which is also home to key activities and services of the MLP Group for commercial non-life insurance products. By pooling our activities in the commercial non-life insurance area, we are strengthening this business area and further utilising the potential resulting from the acquisition of the DOMCURA Group.

Changes in corporate structure

In 2017 Holding MLP AG was converted into a European stock corporation (SE). This new legal status means that the Supervisory Board can permanently maintain its current size and composition. In addition to this, the SE form is more attractive for foreign investors.

Besides the merger of the intermediate holding company Schwarzer Familienholding GmbH (SFH) (acquired through the purchase of the DOMCURA Group) with MLP SE, the spin-off of the brokerage branch of activity from MLP Banking AG into MLP Finanzberatung SE represented another focus. MLP Finanzdienstleistungen AG, which held a full banking licence, was renamed MLP Banking AG in the course of this process and now incorporates the entire regulated banking business, including investment consulting. The brokerage business, as well as all other consulting services are now run via the new company MLP Finanzberatung SE.

In the course of this further optimisation of the Group structure, various assets and debts were transferred under German commercial law to MLP Finanzberatung SE with effect from October 1, 2017. These are essentially shares in affiliated companies, intangible assets as well as property, plant and equipment. Therefore income from the shares will in future no longer be included in the earnings of MLP Banking AG. On the liabilities side of the balance sheet, in particular the provisions for cancellation risks are transferred to MLP Finanzberatung SE. The commission income and expenses from the old-age provision, non-life insurance, health insurance and finance brokerage consulting areas, as well as other commission and fees are transferred to MLP Finanzberatung SE and will therefore have an impact on the respective income statement. Commission income and expenses from the wealth management area, as well as net interest income will remain at MLP Banking AG.

Furthermore, the supervisory scope of consolidation was narrowed down in the reporting year. As a result of this step and the demerger measures free regulatory equity capital should be significantly increased by the end of 2021. The first step was already implemented in the first quarter of 2017: DOMCURA AG, ZSH GmbH Finanzdienstleistungen and TPC GmbH were classified as "other companies" and have no longer been part of the supervisory scope of consolidation since this time. This increased free equity capital at Group level by € 27 million to around € 240 million. A further € 25 million of regulatory equity capital was then released in the fourth quarter of 2017 as a result of the demerger of MLP Finanzdienstleistungen AG. Set against the background of the applied waiver structure, various factors including these measures led to the equity ratio of the MLP Group increasing gradually to 20.0% by the end of the financial year (December 31, 2016: 14.3%). The objective is to significantly increase financial leeway, primarily for investments and acquisitions, yet also for dividend payouts.

Results of operations

Development of total revenue

Total revenue increased

In the past financial year, MLP was able to increase total revenue by 2.9% to € 628.2 million (€ 610.4 million) – the highest level since the outbreak of the global financial crisis in 2008. MLP benefited from the significant diversification of its revenue basis over the course of the past few years and recorded gains in all consulting areas with the exception of old-age provision. This growth was primarily driven by the increase in commission income from € 570.1 million to € 589.9 million. As a result of the ongoing low interest rate environment, revenue from the interest rate business remained below the previous year's figure at € 18.9 million (€ 20.5 million).

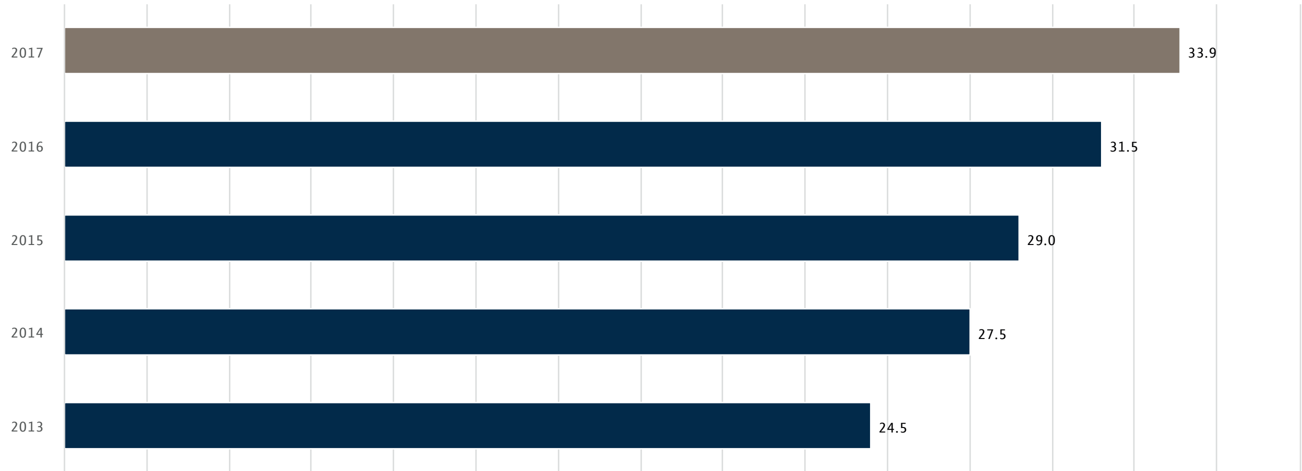
Old-age provision below the previous year due to market conditions

Due to market conditions, the old-age provision area remained below the previous year at € 208.1 million (€ 221.5 million). The premium sum of new business declined to € 3,408.8 million (€ 3,688.6 million). However, occupational pension provision enjoyed positive development and represented 15.0% of the premium sum at the end of the year, compared with 13.1% in the previous year. MLP is continuing to play a pioneering role in the transition to new guarantees. While life and pension insurance policies with classic guaranteed interest rate continue to account for a large proportion of all policies in the market, currently around 40%, only around 5% of newly brokered contracts at MLP are in this field. The proportion of new guarantees was 76%, while purely unit-linked contracts represented 19%.

Wealth management at new record level

The MLP Group recorded significant gains in the wealth management area with revenue rising by 14.5% to € 190.6 million (€ 166.4 million). Assets under management rose to € 33.9 billion (September 30, 2017: € 32.7 billion). This reflects significant gains both at our subsidiary FERI and in MLP's private client business.

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



Non-life insurance enjoys continued growth

The non-life insurance area was once again able to record growth in 2017. At the end of the year, revenue was € 109.9 million (€ 105.6 million). The portfolio of non-life insurance policies also enjoyed positive development. The premium volume received through the MLP Group rose to € 360.1 million (€ 350.2 million).

At € 45.9 million (€ 45.8 million), revenue in the health insurance area remained at the same level as the previous year. MLP therefore recorded stable development, despite the reservations displayed by many citizens in terms of signing up for comprehensive private health insurance policies.

Health insurance at the previous year's level

In the loans and mortgages area, revenue increased by 10.4% to € 17.0 million (€ 15.4 million) and thereby surpassed the record level of € 16.2 million recorded in 2015.

Real estate brokerage displaying the strongest growth

The real estate brokerage area, which has been developed since 2014, recorded the highest growth rates. This is included under Other commission and fees, which increased by 19.5% to € 18.4 million (€ 15.4 million).

In the past financial year, MLP completed the announced optimisation of its corporate structure. This led to one-off expenses of € 9.1 million. Administration costs (defined as the sum of personnel expenses, amortisation expenses and impairments, as well as other operating expenses) which also comprise the above one-off expenses this year, were € 282.1 million (€ 290.9 million).

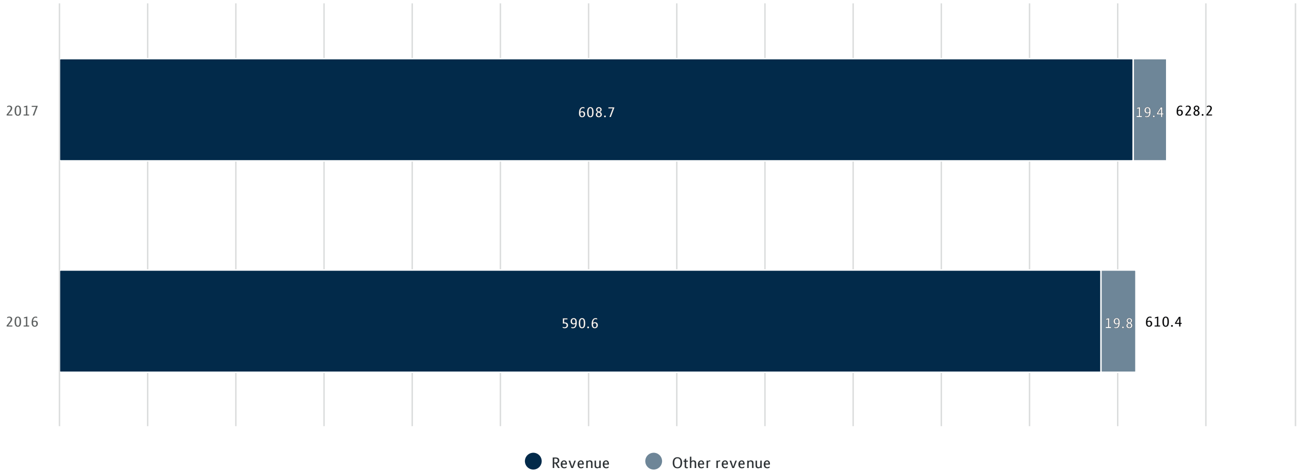
Further optimisation of corporate structure successfully completed

Operating EBIT (before one-off expenses) increased by 33.0% to € 46.7 million (€ 35.1 million). Set against the background of one-off expenses, EBIT was € 37.6 million (€ 19.7 million). One-off expenses also had an effect on Group net profit, which was € 27.8 million (€ 14.7 million). The operating net profit, on the basis of which the Executive Board and Supervisory Board will submit their dividend proposal to the Annual General Meeting, was € 36.9 million.

Analysis of the revenue performance

Revenue increased to € 608.7 million in the reporting year (€ 590.6 million), mainly due to the increase in commission income from € 570.1 million to € 589.9 million which was substantially influenced by the rise in revenue in the wealth management area. Other revenue was € 19.4 million (€ 19.8 million). Following € 610.4 million in the previous year, total revenue rose to € 628.2 million.

Development of total revenue (all figures in € million)



At € 18.9 million, interest income remained slightly below the previous year (€ 20.5 million). This was due to the ongoing period of low interest rates. The old-age provision area continued to make the greatest contribution in terms of commission income with a share of 35.3% (38.9%), followed by the wealth management with 32.3% (29.2%) and non-life insurance with 18.6% (18.5%). The following table provides a detailed overview of this:

Wealth management enjoys significant growth

Distribution of revenue

All figures in € million	Share in %	2017	Share in %	2016	Change in %
Old-age provision	35%	208.1	39%	221.5	-6.0%
Wealth management	32%	190.6	29%	166.4	14.5%
Non-life insurance	19%	109.9	19%	105.6	4.1%
Health insurance	8%	45.9	8%	45.8	0.2%
Loans and mortgages	3%	17.0	3%	15.4	10.4%
Other commission and fees	3%	18.4	3%	15.4	19.5%
Total commission income		589.9		570.1	3.5%
Interest income		18.9		20.5	-7.8%
Total		**608.7**		**590.6**	**3.1%**

Analysis of expenses

Commission expenses primarily comprise performance-linked commission payments to our consultants. They represent the largest item under expenses. This item also includes the commissions paid in the DOMCURA segment. The variable expenses result from the remuneration of brokerage services in the non-life insurance business. Added to these are the commissions paid in the FERI segment, which result from the activities in the field of fund administration in particular. In this business field, they are primarily accrued due to remuneration of the depository bank and fund sales. Against a backdrop of increased commission income, commissions paid were slightly above the previous year at € 309.3 million (€ 298.5 million). Net commission income therefore rose to € 280.6 million (€ 271.6 million).

Commission income above the previous year

Interest expenses fell to € 1.1 million (€ 1.7 million) due to the ongoing low interest rate environment. Net interest was € 17.8 million (€ 18.8 million) in total.

Gross profit (defined as total revenue less commission expenses and interest expenses) improved to € 317.8 million (€ 310.2 million).

The administration costs of the MLP Group were € 282.1 million in the reporting year (€ 290.9 million). It is important to note that this figure includes one-off expenses accrued both in 2017 and in the previous year. Adjusted for these one-off expenses of € 9.1 million (€ 15.4 million), the administration costs amounted to € 273.0 million in the past financial year (€ 275.5 million). A significant percentage of the one-off expenses accrued in 2017 is recorded under the item Other operating expenses.

Reduction in administration costs before one-off expenses

One-off expenses for further optimising the corporate structure by segment (all figures in € million)

Segment	
Financial consulting	0.2
Banking	5.4
Holding	3.6
Total	**9.1**

At € 123.2 million (€ 121.8 million), personnel expenses remained virtually constant. Among other things, these include € 106.7 million (€ 105.0 million) for salaries and wages, € 14.0 million (€ 14.3 million) for social security contributions and employer-based old-age provision allowances of € 2.6 million (€ 2.5 million). This item comprises a one-off expense of € 0.6 million. Scheduled depreciation and impairments fell to € 15.3 million (€ 24.0 million). The previous year's figure was largely influenced by one-off expenses. At € 143.6 million (€ 145.1 million), other operating expenses were below the previous year's level. This item includes around € 8.4 million in one-off expenses.

Breakdown of expenses

All figures in € million	2017	in % of total expenses	2016	in % of total expenses	Change in %
Commission expenses	309.3	52.2%	298.5	50.5%	3.6%
Interest expenses	1.1	0.2%	1.7	0.3%	-35.3%
Personnel expenses	123.2	20.8%	121.8	20.6%	1.1%
Depreciation and impairment	15.3	2.6%	24.0	4.1%	-36.3%
Other operating expenses	143.6	24.2%	145.1	24.5%	-1.0%
Total	**592.5**	**100.0%**	**591.1**	**100.0%**	**0.2%**

MLP Hyp GmbH once again recorded a very pleasing business development in the financial year. We hold a 49.8% stake in this company, which is operated as a joint venture together with mortgage broker Interhyp. As a result of the excellent business development, our allotted earnings from this company increased to € 2.5 million (€ 2.1 million). This is reflected in the income statement under the item Earnings from investments accounted for using the equity method.

Significant increase in operating EBIT

Operating EBIT before one-off expenses increased by 33.0% to € 46.7 million (€ 35.1 million) in the financial year. This increase can be attributed to higher commission income. In addition to this, cost savings resulting from the efficiency programme initiated in 2016 had a positive influence on earnings. As announced, one-off expenses were accrued in connection with the further optimisation of the corporate structure. These were € 9.1 million, resulting in an EBIT of € 37.6 million (€ 19.7 million).

The finance cost dropped to € -1.2 million (€ -0.9 million) in the last financial year.

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

All figures in € million	2017	2016	Change in %
Total revenue	628.2	610.4	2.9%
Gross profit [1]	317.8	310.2	2.5%
Gross profit margin (%)	50.6%	50.8%	
EBIT	37.6	19.7	90.9%
EBIT margin (%)	6.0%	3.2%	
Operating EBIT [2]	46.7	35.1	33.0%
Operating EBIT margin (%)	7.4%	5.8%	
Finance cost	-1.2	-0.9	-33.3%
EBT	36.4	18.7	94.7%
EBT margin (%)	5.8%	3.1%	
Income taxes	-8.6	-4.1	>100%
Net profit	27.8	14.7	89.1%
Net margin (%)	4.4%	2.4%	

1) Definition: Gross profit results from total revenues less commission expenses and interest expenses
2) before one-off expenses

Group net profit increased by 89.1% overall to € 27.8 million (€ 14.7 million). This was essentially due to higher commission income, as well as the positive effects of the efficiency programme initiated in 2016.

Earnings per share virtually doubled

Net profit

All figures in € million	2017	2016	Change in %
GROUP	**27.8**	**14.7**	**89.1%**
Earnings per share in € (basic)	0.25	0.13	92.3%
Earnings per share in € (diluted)	0.25	0.13	92.3%
Number of shares in millions (basic)	109.3	109.3	

Appropriation of profits

Our dividend policy is to pay 50% to 70% of Group net profit to our shareholders in the form of dividends. We paid our shareholders € 0.08 per share in the form of a regular dividend for the 2016 financial year. The total dividend amount paid was therefore € 8.7 million.

For the 2017 financial year we announced that we would compensate the one-off expenses accrued in connection with the optimisation of the corporate structure for our shareholders and submit our proposed dividend on the basis of operating net profit. On this basis, the Executive Board and Supervisory Board will propose a dividend of € 0.20 per share to the Annual General Meeting on June 14, 2018. This corresponds to a distribution rate of around 64% of operating net profit.

Financial position

Aims of financial management

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

No liabilities or receivables in foreign currencies

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

Financing analysis

Equity ratio at 18.7%

The Group's equity capital backing and liquidity remain good. As of the balance sheet date, shareholders' equity amounted to € 404.9 million and was therefore above the previous year's level (€ 383.6 million). The Group net profit of € 27.8 million for the 2017 financial year had a significant effect on this. However, this was counteracted by the dividend payment of € 8.7 million for the 2016 financial year. Due to the higher balance sheet total, the equity ratio declined from 19.7% to 18.7%. The regulatory equity ratio was 20.0% on the balance sheet date (14.2%). This already reflects the successful work performed to further optimise the corporate structure, together with the objective of significantly increasing attributable equity capital by 2021. Even with today's group structure, MLP still expects increased capital requirements for the next few years in order to meet increased capital requirements and stricter requirements of Basel III.

At present, we are not using any borrowed funds in the form of promissory note bond issues to finance the Group. Our non-current assets are financed in part by non-current liabilities. Current liabilities due to clients and financial institutions 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 € 1,501.2 million (€ 1,308.8 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 € 1,336.2 million (€ 1,217.5 million) in receivables from clients and financial institutions in the banking business.

Since provisions only account for 4.1% (4.7%) of the balance sheet total, they have no significant financing function for the Group. Other liabilities increased to € 154.9 million (€ 146.9 million) on the balance sheet date, while current liabilities rose to € 149.1 million (€ 143.1 million). These are essentially liabilities from operating activities. Current liabilities are offset on the assets side by cash and cash equivalents of € 301.1 million (€ 184.8 million), which are attributable to temporarily higher deposits at the Deutsche Bundesbank, and financial investments of € 158.5 million (€ 162.3 million), as well as other current assets of € 111.1 million (€ 109.4 million).

On the balance sheet date of December 31, 2017, there were financial commitments from rental and leasing agreements amounting to € 13.7 million (€ 15.8 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 € 67.6 million (€ 70.9 million) by the year 2023.

Liquidity analysis

Cash flow from operating activities declined to € 115.5 from € 144.7 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 € -41.3 million to € -2.6 million. Compared to the same period of the previous year new investments in financial assets were higher than in the reporting period.

Condensed cash flow statement

All figures in € million	2017	2016
Cash and cash equivalents at beginning of period	**184.8**	**94.5**
Cash flow from operating activities	115.5	144.7
Cash flow from investing activities	-2.6	-41.3
Cash flow from financing activities	-8.7	-13.1
Change in cash and cash equivalents	**104.2**	**90.3**
Adjustments from demerger operations	**12.0**	**–**
Cash and cash equivalents at end of period	**301.0**	**184.8**

As of the balance sheet date, December 31, 2017, the MLP Group has access to cash holdings of around € 353.5 million. A good level of liquid funds therefore remains available. Thus there are sufficient cash reserves available to the MLP Group. Alongside cash holdings, free lines of credit are also in place. The MLP Group has agreed-upon and non-utilised lines of credit amounting to € 131.6 million. In 2017 the MLP Group was capable of meeting its payment obligations at all times.

Capital expenditure analysis

MLP generally finances capital expenditures from cash flow. The total investment volume in intangible assets, as well as property, plant and equipment in the past financial year declined to € 7.3 million. The previous year's higher figure can essentially be attributed to greater investments in IT systems and software to support sales. By increasing our free equity capital in connection with further optimising the corporate structure we are also significantly extending our entrepreneurial and economic room for manoeuvre for example to make investments.

Capital expenditure

All figures in € million	2017	2016	2015	2014	2013
Intangible assets	**3.4**	**13.7**	**7.9**	**8.9**	**19.5**
Goodwill	–	–	–	–	–
Software (developed in house)	0.2	0.3	0.4	0.4	0.4
Software (purchased)	1.0	2.5	0.4	1.1	0.6
Other intangible assets	-	0.0	0.0	0.0	0.0
Payments on account and assets under construction	2.1	11.0	7.1	7.4	18.5
Property, plant and equipment	**3.9**	**4.7**	**4.8**	**6.6**	**2.9**
Land, leasehold rights and buildings	0.3	0.5	0.7	0.4	0.4
Other fixtures, fittings and office equipment	2.6	3.0	3.1	4.2	1.8
Payments on account and assets under construction	1.0	1.2	1.0	2.0	0.8
Total capital expenditures	**7.3**	**18.4**	**12.8**	**15.4**	**22.5**

At € 3.7 million, the overwhelming majority of capital expenditure in the last financial year focused on investments in the banking segment. Similar to the investments in the financial consulting segment, in which € 1.3 million was invested, these are investments in operating and office equipment that focus primarily on IT systems to support sales. They contribute to the continuous improvement of consulting support and client service. Alongside these activatable investments, we also use other intensive resources for these projects which are recognised as expenses in the income statement. Capital expenditure in the FERI segment was € 0.5 million, which we invested in operating and office equipment, as well as in IT. The investments in the DOMCURA segment amounted to € 1.5 million and were aimed in particular at operating and office equipment, as well as IT.

Capital expenditures by segment

	Total capital expenditure		Change in %
All figures in € million	**2017**	**2016**	
Financial Consulting	1.3	16.6*	-
Banking	3.7		-
FERI	0.5	0.6	–16.7%
DOMCURA	1.5	0.7	>100%
Holding	0.3	0.3	0.0%
Total	**7.3**	**18.4**	**–60.3%**

*Investments in the financial service segment made in 2016

Net assets

Further increase in balance sheet total

Against the backdrop of further increased client deposits, the balance sheet total of the MLP Group rose to € 2,169.5 million as of December 31, 2017 (€ 1,944.1 million).

Intangible assets – essentially including the client base, brand and goodwill – decreased to € 161.8 million (€ 168.4 million) as of the balance sheet date. This decline can essentially be attributed to scheduled amortisation of software. Fixed assets were declined within the scope of scheduled amortisations to € 61.9 million (€ 63.4 million).

Receivables from clients in the banking business increased to € 702.0 million (€ 626.5 million). This can essentially be attributed to the increase in promissory note bonds and own-resource loans, as well as a higher investment volume in promotional loans directly passed on to our clients. Receivables from banks in the banking business also increased to € 634.2 million (€591.0 million) as a result of higher investments in fixed-term deposits, as well as higher promissory note bonds. Around 53% of receivables from banks and clients have a remaining term of less than one year.

At € 158.5 million, financial investments were only slightly below the previous year's level (€ 162.3 million). At € 12.3 million, tax refund claims remained at the same level as the previous year (€ 12.1 million).

At € 125.7 million, other receivables and assets remained at the previous year's level (€ 122.8 million). This item essentially comprises commission receivables from insurers resulting from the brokerage of insurance products.

Cash and cash equivalents increased to € 301.0 million (€ 184.8 million). This increase can be attributed to a greater deposit volume at the German Bundesbank. At the same time, the profit transfers of FERI AG and DOMCURA AG added to the increase, while among other factors the coverage of losses of Banking AG and the dividend payment to our shareholders had the opposite effect. You can find detailed information on the change in cash and cash equivalents in the chapter entitled → "Financial position".

Significant increase in return on equity

The equity capital backing of the MLP Group remains good. As of December 31, 2017, shareholders' equity was € 404.9 million (€ 383.6 million). Due to the higher balance sheet total, the equity ratio was 18.7% (19.7%). Based on Group net profit of € 27.8 million (€ 14.7 million), we therefore achieved a return on equity of 7.3% (3.8%).

Provisions of € 88.7 million (€ 91.2 million) were slightly below the previous year's level. This slight decline is essentially due to lower allocations to provisions for bonus schemes.

The deposits of our clients which are recorded under Liabilities due to clients in the banking business increased to € 1,439.8 million (€ 1,271.1 million) at the end of the reporting period. This increase is primarily attributable to short-term deposits held in bank accounts and instant access savings accounts. Liabilities due to financial institutions in the banking business rose to € 61.4 million (€ 37.7 million). This increase can mainly be attributed to a higher volume of promotional loans being passed on to our clients. This item includes the refinancing funds from funding institutions.

As a result of the improved earnings recorded, the tax liability increased to € 10.2 million (€ 3.6 million). Other liabilities amounted to € 154.9 million (€ 146.9 million). This item essentially comprises current liabilities due to our consultants and branch managers in connection with open commission claims (please also refer to the section entitled → Financial position).

General statement on the economic situation

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

Comparison of actual and forecast development of business

At the start of the financial year, we defined our statements made in the forecast more closely in the Events subsequent to the reporting date section of the 2016 Annual Report. Taking into account anticipated one-off expenses of € 9.0 million for optimising the corporate structure of the Group, we expected to record an EBIT of at least € 36 million and an operating EBIT (before one-off expenses) of at least € 45.0 million.

At the start of the year, we also issued a qualitative estimate regarding revenue development, which we then defined more closely in the report for the first nine months in 2017.

In the old-age provision area, revenue at the end of the year fell slightly short of our expectation of it remaining at a stable level. Our revenue in the health insurance area remained at the previous year's level and was therefore within expectations. With a slight increase in revenue, the non-life insurance area developed as expected. The wealth management area enjoyed better development than forecasted and recorded a significant increase in revenue.

We expected administration costs to decline by around € 15 million in comparison with 2015 (around € 285 million when taking into account DOMCURA for a full year, despite it only having been acquired in the course of 2015). Adjusted for one-off expenses for further optimising the corporate structure, administration costs in 2017 at € 273.0 million were slightly above this target.

At € 46.7 million (before one-off expenses), operating EBIT is slightly above our forecast minimum and we have therefore reached our targets for the year.

Segment report

In the reporting period the brokerage branch of activity was spun off from MLP Banking AG with retroactive effect from October 1, 2017. With this step, all regulated banking activities, including investment advisory services, were bundled at MLP Banking AG, while all other consulting services are now provided by the new MLP Finanzberatung SE. You can find further details on this in the chapter → Fundamental principles of the Group.

The financial consulting segment includes revenue from all fields of consulting – i.e. old-age provision, health and non-life insurance, as well as loans and mortgages and real estate brokerage. The banking segment brings together all banking services for both private and corporate clients – from wealth management, accounts and cards, through to the interest rate business.

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.

The Holding segment does not have active operations.

Financial consulting segment

The spin-off of MLP Finanzberatung SE from MLP Finanzdienstleistungen AG, described in the chapter → Fundamental principles of the Group, came into force from a tax perspective on September 30, 2017 and from a financial accounting perspective on October 1, 2017. The figures disclosed in the following therefore include the brokerage business for the period from October 1, 2017 to December 31, 2017. Due to a limited scope for comparison, the previous year's values have not been provided.

Total revenue in the reporting period was € 133.2 million. This figure is essentially made up of commission income generated in the consulting fields of old-age provision, health insurance, non-life insurance and loans & mortgages and other commission and fees, which primarily comprises revenue from real estate brokerage. Development was in line with the overall development in the Group.

Other revenue was € 6.4 million. € 1.1 million of this figure is attributable to passed-on costs occurred in connection with optimising the corporate structure.

Commission expenses amounted to € 58.5 million. Personnel expenses amounted to € 21.5 million. Scheduled depreciation and impairment was € 3.7 million. Other operating expenses were € 21.2 million. This figure includes one-off expenses of € 1.2 million within the scope of further optimising the corporate structure. Taking into account other revenue, one-off expenses of € 0.2 million were accrued in the financial consulting segment.

EBIT was € 24.9 million. The EBIT margin was 18.7%. At a finance cost of € -0.2 million, EBT was € 24.7 million. It is important to note that this only includes the income and expenses for the period from October 1, 2017 to December 31, 2017. The brokerage business is traditionally very strong during this end-of-year business period. The income and expenses of the brokerage business in the period from January 1, 2017 to September 30, 2017 are recorded in the banking segment.

Banking segment

The spin-off of MLP Finanzberatung SE from MLP Finanzdienstleistungen AG, described in the chapter → Fundamental principles of the Group, came into force from a tax perspective on September 30, 2017 and from a financial accounting perspective on October 1, 2017. Banking business operations remained at MLP Finanzdienstleistungen AG. MLP Finanzdienstleistungen AG was renamed MLP Banking AG with entry into the Commercial Register on November 30, 2017.

The banking segment therefore includes earnings from the spun off brokerage business generated in the period from January 1, 2017 to September 30, 2017, while in the period from October 1, 2017 to December 31, 2017 earnings do not include those of the spun off brokerage business. Wealth management and the interest rate business remained in the Banking segment. As such, the previous year's figures presented in brackets are not comparable with the figures from December 31, 2017, especially since the fourth quarter is traditionally by far the strongest in the brokerage business in terms of sales.

Total revenue in the reporting period was € 290.0 million. Revenue amounted to € 278.3 million. Other revenue was € 11.6 million. € 1.5 million of this can be attributed to passed-on costs occurred in connection with optimising the corporate structure. At € 20.1 million, revenue from the interest rate business was slightly below the previous year. This was due to the ongoing low interest rate.

Commission expenses amounted to € 129.0 million. In the light of continuingly low interest rates, interest expenses were € 1.1 million.

Personnel expenses were € 53.2 million. This figure includes € 0.7 million in one-off expenses for further optimising the corporate structure. Scheduled depreciation and impairment was € 7.5 million. Other operating expenses were € 103.3 million. This item includes around € 6.2 million in one-off expenses for further optimising the Group structure.

Taking into account other revenue, total one-off expenses of € 5.4 million were accrued in the Banking segment for further optimising the corporate structure.

EBIT was € -4.6 million. With a finance cost of € -0.5 million, EBT was € -5.0 million. It is important to note that this figure no longer includes the income and expenses of the brokerage business from October 1, 2017. As described, these are recorded in the financial consulting segment.

FERI segment

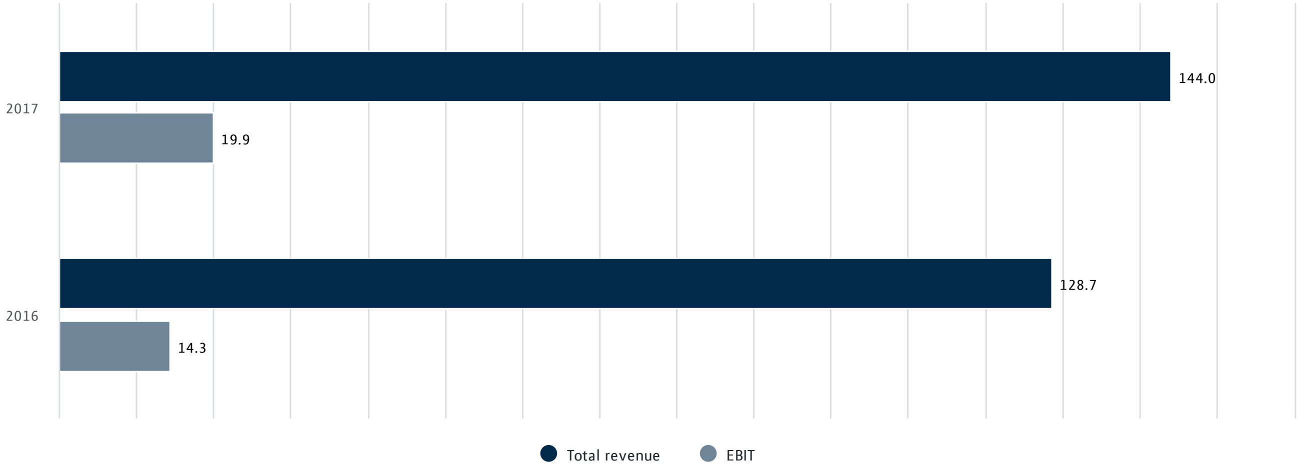
The FERI segment represents the activities of the FERI Group. Revenue is primarily generated in this segment from the wealth management field of consulting.

Total revenue increased by 11.9% to € 144.0 million (€ 128.7 million) and therefore reached a new record level. Among other things, FERI was able to collect higher performance fees in the last financial year than in the previous year.

As a result of higher revenue, commission expenses also rose to € 81.8 million (€ 72.1 million). Against a backdrop of higher variable remuneration, personnel expenses amounted to € 30.5 million (€ 28.1 million). Scheduled depreciation and impairment was € 1.2 million (€ 1.5 million). Other operating expenses decreased to € 10.6 million (€ 11.8 million).

As a result of higher revenue, EBIT increased to € 19.9 million (€ 14.3 million). The EBIT margin improved to 13.8% (11.1%). The finance cost amounted to € -0.2 million (€ -0.1 million). EBT therefore reached € 19.7 million (€ 14.2 million).

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



DOMCURA segment

At DOMCURA, revenue is primarily generated in the non-life insurance consulting field. DOMCURA's business model is characterised by a high degree of seasonality. Accordingly, the subsidiary records high revenue and comparably high earnings in the first quarter of each year. This is then typically followed by a loss from Q2 to Q4.

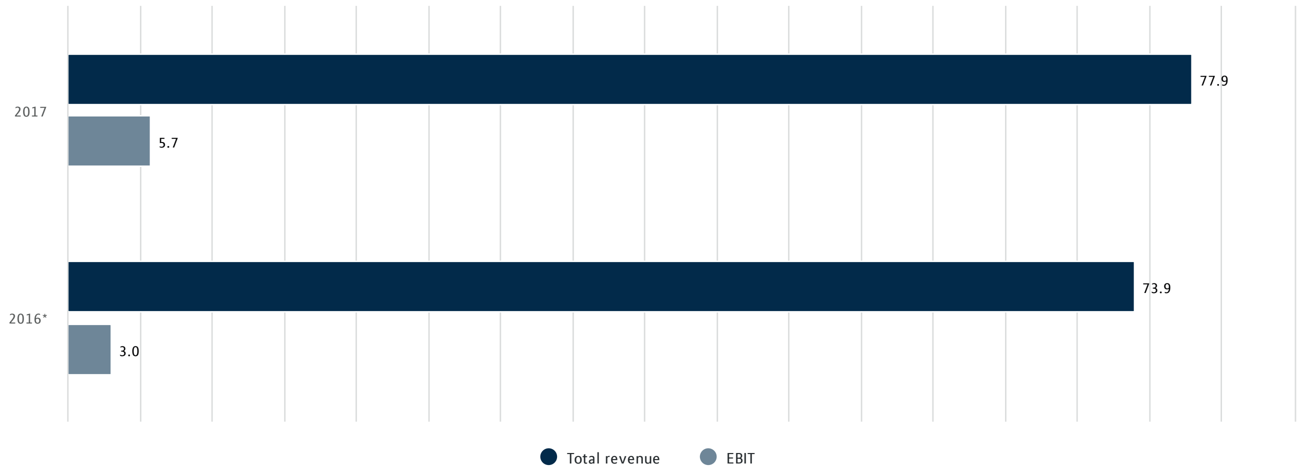
DOMCURA generated revenue of € 73.3 million in the reporting year (€ 70.7 million). Other revenue was € 4.6 million (€ 3.2 million). This is attributable to final settlements of expiring contracts with insurers that essentially were already made in the second quarter. Accordingly, total revenue was € 77.9 million (€ 73.9 million).

Commission expenses amounted to € 48.3 million (€ 46.6 million). These are essentially accrued as variable remuneration for brokerage services.

Administration costs were € 23.9 million (€ 24.3 million). Thereof personnel expenses accounted for € 14.3 million (€ 14.1 million). Regular depreciation and impairment was € 1.3 million (€ 1.4 million). Other operating expenses amounted to € 8.3 million (€ 8.8 million).

EBIT rose to € 5.7 million (€ 3.0 million). With a finance cost of € 0.0 million (€ 0.0 million), EBT was € 5.7 million (€ 3.0 million).

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



Holding segment

The Holding segment does not have active operations. Total revenue declined to € 9.6 million in the reporting year (€ 13.7 million). The previous year's higher figure was essentially due to the sale of a property and a settlement payment received in connection with a lawsuit.

Personnel expenses were € 3.8 million (€ 3.6 million). Scheduled depreciation and impairment amounted to € 1.7 million (€ 1.9 million). Other operating expenses increased to € 12.6 million (€ 10.5 million). This item includes around € 3.6 million in one-off expenses for further optimising the corporate structure.

Set against the background of the one-off expenses accrued, as well as lower total revenue, EBIT declined to € -8.4 million (€ -2.4 million). The finance cost was € -0.4 million, following € -0.6 million in the previous year. EBT was € -8.8 million (€ -3.0 million).

Total one-off expenses of € 3.6 million were accrued in the Holding segment in connection with further optimising the corporate structure.

Employees and self-employed client consultants

As MLP is a knowledge-based service provider, qualified and motivated employees and self-employed client consultants represent the most important foundation for sustainable company success. Continuous development and refinement of personnel work for employees, as well as both winning and training new consultants were therefore also key focuses in 2017.

Low staff turnover rate

The number of employees in the MLP Group declined slightly in the reporting year 2017. As at December 31, 2017, 1,686 employees were working for MLP. Since the value to be determined refers to the average of a year, the previous year's figure only partially reflects effects such as from selling FERI EuroRating. Further reasons for the decrease include a lower number of temporary staff and trainees, a decline at MLPdialog, short-term contracts that have expired, as well as ongoing effects of the efficiency programme from 2016 that had an impact in 2017. At 6.4%, the staff turnover rate at the company HQ remained at a low level in 2017 (2016: 6.3%). The average age of employees at MLP SE, MLP Finanzberatung SE, MLP Banking AG, FERI AG and DOMCURA is currently 43.

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

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

Segment	2017	2016	2015	2014	2013
Financial services [1]	1,198	1,275	1,300	1,303	1,306
Financial consulting [2] [3]	1,047	–	–	–	–
Banking [2]	163	–	–	–	–
FERI	224	223	232	232	244
DOMCURA	254	264	261	–	–
Holding	6	7	7	7	9
Total	**1,686**	**1,768**	**1,802**	**1,542**	**1,559**

Date: December 31, 2017
1) This segment existed until September 30, 2017
2) The values stated concern on average only the fourth quarter of 2017
3) incl. TPC, ZSH and MLP Dialog

Development programmes for managers and junior staff

To offer our employees even better development opportunities, we launched a modular "management programme" in 2015. This was once again held successfully in the reporting year and open to all employees in management positions. The objective here is to train existing managers, focusing on skills relevant to their duties, while also supporting them in their role with personnel responsibility. In the reporting year, another group successfully completed the Top Talents programme for junior staff, which has been running since 2013 and trains new managers for various business units. The objective of this program 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 within the MLP Group. The programme is set to continue in the future based on a needs-aligned scope and schedule.

Collective bargaining arrangements in the light of the restructuring measures

In the course of the company's change in corporate form from MLP AG to MLP SE, a participation agreement was concluded in 2017 that sets out both corporate and operational employee participation in MLP SE within the scope of legal provisions. Among other things, this agreement contains provisions on the election and composition of the SE works council, its operational jurisdiction, as well as the term in office and role of its respective members. In addition to this, the participation agreement contains provisions on the election and composition, as well as on the term in office of the employees' representatives on the Supervisory Board at MLP SE.

In the course of the demerger of MLP Finanzdienstleistungen AG, a balance of interests and a voluntary social plan was concluded with the MLP works council. Among other things, the balance of interests laid down the collective foundations allowing those employees affected by the spin-off of the brokerage branch of activity to MLP Finanzberatung SE to be transferred to brokerage branch of activity. The employment contracts of the employees assigned to the brokerage business could then be assigned to the new brokerage company, MLP Finanzberatung SE, in the course of the transfer of business. The former joint operation of MLP AG (or MLP SE) and MLP Finanzdienstleistungen AG will continue between the companies MLP SE, MLP Banking AG and MLP Finanzberatung SE following the demerger of MLP Finanzdienstleistungen AG. The company agreements previously in place remain in effect without alteration.

Digitalisation of personnel work successfully continued

The ongoing digitalisation of personnel work remained a focus of activity in 2017. Indeed, we began to work in the last financial year on migrating the old data records from the former personnel file system to the newly introduced digital personnel file. This process is set to continue and also reach its conclusion in the coming financial year. As planned, we also successfully brought payroll back in house on July 1, 2017. The objective here is to make HR processes more effective and efficient through ongoing digitalisation in HR Management.

The digitalisation of payroll accounting was also launched in the reporting year and we established a new remuneration system. For the first time, online-based appraisal meetings with the employees are set to be offered from 2018 on.

Fringe benefits extended for employees

Alongside a general salary increase, we also implemented comprehensive improvements in the field of social and fringe benefits for our employees in the reporting year to further improve our attractiveness as an employer and honour the work done by our employees. Among other things, the package includes significantly upgraded group accident insurance, introduction of death benefits, employee-financed occupational health insurance without a health check, as well as additional occupational pension provision offers.

Consultant turnover at a low level

As at December 31, 2017, MLP operated 145 representative offices with a total of 1,909 consultants (2016: 1,940), who work as self-employed commercial agents. The average age of consultants is currently 44. The loyalty displayed by existing consultants remains very pleasing, as underlined by our employee turnover rate. This figure was 9.59% in 2017 – and thereby below the target variable of around 10%.

Progress in the process for recruiting new consultants

As in the previous year, acquiring new consultants continued to be a key topic in the reporting year. The new further training allowance introduced in 2015 for those wishing to begin a career as a client consultant has established itself as an important concept within our recruiting initiative. At the same time, we completed the announced realignment of the university segment. In the course of this process, MLP appointed an additional divisional board member on March 1, 2017 who now brings together all of MLP's activities in the university segment across all locations. The objective here is to further accelerate the acquisition of new clients and young consultants and to further increase our presence at universities. As at December 2017, a total of 65 university team leaders are active in the most important university cities, focusing on acquiring and training new consultants in the university segment. We are keen to expand these activities further in 2018.

Internship programme and dual study programme established

To learn about the everyday working life of an MLP consultant, 74 high-school graduates and students took the opportunity to participate in our internship programme in the reporting year. The Sales dual study course, which was launched in 2013 and helps students at the representative offices prepare for a career as consultant, represents another successful recruiting instrument. To cater to the requirements of the newly established university segment, we are currently further developing the curriculum contents. At the end of the year, 14 dual study students and 26 trainees were active at the representative offices (previous year: 21 and 28), while 18 dual study students and 17 trainees were working at the company HQ (previous year: 23 and 20).

Comprehensive range of training offers are 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.

A high-quality range of training courses represent an indispensable prerequisite in achieving this. At the heart of the development of the training programme for consultants, branch managers and the heads of university teams lies the MLP Corporate University (CU) which is based in Wiesloch. 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 this time, more than 137 consultants have successfully gained their CFP certification and further consultants are already preparing for this.

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 established

The cooperative programme of study we launched in 2016 has now established itself. The Corporate University has been collaborating with the School of Management and Innovation at the Steinbeis University in Berlin (Steinbeis-SMI) since September 2016 to offer an MSc course in Financial Planning and Management. The extra-occupational master's course is aimed both at experienced MLP consultants as well as new consultants who are working for MLP after completing their bachelor's degree. The degree course therefore offers our consultants an additional opportunity to gain further qualifications – which also makes it a valuable recruiting instrument.

Comprehensive training programme

Numerous seminars and events serve to underline the scope of our training offer. In 2017 around 20,700 training days (including online seminars) were held at the CU. Alongside specialist and consulting topics, one key focus of training was the new Budget guide consulting application, which we have been gradually establishing since 2016. Since early 2017, the CU has also been offering a Specialist in retirement planning certificate of advanced training in cooperation with the University of Applied Sciences Kaiserslautern.

Preparation for the EU Insurance Distribution Directive (IDD), which is coming into force in 2018, was another focus topic. We have taken various steps to comply with the regulatory requirements of the IDD on the topic of further training, including modularising our further training offer and introducing a points system.

In the summer of 2017, all consultants had the opportunity to learn about the latest specialist and consulting topics in various modules during two "financial planning power days". The event was also open to external participants. In the course of realigning this division in the reporting year, the CU also adapted its training for new consultants in the university segment.

Total expenditure for our comprehensive qualification and training programme amounted to € 6.9 million in the past financial year and was thus at the same level as the previous year.

Thanks to all employees and consultants

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. The Executive Board would also like to thank the numerous consultants, branch managers and university team leaders for their commitment in a large number of forums and workgroups.

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 interest and tax (EBIT) 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 is formed by the total of the EBITs of operations to be continued and discontinued respectively. No costs and income directly related to the discontinuation/sale of business segments are included in the basis of assessment. If the employment contract begins or ends in the course of the financial year, the basic bonus figure is reduced pro rata temporis.

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

In contractually more closely specified boundaries, the immediate payment and the deferred payment are also subject to an adjustment right, which can be used at the discretion of the Supervisory Board. Here, the Supervisory Board is 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 euro. For both bonus parts, a maximum of 150% of the basic figure is stipulated as the cap with an assumed EBIT of € 100 million.

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

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

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

- the company's share of voting rights changes in accordance with §§ 21, 22 of the German Securities Trading Act.
- the company is 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 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	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**
Fixed compensation	550	550	360	360	360	360	0	0
Fringe benefits	30	31	17	17	26	27	0	0
Total fixed compensation	**580**	**581**	**377**	**377**	**386**	**387**	**0**	**0**
One-year variable compensation	194	130	129	86	129	86	0	0
Multi-year variable compensation	216	229	151	134	172	153	209	153
Bonus 2012 (2012-2015)	216	0	151	0	172	0	209	0
Bonus 2013 (2013-2016)	0	229	0	134	0	153	0	153
Other	0	0	0	0	0	0	0	0
Total fixed and variable compensation	**990**	**940**	**657**	**597**	**688**	**626**	**209**	**153**
Pension benefits	224	266	140	140	150	150	0	0
Total compensation (in accordance with the German Corporate Governance Code (DCGK)	**1,213**	**1,206**	**797**	**737**	**838**	**776**	**209**	**153**

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
	2016	2017	2017 (Min)	2017 (Max)	2016	2017	2017 (Min)	2017 (Max)
Fixed compensation	550	550	550	550	360	360	360	360
Fringe benefits	30	31	31	31	17	17	17	17
Total fixed compensation	**580**	**581**	**581**	**581**	**377**	**377**	**377**	**377**
One-year variable compensation	130	244	171	317	87	163	114	212
Multi-year variable compensation	376	367	0	990	250	244	0	660
Bonus 2016 (2016-2019)	376	0	0	0	250	0	0	0
Bonus 2017 (2017-2020)	0	367	0	990	0	244	0	660
Total fixed and variable compensation	**1,086**	**1,192**	**752**	**1,889**	**714**	**784**	**491**	**1,249**
Pension benefits	224	266	266	266	140	140	140	140
Total compensation (in accordance with the German Corporate Governance Code (DCGK)	**1,310**	**1,458**	**1,018**	**2,154**	**854**	**924**	**631**	**1,389**

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
	2016	2017	2017 (min.)	2017 (max.)	2016	2017	2017 (min.)	2017 (max.)
Fixed compensation	360	360	360	360	0	0	0	0
Fringe benefits	26	27	27	27	0	0	0	0
Total fixed compensation	**386**	**387**	**387**	**387**	**0**	**0**	**0**	**0**
One-year variable compensation	87	163	114	212	0	0	0	0
Multi-year variable compensation	250	244	0	660	0	0	0	0
Bonus 2016 (2016-2019)	250	0	0	0	0	0	0	0
Bonus 2017 (2017-2020)	0	244	0	660	0	0	0	0
Total fixed and variable compensation	**724**	**794**	**501**	**1,258**	**0**	**0**	**0**	**0**
Pension benefits	150	150	150	150	0	0	0	0
Total compensation (in accordance with the German Corporate Governance Code (DCGK))	**874**	**944**	**651**	**1,408**	**0**	**0**	**0**	**0**

As at December 31, 2017, pension provisions totalling € 16,897 thsd (€ 18,109 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 2017 (I)*	Remuneration 2017 (II)**	Remuneration 2016
Dr. Peter Lütke-Bornefeld (Chairman)	98	37	135
Dr. h. c. Manfred Lautenschläger (Vice Chairman)	72	28	100
Dr. Claus-Michael Dill	65	25	90
Tina Müller	40	15	55
Burkard Schlingermann	40	15	55
Alexander Beer	47	18	65
Total	**362**	**138**	**500**

* until September 21, 2017 for MLP AG
** from September 21, 2017 for MLP SE (see following explenations)

The term in office of the members of the Supervisory Board at MLP AG ended with entry of the change in corporate form. The term in office of all members of the first Supervisory Board at MLP SE ends with conclusion of the Annual General Meeting on June 14, 2018. Pursuant to § 113 (2) of the German Stock Corporation Act (AktG), however, the remuneration for the members of the first Supervisory Board can only be approved by the Annual General Meeting. The resolution can only be passed in the Annual General Meeting that formally approves the actions of the members of the first Supervisory Board. This is the Annual General Meeting scheduled for June 14, 2018.

In the 2017 financial year € 18 thsd (previous year: € 17 thsd) was paid as compensation for expenses.

RISK AND OPPORTUNITY REPORT

Risk report

Risk management system

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

The operational and organisational structure, the risk management and controlling processes, in addition to the special Risk Controlling, Compliance and Internal Audit functions are key components of the Group-wide risk management system.

Group-wide risk management

MLP SE, Wiesloch, MLP Banking AG, Wiesloch, MLP Finanzberatung SE, Wiesloch, MLPdialog GmbH, Wiesloch, FERI AG, Bad Homburg v. d. Höhe, FERI Trust GmbH, Bad Homburg v. d. Höhe, FEREAL AG, Bad Homburg v. d. Höhe, FERI Trust (Luxembourg) S.A., Luxembourg, in addition to DOMCURA AG, Kiel, NORDVERS GmbH, Kiel and nordias GmbH Versicherungsmakler, Kiel, are included in the Group-wide risk management (scope of consolidation pursuant to Section 25a of the German Banking Act (KWG) - Germany's "MaRisk consolidation scope").

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

Segment	Comapny		IFRS scope of consolidation	MaRisk scope of consolidation (§25a German Banking Act, KWG)
Holding	MLP SE		X	X
Banking	MLP Banking AG		X	X
Financial consulting	MLP Finanzberatung SE		X	X
		TPC GmbH	X	
		ZSH GmbH	X	
		MLPdialog GmbH	X	X
		MLP Hyp GmbH *	X	
FERI	FERI AG		X	X
		FERI Trust GmbH	X	X
		FEREAL AG	X	X
		FERI Trust (Luxembourg) S.A.	X	X
DOMCURA		DOMCURA AG	X	X
		NORDVERS GmbH	X	X
		Nordias GmbH Versicherungsmakler	X	X
		Willy F. O. Köster GmbH	X	
		Siebert GmbH Versicherungsmakler	X	

* accounted for using the equity method

Pursuant to Section 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 Banking AG, which as per Article 11 of the Capital Requirements Regulation (CRR) is the controlling body of MLP Financial Holding Group (MLP FHG) 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 the context of the strategy process and the risk inventory MLP Banking AG, acting as a controlling company of the Financial Holding Group, obtains an overview of the risks in the 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 MLP Financial Holding Group are defined taking into account the type, scope, complexity and risk content, in addition to the different application options provided by corporate law on a case-by-case basis.

Risk policies

The Executive Board of the controlling company defines the business strategy and a consistent risk strategy for 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 at 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 MLP Financial Holding Group:

The Executive Board is responsible for the 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 in addition to putting them in place and monitoring 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 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 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 SE 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 attributed 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 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 at 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, liquidity management and stress tests

Risk capital management - risk-bearing ability

Risk capital management is an integral part of the Group management system at 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 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 with 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 Section 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 general business risks and reputation risks (other risks) also represent significant risk types, although they are currently not quantified. Amongst other things, they are taken into account when calculating the risk-bearing ability in the form of additional buffers.

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

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

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

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

At 39.5%, the largest portion of the risk coverage fund in MLP Financial Holding Group is allocated to the banking segment due to the risk inherent to the banking business.

Liquidity capacity

Securing appropriate liquidity capacity is based on the notion of establishing an appropriate risk-return structure, while at the same time ensuring solvency of the companies in MLP Financial Holding Group at all times. The concept of and compliance with the liquidity capacity are also derived from Pillar 2 of the Basel Accord.

Stress tests

Stress tests are also performed on a regular and ad hoc basis for the 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 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 context.

Organisation

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

Functional separation

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

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

Group Risk Manager

The Group Risk Manager is responsible for the risk monitoring and control activities in 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 at an early stage and sustainably throughout the Group, while also increasing risk awareness, a risk controlling function has been set up at MLP. This function is responsible for independent monitoring and communication of risks.

Risk management and controlling processes

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

The Risk Controlling unit in particular is responsible for the identification and assessment of risks, in addition to monitoring defined limits. This is accompanied by reporting the risks to the Executive Board and the business units that control the risks. Suitable early detection systems support risk monitoring and identify potential problems early on, 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 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 based on the risk models are entirely suitable for controlling the risks. Quantification methods are subject to regular checks by risk controlling alongside 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 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 Management.

Internal controlling system in the accounting process

With regard to the accounting and management reporting processes, the Internal Control System (ICS) is used to provide an accurate picture of actual conditions in terms of the net assets, the financial position and results of operations at MLP Banking AG and 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. All units 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 point of contact for all questions in connection with accounting issues.

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), in addition to proper and timely internal and external financial reporting. The scope of the checks and responsibilities integrated into the procedures is clearly regulated.

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

Functional separation, the dual-control principle and 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, in addition to the consolidated financial statements, are drawn up using standard software. Group Accounting secures the completeness and accuracy of the relevant disclosures on the basis of the information provided.

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

Compliance function

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

Internal audits

The main duty of the internal audit department at MLP Banking AG is to assess the effectiveness and appropriateness of risk management in general and of the internal control system in particular. Audit tasks are performed throughout the Group based on service level agreements and outsourcing contracts with the key Group companies, in addition to the function of MLP Banking AG as a controlling company pursuant to Section 10a (2) of the German Banking Act (KWG). The focus is on compliance with legislative requirements, supervisory requirements, guidelines, regulations and internal provisions for business processes. To this end, audit procedures are performed using a systematic and targeted approach on the basis of the COSO model to assess the effectiveness and appropriateness of risk management, controls and the management and monitoring processes. Risk-oriented audits are conducted at regular intervals and the results are reported. The internal audit department monitors the rectification of any issues detected. 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 promptly provides the key decision-makers with 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. Comprehensive information is promptly provided on any changes to relevant influential factors.

Statement of risks

MLP Financial Holding Group is exposed to various financial risks. They in particular comprise counterparty default, market price and liquidity risks. Alongside financial risks, there are also operational and other risks, such as general business risks and reputation risks. The risks are taken into consideration after risk-reducing measures, such as insurances.

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
Banking	x	x	x	x	x
Financial consulting	x		x	x	x
FERI	x	x	x	x	x
DOMCURA	x			x	x

Counterparty default risks

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

The counterparty default risks of 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 (more than 96%) is limited to borrowers domiciled in the Federal Republic of Germany.

Concentration of risk

The identification of potential concentrations of risks is another key component of credit risk management. 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. In order 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, 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 like credit cards and accounts in association with the target client segments. In addition to this, the minimisation of large individual risks with a low credit rating is a further central component of the credit policy in place at MLP Financial Holding Group. Focusing on specific professional groups enables an attractive earnings margin to be achieved thanks to relatively low default risks.

Credit management

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

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 made 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 and 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). The disposals made as a result of the spin-off comprise impaired receivables from consultants and receivables from the brokerage business. Identified non-performing loans are transferred to specialist departments where they are individually managed by experts. We use deferral in line with Article 178 of the Capital Requirements Regulation (CRR) as the definition of default. As a matter of basic principle, allowances for losses on individual accounts are performed on a case-by-case assessment.

Loan loss provisions (banking segment)

Amount in € million (previous year) *	Opening balance	Allocations	Reversals	Utilisation	Disposals due to spin-off	Closing balance
Specific allowance for doubtful accounts	7.5 (6.7)	0.8 (2.1)	0.5 (1.0)	1.0 (0.3)	3.4 (-)	3.4 (7.5)
General allowance for bad debts	3.4 (4.5)	0.1 (0.4)	0.0 (0.0)	0.7 (1.4)	0.0 (-)	2.8 (3.4)
General allowance for doubtful accounts	3.3 (4.5)	0.2 (-)	0.5 (1.2)	- (-)	0.5 (-)	2.6 (3.3)
Provisions	0.2 (0.2)	- (-)	0.1 (0.0)	- (-)	- (-)	0.1 (0.2)
Total	**14.4 (15.9)**	**1.2 (2.5)**	**1.1 (2.2)**	**1.7 (1.8)**	**3.9 (-)**	**8.9 (14.4)**

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

In addition to the above-described risks in the client credit business, there is an issuer's risk from the bonds, debentures and other financial instruments acquired. We reduce the risk of default among issuers whose securities we acquired within the scope of capital investment management through the specified creditworthiness requirements of our capital investment directive. Where available, 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 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 MLP Financial Holding Group, the internal control system is based on the various supervisory calculation methods.

Market price risks

MLP Financial Holding Group understands market price risks, 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. MLP Banking AG continues to hold the status of a non-trading book institute. The subcategory of market price risk, which is important for us, represents the general interest risk.

Interest rate risks

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

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

Possible effects of different interest development scenarios are portrayed via planning and simulation calculations. The risks and their effects are made transparent based on assumptions of multilayer interest scenarios. In this context, cash value changes of all items in the asset ledger are shown in relation to the equity, with the application of the changes in interest rates prescribed by the Federal Financial Supervisory Authority. The simulation is performed by automated means for all the interest-bearing and interest-sensitive items. It is in this manner that the controlling of the interest risk is ensured.

The change in value determined in the reporting period always remained significantly below the threshold of 20% of equity.

Interest rate risks of MLP Financial Holding Group

Amount in € million	Interest rate shock/parallel shift			
	Change in value + 200 BP		Change in value - 200 BP	
	2017	2016	2017	2016
Total	-3.5	-8.4	0.8	4.5

Liquidity risks

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 - discretionary and structural.

Operational liquidity control

Within the scope of strategic or short-term liquidity control at Group level, the liquidity risk is assessed and controlled in particular using the KPI from the Liquidity Directive and the Liquidity Coverage Ratio (LCR). The LCR represents a stress scenario from the supervisory perspective with a review period of 30 days, during which the interbank market no longer works. 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. Additionally, an expected shortfall is monitored for the assessment of any outliers. Sufficient funds were available to cover short-term liquidity requirements at any time.

Structural liquidity control

Structural (mid-to-long-term) liquidity control of the Group is performed on the basis of liquidity gap analyses, which highlight the anticipated development of liquidity over various time horizons. In addition to this, the effects of various cash flow scenarios, and thereby also on the liquidity situation of MLP, are analysed using the funding matrix. Additional Liquidity Monitoring Metrics (ALMM) provide extra information alongside the Net Stable Funding Ratio (NSFR), particularly with regard to concentrations.

The liquidity value at risk (LVaR), which indicates the additional refinancing costs required to close open liquidity items, is a key instrument of structural liquidity control and is also used in risk capital management. When determining the LVaR as of December 31, 2017, 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 at MLP Financial Holding Group results primarily from MLP Banking AG as the custodian bank. The refinancing structure is based largely on client deposits. Appropriate short and medium-term credit lines have also been agreed to safeguard against a possible short-term liquidity shortfall.

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

MLP Banking AG has established a simple 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, an operational risks inventory is taken at least once a year. Within this scope, experts from all specialist departments examine and assess the operational risks based on self-assessments. They are broken down into an assessment of risk potential to identify and evaluate 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 MLP Financial Holding Group is continuously recorded and analysed. By collecting damage data, loss events can be detected and analysed in order to identify trends and any concentration of operational risks. The results are collated and checked for feasibility by risk controlling and then made available to the Executive Board and the controlling units.

Risks from internal procedures

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

A Business Impact Analysis (BIA), carried out within the scope of Business Continuity Management (BCM), is used to identify critical company processes whose disruption or failure can have a significant impact 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. The BCM is documented in the organisation manual and in this way available to the business segments and employees.

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

Human resources risks

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 allocation measures.

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

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

IT risks

To effectively manage IT-related risks, 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 the 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 and security measures at network level.

Risks from external events

Companies operating in the financial services sector are focusing on their core expertise, i.e. producing financial services products, support and information services and specialist consulting and sales expertise. In this market environment, 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 MLP Financial Holding Group. This ensures that any potential organisational, structural or process-based risks that may occur due to outsourced business activities are closely controlled.

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

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

Risks arising for 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 conducted by the relevant section at company HQ pursuant to Section 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 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 MLP Group. In accordance with 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 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 legal proceedings pending or threatened against 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 SE in August 2007 due to the provision of allegedly inaccurate capital market information in 2000 - 2002 will not be successful. Indeed, the vast majority of these claims have already been withdrawn. Two claims were dismissed by the court, which ruled in favour of MLP. Dismissals were also issued in favour of MLP in the last two legal actions. However, these legal actions have not yet been finally concluded as the opposing party has started an appeal process.

Taxation risks

Changes emerging in tax law are continually checked and reviewed with regard to the potential effects they may have on the Group. Compliance with fiscal requirements of the controlling company, MLP SE, is verified by internal and external experts in accordance with tax regulations and all accompanying documentation issued by the fiscal authority. Corresponding provisions are formed for subsequent expected payments.

Capital charge according to the basic indicator approach

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

Other risks

Reputation risks

Reputation is defined as "the reputation of 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". These stakeholders, for example, include clients, employees, consultants and office managers, shareholders and creditors, other institutes, ratings agencies, the press and the world of politics. Reputation risk is understood to mean an existing or future risk regarding income, equity or liquidity as a result of reputation damage.

The reputation risks at MLP Group are generally managed using a decentralised organisational structure in line with the management of operational risks. Risk management differentiates between taking action prior to a potential event (preventive management) and taking action directly after damage has occurred (reactive management).

Alongside decentralised control, comprehensive preventive control is in particular carried out by the relevant market segments. In terms of reputation risk controlling, process-based control of reputation risks becomes an extremely important task. The goal here is to provide information regarding reputation risks preventively as a basis for helping to reach risk-relevant decisions.

As is the case with preventive risk management, the reactive management of reputation risks is also organised decentrally. Depending on the circumstances, downstream or multidisciplinary departments/functions will also be involved.

The potential risk of mistakes made while providing consulting services to our clients which also affect 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 deviations can have many causes, such as changes in client behaviour, changes to general economic conditions and 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 stimuli for strategic alignment of MLP Financial Holding Group.

The ongoing period of low interest rates, in addition to the lasting effects of the Life Insurance Reform Act (LVRG), lead to a degree of uncertainty. Alongside this, the ever-advancing regulations with regard to supervisory requirements continue to present a challenge to profitability in the banking and financial services sectors overall. We are still observing a great deal of competitive pressure in the German market for financial services i alongside new and digitally-oriented market actors (fintechs).

You can find more detailed information on the environment, sector and competitive situation in the section entitled "→ Economic report and→ forecast".

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

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, MLP Financial Holding Group primarily pursues a going-concern approach with a confidence level of 97% when controlling risks. This is based on protecting the minimum capital backing required by law, thereby ensuring a continuation of the business operations of 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 2017, 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 51.3% and 40.8% respectively, counterparty default risks and operational risks take up the majority of the risk coverage fund available.

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 MLP Financial Holding Group

Risk bearing ability	2017 Utilisation (in %)	2016 Utilisation (in %)
Risk and capital commitment	76.0	75.0
thereof:		
Counterparty default risk	79.0	77.8
Market price risk	60.9	71.6
Operational risk	78.0	75.9
Liquidity risk	0.0	0.0

Capital adequacy requirements under banking supervisory law

The backing of risk assets with eligible own funds for Tier 1 capital generally requires a minimum ratio of 4.5%. As in the previous year, these requirements have not changed during the 2017 financial year.

Pursuant to 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 reserves 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, MLP Financial Holding Group fulfilled all legal requirements relating to minimum capital adequacy throughout the 2017 financial year. The relationship between the risk assets and equity capital on the balance sheet date is illustrated below.

Supervisory KPIs

Shareholders' equity (in € million)	2017	2016
Tier 1 common capital	291.0	214.7
Tier 1 additional capital	–	–
Tier 2 capital	–	–
Eligible own funds	291.0	214.7
Capital adequacy requirements for counterparty default risks	73.8	75.5
Capital adequacy requirements for operational risk	42.4	45.8
Core capital ratio (in %)	20.02	14.16
Tier 1 common capital ratio (in %)	20.02	14.16

Summary

MLP's business development is essentially influenced by financial risks, operational risks, reputation risks 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 MLP Financial Holding Group as a whole and the business segments always acted within the scope of their financial risk-bearing ability in 2017.

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 allow 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, both by 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 MLP Financial Holding Group were present at MLP after the balance sheet date.

Opportunity report

Opportunity management

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

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

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

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 2018 suggest only limited opportunities for MLP. Although economic experts are assuming that Germany will enjoy further growth, the aforementioned reservations on the part of clients when it comes to signing long-term savings contracts will hinder progress. In the mid to long-term, however, the greater need for private and also occupational pension provision is likely to increase demand for these two products significantly again – particularly among MLP's target groups. Should the German economy enjoy better development than assumed in our forecast, this will only have an indirect influence on short-term operating developments.

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 administration 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 market consolidation as individual brokers will not be able to comply with the stricter requirements. Overall, the number of providers is likely to reduce. With our consulting approach, which focuses on clients and their financial matters, we are able to clearly differentiate ourselves in the marketplace. In addition to this, we were quick to align our operations to the new framework conditions over the last few years, which will enable us to benefit from this development in the mid-term.

Corporate strategy opportunities

We see corporate strategy opportunities primarily in MLP's positioning as a partner for all financial matters, a position which has been particularly strengthened over the last few years. Alongside support for private clients, we are now also increasingly focusing on our business with corporate clients and institutional investors. In cooperation with our Group companies TPC, DOMCURA, nordias and FERI, we will further expand our portfolio for corporate clients and institutional investors in the areas of occupational pension provision, non-life insurance, wealth management and risk management.

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

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

Business performance opportunities

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

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

More targeted penetration of our client base, particularly in the wealth management and non-life insurance segments, will also help us achieve further growth. Since our clients are generally very well-trained and thereby have excellent income prospects, they also have a continuous need for sound financial consulting 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 packaged at our subsidiary FERI. Particularly for institutional investors and high net-worth families, the need for consulting services is on the rise, above all in the field of alternative investments. DOMCURA is the service provider for agents and other brokers in the non-life insurance segment and provides comprehensive solutions for both private and commercial business – in part with a high degree of individualisation.

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

Opportunities from development of asset and risk positions

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

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

Interest rate developments also influence MLP's interest rate portfolio. Depending on the positioning/alignment and interest rate development, they could potentially lead to risks but also to opportunities. Regardless of this, MLP maintains its interest book with the objective of continuing to secure a healthy liquidity situation.

Summary

MLP sees several significant opportunities. These affect multiple fields, in particular corporate strategy, d business performance factors and the asset and risk position. We believe that the changing framework conditions will only present limited opportunities.

FORECAST

Future overall economic development

There are currently no indications that the solid worldwide recovery might be coming to an end. FERI Investment Research is also expecting the healthy economic activity in the eurozone to continue and is forecasting growth of 1.9% for 2018. This performance is being spurred on by the good global economic situation and the increase in exports resulting from this, the positive effects of low interest rates on bank lending and a relaxation of fiscal consolidation policies in many European countries. These forces will essentially remain intact for the time being. Added to this is the fact that the internal base for the upswing has stabilised in several countries, primarily due to falling unemployment figures and the impetus this provides for private consumption.

Germany remains on course for growth

In Germany domestic demand will remain the most important driving force of the economic upswing in 2018. In its 2018 Financial Report, the German government states a good performance of the labour market and solid income gains as key factors for the dynamics in the domestic economy.

FERI Investment Research anticipates the upswing to continue for Germany, although with slightly reduced dynamism. In absolute terms, our economic experts are anticipating economic growth of 1.8% for 2018.

Labour market prospects remain favourable

Based on estimates of the Institute for Employment Research of the German Federal Employment Agency (IAB), labour market developments in Germany remain positive. In 2018 the average number of jobseekers is set to decline by a further 80,000 to 2.48 million. A temporary increase in the unemployment figures due to refugee registrations is being compensated by the generally good development, however, this effect is slowing down the rate of decline of unemployment figures compared to 2017. The upward trend in gainful employment is also set to continue. The labour market experts at the IAB predicted an increase in total employment figures of around 550,000 persons in 2018.

The labour market is also likely to remain dynamic in the long term, especially for specialists. Indeed, a survey undertaken by Basel-based research institute Prognos suggests that the shortfall in terms of specialists, engineers, researchers and healthcare professionals could reach 3 million persons by 2030 and 3.3 million by 2040.

Increasing salaries and wages to be anticipated.

The framework conditions for private households remain favourable. The German government is forecasting a 3.9% increase in gross salaries and wages in 2018 and according to a forecast provided by the German government, the price-adjusted consumption expenditure of private households will increase by 1.6% in 2018. According to estimates of the German government, investment activity should gain momentum in 2018. Private residential construction is in particular continuing to display lively development. The high degree of job security and above-average increases in real wages are serving to promote demand, as are the low interest rates. For 2018, Deutsche Bundesbank is expecting a savings ratio at the previous year's level of 9.6%.

Future industry situation and competitive environment

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

Old-age provision

In future, private and occupational pension provision are set to play an increasingly important part in Germany in terms of maintaining an acquired standard of living during retirement. In its 2017 Pension Insurance Report, the German government stresses that the continuous decline in the level of the statutory pension can only be compensated through supplementary provision. In the short term, however, the industry will continue to face major challenges due to the low interest rate environment and the ongoing reservations when it comes to signing long-term provision contracts.

German citizens not making adequate provisions

Based on a survey conducted by comdirect, almost half of all Germans (48%) are currently not saving for their old age. One in four claims not to have enough money left over to save for their retirement. At the same time, only around one in ten German citizens have confidence in the statutory system and believe that the future statutory pension will be adequate for their retirement.

Statutory pension continues to decline

According to the latest Pension Insurance Report published by the German government, the standard pension level is already at 48.0%. This figure is predicted to decline to 45.0% by 2030. The official group of estimators expects the pension level to fall further to 41.7% by 2045 and the premium rate to increase to 23.6%.

Gaps in provision to be closed

The results of the latest Provision Atlas Germany by Union Investment indicate that the young generation in particular must take action if it wishes to maintain its standard of living when reaching retirement age. The survey calculates that German citizens currently aged 20 to 65 can expect to receive around € 1,070 per month from the statutory pension when they retire. On average, this corresponds to around 48.0% of their last gross income (replacement rate). While German citizens currently aged 50 to 65 will reach a replacement rate of around 64% on reaching retirement age, those currently aged 20 to 34 will likely have to manage on just 38.6% of their last gross income. To maintain their standard of living, the survey states that they will then require around € 800 extra per month. The gap in provision is even wider among higher earners.

Greater support for basic and Riester pension from 2018

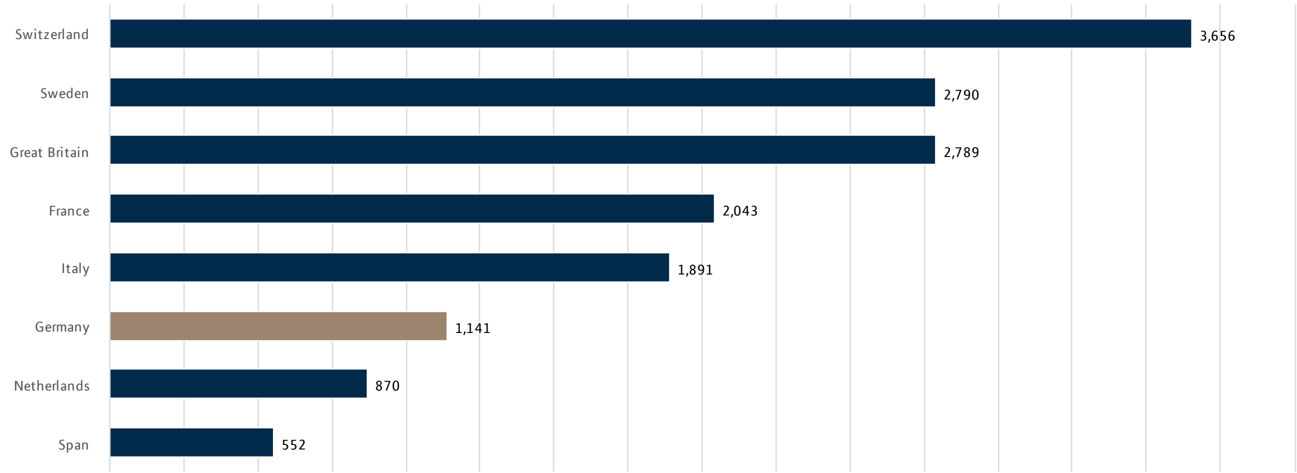
The state supports supplementary old-age provision in Germany. In 2018, the maximum tax-deductible amount in Tier 1 is to increase from € 23,362 to € 23,712 for single persons. At the same time, the percentage of premiums paid that is taken into account by the tax authorities is set to increase from 84.0% to 86.0%. A maximum of € 20,392 can therefore be deducted as special expenses in 2018. These figures are doubled for married couples.

In addition to this, the legislation to strengthen occupational pension provision in Germany (BSRG), which comes into force on January 1, 2018, sets a higher basic allowance of € 175 per year for the Riester pension (previously: € 154).

German citizens need to catch up quickly

A European comparison shows just how far German citizens have to go in order to catch up in terms of private old-age provision. Although they pay an average of € 1,141 per year into life insurance policies, this figure is considerably higher in other European countries such as France (€ 2,043 per capita) and Great Britain (€ 2,789 per capita).

A comparison of annual per capita life insurance premiums in Europe (all figures in €)



Source: Insurance Europe

Occupational pension provision holds potential

In 2017 the German government launched an extensive package of measures to achieve greater market penetration with the legislation to strengthen occupational pension provision in Germany. According to the German government, small companies and low earners often have the greatest gaps in provision. Indeed, only 28% of employees at enterprises with fewer than ten employees have a company pension entitlement. In total, 47% of employees with less than € 1,500 earned income per month do not have a company pension or Riester pension policy in place at all.

A survey undertaken by Deloitte also underlines the need to catch up. Based on the information provided, only 26% of employees currently participate in deferred compensation, i.e. take the opportunity to pay their own money into occupational pension schemes. Only 11% of employees receive employer-financed occupational pension provision with which they are satisfied. According to the survey, such problems often arise due to a lack of information. Indeed, 30% of respondents stated that they had not received adequate information on occupational pension provision. A further 35% said that they did not receive any information at all. Those participating in the survey stated that they would ideally like to have a consultation meeting with example calculations for their personal situation or a detailed brochure.

Assekurata takes the view that the legislation to strengthen occupational pension provision in Germany (BSRG) can deliver particular growth stimuli for consulting firms with a strong presence in occupational pension provisions and a pronounced target group focus in the commercial sector.

Unit-linked products enjoying an upswing

Assekurata believes that the ongoing low interest rate environment is forcing more and more providers to turn their back on typical life insurance policies. Biometric products such as occupational disability insurance and unit-linked policies are therefore getting more attention. What's more, growth opportunities for the entire old-age provision sector could result from the ongoing good economic situation of private households in future.

The reservations being displayed by German citizens when it comes to signing long-term contracts is likely to continue in the financial year 2018. However, in light of the legislation to strengthen occupational pension provision in Germany (BSRG) there is still potential particularly in the field of occupational pension provision.

Wealth management

The market environment in the wealth management area is characterised by profit growth in a global economy which is still expanding robustly, low interest rates and a friendly monetary policy. FERI Investment Research expects this scenario to continue providing good support to global stock markets in the interim, although it is likely to be increasingly put under pressure over the course of 2018 due to existing risks. Alongside the fundamental problem of ongoing high debt levels in almost all countries, the risks according to FERI are primarily associated with a significant drop in growth momentum in China and the gradual withdrawal of the expansive monetary policy by the key central banks. The situation is also compounded by the fact that the economic upturn in the US is clearly in its late stage. The different alignment of monetary policy, in particular the difference between the US on one side and both Europe and Japan on the other, could lead to increased volatility in the markets.

Increasing demand

The need for high-quality wealth management services is set to increase in the long term, due to the consistent growth in private wealth. In its 2016 Global Wealth Report, the Boston Consulting Group (BCG) expects global high net-worth individuals to increase at an annual rate of 6% and exceed US$ 224 trillion by 2020.

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

Private investors still cautious regarding shares

According to a survey performed by AXA on the topic of investment behaviour, German investors are remaining rather reserved with regard to the stock markets. Accordingly, only around 14.0% of German citizens hold shares or mutual equity funds, despite the fact that four out of every ten Germans find the idea of investing on the stock exchange "highly interesting". However, more than half of the respondents agree with the statement that they would only invest money on the stock exchange if they had a money-back guarantee for their investment.

Alternative investments still in demand

Among institutional investors, the trend towards alternative investments is ongoing. According to the Mercer European Asset Allocation Survey 2017, classic government bonds with a good rating no longer deliver sufficient profit. Depending on their investment strategy and the regulatory opportunities available, institutional investors are therefore looking more towards shares, real estate, private equity and private debt - and this trend will intensify. Indeed, according to a survey undertaken by the German Private Equity and Venture Capital Association (BVK), more than half of all German institutional investors and family offices (55.0%) are keen to further expand their private equity allocation in the coming one or two years, while another 40.0% are seeking at least to maintain their current level. The BVK expects private equity to become even more popular over the next few years.

In light of low interest rates, the ongoing debt crisis and geopolitical risks, the capital market environment is likely to be characterised by pronounced volatility and remain challenging in the 2018 financial year. Within this context, in the long term we expect to see an increased need for consulting services in the professional wealth management area among all of the Group's target client groups.

Non-life insurance

Overall, the German Insurance Association (GDV e.V.) anticipates growth in the property and casualty insurance area to remain at the 2017 level in 2018.

Independent brokers, in particular, are also expecting the growth trend observed in the last few years to continue over the next five years. Indeed, 73.0% of insurance brokers taking part in a survey performed by AssCompact believe that the private non-life insurance business will be highly relevant in the coming four years.

Digitalisation and cyber insurance

According to a recent survey by Bain & Company and Google, the digital transformation holds massive potential - particularly for property and casualty insurance policies, which often employ standardised products and procedures. However, leveraging this requires thorough digital transformation throughout the entire value-added chain. Although insurance companies have invested in the expansion of their digital offers, they have primarily focused on sales and innovations in and around the concept of online marketing. For example, companies are increasingly offering or expanding client portals and using new communication tools such as apps. Technical developments in the field of mobility in particular are changing the traditional business models.

Ratings agency Assekurata also believes that cyber insurance is a promising new market segment. Cyber insurance policies are intended to offer companies protection from damage caused by hacker attacks. According to Assekurata many small and medium-sized enterprises are underestimating the risk associated with this.

Online policy sales showing massive growth potential

The market potential for the selling of policies via the internet is large. Indeed, every second German citizen (56.0%) would have no problem taking out an insurance policy entirely online. This tendency is even more pronounced among those who already regularly purchase books, clothing or electronics on the internet. This was the result of the Digital Insurance 2017 survey undertaken by software producer Adcubum. However, the willingness to sign contracts online drops off sharply for increasingly complex insurance products and those with a longer term. As such, while 56.0% of clients could see themselves signing up for basic products online, such as travel cancellation insurance or travel health insurance, this figure drops to just 2.0% for pension insurance policies. This is just some of the information provided in a survey conducted by the Institute for Insurance Business at the Technical University of Cologne.

Commercial non-life insurance business holds potential

Alongside the established private non-life insurance business, many brokers are increasingly expanding their focus to include the commercial arena as a way of building up or securing a solid portfolio. After all, many companies require specialist expertise and qualified consulting services to secure tailor-made insurance solutions that cover their business risks. According to the survey entitled AssCompact AWARD – Commercial Damage / Accident Business 2017, the relevance of the commercial non-life insurance business has increased by 20 percentage points in the past five years. The independent brokers surveyed agree that this growth trend is likely to continue in the next five years. While 64.0% of independent brokers believe that the commercial non-life insurance business is already highly relevant, 70.0% of brokers believe it will be highly relevant in five years.

Health insurance

Further reforms are to be expected in the German healthcare system over the course of the next few years. The call from several parties for the introduction of a "citizens insurance" – despite the fact that the CDU has clearly positioned itself against this – is continuing to spur on the political and media discussion regarding reforms to the healthcare system.

Statutory health insurance funds anticipating drastic premium increases

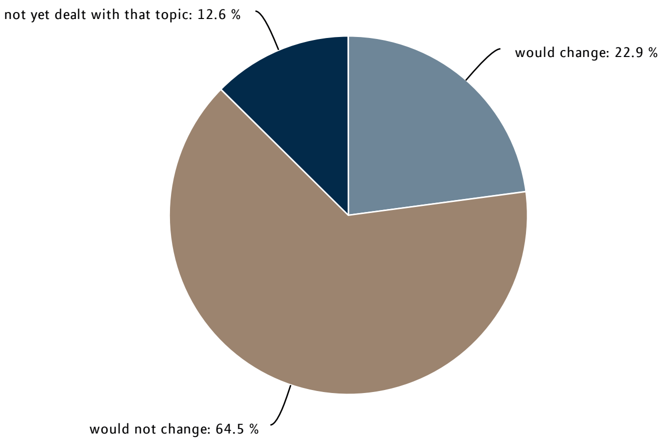
Due to demographic developments in Germany, the German Institute for Economic Research (DIW) is anticipating an increase in insurance contributions for the statutory health insurance system from their current level of 14.6% to 16.5% by 2020. This would correspond to an increase of 13.0%, whereby the additional premium (which was 1.1% on average in 2017) has not yet been taken into account. Although the Health Ministry has stated that the average additional premium is set to be reduced by 0.1 percentage points in 2018 due to the good current revenue situation of the statutory health insurance funds, according to estimates provided by the Association of Alternative Health Funds it will increase to between 1.8% and 2.0% over the next three years.

Future of comprehensive insurance depends heavily on politics

MLP believes that the willingness of numerous statutory health insurance policy holders to switch to a private policy will be boosted as a result of the increasing additional premiums. This in turn should inject new momentum into the whole market. Ratings agency Assekurata currently sees hope for a possible reversal of trends in the field of private health insurance, following the recent success in significantly reducing portfolio erosion throughout the comprehensive insurance market in comparison with previous years.

According to experts it depends heavily on the world of politics and the recent intensive discussions regarding the introduction of a "citizens insurance" offering holders of private health insurance the right to switch whether this development actually marks a reversal of trends for comprehensive insurance. Based on the survey on consumers' willingness to switch policies, the experts at Assekurata believe that the overwhelming majority of private health insurance policy holders are unlikely to make any use of a potential right to switch in the event of "citizens insurance" being introduced.

Proportion of private health insurance policy holders who would exercise their right to switch to the statutory health insurance system



Source: Assekurata Assekuranz Rating-Agentur GmbH, market outlook 2017/2018

As highlighted by the Continentale Survey 2017, the vast majority of those paying into the statutory system are worried about the future of the healthcare system in Germany. Indeed, 87.0% are worried that good health provision is costing or will in future cost a lot of money on top of the statutory health insurance premiums. Many consider supplementary private provision to be the right solution here. In fact, 81.0% believe that good provision of healthcare will only be possible via private top-up insurance policies.

Supplementary private health provision necessary

The latest Healthcare Barometer published by PricewaterhouseCoopers indicates that well over half (58.0%) of statutory insurance policy holders in Germany currently do not have any supplementary insurance in place. Ratings agency Assekurata therefore sees large untapped growth potential for products such as supplementary dental insurance.

The focus is increasingly turning to care services for those suffering from dementia, as highlighted by the DAK Care Report 2017. Accordingly, the majority of German citizens consider the services provided by statutory long-term care insurance to be inadequate. More than 1.7 million people are already living with dementia in Germany alone, and experts are anticipating this figure to increase to 3 million by 2050.

Greater support required for those suffering from dementia

Only 9.0% of companies in Germany are currently offering their employees occupational health insurance. This figure is up slightly from the 7.0% recorded in 2014, as reported in a survey by market research institute Heute und Morgen. Around 40.0% of companies not offering any occupational health insurance could currently envisage introducing such an offer in future, while 8.0% already have concrete plans to do so within the next twelve months.

Occupational health insurance still offers great potential

Real estate

Set against the background of increasing rents, around 30.0% of young families in Germany are planning a future real estate purchase according to the Wealth Barometer 2017 of the Deutscher Sparkassen- und Giroverband financial group; this figure is still almost one in four (23.0%) in the 20- to 50-year-old age group.

There has been a significant increase in the numbers of new builds in the German real estate market in the last three years. According to estimates of Germany's Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR), multi-floor residential buildings represent the main projects here. This is a trend that is likely to continue in future, according to the Residential Construction Forecast 2030 published by the BBSR. The survey states that the number of households in Germany is set to increase by 500,000 to 2030 and be almost 1.3% higher in 2030 than in 2015. Based on calculations, an average of 230,000 new apartments per year will be required for the whole of Germany in the forecast period. For the years up to 2020, the survey even anticipates a higher demand of around 272,000 new apartments per year.

Need for newly built apartments rising further

Investment in nursing care properties is becoming increasingly important. The need for compact dwellings with nursing care will increase in future as a result of the demographic shift. According to a survey commissioned by Germany's Federal Ministry of Economics, there is likely to be a shortfall of around 160,000 nursing home places by 2030.

Nursing care properties as an investment

Demographic developments in Germany will lead to a significant increase in demand for micro-apartments, thereby also increasing the value of this type of property. According to estimates provided by the German Federal Statistical Office, the trend towards smaller households is set to continue in future. Indeed, the proportion of single-person and two-person households in Germany will rise to 81.0% by 2030. By this time, four out of every five households will comprise only one or two people.

Demand for micro-apartments set to rise

The proportion of small households in the city states is particularly high. By 2030, the proportion of single-person households is expected to increase to 54.0% in Bremen, to 55.0% in Hamburg and to 58.0% in Berlin.

The boom currently being experienced in cities is reinforcing this trend. Based on a survey conducted by the Institute of the German Economy (IW), the population of Berlin is likely to increase by 14.5% to over 4 million people by 2035. Frankfurt is expected to increase by 11.0% to 813,000 residents, while the population of Munich is likely to increase by 14.4% to 1.66 million people.

Cities are booming

On this basis, the real estate market in Germany can expect to see further growth.

Loans and mortgages

In light of the favourable economic environment, German banks should also be able to benefit from the lending business, which is set to pick up in the next few months. Growth in terms of loans both to companies and private individuals is likely to remain higher than in the eurozone overall.

Despite the ongoing normalisation of monetary policy in the US, we should not expect any fundamental improvement in terms of interest surplus at banks in the short term. At the same time, however, the low interest rates and robust economic growth should have a positive impact on bank lending to both households and companies, while continuing to ensure low credit losses. The highest uncertainties for the sector result from the Brexit negotiations between the EU and Great Britain, as well as the speed and extent of the expected turnaround in monetary policy by the ECB. An abrupt interest rate rise could place a significant strain on banks.

Competition and regulation

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

In 2018 the Federal Financial Supervisory Authority (BaFin) will report to the Bundestag on their review of the Life Insurance Reform Act (LVRG), which came into force in 2015. Initial comments from the supervisory authorities would seem to indicate that they do not consider the reduction in acquisition costs implemented in the sector as adequate. Insofar as the Federal Financial Supervisory Authority (BaFin) maintains its position, ratings agency Assekurata anticipates a readjustment by the legislator.

Life Insurance Reform Act (LVRG) on the test bench

The German government is keen to offer greater incentives for occupational pension with its legislation to strengthen occupational pension provision in Germany (BSRG). At the heart of the new law is the opportunity to introduce occupational pension provision at companies through a collective bargaining agreement. The new legislation will come into force on January 1, 2018, but will initially only apply to newly concluded deferred compensation. For agreements already in place, the employer's contribution is only set to be compulsory after a transitional period of four years, i.e. from the start of 2022.

Legislation set to strengthen occupational pension provision

Further key points of the new legislation focus, in particular, on a higher tax subsidy to 8.0% (currently 4.0%) of the income threshold per year, as well as a direct financial contribution for low earners. Anyone earning up to € 2,200 gross per month will then receive up to € 144 in state subsidies for an employer's contribution of up to € 480 per year.

On January 3, 2018 large sections of the MiFID II Directive will have come into force to bring national regulations in the field of financial market supervision into line with numerous new European stipulations. The amendments have fundamental effects on the business model of securities service enterprises. Existing consulting processes need to be reviewed and adapted to the new requirements, which could prove quite costly in certain areas. This is particularly true of the IT processes and also the product structures.

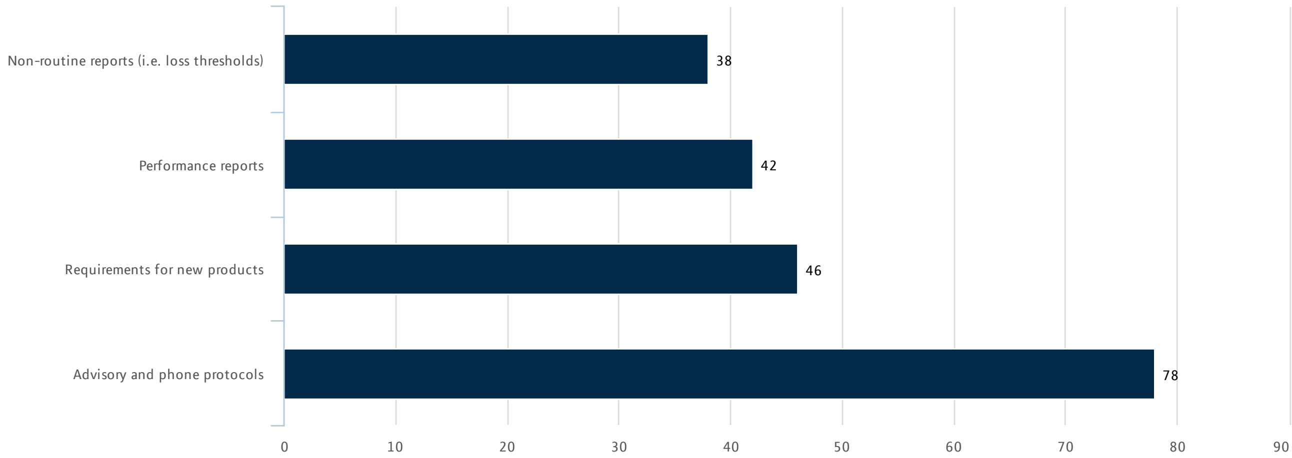
Greater transparency and better investor protection in focus

Banks and savings banks believe that the obligation to keep records of telephone conversations for securities advisory services to be the greatest burden that the sector faces with the introduction of MiFID II. Indeed, 39 of 50 institutes responding to a survey performed by consulting firm PPI believe that telephone recordings and other consultation records will lead to "extremely high" or "fairly high" costs. The banking association is concerned about the mutual trust between consultants and clients, while independent asset managers are criticising the acquisition costs for appropriate telephone systems.

Record keeping requirements adding extra burden to the sector

Anticipated follow-up costs for securities advisory services as a result of MiFID II

share of respondents estimating cost to be very high or rather high



Source: PPI, survey of 50 banks and savings banks

The banking association is forecasting total one-off costs of around € 1 billion for the implementation of MiFID II requirements. Added to this are ongoing costs for dispatching reports and information to clients.

MiFID II will also result in significant costs for MLP. However, we are well-prepared to implement these requirements.

The new EU regulation on packaged retail and insurance-based investment products (PRIIP Regulation) came into effect on January 1, 2018. This regulation stipulates that companies must inform their clients of insurance investment products in a key information document (KID). The objective here is to help consumers gain a better understanding of the opportunities and risks associated with these products. These uniform key information documents should also make it easier to compare various investment products. The content and design of the KIDs are fixed. A maximum of three A4 pages may be used to inform consumers of the most important features of the respective product, in particular its investment objective, risk/return profile and costs. The PRIIP Regulation applies to all investment products and contracts in which the client's money is only invested indirectly in the capital market instead of directly or whose repayment claim is linked to the performance of certain securities or reference values in a different way. This, for example includes investment funds or endowment life insurance policies.

Key information documents for investment products to follow later

New Insurance Distribution Directive (IDD) comes into force

A far-reaching new regulatory reform for insurance sales is set to come into force from February 23, 2018 with implementation of the EU Insurance Distribution Directive (IDD). The key items of this EU Directive include information requirements and rules of conduct, as well as regulations regarding ongoing qualification of consultants and remuneration. The commission ruling initially contained in the German government's draft bill has been amended in the final legal wording so that fee-based consulting or a mixed model is now also possible. Brokers for private clients can therefore still work on a fee basis, which ratings agency Assekurata believes will continue to safeguard independent advice in the interests of the client. The IDD also stipulates that insurance brokers must attend at least 15 hours of further training per year.

No major effects on MLP's business model should currently be anticipated as a result of the IDD stipulations. However, comprehensive process-based adjustments will be necessary.

Obligation to attend further training for estate agents

The new law for introduction of a professional licensing ruling for commercial estate agents and residential property managers comes into force from August 1, 2018. This will represent the first time that property managers have had to comply with such professional licensing requirements. In addition to the existing licensing authorisation, estate agents must also comply with an obligation to attend further training. In future, property managers and brokers must be able to prove that they have attended 20 hours of further training within the last three years. Residential property managers that are already active have until March 1, 2019 to apply for their permit. They must provide evidence of their further training for the first time in August 2021.

The Investment Tax Reform Act (InvStRefG) came into force on January 1, 2018. Alongside the provisions under European law on equal treatment of domestic and foreign investment funds, its objective is primarily to simplify the taxation of mutual funds at investor level. From January 2018, investment funds must themselves then also pay corporation tax on certain income.

The new EU General Data Protection Regulation (GDPR) will be transposed into directly applicable legislation in all member states of the European Union on May 25, 2018. The objective is to establish an equivalent level of protection of individuals' rights and freedoms with regard to the processing of personal data across all member states.

This will also lead to a wide range of new requirements for MLP in terms of reporting processes, statements of accounts, information disclosure requirements and process documentation.

Well-equipped to handle new regulatory requirements

MLP has already implemented numerous requirements that will become binding law in future. Implementation expertise is required in order to comply with the legal documentation, qualification and transparency obligations. MLP believes it is well prepared for this. But irrespective of this, the regulatory developments will certainly represent a challenge overall and lead to additional implementation costs.

Anticipated business development

Over the course of the coming 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 of MLP Banking AG are approaching the age at which financial investments become significantly more important to them, not least due to their increasing personal wealth. Above all, we see significant growth opportunities through the massive potential of this consulting area among our client base at MLP. At FERI, we are continuing to benefit from the comprehensive expertise in alternative forms of investment. In light of low interest rates, the ongoing debt crisis and geopolitical risks, the capital market environment is likely to be characterised by pronounced volatility and remain challenging in the 2018 financial year. It is therefore safe to assume that both private and institutional investors will continue to display risk-averse behaviour. Volume- and performance-based remuneration could also decline.

In an unchanged market situation with no radical events or similar effects on capital markets, we are anticipating a slightly better performance than in the previous year in the wealth management area for 2018 in terms of both revenue and assets under management – driven by FERI, yet crucially also by MLP's private client business.

In the old-age provision area, MLP expects the reservations displayed when it comes to signing long-term provision contracts to continue throughout the market, primarily due to the ongoing period of low interest rates. These are driving changes in the product landscape of the old-age provision area. Alternative guarantee concepts are enjoying ever increasing demand and gaining ground throughout the market. MLP has taken on a pioneering role in the brokerage of these concepts and we are increasingly benefiting from this. The entry into force of the German legislation to strengthen occupational pension provision in 2018 is likely to provide positive stimulus for the occupational pension provision area. In the field of old-age provision, we are anticipating a significant increase in new business in 2018, while revenues are expected to increase slightly.

For the non-life insurance business, we see growth potential in both the private and commercial sectors. Following the successful introduction of pooling concepts for MLP, as well as the physician policy (special inventory policy), further target group concepts which also contain a module to safeguard against hacker attacks (cyber insurance) are planned at DOMCURA for 2018. These are, in particular, aimed at office-based operations and professional advisers.

We are keen to further extend the interaction between MLP and DOMCURA, while at the same time growing the overall portfolio at MLP. To this end, we are establishing a process that will make it easier for us to incorporate existing non-life insurance policies of our clients that have not already been brokered via MLP into our portfolio. Overall, we therefore expect a slight increase in revenue in the non-life insurance area for 2018.

In the health insurance area, market conditions are unlikely to improve in the short term, as the concept of comprehensive private insurance is continually being called into question by some politicians and in the media. The notion of a "citizens insurance" and increased premiums are the main aspects of the discussion that are continuing to unsettle German citizens here. Indeed, the introduction of a "citizens insurance" continues to be discussed in public while attempts to form a new government are underway. However, the additional premiums for the statutory health insurance system could increase willingness among those paying into the statutory health insurance system to make the switch to a private policy in the medium term – which applies to MLP clients, in particular, as they generally enjoy above-average incomes. The private supplementary insurance business holds growth potential too. We also believe that the occupational health insurance area has a promising future. Overall, we expect revenues in the field of health insurance in 2018 to be at the previous year's level.

Within the scope of a holistic investment strategy, material assets in the form of real estate offer an attractive investment option, particularly for MLP's target group. We are keen to continuously expand our brokerage activities for new and concept-driven properties in future as a way of establishing a broader revenue basis for our advisory services. For 2018, we are expecting the brokered volume of business in the loans and mortgages area to remain at the same high level recorded in the previous year. In terms of real estate brokerage, we are anticipating a volume slightly above the previous year's level, although revenue is likely to remain at the same level as the previous year.

In our lending business we are also anticipating a positive development in terms of financing volume as well as in terms of revenues. The partnership between MLP Banking AG and Interhyp AG is new. MLP Banking AG is appearing as a product partner on this loan brokerage platform for the first time.

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

Revenue estimates: 2018 (in comparison with the previous year)

2018	
Revenue from old-age provision	Slight increase
Revenue from health insurance	Unchanged
Revenue from wealth management	Unchanged
Revenue from non-life insurance	Slight increase
Revenue from real-estate brokerage	Unchanged
Revenue from loans and mortgages	Unchanged

Strategic restructuring accelerated

In order to also maintain this earnings level in spite of the ongoing difficult market conditions in the field of old-age provision, MLP will further accelerate the strategic further development of the previous years. Initiated and successful growth activities will be continued to this end.

Further acquisitions possible

Consolidation is taking place in the market of MLP Finanzberatung SE's line of business. Horizontal acquisitions are to be reviewed in detail, as the structure and culture of these companies must suit MLP. Alongside this, there are also opportunities for vertical acquisitions, i.e. for extending or strengthening the value-added chain, in the business segment of MLP Finanzberatung SE. Acquisitions and joint ventures are generally also possible in the markets of FERI and DOMCURA, facilitating profitable inorganic growth and strengthening of the business models.

The MLP Group supports its business model to a large extent with digital offers and will continue to consistently expand this support. In this vein, we are working step-by-step on the following objective:

Digitalisation remains in focus

MLP also strives to be the dialogue partner for all financial matters on the web and on social media. Based on their requirements and interests, existing and prospective clients are offered useful information and dialogue opportunities, as well as online products and tools. These channels are also used to win prospects and new clients for MLP. The offer for young people comes together under the name MLP financify. The portal allows everyone to experience the benefits of MLP in the digital world around the clock. Clients can find all personal finance topics, such as policies, accounts and overviews of in and outgoings, in an app. All information is presented clearly and transparently for effective use. To supplement this, clients receive news and optimisation suggestions tailored to their requirements. There is always an option to get in contact or reconnect with their personal MLP consultant, customer service or both – depending on the respective client's wishes.

Building upon previous activities we are targeting further establishing and increasing online policy sales as a way of winning new clients in 2018. E-mail marketing measures are also planned as a way of turning prospects into actual clients. In addition we intend to expand our presence on social media pages such as Facebook with a chatbot, which is currently in the testing phase, and will open up the e-signature for further products in 2018.

As of 2018 our MLP client portal will be upgraded to include a contract overview of all insurance policies.

Online client portal being extended

Within the scope of our digitalisation strategy, we will be introducing a new telephone system over the course of 2018. This will also make it easier to get in touch with consultants via app and smartphone. In addition to this, the step-by-step roll-out of a new electronic client file will take place early in 2018.

The continuous increase in the number of persons with academic qualifications in gainful employment is pleasing for MLP in terms of client potential. This trend is likely to continue over the course of the next few years, as the unemployment rate among academics is at a very low level. However, this presents a challenge in terms of recruiting new consultants for MLP. The competition for graduates has intensified in the last few years, and good graduates typically have a choice between several attractive career entry offers. In 2018, we will once again strengthen activities to recruit new consultants - an area we are keen to significantly expand with the realignment of our university segment.

Number of prospective clients constantly on the rise

Our aim is to increase our presence at universities over the course of the next few years. By pooling all of MLP's cross-location activities in the university segment, we established all necessary prerequisites for this in the reporting year. The objective of this realignment of our university segment is to win over more new clients and young consultants. We feel confident that young consultants will find ideal prerequisites in this new model. Firstly, we have optimised the training and qualification offers for this group of consultants. Secondly, the young consultants also have successful and experienced consultants at their side in the form of the university team leaders, whose focus is mainly aimed at training new consultants in the university segment. On the basis of the success enjoyed by these measures to date, we will intensify our investment in this area and its growth in the coming year. With these greater investments, we will create the basis for stronger future growth in terms of consultants, revenue and income.

Realignment of the university segment at MLP

In this context, we will continue to expand our recruiting activities through our online and social media presences. We are anticipating a slight net increase in our number of consultants for 2018. Our overall assessment is based on the fact that annual employee turnover will not exceed the target limit of around 10.0%.

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

Administration costs stable

MLP has been implementing additional extensive efficiency measures since 2016 in order to further reduce the cost base significantly in the financial year 2017 and subsequent years. We consider the level that has now been reached to provide the basis in the coming years for a consistent cost management.

We will continue to develop and optimise MLP in 2018. The forecast administration costs therefore still include expenses for investments in the future, in particular for recruiting young consultants within the scope of strengthening the university segment. Expenses incurred in this connection in 2017 were around € 3.6 million. On the basis of the successes already achieved in 2017, we are keen to continue driving forward this approach in 2018 and further intensify our investments in strengthening the university segment. We are anticipating expenses of around € 7 million for this in 2018. In addition there will be higher training expenses in the light of rising consultant numbers. Although this may limit our growth in earnings in the short term, it will greatly increase our future profit potential in the long term. Added to this are further investments, in particular in IT, which are largely necessary for further implementation of our digitalisation strategy.

Alongside administration expenses, the cost of sales (primarily commission expenses) are also relevant for our cost structure. Since 2015, MLP has been offering a training allowance for new client consultants to support them in their start to self-employment. These costs are also recognised under commissions paid. In 2018, we expect to record a comparable overall ratio of commission income to commissions paid as in the reporting year.

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

Forecast: Significant increase in EBIT anticipated

Based on our expected revenues and costs, we are anticipating a significant increase in EBIT for the financial year 2018 over the previous year. In 2017, one-off expenses of € 9.1 million for further optimising the corporate structure had a negative impact on EBIT. Compared with the previous year's operating EBIT, i.e. excluding the one-off expenses described above, we are anticipating stable development – despite operating in markets that remain challenging and comprehensive investments in our future.

This forecast is based on the assumption that the framework conditions in our core markets will not become significantly worse.

As was already the case in the previous year, we once again expect the finance cost to be slightly negative. The tax rate in 2017 was 23.6%. For 2018, we are anticipating a higher tax rate.

Dividends of € 0.20 per share

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

As a result of further optimising the corporate structure, free equity capital increased to around € 290.0 million at the end of the 2017. At the same time, one-off expenses of € 9.1 million were accrued in this connection. MLP has announced that it will compensate these one-off expenses for the shareholders and base its dividend distribution on operating net profit. On this basis, the Executive Board and Supervisory Board will propose a dividend of € 0.20 per share to the Annual General Meeting on June 14, 2018. The distribution rate is around 64% of operating net profit. We are keen to continue paying out between 50% and 70% of Group net profit in future.

Planned financing activities and investments

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

Our investment volume was € 7.3 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 – Business performance". We will continue to invest, above all in our IT systems. This essentially focuses on further implementing our digitalisation strategy, for which we are estimating an investment volume of around € 30 million over the next three years. In concrete terms this means that we expect to invest around the same volume in 2018 as in the previous year. Within our projects, we use further funds that will flow directly into our income statement as expenses. We expect to be able to finance all investments from cash flow.

Significant increase in return on equity anticipated

Return on equity increased from 3.8% to 7.3% in the financial year 2017. The previous year was essentially burdened by higher one-off expenses, which were accrued within the scope of our efficiency measures. However, we are anticipating a significant increase in return on equity for 2018.

The Group's liquidity rose from € 265 million to around € 354 million in the financial year 2017. However, the overall liquidity situation remains good. Liquidity will be reduced by the intended dividend payment of € 21.9 million for the financial year 2017. It will increase again in the second half of 2018 thanks to the typical year-end business. Acquisitions which we finance with cash holdings would also have a negative effect on the Group's liquidity and capital adequacy. We are not anticipating any liquidity squeezes for the coming financial year.

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

MLP anticipates that the challenging market conditions will continue throughout the financial year 2018. Against a backdrop of the successfully implemented efficiency measures and the elimination of one-off expenses, we expect EBIT to be significantly higher in 2018 than in 2017 and also expect operating EBIT to be at the same level recorded in 2017. With regard to total revenue, we are anticipating a stable to slightly upward development. We therefore expect to see a positive overall development within the Group. We enjoy a sound financial standing, which we are keen to use to further extend our strong market position.

Prognoses

This documentation includes certain prognoses and information on future developments founded on the conviction of MLP SE's Executive Board, as well as on assumptions and information currently available to MLP SE. 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 SE 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 SE (in line with the German Commercial Code (HGB))

In contrast with the consolidated financial statements, the financial statements of MLP SE 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 SE, formerly 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. MLP SE is not actively involved in operations. Any revenue generated at MLP SE is essentially a result of letting buildings to affiliated companies.

The change in corporate form of the MLP AG from a German stock corporation (AG) to a European stock corporation (Societas Europaea/SE) was effectively completed in the reporting period with entry into the Commercial Register on September 21, 2017. This new legal status means that the Supervisory Board can permanently maintain its current size and composition. In addition to this, the SE form is more attractive for foreign investors. The rights of the shareholders, the company's membership in the SDAX index and the stock exchange code remain unaffected by this changeover.

On February 21, 2017 the Supervisory Board of MLP SE, formerly MLP AG, consented to the change of Group structure passed by the Executive Board. With effect from October 1, 2017, the brokerage branch of activity was spun off from MLP Banking AG (operating under the name MLP Finanzdienstleistungen AG until November 30, 2017) and integrated into MLP Finanzberatung SE. Furthermore, the supervisory scope of consolidation was narrowed down. These steps should significantly increase free regulatory equity capital in the Group by the end of 2021. We anticipate free equity capital to gradually increase by around € 75 million compared to 2016. The MLP Group will thereby expand its scope for action above all for acquisitions and investments, but also in terms of the distribution of dividends. The Federal Financial Supervisory Authority (BaFin), which here performs its supervisory role, was kept up-to-date regarding implementation of these measures throughout the whole process. With effect from October 1, 2017 all regulated bank activities have been handled by MLP Banking AG, while the brokerage business has been managed by MLP Finanzberatung SE.

The merger of Schwarzer Familienholding GmbH (SFH) with MLP SE under commercial law already took place in the first half of the year with retroactive effect from January 1, 2017. From this date on DOMCURA AG and nordias GmbH Versicherungsmakler have been 100% subsidiaries of MLP SE.

Since then, five key subsidiaries are arranged under the umbrella of MLP SE: The brokerage business is now under one roof at MLP Finanzberatung SE. In this segment, MLP Finanzberatung SE is the Group's consulting company for private and corporate clients and is registered as an insurance broker. MLP Banking AG as a financial institution is supervised by the Federal Financial Supervisory Authority (BaFin). It offers banking services to both private and business clients – from accounts and cards, through loans and mortgages, to wealth management. As an underwriting agency, DOMCURA designs, develops and implements extensive coverage concepts for private and commercial clients in the non-life insurance areas. With the acquisition of the DOMCURA Group in 2015, MLP also acquired several brokers in the commercial non-life insurance area alongside the primary underwriting agent business. These companies were further developed in the reporting year and integrated into nordias GmbH Versicherungsmakler as direct subsidiaries of MLP SE and as parent companies of the other brokerage companies in the DOMCURA Group. You can find more information on this in the chapter entitled → "Business performance" in the joint management report of the MLP Group.

Business performance at MLP SE

Due to the profit/loss transfer agreements in place, business performance at MLP SE is largely determined by the economic development of its investments, the performance of which is also described in the Group report.

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 → "Overall economic climate" and → "Industry situation and competitive environment".

Results of operations

At € 5.6 million (€ 5.7 million), revenue generated in the reporting year remained at the same level as the previous year. These essentially include income from the letting of buildings to affiliated companies. Other operating income declined to € 4.0 million. Among other things, the previous year's higher figure can be attributed to the sale of a real estate object and a settlement payment in connection with a lawsuit.

Personnel expenses rose to € 5.0 million (€ 4.0 million), largely as a result of greater allocations to pension provisions.

Amortisation of intangible assets and property, plant and equipment decreased to € 2.6 million (€ 3.7 million). Other operating expenses increased to € 28.8 million (€ 10.6 million). This increase can essentially be attributed to a merger loss resulting from the merger of SFH Schwarzer Familienholding GmbH (SFH) with MLP SE. Added to this are one-off expenses of € 3.6 million within the scope of the described optimisation of corporate structure.

Business development at its subsidiaries has a significant impact on the results of operations at MLP SE. Profit/loss transfer agreements are in place with MLP Banking AG and FERI AG, as well as DOMCURA AG and nordias GmbH Versicherungsmakler. These are reflected in the finance cost.

The finance cost was € 18.0 million in the reporting period (€ 22.7 million). Among other things, higher profit transfers from FERI AG and DOMCURA were more than compensated by the assumption of losses at MLP Banking AG and nordias GmbH.

Following a tax expense of € 4.0 million in the previous year, too high tax advance payments in connection with the demerger led to tax income of € 0.5 million in the last financial year. Net loss for the year was € -8.4 million. The withdrawal from retained earnings was € 30.2 million (€ 0.0 million), resulting in a balance sheet profit of € 21.9 million (€ 18.2 million).

Net assets

The balance sheet total of MLP SE was € 401.1 million (€ 413.3 million) on December 31, 2017.

On the assets side of the balance sheet, the item "Property, plant and equipment" declined slightly to € 34.0 million (€ 36.3 million). This drop was essentially due to depreciation and amortisation expenses. Financial investments decreased to € 242.2 million (€ 258.0 million), largely influenced by a decline in shares in affiliated companies from € 248.0 million to € 232.3 million. This is due to the merger of Schwarzer Familienholding GmbH with MLP SE.

Receivables and other assets decreased to € 34.9 million (€ 36.3 million). The receivables from affiliated companies included in this item also declined to € 22.1 million (€ 24.1 million). This increase is primarily attributable to receivables from subsidiaries of MLP SE, resulting from profit/loss transfer agreements in place with these companies. At € 12.8 million, other assets were slightly above the previous year's level (€ 12.2 million).

The item "Cash on hand and on deposit with the Deutsche Bundesbank, bank deposits and cheques" increased to € 87.1 million (€ 79.7 million). This can be attributed to regrouping of investments.

On the equity side of the balance sheet, shareholders' equity decreased to € 375.6 million (€ 392.7 million). This is due to the dividend payout to our shareholders in the amount of € 21.9 million. The share capital and capital reserves remained unaltered at € 109.3 million and € 139.1 million respectively. The retained income decreased to € 105.3 million (€ 126.0 million) due to a withdrawal. The accumulated profits amounted to € 21.9 million after € 18.2 million in the previous year.

At € 17.8 million, provisions were slightly above the previous year's level (€ 17.1 million). Pension provisions and similar obligations increased slightly to € 11.3 million (€ 10.8 million). At € 2.6 million, tax reserves remained at the same level as the previous year (€ 2.5 million). At € 3.9 million (€ 3.8 million), other provisions also remained virtually unchanged. Liabilities increased to € 7.7 million (€ 3.6 million), largely attributable to an increase in liabilities due to affiliated companies from € 2.1 million to € 6.6 million.

Financial position and dividends

As of December 31, 2017, MLP SE had cash holdings (cash on hand and on deposit with the Deutsche Bundesbank, bank deposits and cheques) of € 87.1 million (€ 79.7 million). This item was reduced by the dividend payout to our shareholders at € 0.08 per share and a total volume of € 8.7 million. The profit transfers of our subsidiaries, as well as portfolio shifts from other types of investments served to increase this figure.

At 93.6%, the equity ratio remained slightly below the previous year (95.0%). MLP SE therefore continues to enjoy a good equity capital backing. In addition to this, MLP SE has open lines of credit of € € 10.0 million as of the balance sheet date.

MLP SE's liabilities increased to € 7.7 million (€ 3.6 million), largely as the result of an increase in liabilities due to loss assumption from affiliated companies from € 2.1 million to € 6.6 million. The liabilities at MLP SE are all current liabilities. Cash and cash equivalents therefore exceed current liabilities several times over.

The dividend payments of MLP SE 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 will be between 50.0% and 70.0% of operating net profit of the MLP Group. In concrete terms, the Executive Board and Supervisory Board will propose a dividend of € 0.20 per share at the Annual General Meeting on June 14. This corresponds to a distribution rate of around 64% of the Group's operating net profit.

Comparison of actual and forecast business performance

Business performance at MLP SE is essentially dependent on the business performance of the MLP Group. Therefore reference is made to the comparison with the forecast business performance of the MLP Group. In addition reference is made to the loss accrued within the context of merging SFH with MLP SE, which is described under results of operations. As such, the development of MLP SE deviates from the development of the MLP Group.

Despite market conditions that generally remained difficult for its subsidiaries, MLP SE was overall able to meet its own objectives and expectations – without taking into account the merger loss.

Research and development

In its role as the holding company, MLP SE is not actively involved in operations. As a holding company, MLP SE does not engage in any research or development in the classic sense.

Employees

In the last financial year, MLP SE employed an average of 6 employees, following seven employees in the previous year.

Stipulations for promoting equal participation of women in management positions pursuant to § 76 (4) and § 111 (5) of the German Stock Corporation Act (AktG) apply equally to MLP SE and the MLP Group. We make reference to stipulations of the MLP Group for promoting equal participation of women in management positions pursuant to § 76 (4) and § 111 (5) of the German Stock Corporation Act (AktG) in this regard. Details on this can be found in the corporate governance report of the MLP Group.

Remuneration report of MLP SE

The basic structure and design of the compensation system at MLP SE 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 SE

The risks and opportunities at MLP SE 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 SE 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 SE is also the same as that of the MLP Group. We therefore also make reference to the MLP Group's risk report here.

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

Forecast for MLP SE

The development of MLP SE 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 SE 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 SE 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 (4) of the German Commercial Code (HGB)

Composition of capital

As of December 31, 2017 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 SE'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 SE 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 SE as of December 31, 2017
[1] Based on information provided by Dr. h.c. Manfred Lautenschläger, 22,796,771 voting rights (=20.85% of the share capital of MLP SE) 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)- old version.

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 SE has in the past issued shares to employees as part 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 prerequisites for appointing and dismissing members of the Executive Board, as well as amending the company's Articles of Association, are based on the respective provisions of applicable European and German law, including EC Regulation No. 2157/2001 regarding the Statute for a European Company ("SE Regulation“) and the German Stock Corporation Act. The appointment and dismissal of members of the Executive Board are in particular governed by Art. 46 et seq. of the SE Regulation, as well as Art. 9 of the SE Regulation in connection with § 84 and § 85 of the German Stock Corporation Act (AktG). The company's Articles of Association specify that the Executive Board must comprise at least two people. The members of the Executive Board are appointed for a maximum of five years. A further appointment or extension of the time in office, each for a maximum of five years, is permitted. The Supervisory Board can terminate the appointment of a member of the board before the time in office expires for important reasons. Such reason could be a gross breach of duty, inability to manage the company properly or a vote of no confidence by the Annual General Meeting. The Supervisory Board decides on the number of Executive Board members, their appointment and the revocation of their appointment as well as the conclusion, amendment and termination of the employment contracts with Executive Board members. The Supervisory Board may appoint a Chairman and one or more Vice Chairmen (Chairmen deputies).

Amendments to the company's Articles of Association

Pursuant to Art. 59 of the SE Regulation in connection with § 179 (1) and (2) p. 1 of the German Stock Corporation Act (AktG), any amendment to the company's Articles of Association requires a resolution of the Annual General Meeting with a majority of at least three quarters of valid votes cast. When making amendments of this kind to the company's Articles of Association, for which only a simple majority is required for stock corporations founded on the basis of German law (AG), § 19 (4) of the company's Articles of Association deviates from § 179 (2) Sentence 1 of the German Stock Corporation Act (AktG) in that resolutions seeking to amend the company's Articles of Association by the Annual General Meeting can be passed with just a simple majority of the share capital votes entitled to vote on the resolution, insofar as a greater majority is not required based on obligatory legal regulations, insofar as at least half of the share capital is represented, otherwise a majority of two thirds of votes cast. However, the Supervisory Board is authorised, pursuant to § 23 of the company's Articles of Association, to make amendments to the company's Articles of Association that affect the version.

Authority of the Executive Board to issue or buy back shares

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

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

As per the resolution of the Annual General Meeting from June 29, 2017, the company is also authorised, pursuant to § 71 (1) No. 8 of the German Stock Corporation Act (AktG), to purchase up to € 10,933,468 – i.e. slightly less than 10% of the share capital during the authorisation period up to June 28, 2022. No shares were bought by the company on the basis of this authorisation up to December 31, 2017.

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, 2022, 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.

Report on remuneration transparency – appendix to the management report

In line with the requirements of Section 21 of the Transparency of Remuneration Act (EntgTranspG), the following provides information on both equality and equal remuneration at MLP. Within MLP Group, only the subsidiary MLP Finanzberatung SE exceeds the legally stipulated threshold of 500 employees and only this company is therefore reportable. Despite this, reporting is still performed for the joint operations of MLP SE, MLP Banking AG and MLP Finanzberatung SE, as the relevant parameters are recorded on the basis of a company agreement governing these joint operations. In light of this, reporting is only performed with regard to employees that cannot be classified as executive employees pursuant to Section 5 (3) of the Works Constitution Act (BetrVG). They represent approximately 65% of all employees at MLP Group.

Gender-equal remuneration at MLP

A remuneration system works agreement was concluded at MLP in November 2015. During this process, the various positions below the level of division leader were assessed based on abstract criteria before being assigned to a total of 10 salary brackets.

In the course of introducing the remuneration system at MLP, and in particular through the assignment of job types to the various salary brackets, MLP drew statistical conclusions that enable the provision of information regarding gender-equal remuneration at MLP.

Conclusions gained from the remuneration system works agreement

It should be pointed out here that the salary bracket assignment criteria are based on job types and are therefore essentially gender-neutral in the sense of the Transparency of Remuneration Act (EntgTranspG), as is MLP's remuneration system. This means that any notion of gender-based discrimination is already ruled out in the remuneration system employed by MLP.

At the same time, there is also a mature remuneration structure in place at MLP. With regard to the outcome from the introduction of the new remuneration system, the following three areas reveal differences in remuneration.

With regard to the brackets determined below, female employees were over-represented in terms of total numbers. This means that the predominant share of all employees receiving remuneration that was initially still below the lower salary bracket limit recognised as critical by the assessment committee for the respective job type were female. The Executive Board reacted to this finding and raised the salaries of all employees affected by this into the relevant salary bracket in the last financial year. By taking this voluntary step, the Executive Board made a contribution to increasing gender equality in terms of remuneration.

In the above brackets, female employees at MLP are slightly under-represented in terms of the number of persons affected – at least at company HQ. This means that there were, and still are, fewer women than men among MLP employees whose current annual remuneration is above the relevant salary bracket. From an employment law perspective, however, this can only partially be influenced by employers as salary cuts are generally not permitted. Due to the provisions of the company agreement, balancing this situation by raising the salary of women above the relevant salary bracket is not permitted and also cannot be demanded in line with the purpose and intention of the Transparency of Remuneration Act (EntgTranspG) as this law does not postulate any "equality in injustice".

Female employees are still generally under-represented in higher level management positions. The higher the hierarchy level, the lower the proportion of women within the joint operations of MLP SE, MLP Banking AG and MLP Finanzberatung SE. Unfortunately, rectifying this situation is difficult. There are limits as to what MLP can achieve in this regard as an employer - not least since it is common for fewer women to apply for vacant management positions than would be desirable, despite the fact that there are significantly more female than male employees at MLP. The intention is now to improve the concept for increasing the percentage of women at management levels in the 2018 financial year. The objective here is to encourage more women to apply for a management position. This is a necessary prerequisite for sustainably increasing the percentage of women in management positions.

Remuneration gap

The term "remuneration gap" is used in public discussion to describe the gap between the remuneration of men and women. Although there has not yet been a precise definition of this term or the factors to be taken into account, the German Federal Statistical Office has stated that there is currently an "adjusted remuneration gap" of 6% in Germany.

The remuneration monitor of Compensation Online for 2017 breaks down the adjusted remuneration gap by sector. Unfortunately, the financial services sector is not included as a dedicated sector in this remuneration monitor. Assuming that the financial services sector should be located between the banking and insurance companies sectors, the values from these two sectors allow an approximated value to be derived for our financial services sector.

For banks, the remuneration monitor shows a remuneration gap of 1.8% (for professionals with annual income between €30,000 and €35,000) and 3.1% (for professionals with annual income between €55,000 and €60,000). The corresponding figures for the insurance industry are stated as 4.5% and 6.4% respectively. Equal weighting of these results leads to an average of 3.95% as an approximated value for our financial services sector.

The unadjusted remuneration gap between men and women, weighted according to salary bracket and number of persons, was around 3.9% at MLP at the start of Q4 2017. To determine this percentage value, the average remuneration of men per salary bracket was compared with the corresponding average remuneration of women and the resulting individual values weighted based on the number of incumbents per salary bracket. The obvious adjustment factor is age. On average, men at MLP are approximately 2.4 years older than women. Accordingly, they tend to have enjoyed greater general and individual salary development (at MLP, yet potentially also at their previous employer, which typically also has an effect on the starting salary). For the purposes of adjustment, the long-term average of annual salary development was applied conservatively at 2% p.a. Adjusted in this way for this average age difference, the remuneration gap at MLP was therefore approximately 1.6%.

If a remuneration gap, adjusted for age differences, that disadvantages female employees exists at all at MLP, it would be significantly below the adjusted sector average applied here. Since further adjustment factors as also considered according to the German Federal Statistical Office, there are good reasons to suggest that a remuneration gap at MLP, if it even exists, is not of significant magnitude.

No gender-based remuneration discrimination at MLP

No systematic gender-specific remuneration discrimination that would disadvantage female employees can be detected within individual departments at company HQ. Generally speaking, there are job types with higher average remuneration for women alongside job types in which men generally receive higher average remuneration in large parts of MLP Banking AG and MLP Finanzberatung SE. However, no valid blanket statements can be made on this for the branch office staff which is spread out throughout Germany. The individual branch offices are too small and the positions are predominantly filled by women, meaning that a statistically sound salary comparison between men and women cannot be produced.

Most employees at company HQ are assigned to salary brackets 5 and 6 with their job types, whereby significantly more women than men are remunerated in these two salary brackets. At the start of Q4 2017, the average salary of all male employees in salary bracket 5 was higher than the average salary determined for all women in salary bracket 5. As regards salary bracket 6, the average salary of women is higher, although not quite as significantly. It cannot therefore be assumed that any kind of systematic gender-based remuneration discrimination is prevalent at MLP.

The company auditing system

With the Transparency of Remuneration Act (EntgTranspG), employers with more than 500 employees are requested to conduct their own company audit with the aim of reviewing their remuneration systems with regard to compliance with the equal remuneration principle. The legislator's intention is for auditing processes of this kind to be conducted on a voluntary basis under the employer's own responsibility. The objective of the internal company auditing process is to identify individual women who are not receiving equal remuneration. Any disadvantage to individual female employees that is identified should then be addressed with suitable measures on the part of the employer.

MLP conducted an audit process of this kind on a voluntary basis in the reporting period for the joint operations of MLP SE, MLP Banking AG and MLP Finanzberatung SE.

In its decision to employ an internal audit process, the Executive Board was guided by the fact that simply complying with rights to information will not be effective in reducing any remuneration gap that women at MLP may encounter. MLP's assessment is that requests for information that have been refused are likely to be equally as demotivating and frustrating for the female employees who requested them as the requests that were granted, but which ultimately only provide meaningless medians from a comparison group. The approach to this internal audit process, described in more detail below, is intended to sustainably strengthen the trust of employees at MLP in the gender equality of MLP's remuneration system.

The internal audit process was performed as follows:

Group of persons included:

Only female employees at company HQ were included in the process. Male employees, as well as female employees from the branch offices, were not initially included in the scope of the audit (due to the low number of male employees at the offices).

Audit process stage 1:

- Determining the average salary of the men within the individual salary brackets, broken down by key positions (department head, team leader, specialist staff, employee).
- Identifying the women that receive a salary which is more than 20% below the relevant average salary of their male colleagues for their salary bracket and key position.
- Of these women, only those that are no more than five years younger than the average age of the male comparison group are taken into account at stage 1.

Audit process stage 2:

Individual review to identify indicators as to whether there is a material reason for the lower comparative remuneration.

A material reason for lower remuneration was in particular accepted if the actual qualification of the female employee was lower than the abstract requirement of the job type (whereby less emphasis was placed on this factor the longer the female employee had already been incumbent in the specific job type). In addition, the performance of the respective female employee was taken into account starting with the assessment from the staff appraisal but also including other experience. Other employment-related knowledge and experience with relevance for the specific job type were also taken into account.

A small number of female employees was identified on this basis.

Audit process stage 3:

An individual target salary was determined for the female employees identified at stages 1 and 2. This determination was performed as follows:

- The average salary of all employees holding the same job type as the person being exam-ined was generally applied. In a few special cases, in which no other persons were as-signed to the same job type or the other persons were themselves identified at audit stag-es 1 and 2, another appropriate benchmark group was used.
- Adjusting the average salary to include salaries of employees that earn more or less than 30% of the unadjusted average salary, in addition to adjusting for the salary of employees that previously held a higher-level job type (in particular former managers).

- The average salary adjusted in this way was then taken as the provisional target salary. To determine the final target salary, a correction was performed based on the professional experience assumed. In two cases, the adjusted target salary was actually lower than the current salary being paid. These two female employees were therefore no longer included.
- Female employees whose salary should be adjusted were then identified by comparing the actual current salary and adjusted target salary. The salaries of thefemale employees identified were then brought in line with the target salary (rounded up to the nearest full €10), whereby an adjustment was only made if the amount of increase was at least 2% of the individual annual salary of the female employee affected.

The result of these activities was that MLP increased the salary of these female colleagues in a range of 2.15% to 22.68% with an average increase of 11.05%.

As already mentioned, only female employees of MLP SE, MLP Banking AG and MLP Finanzberatung SE that work at company HQ were considered in this audit process. Since the staff working at the branch offices are almost all female, there is no suitable or statistically meaningful benchmark for men. However, since non-equal remuneration cannot be ruled out at the branch offices, the internal audits are to be continued with the objective of also specifying a suitable approach for branch office staff. In individual cases, there may also be men that appear to not receive equal remuneration. This is something we will also be addressing in future.

Further measures to promote equality of remuneration

Alongside these purely remuneration-based measures, MLP offers a large number of further measures promoting a good work-life balance and thereby contribute to greater equality of remuneration. You can find further information on this in the management report under "Corporate governance report – Declaration on corporate governance (Section 289a of German Commercial Code (HGB))/Corporate management practices" which forms part of the Annual Report.

Statistical information pursuant to Section 21 (2) of the Transparency of Remuneration Act (EntgTranspG)

For non-management employees in the joint operations of MLP SE, MLP Banking AG and MLP Finanzberatung SE, the following statistical information is provided as per the requirements of Section 21 (2) of the Transparency of Remuneration Act (EntgTranspG):

	Number (total)	**Number (full-time)**	**Number (part-time)**	**Quota (total)**	**Quota (full-time)**	**Quota (part-time)**
Men	339.75	309.5	30.25	29.80%	91.10%	8.90%
Women	800.25	336.5	463.75	70.20%	42.05%	57.95%

These disclosures refer to the averages of the quarterly figures from the 2016 financial year, in each case excluding employees that were on parental leave on the reporting date.

NON-FINANCIAL ASPECTS OF BUSINESS ACTIVITIES

Within the scope of our 2017 Sustainability Report, we report on the non-financial aspects of our business activities. The focuses of our sustainability reporting in terms of content result from the materiality analysis performed in 2017, on the basis of which we identified the key aspects for our company.

To ensure our sustainability activities have a comparable and transparent framework at all times, we have aligned our reporting with the reporting standard of the German Sustainability Code (DNK). Please refer to the Declaration of Compliance with the German Sustainability Code for further information and details on our sustainability management. We publish this Declaration of Compliance, as well as our sustainability report on our website at ↗ https://mlp-se.com/company-profile/sustainability. You can also find the → sustainability report as part of this Annual Report.

Corporate governance report - Declaration on corporate governance

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

Compliance with the Corporate Governance Code

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

"Pursuant to § 161 of the German Stock Corporation Act (AktG), the Executive Board and Supervisory Board of MLP SE hereby declare that the company has generally complied with and will comply with the recommendations of the "German Corporate Governance Code" government commission (version dated February 7, 2017) since the last Declaration of Compliance was issued. Only the recommendations in Sections 4.1.5, 4.2.3 Sentence 11, Section 4.2.3 Sentence 12 to 14, Section 5.1.2. Sentence 2, Section 5.1.2 Sentence 8, Section 5.4.1 (2) Sentence 2 clause 4, clause 5 and clause 6 and Section 5.4.1 (5) Sentence 2 clause 1 were not and will not be applied.

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

Section 4.1.5 (compliance with diversity at management level)

According to the recommendations of the German Corporate Governance Code, the Executive Board should take diversity into account when filling managerial positions and, in this respect, aim for an appropriate consideration of women. The Executive Board sets out targets for proportional female representation at the two management levels below Executive Board level.

In the current financial year, the Executive Board has intensified its efforts with respect to diversity when filling managerial positions and, in particular, strives to achieve appropriate consideration of women at managerial levels in the Company. In the past, the Executive Board of MLP SE already took measures directed at reconciling working life and family life. In the financial year 2017, the Executive Board again reviewed the effectiveness of these measures and already adopted an overall concept in November 2013. If appropriate, it will undertake modifications as necessary or initiate further measures in order to achieve appropriate consideration of female candidates at managerial levels in the Company, taking into account the Company's specific situation. This concept also includes guidelines for diversity-compliant promotion, which will, however, still require final elaboration. Thus, no specifications for concrete selection decisions with respect to filling positions have yet been established. Nevertheless, the Executive Board of MLP SE has only decided upon a percentage of female members amounting to 0 percent at the first management level below the Executive Board as MLP SE is a holding company that has only a very limited number of staff with just a few managers. Beyond this, MLP SE does not have a second level of management below the Executive Board.

The measures are therefore not yet fully compliant with the requirements of Section 4.1.5 of the Code. As was also the case in the financial year 2017, MLP therefore declares it will continue to deviate from this recommendation in 2018.

Section 4.2.3 Sentence 11 (specification of the targeted level of benefits)

According to the recommendations of the German Corporate Governance Code, the Supervisory Board should specify the respective targeted level of benefits – also taking into account the length of service on the Executive Board – and consider the correspondingly derived annual and long-term cost to the Company.

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

Therefore the Supervisory Board is of the opinion that the implementation progress made to date is not yet sufficient to fulfil the requirements of Section 4.2.3 Sentence 11 of the Code in full. As was also the case in the financial year 2017, MLP therefore declares not to follow this recommendation in the financial year 2018.

Section 4.2.3 Sentence 12 to 14 (severance payment cap)

According to the recommendations of the German Corporate Governance Code, the Company should, when concluding Executive Board member contracts, ensure that payments, including fringe benefits, to an Executive Board member following premature cessation of Executive Board duties without serious cause, do not exceed the value of two years' remuneration (severance payment cap). If the contract of service is terminated due to serious cause on the part of the Executive Board member, no payments will be made to the Executive Board member. The calculation of the severance payment cap should be based on the total remuneration of the previous financial year and, if appropriate, also on the expected total remuneration of the current financial year. In the event of premature termination of Executive Board membership due to a change of control, any commitment for payments should not exceed 150% of the severance payment cap.

During the course of 2011 MLP completed its amendment to the employment contracts of the members of the Executive Board to incorporate a new remuneration system and, particularly in 2014, aligned them with the requirements of the German Banking Act (KWG) and the Remuneration Ordinance for Institutions. Since the first-mentioned changeover, MLP has complied with the aforementioned recommendations.

However, there is no provision for a severance payment in the event of contract termination by mutual consent. Rules concerning a mutually-sought termination of contract can, in a contractual law sense, in any case only serve as a guideline from which, however, the parties could at any time agree to deviate. For this reason, any provisions of this nature would be no more than a formal act.

As was also the case in 2017, MLP will therefore not comply with this recommendation in 2018.

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

Based on the recommendations of the German Corporate Governance Code, the Supervisory Board should also pay attention to diversity in the composition of the Executive Board and in particular aim for an appropriate consideration of women. Accordingly, the Supervisory Board should specify target numbers for the degree of female representation on the Executive Board.

The Supervisory Board at MLP SE strives to further intensify its future efforts with respect to diversity and, in particular, an appropriate consideration of women when appointing members of the Executive Board. The Supervisory Board gives specific consideration to applications from suitable female candidates in its selection procedures. In the financial year 2014 the Supervisory Board continued to review this aspect and will undertake further measures in order to build on the Group-wide overall concept already passed by the Executive Board for the implementation of Section 4.1.5 of the Code (observance of diversity for managerial positions) and also achieve an appropriate consideration of women within the Executive Board of the Company, taking into account the Company's specific situation. Nevertheless the Supervisory Board of MLP SE intends to continue to base its selection decision with respect to appointments primarily on the individual and professional qualifications of prospective candidates. For this reason, the Supervisory Board has specified a target figure for female representation on the Executive Board – which incidentally currently consists of just three persons – of 0 percent.

The Supervisory Board is of the opinion that the implementation progress made to date is not yet sufficient to fulfil the requirements of Section 5.1.2 Sentence 2 of the Code in full. As was also the case in the financial year 2017, MLP therefore declares not to follow this recommendation in the financial year 2018.

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

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

MLP did not follow this recommendation in 2017. There is no set age limit for members of the Executive Board at MLP. The appointment of members of the Executive Board should be based solely on their knowledge, skills and specialist experience. As was the case in 2017, MLP will therefore not comply with this recommendation in 2018.

Section 5.4.1 (2) Sentence 2, clause 4, clause 5 and clause 6 (consideration of age limit, standard limit for length of service for members of the Supervisory Board and diversity in the composition of the Supervisory Board)

According to the recommendations of the German Corporate Governance Code, the Supervisory Board is to take into account a pre-defined age limit, a standard limit for the length of service and diversity with regard to its composition while also taking into consideration the Company's specific situation, international operations, any potential conflicts of interest and the number of independent members of the Supervisory Board in the sense of Section 5.4.2.

No age limit or standard limit for the length of service is specified for members of the Supervisory Board. In light of the knowledge, expertise and specialist experience stipulated in Section 5.4.1 Sentence 1 of the Code, it seems inappropriate to specify an age limit and standard length of service for members of the Supervisory Board. As was the case in 2017, MLP will therefore not comply with this recommendation in 2018.

These concrete objectives should also provide for an appropriate degree of female representation. Proposals by the Supervisory Board to the competent election bodies should take these objectives into account. The Supervisory Board should specify target figures for the degree of female representation on the Supervisory Board. The objectives and the status of implementation are to be published in the Corporate Governance Report.

MLP did not follow this recommendation in the current financial year. In its meetings over the last few financial years and again in 2017, the Supervisory Board of MLP AG and, since September 21, 2017, the Supervisory Board of MLP SE has addressed the topic of setting a concrete target for the composition of the Supervisory Board, paying particular attention to diversity, and approved an expertise profile. The Supervisory Board has set itself the target that in the presence of candidates of equal professional and personal suitability, it would seek to fill at least 16.5 percent of the Supervisory Board positions with suitable female members. However, the Supervisory Board does not currently regard the setting of a specific time frame for the implementation of this objective to be appropriate, primarily due to the small number of members of the Supervisory Board as anchored in the Articles of Association. It is therefore also not yet possible to report on any specific implementation steps towards such objectives in the Corporate Governance Report. Nevertheless, as early as in the financial year 2015, the Supervisory Board presented a resolution proposal to the shareholders at the Annual General Meeting to approve the appointment of a woman to the Supervisory Board of the Company. The resolution was subsequently adopted and the target figure was thus achieved.

At the same time, in the financial year 2018 – as in 2017– MLP will thus deviate from this recommendation as the Supervisory Board has not set any concrete target figures but rather sees a subsequent appointment against the background of the candidate’s respective qualification.

Section 5.4.1 (5) Sentence 2 clause 1 (submission of a curriculum vitae along with the candidate proposal)

As per the recommendations of the German Corporate Governance Code, all candidate proposals are to be submitted to the Annual General Meeting together with a CV that provides information on the relevant knowledge, expertise and experience of the respective candidate.

MLP will deviate from this. MLP discloses all legally required information with its candidate proposals to the Annual General Meeting. Indeed, MLP has already published the CVs of members of the Supervisory Board. However, sufficient clarification has yet to be provided in the legal discussion as to whether the ruling to include a CV with all candidate proposals submitted to the Annual General Meeting applies only to the resolution on election of shareholders' representatives or also employees' representatives and which information specifically needs to be included in the CVs in order to provide information on the respective candidate's knowledge, expertise and experience. In addition to this, including CVs with the candidate proposals on the agenda increases the risk of disputes regarding the election of members to the Supervisory Board. From MLP's perspective, posting the corresponding CVs on the homepage should therefore be seen as sufficient.

MLP therefore declares that it will deviate from this recommendation in future, and consequently also in the financial year 2018.

Wiesloch, December 2017

MLP SE

The Executive Board The Supervisory Board"

In December 2017, the Executive and Supervisory Boards issued the above Declaration of Compliance pursuant to § 161 of the German Stock Corporation Act (AktG) and made it permanently available to shareholders via the company's website. The Declaration of Compliance in the version of December 19, 2017 can also be viewed online at ↗ www.mlp-se.com.

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

Corporate governance

Responsible and value adding management

By mainly complying with the stipulations of the German Corporate Governance Code (GCGC) in the version of February 7, 2017, MLP continues to reinforce the confidence of its shareholders, clients, employees and other stakeholders in the management of the company. Responsible management geared toward long-term added value is a high priority for us. The Executive and Supervisory Boards ensure that MLP continues to review and develop corporate governance across the Group.

Management and control structure

MLP SE is a European stock corporation that is based in Germany and subject to the European SE provisions, the German SE Implementation Act (SEAG) and German stock corporation law. The company was created on September 21, 2017 as a result of the change in corporate form of MLP AG and the corresponding entry in the Mannheim commercial register. As an SE, the company has a dual management and control structure, comprising an Executive Board and a Supervisory Board. The third corporate body is the Annual General Meeting.

Executive Board

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

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

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

Supervisory Board

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

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

Supervisory Board composition

MLP SE's Articles of Association provide for a Supervisory Board that comprises six members, two of whom are employee representatives. Both the size and the tripartite composition of the Supervisory Board are thereby stipulated in MLP SE's Articles of Association. The members of the Supervisory Board at a dualistically structured SE are generally appointed by the Annual General Meeting (Art. 40 (2) of the SE Regulation). MLP deviates from this with regard to the employees' representatives. The appointment of the employees' representatives on the Supervisory Board is based on a participation agreement that has been agreed between the company and a negotiation committee established for this purpose. Accordingly, employees' representatives are elected directly through elections in the company. The current acting members of the first Supervisory Board at MLP SE are appointed until conclusion of the Annual General Meeting that approves the actions for the first financial year of MLP SE. The members of the Supervisory Board are currently Ms. Tina Müller, Dr. Peter Lütke-Bornefeld (Chairman of the Supervisory Board), Dr. h.c. Manfred Lautenschläger, Dr. Claus-Michael Dill, Mr. Burkhard Schlingermann (employees' representative) and Mr. Alexander Beer (employees' representative).

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

The Supervisory Board has set itself concrete targets for its composition. One item worthy of particular note here is a requirements profile for Supervisory Board candidates, which was passed in the financial year and which summarises the knowledge, skills, professional experience and personal aptitude characteristics necessary for candidates to be considered. In addition to this, appraisals were made regarding diversity and the number of independent members.

You can find further information on the equal participation of women and men in the Supervisory Board in the disclosures on corporate governance practices provided below.

As per the new revisions to § 100 (5) of the German Stock Corporation Act (AktG) that became effective in 2016, members of the Supervisory Board no longer need to meet the personal independence prerequisites due to legal obligations. Instead, the Supervisory Board should comprise what it deems to be an appropriate number of independent members as per Section 5.4.2 of the German Corporate Governance Code (DCGK). Pursuant to § 5.4.1 (4) Sentence 3 of the German Corporate Governance Code (DCGK), however, this Corporate Governance report should also provide information on what the Supervisory Board deems to be an appropriate number of shareholders as independent members of the Supervisory Board and the names of these members. For this reason, the Supervisory Board continues to adhere to the requirement for independence. The Supervisory Board considers itself as already consisting of a suitable number of independent members who have no business or personal relationship with the company or members of the Executive Board which could form grounds for a conflict of interest. Accordingly, in its meeting on December 19, 2017 the Supervisory Board confirmed that Dr. Lütke-Bornefeld, Dr. Claus-Michael Dill, Mrs. Tina Müller are independent members of the Supervisory Board of the shareholders. The Supervisory Board established that Dr. h. c. Lautenschläger is not an independent member of the Supervisory Board under this provision.

In terms of independence, the Supervisory Board works to a strict standard to eliminate any doubt regarding its judgement. Since Dr. h. c. Lautenschläger is a significant shareholder in our company, his independence is at least seen as potentially compromised.

The Supervisory Board has also set itself the additional goal of filling at least 16.5% of Supervisory Board member positions with suitable female members, in the presence of candidates of equal professional and personal suitability. However, the Supervisory Board does not currently regard the setting of a specific time frame for the implementation of this objective to be appropriate, primarily due to the small number of members of the Supervisory Board as anchored in the Articles of Association. Nevertheless, this quota was already reached over the course of the year 2015 with the election of Ms. Müller to the company's Supervisory Board. The Supervisory Board also reviewed the knowledge and experience required of the Supervisory Board members and of the Chairman of the Audit Committee under the German Corporate Governance Code with regard to reporting and internal control procedures. The Chairman of the MLP SE Audit Committee fully complies with these requirements.

Efficiency of the Supervisory Board

In 2017 the Supervisory Board also reviewed the efficiency of its own activities. Particular attention was paid to the efficiency of the procedures in the Supervisory Board, the information flow between the committees and the Supervisory Board and the timeliness and sufficient content of reporting by the Executive Board to the Supervisory Board. Further measures aimed at increasing efficiency were drafted in the course of intensive discussions.

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

Supervisory Board committees

In 2017, the Executive and Supervisory Boards of MLP SE again dealt intensively with the German Corporate Governance Code and further new legislation significant to the work performed by the Supervisory Board and its committees. The Code, and its amendments passed on February 7, 2017, were the object of intensive discussions by the Supervisory Board. Stipulations were analysed and corresponding adjustments to the internal regulations and procedures followed by the Supervisory Board were either proposed or submitted for verification.

Corporate governance in the Supervisory Board

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

Cooperation between Executive Board and Supervisory Board

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

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

Transparency

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

As of December 31, 2017, the shares held by the members of the company's Executive and Supervisory Boards were distributed as follows:

Supervisory Board member	Number of shares as of Dec. 31, 2017	Number of shares as of Dec. 31, 2016
Dr. Peter Lütke-Bornefeld	190,000	190,000
Dr. h.c. Manfred Lautenschläger[1]	25,383,373	25,383,373
Tina Müller	–	–
Dr. Claus-Michael Dill	–	–
Burkhard Schlingermann	55	55
Alexander Beer	–	–

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

Executive Board member	Number of shares as of Dec. 31, 2017	Number of shares as of Dec. 31, 2016
Dr. Uwe Schroeder-Wildberg	–	–
Manfred Bauer	11,254	11,254
Reinhard Loose	10,000	10,000

Directors' Dealings

Pursuant to Art. 19 of the Market Abuse Regulation (MAR), persons assuming executive positions at the issuer of shares must notify the issuer and the Federal Financial Supervisory Authority (BaFin) of transactions in financial instruments. This obligation also applies to natural persons and legal entities that are closely linked to such a person assuming an executive position.

Directors' Dealings

Transactions up to a total value of € 5,000 per calendar year are exempt from the notification requirement.

No transactions pursuant to Art. 19 of the Market Abuse Regulation (MAR) were reported to us in the financial year 2017. Transactions from previous years can be viewed on our website at ↗ www.mlp-se.com.

Compliance

Compliance regulations

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

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

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

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

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

Corporate management practices

Defined company values

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

MLP managers:

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

In accordance with the recommendation of the Corporate Governance Code in Section 4.1.5., the Executive Board has further reinforced its efforts to secure diversity when filling management positions. It will also continue to test the effectiveness of the adopted measures in the financial year 2018 and either make any changes deemed necessary or implement additional measures to ensure that women are given appropriate consideration at the management levels of the company, taking into account the company's specific situation.

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

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

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

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

Based on the experience gained when implementing the individual measures, the MLP Group will stick to the targets already achieved for management levels and thereby comply with the minimum legal requirements. In addition to this, MLP has set internal rules for the composition of its Executive Board and Supervisory Board. These stipulate a 25% proportion of women, assuming equal personal and professional aptitude.

MLP SE has met this quota on the shareholder side of the Supervisory Board. This leads to a quota of 16.66% for the entire Supervisory Board. Alongside the three-member Executive Board and one first level manager, as a holding company MLP SE does not employ any other managers and currently no woman holds any of these positions. The objectives for the Supervisory Board and Executive Board at MLP Finanzdienstleistungen AG are the same as those at MLP SE. As a result of the demerger to create MLP Finanzberatung SE and MLP Banking AG, there are now two separate legal entities, each with a dedicated Supervisory Board and the following quotas on the shareholder side: MLP Banking AG 25% and MLP Finanzberatung SE 0%. In the 2017 financial year, the quotas for the first management level below the Executive Board were 50% at MLP Banking AG and 5.26% at MLP Finanzberatung SE. For the second management level below the Executive Board, the quotas were 33.33% and 8.11% respectively. With measures such as the Top Talents Programme for targeted development of junior staff, as well as strengthening the role of the equal opportunities officer, MLP will continue to consistently pursue the goal of increasing the number of women in management positions.

Equal pay for women and men doing the same or equivalent work as per the German Transparency of Remuneration Act (EntgTranspG)

The Transparency of Remuneration Act (EntgTranspG) came into force on July 6, 2017 to counteract wage differences between women and men doing the same or equivalent work. The legislation promotes disclosure of company remuneration systems and prescribes an individual right to information regarding in-house remuneration structures for staff at enterprises with more than 200 employees. The right to information can be asserted for the first time by employees at MLP Finanzberatung SE from January 6, 2018.

A "remuneration system" works agreement, which applies to MLP SE, MLP Banking AG and MLP Finanzberatung SE, was concluded in December 2015 as the basis for establishing improved remuneration transparency at MLP. This agreement was then used to assess and subsequently assign each job type to a salary range. The awarding of salaries for new recruitments is based on this assignment, which also forms the basis for salary adjustments together with the concepts of professional experience and performance. Private employers that generally have more than 500 employees are called upon to use operational audit procedures to regularly review the application of their remuneration systems and the various remuneration components paid for compliance with the equal pay requirement in the meaning of this legislation. MLP has decided to perform these audits for MLP SE, MLP Banking AG and MLP Finanzberatung SE.

For the first time in 2018 a report on the current status and the provisions determined to establish equal pay and equality will be included with the management report as an appendix and also published in the Federal Gazette (Bundesanzeiger).

Information

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

Provision of information to all target groups

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

Accounting and audit

Group accounting is performed in line with International Financial Reporting Standards (IFRS). KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, was appointed as auditor by the Annual General Meeting and has audited the 2017 consolidated financial statements. The Supervisory Board gave its assurance that the relations existing between the auditors and MLP or its governing bodies give no cause for doubting the independence of the auditor. The Supervisory Board at MLP SE also discusses the annual and consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

Income statement and statement of comprehensive income

Income statement for the period from January 1 to December 31, 2017

All figures in €'000	Notes	2017	2016
Revenue	→ (8)	608,743	590,559
Other revenue	→ (9)	19,424	19,810
Total revenue		**628,167**	**610,369**
Commission expenses	→ (10)	-309,344	-298,505
Interest expenses	→ (11)	-1,055	-1,711
Loan loss provisions		-511	-1,619
Personnel expenses	→ (12)	-123,245	-121,847
Depreciation and impairment	→ (13)	-15,293	-23,962
Other operating expenses	→ (14)	-143,607	-145,137
Earnings from investments accounted for using the equity method	→ (15)	2,487	2,106
Earnings before interest and tax (EBIT)		**37,600**	**19,694**
Other interest and similar income		209	906
Other interest and similar expenses		-1,433	-1,851
Finance cost	**→ (16)**	**-1,223**	**-946**
Earnings before tax (EBT)		**36,377**	**18,748**
Income taxes	→ (17)	-8,582	-4,052
Net profit		**27,796**	**14,696**
Of which attributable to			
owners of the parent company		27,796	14,696
Earnings per share in €	**→ (18)**		
basic/diluted		0.25	0.13

Statement of comprehensive income for the period from January 1 to December 31, 2017

All figures in €'000	Notes	2017	2016
Net profit		**27,796**	**14,696**
Gains/losses due to the revaluation of defined benefit obligations	→ (27)	821	-5,387
Deferred taxes on non-reclassifiable gains/losses	→ (17)	-253	1,602
Non-reclassifiable gains/losses		**568**	**-3,784**
Gains/losses from changes in the fair value of available-for-sale securities	→ (23)	-595	140
Deferred taxes on reclassifiable gains/losses	→ (17)	301	-100
Reclassifiable gains/losses		**-293**	**40**
Other comprehensive income		**274**	**-3,744**
Total comprehensive income		**28,070**	**10,952**
Of which attributable to			
owners of the parent company		28,070	10,952

Statement of financial position

Assets as of December 31, 2017

All figures in €'000	Notes	Dec. 31, 2017	Dec. 31, 2016
Intangible assets	→ (19)	161,838	168,419
Property, plant and equipment	→ (20)	61,861	63,365
Investments accounted for using the equity method	→ (15)	4,132	3,751
Deferred tax assets	→ (17)	8,035	9,063
Receivables from clients in the banking business	→ (21)	701,975	626,479
Receivables from banks in the banking business	→ (22)	634,150	590,972
Financial assets	→ (23)	158,457	162,286
Tax refund claims	→ (17)	12,346	12,115
Other receivables and assets	→ (24)	125,741	122,776
Cash and cash equivalents	→ (25)	301,013	184,829
Total		**2,169,547**	**1,944,055**

Liabilities and shareholders' equity as of December 31, 2017

All figures in €'000	Notes	Dec. 31, 2017	Dec. 31, 2016
Shareholders' equity	→ (26)	404,935	383,585
Provisions	→ (27)	88,737	91,225
Deferred tax liabilities	→ (17)	9,531	9,898
Liabilities due to clients in the banking business	→ (28)	1,439,805	1,271,070
Liabilities due to banks in the banking business	→ (28)	61,383	37,720
Tax liabilities	→ (17)	10,243	3,646
Other liabilities	→ (29)	154,913	146,911
Total		**2,169,547**	**1,944,055**

Statement of cash flow

Statement of cash flow for the period from January 1 to December 31, 2017

All figures in €'000	2017	2016
Net profit (total)	**27,796**	**14,696**
Income taxes paid/reimbursed	-5,308	2,899
Interest received	20,322	21,418
Interest paid	-2,082	-3,296
Earnings from investments accounted for using the equity method	-2,487	-2,106
Dividends received from investments accounted for using the equity method	2,106	1,836
Dividends received	-	2
Depreciation/impairments/write-ups of intangible assets and property, plant and equipment	15,293	23,962
Depreciation/impairments/write-ups of financial assets	-1,422	-327
Allowances for bad debts	902	1,968
Earnings from the disposal of intangible assets and property, plant and equipment	-	545
Earnings from the disposal of financial assets	-101	-45
Adjustments from income taxes, interest and other non-cash transactions	-9,204	-23,262
Changes in operating assets and liabilities		
Receivables from banks in the banking business	-43,178	9,366
Liabilities due to banks in the banking business	23,663	14,626
Adjustments due to demerger operations	-12,004	-
Receivables from clients in the banking business	-76,275	-84,745
Liabilities due to clients in the banking business	168,735	168,501
Other assets	-3,320	-12,377
Other liabilities	14,598	6,341
Provisions	-2,488	4,689
Cash flow from operating activities	**115,548**	**144,691**
Purchase of intangible assets and property, plant and equipment	-7,324	-18,351
Proceeds from disposal of intangible assets and property, plant and equipment	116	6,773
Repayment of/investment in time deposits	-	-20,000
Repayment of/investment in held-to-maturity investments	9,962	-1,980
Purchase of other financial assets	-9,245	-14,999
Proceeds from disposal of other financial assets	3,870	5,196
Net cash inflow/outflow from the acquisition of subsidiaries	-	2,078
Cash flow from investing activities	**-2,621**	**-41,282**
Receivables from clients in the banking business	0	0
Dividends paid to shareholders of MLP SE	-8,747	-13,120
Cash flow from financing activities	**-8,747**	**-13,120**
Change in cash and cash equivalents	104,180	90,288
Change in cash and cash equivalents due to demerger operations	12,004	-
Cash and cash equivalents at beginning of period	184,829	94,540
Cash and cash equivalents at end of period	**301,013**	**184,829**
Composition of cash and cash equivalents		
Cash and cash equivalents	289,009	184,829
Change in cash and cash equivalents due to demerger operations	12,004	-
Cash and cash equivalents at end of period	**301,013**	**184,829**

The notes on the statement of cash flow appear in → Note 30.

Statement of changes in equity

Statement of changes in equity for the period from January 1 to December 31, 2017

All figures in €'000					Equity attributable to MLP SE shareholders	
	Share capital	Capital reserves	Gains/losses from changes in the fair value of available-for-sale securities*	Revaluation gains/losses related to defined benefit obligations after taxes	Retained earnings	Total shareholders' equity
As of Jan. 1, 2016	**109,335**	**146,727**	**1,212**	**-8,968**	**137,448**	**385,753**
Dividend	–	–	–	–	-13,120	-13,120
Transactions with owners	**–**	**–**	**–**	**–**	**-13,120**	**-13,120**
Net profit	–	–	–		14,696	14,696
Other comprehensive income	–	–	40	-3,784	–	-3,744
Total comprehensive income	**–**	**–**	**40**	**-3,784**	**14,696**	**10,952**
As of Dec. 31, 2016	**109,335**	**146,727**	**1,252**	**-12,752**	**139,024**	**383,585**
As of Jan. 1, 2017	**109,335**	**146,727**	**1,252**	**-12,752**	**139,024**	**383,585**
Share-based payment	–	2,027	–	–	–	2,027
Dividend	–	–	–	–	-8,747	-8,747
Transactions with owners	**–**	**2,027**	**–**	**–**	**-8,747**	**-6,720**
Net profit	–	–	–	–	27,796	27,796
Other comprehensive income	–	–	-293	568	–	274
Total comprehensive income	**–**	**–**	**-293**	**568**	**27,796**	**28,070**
As of Dec. 31, 2017	**109,335**	**148,754**	**959**	**-12,184**	**158,072**	**404,935**

* Reclassifiable gains/losses.

The notes on the statement of changes in equity appear in → Note 26.

Notes

General information

1 Information about the company

The consolidated financial statements were prepared by MLP SE (formerly MLP AG, Wiesloch), Germany, the ultimate parent company of the MLP Group. MLP SE is listed in the Mannheim Commercial Register under the number HRB 728672 (formerly HRB 332697) at the address Alte Heerstraße 40, 69168 Wiesloch, Germany.

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

2 Principles governing the preparation of the financial statements

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

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

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

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

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

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

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

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

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

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

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

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

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

EU endorsement has already taken place

The IASB published **IFRS 9** "Financial Instruments" in July 2014. IFRS 9 introduces a uniform approach to classification and measurement of financial assets. The standard refers to the cash flow characteristics and the business model that is used to control them as its basis. In future, the subsequent measurement of financial assets will be based on three categories: (1) Measurement at acquisition costs using the effective interest method ("AC"), (2) Measurement at fair value with changes in fair value recorded and recognised directly in equity under other comprehensive income ("FVTOCI") and (3) Measurement at fair value with recognition in the income statement of changes in fair value ("FVPL"). In addition to this, IFRS 9 prescribes a new impairment model that is based on anticipated credit defaults. IFRS 9 also contains new regulations regarding application of hedge accounting to present a company's risk management activities more clearly, in particular with regard to managing non-financial risks.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Changes to the scope of consolidation:

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

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

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

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

Alongside MLP SE as the parent company, 13 (previous year: 13) fully consolidated domestic subsidiaries and, as was already the case in the previous year, one fully consolidated foreign subsidiary and one associated company were incorporated in the consolidated financial statements as of December 31, 2017.

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

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

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

[1)] A profit and loss transfer agreement is in place: presentation of the net result for the year before profit transfer.
[2)] Shareholders' equity and net profit from the annual financial statements 2016.
[3)] Currency conversion rates as of the balance sheet date: € 1 = CHF 1.16928
[4)] Founded in 2016. Statement of initial capital. Financial statements are not available yet.

Disclosures on non-consolidated structured entities

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

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

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

The carrying amounts of non-consolidated structured entities in the MLP Group are € 360 thsd as of December 31, 2017 (previous year: € 457 thsd). In the financial year 2017, MLP SE recorded an income of € 221 thsd from non-consolidated structured entities (previous year: € 68 thsd).

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

5 Significant discretionary decisions, estimates and changes in estimates

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

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

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

- → Note 4 – aggregation principles for structured entities
- → Notes 6 and → 19 – impairment test (discounted cash flow forecasts and significant assumptions applied)
- → Notes 6, → 21 to → 24 and → 34 – classification and measurement of financial instruments, as well as fair value disclosures.
- → Notes 6, → 21 and → 24 – allowances for bad debts
- → Notes 6, → 27 and → 33 – provisions and corresponding refund claims as well as contingent assets and liabilities
- → Notes 6 and → 27 – measurement of defined benefit obligations
- → Notes 6 and → 32 – classification of leases
- → Note 17 – recognition of tax receivables/tax reserves
- → Note 25 – cash and cash equivalents – composition of cash and cash equivalents

6 Accounting policies

Revenue recognition

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

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

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

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

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

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

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

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

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

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

Currency translation

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

Fair value

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

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

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

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

You can find further information on the assumptions made when determining fair values in the following Note 34 - Additional information on financial instruments:

Intangible assets

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

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

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

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

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

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

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

Property, plant and equipment

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

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

Impairment test

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

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

Leasing

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

MLP signed multiple leasing agreements as the **lessee** of rental properties, motor vehicles and office machines. The agreements are also classified as operating leases, as the lessors bear the key risks and opportunities associated with ownership of the property. Rental payments under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. The same principle applies to benefits received and receivable that serve as an incentive to enter into an operating lease. For further details, please refer to → Note 32.

Earnings from investments accounted for using the equity method

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

Financial instruments

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

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

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

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

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

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

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

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

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

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

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

Any impairment losses are recognised in profit or loss on the corresponding impairment account. If a receivable is uncollectable (i.e. payment is almost certainly impossible), it will be written off. Allowances for bad debts on a portfolio basis in connection with **loan loss provisions in the banking business** are established on the basis of historical loss rates and dunning levels. Specific allowances for bad debts are recognised if receivables are likely to be uncollectable. The **allowances for other receivables and other assets** essentially relate to receivables from branch office managers and consultants. Alongside the allowances formed for losses on individual accounts receivable that are in default, portfolio-based impairment losses are recorded for the remaining accounts receivable. As is also the case with loan loss provisions in the banking business, the allowances are based on historical loss rates. These are set separately for consultants and office managers and applied to the respective accounts receivable. For further details, please refer to → Notes 21 and → 24.

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

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

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

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

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

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

Pension provisions

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

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

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

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

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

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

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

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

Further details of pension provisions are given in → Note 27.

Other provisions

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

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

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

Reversals of provisions are recognised under other revenue.

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

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

Share-based payments

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

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

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

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

7 Reportable business segments

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

- Financial consulting
- Banking
- FERI
- DOMCURA
- Holding

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

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

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

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

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

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

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

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

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

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

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

Information regarding reportable business segments

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

Information regarding reportable business segments

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

Notes to the income statement

8 Revenue

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

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

9 Other revenue

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

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

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

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

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

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

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

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

10 Commission expenses

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

11 Interest expenses

All figures in €'000	2017	2016
Interest and similar expenses		
Financial instruments measured at amortised cost	1,024	1,710
Available-for-sale financial instruments	8	2
Change fair value option		
Financial instruments at fair value through profit and loss	22	0
Total	**1,055**	**1,711**

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

12 Personnel expenses

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

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

13 Depreciation and impairments

All figures in €'000	2017	2016
Depreciation		
Intangible assets	9,912	7,500
Property, plant and equipment	5,381	6,027
	15,293	**13,528**
Impairments		
Intangible assets	–	10,399
Property, plant and equipment	–	36
	–	**10,434**
Total	**15,293**	**23,962**

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

14 Other operating expenses

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

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

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

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

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

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

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

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

15 Earnings from investments accounted for using the equity method

Earnings from investments accounted for using the equity method were € 2,487 thsd in the financial year (previous year: € 2,106 thsd) and resulted from the share of earnings in MLP Hyp GmbH. In line with a company agreement, the profit distribution of MLP Hyp GmbH is disproportionate.

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

The shares developed as follows:

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

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

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

16 Finance cost

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

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

17 Income taxes

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

The current taxes on income and profit include expenses of € -634 thsd (previous year: € -388 thsd) which relate to previous periods.

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

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

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

All figures in €'000	2017	2016
Earnings before tax	**36,377**	**18,748**
Group income tax rate	29.36%	29.36%
Calculated income tax expenditure in the financial year	**10,680**	**5,504**
Tax-exempt earnings and permanent differences	-4,511	-4,901
Non-deductible expenses	2,580	1,465
Divergent trade taxation charge	89	180
Effects of other taxation rates applicable abroad	-366	-21
Income tax not relating to the period (current and deferred)	52	2,044
Other	57	-219
Income taxes	**8,582**	**4,052**

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

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

Non-deductible expenses result from consultancy fees in connection with Group restructuring measures, entertainment expenses, gifts, as well as non-deductible operating expenses incurred in the context of tax-exempt dividends and capital gains, Supervisory Board remuneration and other relevant factors.

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

All figures in €'000	Deferred tax assets		Deferred tax liabilities	
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Intangible assets	401	1,288	11,385	12,387
Property, plant and equipment	–	–	4,172	3,854
Financial assets	6	–	128	201
Other assets	1,123	1,267	377	467
Provisions	10,316	10,998	–	2
Liabilities	2,720	2,523	–	0
Gross value	**14,566**	**16,076**	**16,062**	**16,911**
Netting of deferred tax assets and liabilities	-6,531	-7,013	-6,531	-7,013
Total	**8,035**	**9,063**	**9,531**	**9,898**

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

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

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

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

18 Earnings per share

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

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

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

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

Notes to the statement of financial position

19 Intangible assets

All figures in €'000	Goodwill	Software (created internally)	Software (purchased)	Advance payments and developments in progress	Other intangible assets	Total
Acquisition costs						
As of Jan. 1, 2016	**96,278**	**16,482**	**91,231**	**23,846**	**59,010**	**286,846**
Changes to the scope of consolidation*	-1,314	-1,770	-312	–	-1,154	-4,549
Additions	–	273	2,453	11,027	1	13,754
Disposals	–	-1,948	-9,950	-12,292	-9	-24,200
Transfers	–	–	22,089	-22,089	–	0
As of Dec. 31, 2016	**94,964**	**13,037**	**105,510**	**492**	**57,848**	**271,851**
Additions	–	221	1,049	2,100	–	3,371
Disposals	–	–	-11,212	-35	-593	-11,839
Transfers	–	–	1,664	-1,664	–	–
As of Dec. 31, 2017	**94,964**	**13,259**	**97,011**	**893**	**57,255**	**263,382**
Depreciation and impairment						
As of Jan. 1, 2016	**3**	**11,498**	**81,048**	**1,584**	**18,211**	**112,343**
Changes to the scope of consolidation*	–	-1,556	-312	–	-1,154	-3,022
Depreciation	–	1,744	3,413	–	2,344	7,500
Impairment	–	–	–	10,399	–	10,399
Disposals	–	-1,948	-9,847	-11,983	-9	-23,788
As of Dec. 31, 2016	**3**	**9,737**	**74,301**	**0**	**19,392**	**103,432**
Depreciation	–	1,650	6,291	–	1,971	9,912
Impairment	–	–	–	–	–	–
Disposals	–	–	-11,207	–	-593	-11,800
As of Dec. 31, 2017	**3**	**11,387**	**69,385**	**–**	**20,770**	**101,544**
Carrying amount Jan. 1, 2016	96,276	4,984	10,183	22,262	40,799	174,504
Carrying amount Dec. 31, 2016	**94,962**	**3,300**	**31,209**	**492**	**38,456**	**168,419**
Carrying amount Jan. 1, 2017	94,962	3,300	31,209	492	38,456	168,419
Carrying amount Dec. 31, 2017	**94,962**	**1,871**	**27,626**	**893**	**36,485**	**161,838**

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

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

Useful lives of intangible assets

	Useful life as of Dec. 31, 2017	Useful life as of Dec. 31, 2016
Acquired software / licences	3-7 years	3-7 years
Software created internally	3-5 years	3-5 years
Acquired trademark rights	-	10-15 years
Client relations / contract inventories	10-25 years	10-25 years
Goodwill / brand names	undefinable	undefinable

The **goodwill** originating from company acquisitions was allocated by MLP at the level of the cash-generating units. The disclosures take into account the demerger of MLP Finanzdienstleistungen AG performed in the financial year within the former financial services business segment into the business segments of financial consulting and banking. You can find information on this in Note 4. The reportable financial consulting business segment contains the following groups of cash-generating units: (1) financial consulting, (2) occupational pension provision and (3) ZSH. No goodwill has been allocated to the reportable banking business segment. The reportable FERI business segment includes the cash-generating unit FERI Asset Management. The reportable DOMCURA business segment contains one DOMCURA cash-generating unit. Cash-generating units were allocated the following goodwill values arising from business combinations:

All figures in €'000	Dec. 31, 2017	Dec. 31, 2016
Financial Consulting*	22,042	22,042
Occupational pension provision	9,955	9,955
ZSH	4,072	4,072
Financial consulting	**36,069**	**36,069**
FERI Asset Management	53,230	53,230
FERI	**53,230**	**53,230**
DOMCURA	5,663	5,663
DOMCURA	**5,663**	**5,663**
Total	**94,962**	**94,962**

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

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

Reportable financial consulting business segment

Financial consulting		
Weighted average (in %)	2017**	**2016****
Discount rate (before tax)	9.8	10.6
Growth rate of the terminal value	1.0	1.0
Planned EBT growth rate (relative average EBT increase per year)	2.5	76.3
Occupational pension provision		
Weighted average (in %)	2017	**2016**
Discount rate (before tax)	9.8	10.2
Growth rate of the terminal value	1.0	1.0
Planned EBT growth rate (relative average EBT increase per year)	4.6	29.0
ZSH		
Weighted average (in %)	2017	**2016**
Discount rate (before tax)	9.8	10.1
Growth rate of the terminal value	1.0	1.0
Planned EBT growth rate (relative average EBT increase per year)	14.0	-*

Reportable FERI business segment

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

Reportable DOMCURA business segment

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

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

Within the scope of its impairment testing MLP carried out sensitivity analyses. These analyses examine the effects of an increase of discount interest rates by half a percentage point and the effects of a reduction of the forecast EBT growth by 1% (previous year: 12%). The sensitivity analyses showed that, from today's perspective, there are no impairment losses for recorded goodwill at any cash-generating unit, even under these assumptions.

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

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

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

All figures in €'000	2017	2016
FERI Assetmanagement	15,829	15,829
FERI	**15,829**	**15,829**

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

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

There are no restraints on disposal or pledges with regard to intangible assets. Contractual obligations for the purchase of intangible assets have a net total of € 129 thsd as of December 31, 2017 (previous year: € 69 thsd).

20 Property, plant and equipment

All figures in €'000	Land, leasehold rights and buildings	Other fixtures, fittings and office equipment	Payments on account and assets under construction	Total
Acquisition costs				
As of Jan. 1, 2016	**79,406**	**65,590**	**141**	**145,138**
Changes to the scope of consolidation*	-	-21	-	-21
Additions	469	2,964	1,164	4,597
Disposals	-1,540	-9,518	-569	-11,627
Transfers	254	91	-345	0
As of Dec. 31, 2016	**78,590**	**59,105**	**392**	**138,087**
Additions	339	2,572	1,043	3,954
Disposals	-3,870	-8,506	-	-12,376
Transfers	575	197	-772	0
As of Dec. 31, 2017	**75,633**	**53,368**	**663**	**129,665**
Depreciation and Impairment				
As of Jan. 1, 2016	**28,097**	**51,296**	**-**	**79,393**
Changes to the scope of consolidation*	-	-23	-	-23
Depreciation	1,986	4,041	-	6,027
Impairments	-	36	-	36
Disposals	-1,514	-9,197	-	-10,711
As of Dec. 31, 2016	**28,569**	**46,153**	**-**	**74,722**
Depreciation	2,008	3,373	-	5,381
Impairments	-	-	-	-
Disposals	-3,867	-8,432	-	-12,299
As of Dec. 31, 2017	**26,710**	**41,094**	**-**	**67,804**
Carrying amount Jan. 1, 2016	51,309	14,295	141	65,745
Carrying amount Dec. 31, 2016	**50,021**	**12,952**	**392**	**63,365**
Carrying amount Jan. 1, 2017	50,021	12,952	392	63,365
Carrying amount Dec. 31, 2017	**48,924**	**12,274**	**663**	**61,861**

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

Useful lives of property, plant and equipment

	Useful life/residual value Dec. 31, 2017	Useful life/residual value Dec. 31, 2016
Administration buildings	33 years to residual value (30 % of original cost)	33 years to residual value (30 % of original cost)
Land improvements	15-25 years	15-25 years
Leasehold improvements	10 years or duration or the respective tenancy agreement	10 years or duration or the respective tenancy agreement
Furniture and fittings	8-25 years	8-25 years
IT hardware, IT cabling	3-13 years	3-13 years
Office equipment, office machines	3-23 years	3-23 years
Cars	2-6 years	2-6 years
Works of art	15-20 years	15-20 years

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

There are no restraints or pledges with regard to property, plant and equipment. Contractual obligations for the purchase of property, plant and equipment amount to € 1,687 thsd net as of December 31, 2017 (previous year: € 50 thsd).

21 Receivables from clients in the banking business

Receivables from clients in the banking business

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

As of December 31, 2017, receivables (net) with a term of more than one year remaining to maturity amount to € 515,338 thsd (previous year: € 457,320 thsd).

All figures in €'000	Gross value	Of which financial assets	Financial assets, neither impaired nor overdue	Financial assets, not impaired but overdue within the following time span		
				< 90 days	90–180 days	> 180 days
Receivables from clients (gross) as per Dec. 31, 2017	709,335	709,335	702,239	1,631	268	556
Receivables from clients (gross) as per Dec. 31, 2016	634,603	634,603	628,039	1,499	280	486

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

Receivables from clients due to originated loans are partly secured by mortgages (December 31, 2017: € 107,500 thsd; previous year: € 94,018 thsd), assignments (December 31, 2017: € 53,314 thsd; previous year: € 46,466 thsd) or liens (December 31, 2017: € 26,849 thsd, previous year: € 20,280 thsd). Receivables from current accounts and credit cards are generally not collateralised. With regard to receivables from the banking business which are neither impaired nor overdue, there were no signs at the closing date that debtors will not meet their payment obligations.

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

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

Due to defaults of debtors, financial and non-financial assets of € 784 thsd (previous year: 99 thsd) serving as collateral for originated loans and receivables, were utilised. The assets mainly concern property and receivables from claimed life insurance policies.

The loan loss provisions in the lending business cover all identifiable credit risks. Impairment losses are formed on a portfolio basis for the deferred loans risk. Risks are provided for by loan loss provisions carried under assets, and by the recognition of provisions for credit risks (see → Note 27).

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

All figures in €'000	Allowances for losses on individual account		Impairment loss on portfolio basis		Total	
	2017	2016	2017	2016	2017	2016
As of Jan. 1	**2,667**	**2,347**	**5,457**	**6,553**	**8,124**	**8,900**
Allocation	645	933	113	352	758	1,285
Utilisation	-373	-116	-652	-1,411	-1,025	-1,527
Reversal	-126	-497	-371	-37	-497	-534
As of Dec. 31	**2,813**	**2,667**	**4,547**	**5,457**	**7,360**	**8,124**
of which allowances for bad debts measured at amortised cost	2,813	2,667	4,547	5,457	7,360	8,124

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

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

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

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

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

22 Receivables from banks in the banking business

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

All receivables from banks in the banking business are due from domestic credit institutions. As of December 31, 2017, receivables with a term of more than one year remaining to maturity are € 107,000 thsd (previous year: € 59,000 thsd). The receivables are not collateralised. At the closing date there are no receivables from banks which are overdue or impaired.

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

23 Financial assets

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

As of December 31, 2017, MLP has portfolios amounting to € 68,593 thsd (previous year: € 49,530 thsd) that are due in more than twelve months.

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

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

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

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

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

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

Assets pledged as collateral

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

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

24 Other receivables and assets

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

As of December 31, 2017, receivables (net) with a term of more than one year remaining to maturity amount to € 14,638 thsd (previous year: € 13,332 thsd).

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

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

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

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

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

All figures in €'000	Gross value	Of which financial assets	Financial assets, neither impaired nor overdue	Financial assets, not impaired but overdue within the following time span		
				< 90 days	90–180 days	> 180 days
Other receivables and assets as of Dec. 31, 2017	131,174	104,671	97,399	2,176	820	333
Other receivables and assets as of Dec. 31, 2016	129,217	105,321	97,243	1,513	83	238

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

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

All figures in €'000	Allowances for losses on individual account		Impairment loss on portfolio basis		Total	
	2017	2016	2017	2016	2017	2016
As of Jan. 1	**5,087**	**4,658**	**1,354**	**2,614**	**6,441**	**7,272**
Allocation	265	1,261	193	106	458	1,367
Utilisation	-777	-307	–	–	-777	-307
Reversal	-476	-525	-214	-1,366	-690	-1,891
As of Dec. 31	**4,099**	**5,087**	**1,333**	**1,354**	**5,432**	**6,441**

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

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

As of December 31, 2017, the total volume of accounts receivable for which a specific allowance has been made is € 4,636 thsd (previous year: € 6,243 thsd). For € 512 thsd of these (previous year: € 1,148 thsd) the allowance for bad debts was less than 50% of the gross receivable, the remaining volume was written down by more than 50%. The total allowance for bad debts is € 4,099 thsd (previous year: € 5,087 thsd). This corresponds to an average impairment rate of 88% (previous year: 81%).

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

25 Cash and cash equivalents

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

As was the case in previous years, cash and cash equivalents include deposits at the Deutsche Bundesbank. In the financial year 2017, holding funds with commercial banks were transferred to the Bundesbank. This resulted in an increase in cash and cash equivalents, which can be seen within the scope of cash flow from operating activities.

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

26 Shareholders' equity

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

Share capital

The share capital of MLP SE comprises 109,334,686 (December 31, 2016: 109,334,686) no-par-value shares.

Authorised capital

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

Acquisition of treasury stock

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

Capital reserves

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

Other retained earnings and net profit

Other equity comprises retained earnings of the MLP Group.

Revaluation reserve

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

Proposed appropriation of profit

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

27 Provisions

Pension provisions

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

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

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

The defined benefit obligation for retirement income, funded only by means of provisions, amounts to € 19,432 thsd (previous year: € 19,950 thsd). Pension insurance policies are in place for all other pension obligations (defined benefit obligation of € 29,708 thsd; previous year: € 30,004 thsd).

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

All figures in €'000	Defined benefit obligation		Fair value of pension scheme assets		Net liability from defined benefit plans	
	2017	2016	2017	2016	2017	2016
As of Jan. 1	**49,954**	**44,496**	**–24,642**	**–22,914**	**25,312**	**21,582**
Current service cost	274	234	–	–	274	234
Past service cost	–	–	–	–	–	-
Interest expenses (+)/ income (-)	864	1,053	-435	-564	429	489
Recognised in profit or loss	**1,138**	**1,287**	**-435**	**-564**	**703**	**723**
Actuarial gains (-)/ losses (+) from:						
financial assumptions	-863	5,376	–	–	-863	5,376
experience adjustments	135	20	–	–	135	20
Gains (-)/ losses (+) from pension scheme assets without amounts recognized as interest income	–	–	-92	-9	-92	-9
Gains (–)/ losses (+) from revaluations*	**-729**	**5,396**	**-92**	**-9**	**-821**	**5,387**
Contributions paid by the employer	–	–	-862	-1,591	-862	-1,591
Payments made	-1,223	-1,225	440	436	-783	-789
Other	**-1,223**	**-1,225**	**-422**	**-1,155**	**-1,644**	**-2,380**
As of Dec. 31	**49,140**	**49,954**	**-25,590**	**-24,642**	**23,550**	**25,312**

* recognised in other comprehensive income

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

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

Actuarial calculations incorporate the following assumptions:

	2017	2016
Assumed interest rate	1.85%	1.75%
Anticipated annual pension adjustment	1.5%/2.5%	1.5%/2.5%

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

As of December 31, 2017, the weighted average term of defined benefit obligations was 18.7 years (previous year: 18.3).

Sensitivity analysis

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

All figures in €'000	Change of parameter	Reduction/ increase of defined obligation
Assumed interest rate	+0.50%	–3,999
	–0.50%	4,553
Salary trend	+0.50%	–
	–0.50%	–
Pension trend	+0.50%	3,702
	–0.50%	–3,330
Mortality	80.00%	1,756

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

Alongside defined benefit plans, defined contribution plans are also in place. With these types of plans the company pays premiums to state or private pension insurance institutions in line with legal or contractual regulations or on a voluntary basis. The regular premiums paid for employees are disclosed as personnel expenses. In the financial year 2017 they total € 9,904 thsd (previous year: € 10,412 thsd).

Other provisions are made up as follows:

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

Other provisions have changed as follows:

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

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

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

The provisions for economic loss due to liability risks are offset by claims for reimbursement from liability insurance policies with a value of € 2,114 thsd (previous year: € 1,826 thsd).

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

28 Liabilities due to banking business

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

All figures in €‘000			Dec. 31, 2017			Dec. 31, 2016
	Current	Non- Current	Total	Current	Non-Current	Total
Liabilities due to clients	1,433,046	6,759	1,439,805	1,261,929	9,140	1,271,070
Liabilities due to banks	2,568	58,815	61,383	2,232	35,489	37,720
Total	**1,435,614**	**65,575**	**1,501,188**	**1,264,161**	**44,629**	**1,308,790**

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

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

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

Further information on liabilities due to banking business is disclosed in → Notes 34 and → 35.

29 Other liabilities

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

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

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

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

Other liabilities comprise commissions withheld from MLP consultants due to cancellations amounting to € 2,347 thsd (previous year: € 2,757 thsd). Commissions withheld are charged with interest. Their term is mainly indefinite. The item also contains liabilities for bonus and profit-sharing payments.

MLP has agreed-upon and non-utilised lines of credit of € 131,605 thsd (previous year: € 130,671 thsd).

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

Notes to the statement of cash flow

30 Notes to the statement of cash flow

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

Cash flow from operating activities results from cash flows that cannot be defined as investing or financing activities. It is determined on the basis of net profit. As part of the indirect determination of cash flow, the changes in balance sheet items due to operating activities are adjusted by effects from changes to the scope of consolidation and currency translations where necessary. The changes in the respective balance sheet items can therefore only be partially aligned with the corresponding values in the published consolidated balance sheets. In the financial year 2017, operating cash flow was adjusted to take into account the effects of the demerger. For further details, please refer to the "Financial position" section in the management report.

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

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

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

Cash and cash equivalents

All figures in €'000	Dec. 31, 2017	Dec. 31, 2016
Cash and cash equivalents	301,013	184,829
thereof changes due to demerger operations	12,004	-
Cash and cash equivalents	**301,013**	**184,829**

Receivables of MLP Banking AG due from banks are included in cash and cash equivalents, insofar as they are separable as own-account investing activities. Inseparable elements are allocated to the operating business of the banking business segment and therefore to cash flow from operating activities. All deposits at the Deutsche Bundesbank are disclosed under cash and cash equivalents. As a result of the spin-off of the brokerage branch of activity (now: MLP Finanzberatung SE) from MLP Finanzdienstleistungen AG, all bank deposits to be assigned to MLP Finanzberatung SE are now assigned to cash and cash equivalents instead. Prior to the spin-off, these deposits were allocated to cash flow from operating activities as non-separable own holdings.

Miscellaneous information

31 Share-based payments

Participation programme

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

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

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

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

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

	Tranche 2008	Tranche 2009	Tranche 2010	Tranche 2011	Total
Inventory on Jan. 1, 2017 (units)	135,553	102,057	66,955	121,730	426,295
SARs expired in 2017 (units)	-4,296	-6,325	-1,492	-2,143	-14,256
Paid out in 2017 (units)	–	-8,207	–	–	-8,207
Inventory on Dec. 31, 2017 (units)	**131,257**	**87,525**	**65,463**	**119,587**	**403,832**
Expenses recognised in 2017 (€'000)	494	128	358	393	1,373
Income recognised in 2017 (€'000)	-25	-2	-6	-2	-34
	469	**126**	**352**	**391**	**1,338**
Expenses recognised in 2016 (€'000)	79	165	171	189	604
Income recognised in 2016 (€'000)	-7	-14	-8	-2	-31
	72	**151**	**163**	**187**	**573**
Provision as of Dec. 31, 2016 (€'000)	1,040	590	689	744	3,063
Provision as of Dec. 31, 2017 (€'000)	1,527	545	1,052	1,147	4,271
Inventory investment shares on Jan. 1, 2017 (units)	406,659	306,171	131,612	–	844,442
Inventory investment shares on Dec. 31, 2017 (units)	–	–	–	–	–

The expense and the provision from the participation programme are recognised pro rata temporis throughout the individual phases (vesting period). The provision is measured at fair value through profit and loss. The provision accrued on the respective closing date depends on the price of the MLP share, the number of SARs issued and the length of the remaining vesting period.

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

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

32 Leasing

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

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

All figures in €'000	Up to 1 year	1-5 years	>5 years	Total
Outsourcing IT technology	32,989	98,648	–	131,637
Rent on buildings	12,312	38,394	13,981	64,687
Rental/leasing liabilities	1,402	1,533	1	2,935
Purchase commitment	8,199	–	–	8,199
Other obligation	13,954	3,699	69	17,722
Total	**68,856**	**142,274**	**14,050**	**225,180**

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

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

33 Contingent assets and liabilities, as well as other liabilities

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

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

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

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

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

34 Additional information on financial instruments

Classifications and fair values

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

All figures in €'000							Dec. 31,2017
	Carrying amount					Fair value	No financial instruments according to IAS32/39
		Carrying amount corresponds to fair value	Level 1	Level 2	Level 3	Total	
Financial assets measured at fair value	**28,424**		**8,817**	**19,607**		**28,424**	
Fair Value Option	**4,978**		**4,978**			**4,978**	
Financial investments (share certificates and structured bonds)	4,978	-	4,978	-	-	4,978	-
Available-for-sale financial assets	**23,446**		**3,839**	**19,607**		**23,446**	
Financial investments (share certificates and investment fund shares)	4,047	-	3,839	207	-	4,047	-
Financial assets (bonds)	19,399	-	-	19,399	-	19,399	-
Financial assets measured at amortised cost	**1,866,993**	**743,346**	**28,256**	**513,461**	**615,588**	**1,900,650**	
Loans and receivables	**1,802,047**	**736,722**		**483,394**	**615,588**	**1,835,705**	
Receivables from banking business – clients	701,975	120,675	-	-	615,588	736,263	-
Receivables from banking business – banks	634,150	150,125	-	483,394	-	633,520	-
Financial investments (fixed and time deposits)	55,087	55,087	-	-	-	55,087	-
Financial investments (loans)	10,000	10,000	-	-	-	10,000	-
Other receivables and assets	99,822	99,822	-	-	-	99,822	25,920
Cash and cash equivalents	301,013	301,013				301,013	
Held-to-maturity investments	**58,322**		**28,256**	**30,066**		**58,322**	
Financial assets (bonds)	58,322	-	28,256	30,066	-	58,322	-
Available-for-sale financial assets	**6,624**	**6,624**				**6,624**	
Financial assets (investments)	6,624	6,624				6,624	-
Financial liabilities measured at amortised cost	**1,619,206**	**1,535,513**		**81,354**		**1,616,867**	
Liabilities due to banking business – clients	1,439,805	1,416,395	-	23,432	-	1,439,827	-
Liabilities due to banking business – banks	61,383	1,100	-	57,921	-	59,022	-
Other liabilities	118,018	118,018	-	-	-	118,018	36,895
Sureties and warranties	**3,848**	**3,848**				**3,848**	
Irrevocable credit commitments	**51,659**	**51,659**				**51,659**	

All figures in €'000							Dec. 31, 2016
	Carrying amount					**Fair value**	**No financial instruments according to IAS32/39**
		Carrying amount corresponds to fair value	Level 1	Level 2	Level 3	Total	
Financial assets measured at fair value	**22,614**		**11,974**	**10,640**		**22,614**	
Fair Value Option	**1,385**		**1,385**			**1,385**	
Financial investments (share certificates and structured bonds)	1,385	–	1,385	–	–	1,385	–
Available-for-sale financial assets	**21,229**		**10,589**	**10,640**		**21,229**	
Financial investments (share certificates and investment fund shares)	5,706	–	5,440	265	–	5,706	–
Financial assets (bonds)	15,523	–	5,149	10,374	–	15,523	–
Financial assets measured at amortised cost	**1,640,832**	**676,701**	**28,150**	**427,964**	**549,080**	**1,681,895**	
Loans and receivables	**1,566,261**	**670,666**		**387,578**	**549,080**	**1,607,324**	
Receivables from banking business – clients	626,479	118,287	–	–	549,080	667,367	–
Receivables from banking business – banks	590,972	203,569	–	387,578	–	591,147	–
Financial investments (fixed and time deposits)	55,102	55,102	–	–	–	55,102	–
Financial investments (loans)	10,000	10,000	–	–	–	10,000	–
Other receivables and assets	98,880	98,880	–	–	–	98,880	23,896
Cash and cash equivalents	184,829	184,829	–	–	–	184,829	–
Held-to-maturity investments	**68,535**		**28,150**	**40,386**		**68,535**	
Financial assets (bonds)	68,535	–	28,150	40,386	–	68,535	–
Available-for-sale financial assets	**6,035**	**6,035**				**6,035**	
Financial assets (investments)	6,035	6,035	–	–	–	6,035	–
Financial liabilities measured at amortised cost	**1,419,782**	**1,357,944**		**61,362**		**1,419,306**	
Liabilities due to banking business – clients	1,271,070	1,245,925	–	25,158	–	1,271,083	–
Liabilities due to banking business – banks	37,720	1,027	–	36,204	–	37,231	–
Other liabilities	110,992	110,992	–	–	–	110,992	35,919
Sureties and warranties	**2,934**	**2,934**				**2,934**	
Irrevocable credit commitments	**72,231**	**72,231**				**72,231**	

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

On the reporting date, MLP held financial guarantees in the form of avals of € 3,698 thsd (previous year: € 2,784 thsd). Within the scope of initial measurement, these financial guarantees are stated at their fair values and netted against the present values of agreed aval commission in accordance with IAS 39. If subsequent measurement results in a higher figure, this will be recognised as a financial liability in accordance with IAS 37.

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

Determining fair value

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

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

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

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

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

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

All figures in €'000	2017	2016
Loans and receivables	18,285	17,625
Held-to-maturity investments	406	506
Available-for-sale financial assets	2,463	375
Financial instruments held for trading	–	–
Fair Value Option	485	168
Financial liabilities measured at amortised cost	-1,014	-1,195

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

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

For financial instruments that were not measured at fair value through profit and loss, interest income of € 20,579 thsd (previous year: € 21,298 thsd) and interest costs of € 1,238 thsd (previous year: € 1,843 thsd) were made.

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

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

35 Financial risk management

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

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

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

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

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

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

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

37 Related parties

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

Supervisory Board	Mandates in other statutory Supervisory Boards of companies based in Germany	Memberships in comparable domestic and foreign control bodies of commercial enterprises
Dr. Peter Lütke-Bornefeld, Everswinkel Chairman Formerly Chairman of the Executive Board of General Reinsurance AG Cologne	• VHV Vereinigte Hannoversche Versicherung a.G., Hanover (Chairman) • VHV Holding AG, Hanover (Chairman) • VHV Allgemeine Versicherung AG, Hanover • Hannoversche Lebensversicherung AG, Hanover • MLP Banking AG, Wiesloch (Chairman) (formerly MLP Finanzdienstleistungen AG) • MLP Finanzberatung SE, Wiesloch (Chairman) (since November 17, 2017)	• ITAS Mutua, Trient, Italy (Member of the Governing Board)
Dr. h.c. Manfred Lautenschläger, Gaiberg Vice Chairman Formerly Chairman of the Executive Board at MLP AG, Wiesloch	–	• University Hospital Heidelberg, Heidelberg (Supervisory Board)
Dr. Claus-Michael Dill, Murnau Formerly Chairman of the Executive Board at AXA Konzern AG, Cologne	• HUK-COBURG Holding AG, Coburg • HUK-COBURG Haftpflicht-Unterstützungs-Kasse kraftfahrender Beamter Deutschlands a.G., Coburg • HUK-COBURG-Allgemeine Versicherung AG, Coburg	• XL Catlin Re Switzerland AG, Zurich, Switzerland (Member of the Governing Board) • XL Group Ltd., Hamilton/Bermuda (Non-Executive Director) • XL Europe Re SE, Dublin, Irland (Non-Executive Director) • XL Insurance Co. SE, London, UK (since September 1, 2017) (Non-Executive Director)
Tina Müller, Frankfurt am Main Chief Executive Officer (CEO) at Douglas GmbH, Düsseldorf (since November 1, 2017)	• STADA Arzneimittel AG, Bad Vilbel	–
Burkhard Schlingermann, Dusseldorf Employees' representative MLP employee Finanzberatung SE, Wiesloch Works council member at MLP SE and MLP Finanzberatung SE, Wiesloch	• MLP Finanzdienstleistungen AG, Wiesloch (employees' representative) Employees' representative) (until November 30, 2017) • MLP Finanzberatung SE, Wiesloch (employees' representative, Vice Chairman) (since November 3, 2017)	–
Alexander Beer, Karlsruhe Employees' representative Employee of MLP Banking AG, Wiesloch	–	–

Related persons

Within the scope of the ordinary business, legal transactions were made between individual Group companies and members of the Executive Board and the Supervisory Board as well as related parties. The legal transactions refer to the payment transactions and securities services of € 1,306 thsd (previous year: € 1,663 thsd). The legal transactions were completed under standard market or employee conditions.

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

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

Variable portions of remuneration comprise long-term remuneration components.

The members of the Supervisory Board received non-performance-related remuneration of € 500 thsd for their activities in 2017 (previous year: € 500 thsd). In addition, € 18 thsd (previous year: € 17 thsd) was paid as compensation for expenses and training measures.

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

Related companies

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

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

Related companies 2017

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

Related companies 2016

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

38 Number of employees

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

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

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

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

39 Auditor's fees

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

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

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

40 Disclosures on equity / capital control

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

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

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

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

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

Pursuant to Article 92 et seq. of the CRR, MLP is obliged to back its capital adequacy requirements for both counterparty default risks and the operational risk at Group level with at least 9.250% eligible own funds (equity ratio) (previous year: 8.625%).

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

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

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

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

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

41 Events after the balance sheet date

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

42 Release of consolidated financial statements

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

Wiesloch, March 1, 2018

MLP SE

Executive Board

Dr. Uwe Schroeder-Wildberg   Manfred Bauer   Reinhard Loose

As a result of our audit, we have issued the following unqualified audit opinion:

Independent Auditor’s report

To MLP SE, Wiesloch

Report on the audit of the consolidated financial statements and of the joint management report

Opinions

We have audited the consolidated financial statements of MLP SE and its subsidiaries (the Group), which comprise the balance sheet as at December 31, 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated cash flow statement for the financial year from January 1, 2017 to December 31, 2017, as well as the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the joint management report of MLP SE for the financial year from January 1, 2017 to December 31, 2017. In accordance with the German legal requirements, we have not audited the content of the non-financial Group declaration and the corporate governance statement which are included in the section "Non-financial aspects of business activities" and "Declaration on corporate governance" of the joint management report.

In our opinion, on the basis of the knowledge obtained during the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Section 315e (1) of the German Commercial Code (HGB), and in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2017, and of its financial performance for the financial year from January 1, 2017 to December 31, 2017; and
- the accompanying joint management report as a whole provides an appropriate view of the Group’s position. In all material respects, this joint management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the joint management report does not cover the content of the non-financial Group declaration and the corporate governance statement mentioned above.

Pursuant to Section 322 (3) Sentence 1 of the German Commercial Code (HGB), we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the joint management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the joint management report in accordance with Section 317 of the German Commercial Code (HGB) and the EU Audit Regulation (No. 537/2014; hereinafter referred to as the "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer, IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the joint management report" section of our auditor's report. We are independent of the Group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the joint management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from January 1, 2017 to December 31, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Recoverability of goodwill

For information on the accounting principles applied, please refer to Note 6 "Accounting policies" and Note 19 "intangible assets" to the consolidated financial statements.

FINANCIAL STATEMENT RISK

As at December 31, 2017, the consolidated financial statements of MLP SE recognise goodwill of € 95.0 million under intangible assets. At € 53.2 million, the majority of this goodwill can be attributed to the cash-generating unit (CGU) of FERI Asset management.

Goodwill has to be tested for impairment annually and whenever there is an indication that goodwill may be impaired. The impairment test, where the recoverable amount as the benchmark for impairment is determined on the basis of the discounted cash flow method, is complex and highly dependent on the legal representatives' appraisal of future cash inflows and the discount factor used and is therefore associated with considerable uncertainties.

The impairment test carried out on goodwill did not result in the need for any impairment.

There is a risk that the discretion in the impairment test may not have been adequately exercised and an impairment expense is to be recognised as at the balance sheet date or an existing impairment was not recorded at an appropriate level. In addition, there is a risk that the disclosures made in the notes in this connection may not be appropriate.

OUR AUDIT APPROACH

Based on our risk assessment, as well as assessment of the risks of errors, we founded our audit opinion on both control-based audit procedures and statement-based audit procedures. For this reason, our audit procedures as regards impairment testing of goodwill included:

On the basis of the corporate planning approved by the Supervisory Board, also incorporating market data and publicly available information, we obtained assurance of the appropriateness of the forecast cash inflows used when calculating goodwill, based on the expectations regarding the future development of income.

In order to assess the reasonableness of the assumptions used for preparing the corporate planning we have gained the required understanding of the planning procedure in discussions, amongst others, with legal representatives, representatives from the divisions and the controlling department, and we have discussed the anticipated cash flows and expected long-term growth rates with those responsible for the planning. In addition to this, we acknowledged the appropriateness of the valuation model together with our valuation experts and, using the calculation of dedicated scenarios based on the DCF process of MLP SE, assessed the appropriateness of the planning assumptions. We obtained assurance of the forecasting quality of the planning undertaken by the company by comparing planning figures from previous financial years with the results actually recorded.

Working together with our valuation experts we also compared the assumptions and parameters - such as and in particular the risk-free interest rate, the market risk premium and the beta factor - underlying the capitalisation interest rate with our own assumptions and publicly available data.

Ultimately, we made an assessment as to whether the disclosures in the notes regarding the recoverability of goodwill are appropriate.

OUR CONCLUSIONS

The procedure underlying the impairment test of goodwill is appropriate and in line with the valuation principles to be applied. The discretionary decisions with regard to the measurement assumptions underlying the impairment test of goodwill were exercised appropriately. The disclosures made in the notes in this context are appropriate

Commission income from the brokering of old-age provision products

For information on the accounting principles applied, please refer to Note 6 "Accounting policies" and Note 8 "Revenue" to the consolidated financial statements.

FINANCIAL STATEMENT RISK

The consolidated financial statements of MLP SE recognise revenue of € 608.7 million for the period from January 1 to December 31, 2017. This figure contains commission income of € 208.1 million from the brokering of old-age provision products that was generated up to September 30, 2017 by MLP Finanzdienstleistungen AG and from October 1, 2017 by its legal successor, MLP Banking AG, as well as MLP Finanzberatung SE, which was newly founded in the financial year. The portfolio and level of commission income is heavily dependent on the reports or statements of account of the numerous insurance partners.

Due to the materiality of the commission income from old-age provision products for the consolidated financial statements, as well as the complexity of the process, we placed special emphasis on this issue within the scope of our audit of the consolidated financial statements of MLP SE. The risk for the financial statements in particular lies in the fact that the commission income disclosed in the statements was not realised.

OUR AUDIT APPROACH

Building on our risk assessment, as well as assessment of the risks of errors, we based our audit opinion on both control-based audit procedures and statement-based audit procedures. Accordingly, we undertook various audit procedures with regard to the generation of commission income from the brokering of old-age provision products. These included the following:

In an initial step, we used a basic audit to gain comprehensive insight into the processes and the internal monitoring system with regard to securing the right portfolio and determining the level of commission income and assessed the appropriateness checks in this regard. To this end, we analysed the process documentation and contracts, and also performed employee surveys.

After completing this basic audit, we used performance tests to assess the effectiveness of the checks put in place with regard to recording and securing the right level of commission income.

In addition to this, we understood the development of commission income over time on the basis of analytical audit procedures within the scope of the statement-based audit procedures. For this, we established an anticipated value for commission income, specified an acceptable deviation and performed a comparison to determine whether the recognised commission income of the financial year is within acceptable bandwidths - in particular on the basis of the previous year's figures, the development in terms of the number of contracts, as well as the ratio of commissions paid to commissions received. We also reconciled the cash receipts from insurance companies with the underlying invoicing data for a conscious selection that was made on the basis of size criteria.

OUR CONCLUSIONS

The process used to determine the commission income from the brokering of old-age provision products is appropriate. Our audit did not result in any significant findings with regard to the level of commission income from the brokering of old-age provision products that is disclosed in the financial statements.

Other information

The legal representatives are responsible for the other information. The other information comprises:

- the non-financial Group declaration and the corporate governance statement; and
- the remaining parts of the annual report, with the exception of the audited consolidated financial statements and the joint management report and our auditor’s report.

Our opinions on the consolidated financial statements and on the joint management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the joint management report or our knowledge obtained in the audit; or
- otherwise appears to be materially misstated.

Responsibilities of the legal representatives and of the Supervisory Board for the consolidated financial statements and the joint management report

The legal representatives are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Section 315e (1) of the German Commercial Code (HGB) and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the legal representatives are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group’s ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the legal representatives are responsible for the preparation of the joint management report that, as a whole, provides an appropriate view of the Group’s position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the legal representatives are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a joint management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The Supervisory Board is responsible for overseeing the Group’s financial reporting process for the preparation of the consolidated financial statements and of the joint management report.

Auditor's Responsibilities for the Audit of the consolidated financial statements and of the joint management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and whether the joint management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, whether it complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the joint management report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Section 317 of the German Commercial Code (HGB) and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this joint management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements and of the joint management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the joint management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems;
- evaluate the appropriateness of accounting policies used by the legal representatives and the reasonableness of estimates made by the legal representatives and related disclosures;
- conclude on the appropriateness of the legal representatives use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the joint management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Section 315e (1) of the German Commercial Code (HGB);
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the joint management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions;

- evaluate the consistency of the joint management report with the consolidated financial statements, its conformity with law, and the view of the Group’s position it provides;
- perform audit procedures on the prospective information presented by the legal representatives in the joint management report. On the basis of sufficient appropriate audit evidence, we evaluate, in particular, the significant assumptions used by the legal representatives as a basis for the prospective information, and we evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We consider with those responsible for governance, inter alia, regarding the planned scope and timing of the audit and significant audit findings, including any deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current reporting period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on June 19, 2017. We were engaged by the Chairman of the Supervisory Board on June 30, 2017. We have been the group auditor of MLP SE without interruption since financial year 2011.

We declare that the opinions expressed in this auditor’s report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

We performed the following services in addition to the audit of the annual and consolidated financial statements, as well as the audit of the joint management report for the audited company or the companies controlled by the former:

- audit of the closing balance sheet as per Section 17 (2) of the Transformation Act (UmwG) of MLP Finanzdienstleistungen AG as at September 30, 2017;
- audit of MLP Finanzdienstleistungen AG as per Section 36 of the German Securities Trading Act (WpHG);
- audit pursuant to the General Terms of Business of Deutsche Bundesbank in conjunction with the use of loan receivables to collateralise central bank lending (credit submission process) at MLP Finanzdienstleistungen AG;

- audit of the listing of the amounts recognised as deductible items in connection with the cost allocation obligation of MLP Finanzdienstleistungen AG as per Section 16j (2) Sentence 2 of the Financial Services Supervision Act (FinDAG);
- assuring the quality of the disclosure report as per Section 26a of the German Banking Act (KWG) drafted by MLP Finanzdienstleistungen AG;
- tax advisory services in connection with the general training measures on the investment tax reform at FERI Trust GmbH;
- assuring the quality in connection with the roll-out of the SAP authorisation concept at MLP Banking AG; and
- audit of the dependent company report of MLP Finanzberatung SE.

Responsible German public auditor

The German public auditor responsible for conducting the audit is Dr. Georg Hübner.

Frankfurt/ Main, March 6, 2018

KPMG AG
Wirtschaftsprüfungsgesellschaft

gez. Dr. Hübner Wirtschaftsprüfer

gez. Hahn Wirtschaftsprüfer

Responsibility statement

"To the best of our knowledge and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the joint management report gives a fair view of the performance of the business including business results and the overall position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group."

Wiesloch, March 1, 2018

Dr. Uwe Schroeder-Wildberg   Manfred Bauer   Reinhard Loose

Financial calendar

FEBRUARY

February 28, 2018

Publication of the results for the financial year 2017
Annual press conference and analyst conference in Frankfurt

MARCH

March 28, 2018

Publication of the Annual Report for the financial year 2017.

MAY

May 15, 2018

Publication of the results for the first quarter 2018.

JUNE

June 14, 2018

Annual General Meeting (AGM) of MLP SE in Wiesloch
MLP SE holds its AGM at the Palatin Congress Center in Wiesloch

AUGUST

August 9, 2018

Publication of the results for the first half-year and the second quarter 2018.

NOVEMBER

November 14, 2018

Publication of the results for the first nine months and the third quarter 2018.

More information at ↗ www.mlp-se.com, Investors, Financial calendar

Any questions?

MLP SE

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Imprint

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Board of Directors

- Dr. Uwe Schroeder-Wildberg (Vorstandsvorsitzender)
- Manfred Bauer
- Reinhard Loose

Chairman of the Supervisory Board
Dr. Peter Lütke-Bornefeld

Commercial Register
Registergericht Mannheim HRB 728672

Value Added Tax Identification Number
DE 143449956

Concept, design and production
heureka GmbH – einfach kommunizieren., Essen

Appropriate regulatory authority

Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin) [1]
Graurheindorfer Str. 108
D-53117 Bonn
Marie-Curie-Str. 24-28
D-60439 Frankfurt am Main
www.bafin.de

[1] Appropriate regulatory authority according German Banking Act (Kreditwesengesetz, KWG)

European Central Bank [2]
Sonnemannstraße 20
D-60314 Frankfurt am Main
www.ecb.europa.eu

[2] Appropriate regulatory authority according CRR

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