Annual Report 2014

IN DIALOGUE

MLP

MLP key figures – multi-year overview

All figures in € million	2014	2013[1]	2012[1]	2011[1]	2010[1]	2009	2008	2007
Continuing operations								
Total revenue	531.1	499.0	563.6	545.5	522.6	532.1	595.2	629.8
Revenue	509.7	480.5	538.1	526.7	497.3	503.8	552.3	588.2
Other revenue	21.4	18.5	25.5	18.8	25.3	28.4	42.9	41.6
Earnings before interest and tax (EBIT) (before one-off exceptional costs)	39.0	30.7	70.5	50.7	47.0	42.2	56.2	113.9
Earnings before interest and tax (EBIT)	39.0	30.7	70.5	17.3	47.0	42.2	56.2	113.9
EBIT margin (%)[4]	7.3%	6.2%	12.5%	3.2%	9.0%	7.9%	9.4%	18.1%
Earnings from continuing operations	29.0	23.9	50.5	11.2	34.1	27.2	30.7	77.5
Earnings per share (diluted) in €	0.27	0.22	0.47	0.10	0.32	0.25	0.30	0.77
MLP Group								
Net profit (total)	29.0	23.9	50.5	11.5	34.1	15.8	24.6	62.1
Earnings per share (diluted) in €	0.27	0.22	0.47	0.11	0.31	0.15	0.24	0.62
Dividend per share in €	0.17[2]	0.16	0.32	0.60	0.30	0.25	0.28	0.50
Cash flow from operating activities	32.3	67.6	22.4	53.8	91.0	72.5	81.0	23.4
Capital expenditure	15.4	22.5	14.5	7.8	3.9	4.0	12.2	16.2
Total shareholders' equity	376.8	370.5	381.7	399.6	421.2	410.0	425.9	339.7
Equity ratio	23.2%	24.2%	25.6%	26.8%	27.6%	27.4%	27.8%	23.9%
Balance sheet total	1,624.7	1,533.6	1,491.3	1,489.8	1,524.0	1,498.4	1,534.0	1,270.2
Clients[3]	847,600	830,300	816,200	794,500	774,500	785,500	728,000	701,000
Consultants[3]	1,952	1,998	2,081	2,132	2,273	2,383	2,413	2,535
Branch offices[3]	162	169	174	178	192	238	241	251
Employees	1,542	1,559	1,524	1,584	1,672	1,900	1,986	1,819
Brokered new business[3]								
Old-age provision (premium sum in € billion)	4.1	3.6	4.8	5.2	5.0	5.1	6.6	6.8
Loans and mortgages	1,415.0	1,513.0	1,301.0	1,327.0	1,219.0	1,119.0	919.0	1,162.0
Assets under management in € billion	27.5	24.5	21.2	20.2	19.8	17.0	14.0	12.7

[1] Values adjusted.
[2] Subject to the consent of the Annual General Meeting on June 18, 2015.
[3] Continuing operations.
[4] EBIT in relation to total revenue.

The MLP Group – The partner for all financial matters

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

- MLP Finanzdienstleistungen AG: The dialogue partner for all financial matters
- FERI AG: The investment expert for institutional investors and high net-worth individuals
- TPC GmbH: The specialist in pension management for companies

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

Manfred Lautenschläger and Eicke Marschollek founded MLP in 1971. Just under 2,000 client consultants and around 1,500 employees work at MLP.

IN DIALOGUE

MLP is the dialogue partner for all financial matters – from wealth management to old-age provision, right through to insurance policies. We start by listening to the views and expectations of our clients and then present suitable options in a comprehensible way. This allows them to make the right decisions themselves. For the implementation, we examine the offers of all relevant product providers in the market rather than marketing our own products. In addition to this clients can take care of all their important banking business with MLP.

In this annual report, we use three examples from our private client business to highlight how we live up to this claim. You can read about how diverse we are as partners in dialogue with our clients from pages 6, 18 and 24 onwards. In the fourth example from page 100 onwards, we show how we are supporting young adults via the internet.

As we are in constant dialogue with our clients, we have a good understanding of their needs – and can therefore be their dialogue partner for all financial matters.

Table of contents

IN DIALOGUE

MLP is the dialogue partner for all financial matters – which we are highlighting in the 2014 Annual Report based on examples from our private client business.

Page 18

Page 100

Page 6

Page 24

IN DIALOGUE

Kirsten Becker, MLP client consultant in Cologne and Andreas Wischt, resident cardiologist in Haan

Accompanied on the road to self-employment

Andreas Wischt knew that he wanted to open his own practice. However, since this clearly involves business and financial questions, his tax advisor recommends taking part in a webinar with Kirsten Becker. He also gathers information via MLP's electronic client magazine. Many in-depth conversations then take place over several months – whether looking for practices online, drawing up a business plan or later when getting insurance cover for medical equipment. All of this work results in a coherent overall concept.

Kirsten Becker presents several financing options for the practice – Andreas Wischt chooses the most suitable version.

After visiting a practice with his consultant, Andreas Wischt then compares similar offers online in the "MLP Praxenmarkt" – an online platform for buying surgeries – to make sure he is making the right decision.

The Executive Board

Dr. Uwe Schroeder-Wildberg
Chairman and CEO MLP AG

Strategy,
Communication,
Policy/Investor Relations,
Marketing,
Market and Innovations,
Sales

Appointed until December 31, 2017

Manfred Bauer
Member of the Executive Board of MLP AG

Product Management

Appointed until April 30, 2020

Reinhard Loose
Member of the Executive Board of MLP AG

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

Appointed until January 31, 2019

Letter to our shareholders

Dear Shareholders,

in 2014, we significantly increased both earnings and revenue, expanded our market share in key business segments and acquired a considerable number of new clients. We also fully established our subsidiary FERI as the second important revenue pillar in the MLP Group. In other words, we are on the right track. We have achieved impressive results in an extremely difficult market environment – despite having set ourselves the target of recording significantly higher earnings at the start of the previous year.

All market participants have been battling with the reservations of the general public regarding old-age provision concepts since 2008. The intensive public discussions regarding life insurers and their products, which began in 2013, made these reservations even more pronounced and only started to subside following introduction of the Life Insurance Reform Act (LVRG). In concrete terms, this means that the brokered new business throughout the market for old-age provision only increased slightly in 2014, despite the previous year's very low basis. At the same time, forecasts indicate that the number of persons holding comprehensive private health insurance declined throughout the market for the third year in succession. So what is the best response to stagnating markets? Winning market shares. We successfully achieved this in the fields of old-age provision and health insurance.

For the financial year, we recorded new business of € 4.12 billion (€ 3.62 billion) and revenue of € 239.7 million (€ 219.9 million) in the field of old-age provision. This represents a step forwards. However, it still leaves us considerably behind the revenue levels achievable before market turbulence took hold. Our wealth management segment also displayed very pleasing development. With a year-end figure of € 27.5 billion, assets under management reached a new record level. Having increased by 6% to € 147 million (€ 138.1 million), revenue also set a new record. MLP was once again able to make gains in the field of non-life insurance, although the loans and mortgages segment remained slightly below the high level recorded in the previous year. Revenue in the field of private health insurance declined to € 43.5 million (€ 47.8 million) as a result of the tough market conditions already described. Our real estate business, which has been expanded since last April, is reflected under other commission and fees. We have taken initial steps in this regard and increased revenue to € 8.4 million (€ 4.9 million). All in all total revenue is around € 531.1 million (€ 499.0 million), which represents an increase of 6%.

The year 2014 serves to underline how successful we have been in diversifying our revenue basis over the course of the last few years. We therefore also succeeded in significantly increasing the proportion of recurring revenue – from around one third in 2005 to around 60% of our commission income in the past year. Our clients are not the only ones to benefit from this broader basis, as our client consultants and our company both also profit from the greater stability this brings.

The income statement displays a significant increase in EBIT to € 39.0 million (€ 30.7 million). At € 256.8 million (€ 250.6 million), administrative expenses are within the defined target corridor. By way of comparison, these expenses were € 311.6 million in 2008, when we launched our efficiency measures. Net profit increased in 2014 from € 23.9 million to € 29.0 million.

On the basis of this business development, the Executive Board and Supervisory Board propose a dividend of 17 cents per share. The dividend is therefore higher than in the previous year and falls within the announced pay-out ratio of between 60% and 70%. In the forthcoming financial years, we will distribute between 50% and 70% of our consolidated net profit. We thus continue to offer our shareholders a very attractive distribution rate. At the same time we are securing the necessary leeway to pursue acquisitions and investments even under the new capital requirements.

As we are operating in a difficult environment, our objective is to find and then utilise business opportunities. In 2014, for example, we benefited more than ever before from the expansion of our wealth management activities, which began with the acquisition of FERI in 2006 and were then reinforced with the subsequent realignment of our subsidiary. Compared with the year 2007, the first complete year of FERI on our books, we more than doubled sales revenue and funds under management. Aside from this, we also established a highly future-oriented structure in the fields of investment management and consulting and strengthened our position through targeted minor investments and acquisitions.

Digitalisation represents another initiative we are using to extend the scope of our business. As announced one year ago, we are significantly expanding our online presence. This will allow the Internet to become an important interface for stimulating interest among and winning over young adults as clients. Our first few steps in this regard have proved highly promising. In April, a new website is to be launched for this target group under the heading of "MLP financify". Once this is established, we will then also introduce a system which allows contracts for basic products to be concluded online. In addition to this, pilot projects for new online services are in the pipeline for existing clients. These include video consulting and electronic signatures. It is important to understand that these measures are not intended to be an either-or in respect of personal consulting services or online solutions, but to be an intelligent combination of both.

We are further developing our business model while not losing sight of our traditional strengths. Being constantly faced with new requirements and adopting new approaches at short intervals clearly requires a great deal of our consultants and employees in the Group. I would therefore like to take this opportunity – also on behalf of my colleagues on the Executive Board – to say a sincere thank you to all of you for the flexibility, loyalty and commitment you displayed in the last financial year.

We will continue to work on implementing our digitalisation strategy in the financial year 2015. Our second key focus of winning over new consultants is another logical step resulting from a growth initiative launched one year ago. In 2013, we introduced new entry-level models for new consultants via trainee programmes, as well as degree courses at universities of cooperative education. For the first time ever, these grant applicants the opportunity to experience MLP first-hand before deciding on a career as a self-employed consultant. Although a pleasing 16% increase in recruitments was recorded last year on this basis, it is still not enough. We are therefore to set up comprehensive investments in recruiting, which are likely to total around € 5 million in 2015. In other words, we are keen to expand, despite the fact that the overall number of intermediaries operating in the market is set to decline due to ever stricter regulation. One key aspect here is that we are making it considerably easier for new consultants to make the transition into self-employment. The aim is to increase the number of consultants again, i.e. to exceed the level at December 31, 2014 by the end of 2015. In this endeavour, we are sticking to the approach of quality over quantity that has proved successful over the last few years. This initiative will be accompanied by the founding of new offices in the university segment. Having founded four new offices in this field in 2014 as planned, we are planning to at least add the same number again in 2015.

Further diversification of our revenue basis remains the third strategic focus for 2015. We are also expecting the real estate services we introduced last year to gain increasing acceptance and are continuing to work on strengthening our commercial non-life insurance segment. At FERI, we will further extend our services for real and alternative assets, as these are in demand among both high net-worth individuals and institutional clients. We also remain generally open to acquisitions in the fields of commercial non-life insurance and FERI.

What are the specific prospects for business development in 2015? We are anticipating administration costs of around € 255 million – the same level as recorded in 2014. The forecast administration costs include comprehensive capital expenditure to drive on our growth initiatives. On the revenue side, we are anticipating a stable contribution from the field of old-age provision. Although the reduction in the guaranteed interest rate will have a negative impact on new business throughout the market, the fields of occupational provision, occupational disability insurance and long-term care insurance are likely to provide positive stimulus here. Alternative guarantee concepts and single premiums are also likely to become increasingly important. Although no structural improvements are to be expected in the health insurance segment, the additional premiums anticipated for those holding statutory health insurance policies is likely to increase willingness to switch to private coverage. Overall, we anticipate a slight increase in revenues in the field of health insurance. This also applies to the wealth management segment, although we are still expecting clients in all segments to display a low-risk investment strategy. The capital market environment is also likely to remain difficult. Yet despite this, we believe that there is sufficient potential among both MLP and FERI clients for a slight increase on the basis of the high figure recorded in 2014. Added to this is the fact that we are anticipating visible gains in our real estate business following its successful launch.

When examining these estimates for revenue and costs, we expect to record a slight increase in EBIT in the current financial year. Following the increase in EBIT recorded in 2014, with this outlook we are documenting our mission of generating profitable growth while operating in difficult markets and making comprehensive investments for the future.

We would be delighted if you – our shareholders – would 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

Johannes Maret

Elected until 2018

Burkhard Schlingermann
Employees' Representative

Elected until 2018

Report by the Supervisory Board

In the financial year 2014, 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 business of the company.

During 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 supported the Executive Board in this regard. Its work in the financial year 2014 focused in particular on supporting the Executive Board in the strategic development of the company, implementing further measures to increase efficiency and improving the company's opportunity and risk position.

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 2014, the Executive Board reported and advised the Supervisory Board also on the content and anticipated effects of legislative/regulatory measures to be introduced at German or EU level. These included the CRR and CRD-IV Implementation Act, the Act on Ring-Fencing and Recovery and Resolution Planning for Credit Institutions and Financial Groups, as well as the act to secure stable and fair services for life insurance (Life Insurance Reform Act, LVRG).

The Supervisory Board held five regular meetings and one extraordinary meeting in the financial year 2014, which were attended by all members of the Supervisory Board in person with the exception of one meeting. 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, three meetings of the Personnel Committee and one meeting of the Audit Committee were held. Generally, all committee members took part in these meetings.

Furthermore, the Chairman of the Supervisory Board met with the Chairman of the Executive Board on a regular basis to discuss specific issues. The Chairman of the Supervisory Board regularly informed the other members about the content of these meetings with the Executive Board.

Supervisory Board meetings and important resolutions

An extraordinary meeting of the Supervisory Board was convened on March 4, 2014 to explore and plan a potential change to the composition of the Executive Board at MLP AG and MLP Finanzdienstleistungen AG. This subsequently led to a resolution being passed using the circular resolution procedure concerning the amicable departure of Mr. Muhyddin Suleiman as Chief Sales Officer and the appointment of Chairman of the Board, Dr. Uwe Schroeder-Wildberg, also as Chief Sales Officer.

Following preparations in the meeting of the Audit Committee, the Supervisory Board meeting on March 20, 2014 focused on the audit and approval of the financial statements and the consolidated financial statements as of December 31, 2013. The auditors participated in the meeting and gave 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 of December 31, 2013. In addition to this, the Supervisory Board reviewed the variable remuneration components of the Executive Board for the financial year 2013 and approved these. The proposed resolutions for the company's Regular Annual General Meeting were another item on the agenda.

The regular Supervisory Board meeting on May 13, 2014 focused primarily on discussing the results and business development from the first quarter of 2014.

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 12, 2014. In the August meeting, motions passed included the extension of the employment contract of Mr. Manfred Bauer and his reappointment as member of the Executive Board for a further five years – i.e. until April 30, 2020.

The November meeting focused on the business results of the third quarter and the first nine months of the current financial year. As required by the German Stock Corporation Act and the German Corporate Governance Code (GCGC), the Supervisory Board also reviewed the appropriateness of Executive Board remuneration.

At the meeting on December 16, 2014, discussions focused on the resolution regarding the Declaration of Compliance as per § 161 of the German Stock Corporation Act (AktG), alongside adherence of the MLP Group to the regulations of the 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 financial year 2015.

Supervisory Board committees

The Supervisory Board was regularly informed of the work carried out by its committees in 2014.

The Personnel Committee convened three times in the reporting period, focusing in particular on exploring and planning a potential change to the composition of the Executive Board at MLP AG and MLP Finanzdienstleistungen AG, which culminated in the amicable departure of Mr. Suleiman and the appointment of Dr. Schroeder-Wildberg as Chief Sales Officer in addition to his other duties. The meetings also addressed preparations for the reappointment of Mr. Bauer beyond 2015.

The Audit Committee held one regular meeting in the financial year 2014. Representatives of the audit firm also took part in the meeting, 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 the 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 on legal and regulatory risks and risks to reputation.

The Nomination Committee did not hold any regular meetings in the financial year 2014, as the election nominations for the shareholder representatives to be newly elected to the Supervisory Board had already been drawn up for the 2013 Annual General Meeting in the plenary meeting of the Supervisory Board in December 2012.

Corporate governance

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

Last year, the Supervisory Board dedicated its meeting on December 16, 2014 in particular to in-depth discussions on the amendments to the GCGC in the version of June 24, 2014.

In the meeting held on December 16, 2014, 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 analysed.

At the same meeting, MLP AG's Supervisory Board also assured itself that the company had met the recommendations of the GCGC in line with its Declaration of Compliance pursuant to § 161 of the German Stock Corporation Act (AktG) in the last financial year and will in future continue to comply strictly with the recommendations of the Government Commission on the German Corporate Governance Code (version dated June 24, 2014). In December, the Supervisory Board and Executive Board issued a Declaration of Compliance pursuant to § 161 of the German Stock Corporation Act (AktG) for the financial year 2014 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 these express diversity in terms of the Supervisory Board composition desired by the legislator or the German Corporate Governance Code government commission. Aside from one single case, there were no conflicts of interest in this sense in the last financial year. In connection with the Supervisory Board resolution regarding clarification of direct pension commitments, passed during the meeting on November 11, 2014, one member of the Supervisory Board was exposed to a potential conflict of interest as he is a recipient of such pension payments from his previous employment as a member of the Executive Board. The member of the Supervisory Board in question therefore did not vote on this specific resolution. A summary of corporate governance at MLP, including the Declaration of Compliance from December 16, 2014, 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-ag.de.

Audit of the annual financial statements and consolidated financial statements for 2014

The financial statements and the joint management report of MLP AG as of December 31, 2014 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, 2014 were drafted as per § 315a of the German Commercial Code (HGB) in line with international financial reporting standards (IFRS) as applied in the EU. As of December 31, 2014, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin audited the financial statements and the joint management report of MLP AG 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 (IDW – 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. The auditor also reported on the key results of the audit and on the fact that there are no significant weaknesses in either the internal monitoring system or the risk management system. 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, as well as the additional services performed by the auditor. The Supervisory Board also checked and discussed the documentation and reports in detail. 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 18, 2015. At this meeting, the Executive Board explained the financial statements of MLP AG and of the Group, the risk management system, the accounting processes and the effectiveness of the internal monitoring, risk management system, audit system and of the compliance, as well as 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 18, 2015, the Supervisory Board approved the annual financial statements and the joint management report MLP AG, 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.

After performing its own reviews, the Supervisory Board agreed with the Executive Board's proposal to pay out a dividend of € 0.17 per share for the financial year 2014. 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 financial year 2014.

Wiesloch, March 2015

The Supervisory Board

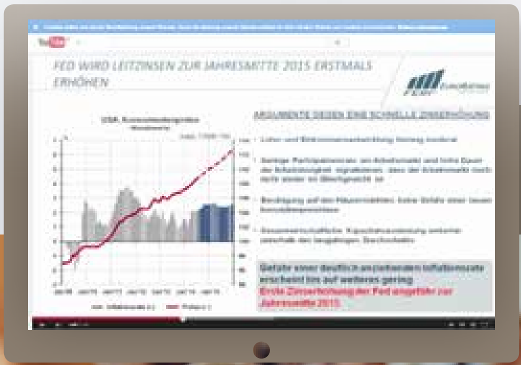
Dr. Peter Lütke-Bornefeld
Chairman

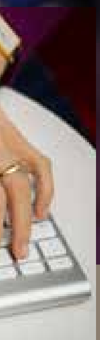
IN DIALOGUE

Holger Fess, MLP client consultant in Darmstadt and Dr. Christel Schmidt, biologist from Frankfurt/Main

Reassured and empowered

The international financial markets are subject to increasingly intensive fluctuations. The fact is: Due to the low interest rate-level for regular savings accounts and the like, there is simply no alternative to equity funds. But is Christel Schmidt's portfolio really up to the current challenges? Time for a chat. Holger Fess first assesses the current situation – and then explains what this means for her investment strategy. To gain some first-hand impressions of the investment expertise held by leading fund managers, Christel Schmidt attends a presentation from the "MLP Investment Talks" series. She also regularly checks the monthly market outlook on YouTube to learn about the background behind market developments.





Christel Schmidt speaks with Holger Fess on the phone again briefly and then adapts her investment strategy. One mouse click is all it takes.

When taking a look at the MLP Financepilot Report, the central online portal for clients, Christel Schmidt is able to check the development of her funds in the MLP wealth deposit account.

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 continuously strengthen 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 provide our clients with support in all financial matters – from old-age provision and wealth management, through health and non-life insurance, right through to financing. 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 2,000 client consultants therefore concentrates on one professional group, focusing primarily on physicians, economists, engineers or 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. This diversification has significantly increased the stability of our company development.

We supplement our growth strategy with a consistent efficiency management. We have also reduced our administration costs considerably since 2008. This cost basis provides us with good earning power, even under the extremely difficult market conditions we are currently experiencing.

Investor Relations

STOCK MARKET YEAR 2014 – DEVELOPMENT OF THE MARKETS

High degree of volatility and increasing prices

The stock markets across the globe were characterised by a high degree of volatility in 2014, caused partly by an interplay between good economic data and continuation of the cheap money policy, yet also by disconcerting news from the crisis regions in the Crimea, Syria and Iraq, as well as fears regarding an impending interest rate increase. This constellation created the basis for Germany's leading index, the DAX, breaking through the magical barrier of 10,000 points for the first time ever in June.

Central banks providing liquidity

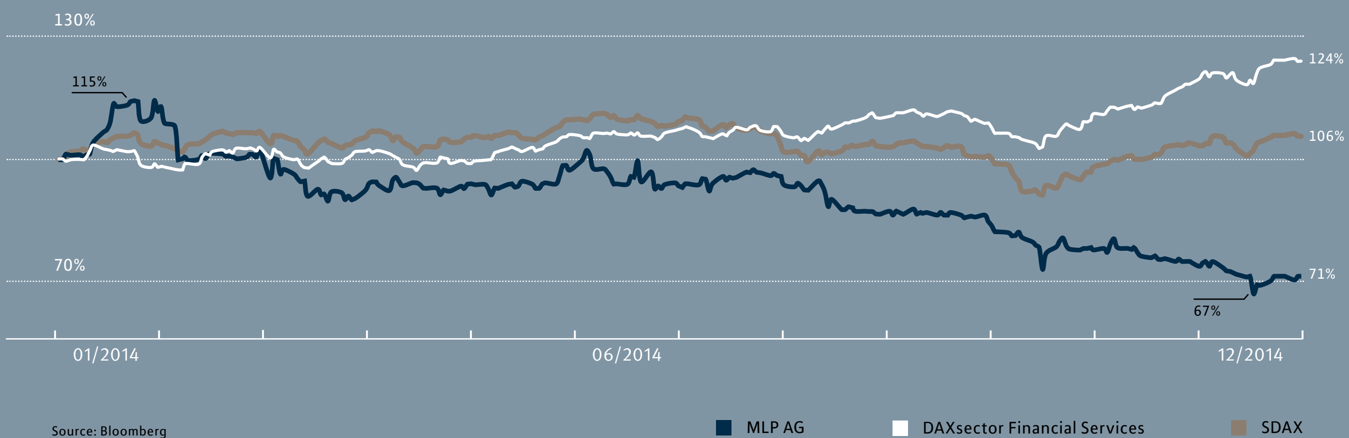
Sound economic data from Germany, as well as statements issued by the European Central Bank (ECB) that it would continue to support the capital markets with all necessary means had a positive influence in Q1. At the same time, however, focus moved to the increasing tensions in the Crimean crisis along with the concerns regarding Western European trading relations with Russia. In April, poor economic data from Europe placed additional pressure on the DAX, causing it to decline to 9,173 points by the middle of the month. As a result of positive economic data from the US, and in particular the continuation of the expansive monetary policy, the major indices achieved new record levels. In light of a reduction in the reference interest rate and the negative interest rates on deposits, investors struggled to find alternatives. This caused the DAX to hit an historical high of 10,051 points on June 20.

After that, focus once again shifted to the Ukraine crisis, the unrest in Iraq and Syria, as well as the increasing oil price. At the start of August, the DAX then fell to its lowest level since October 2013. In the end it was the ECB again that helped the share market achieve an equally strong recovery by lowering the main refinancing rate to 0.05%, its lowest ever level. The DAX responded to this with a significant recovery to 9,891 points, ultimately closing the year on 9,805 points, an annual increase of 2.65%.

Small and mid-caps displaying significant fluctuations

The German small and mid-cap shares under the umbrella of the SDAX felt the nervousness of investors and the volatility in the market more keenly than top-tier shares. Following historic record levels of 7,572 points in June, the index reached its low of 6,087 points following strict corrections in October. This represented a temporary downturn of virtually 20%. However, the end of the year proved more positive. With a closing level of 7,186 points, the SDAX had recorded an increase of 5.8% by the end of the year.

MLP share, SDAX and DAXsector Financial Services 2014



Source: Bloomberg

The MLP share

The stock market year 2014 was characterised by pronounced price fluctuations for the MLP share. Following a positive start to the year, the price reached its provisional annual high of € 6.06 at the end of January. Profit-taking based on high levels of sales revenue subsequently caused the share to decline to € 5.10. It then remained within a tight corridor of this price until publication of the operating results for 2013, after which it was traded between € 4.80 and € 5.00. The volume of trading increased in the run-up to the Annual General Meeting and the price increased to € 5.34 on June 4. However, the share once again fell below the € 5.00 threshold towards the end of the Q2 as a result of the dividend payout, as well as a general deterioration in the market environment. Although the share once again exceeded the € 5.00 mark in July, a desire to sell subsequently took hold again by the end of August and led to a provisional annual low of € 4.50. The share was then able to establish valid support at this level until the end of September. In the fourth quarter the interest to sell gained the upper hand among shareholders, causing the share to decline to its annual low of € 3.47 on December 18. The price then recovered slightly and ended the year at € 3.71. The average trading volume in 2014 was 43,800 shares per day (47,300).

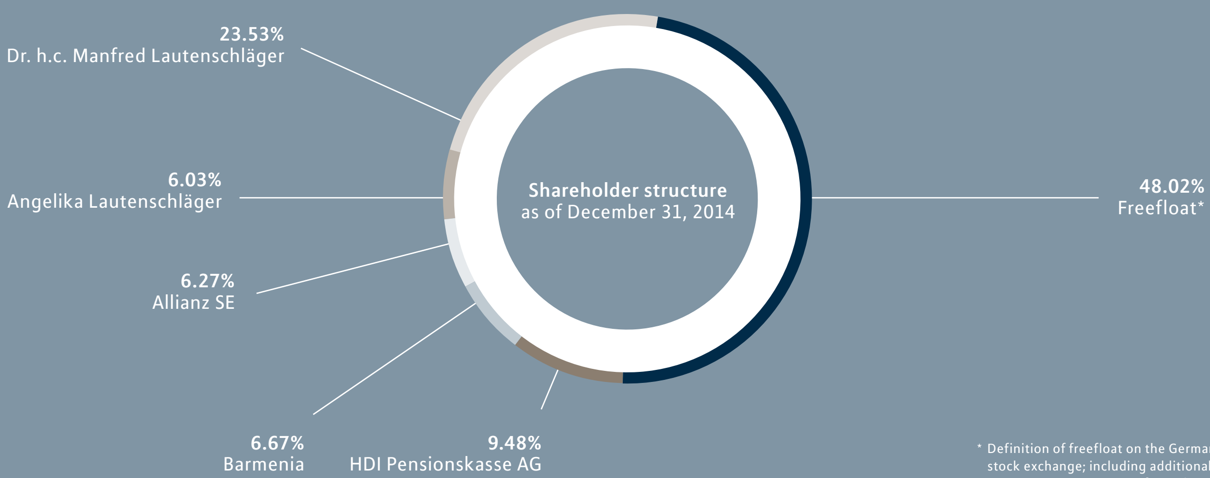
Dividend

MLP will continue its consistent dividend policy for the financial year 2014. As announced, the distribution rate will be between 60% and 70%. In concrete terms, the Executive Board and Supervisory Board will propose a dividend of € 0.17 per share at the Annual General Meeting on June 18, 2015. This corresponds to a distribution rate of 63% of the net profit for the period.

Changes to the shareholder structure

In January, an additional institutional investor in the form of Franklin Templeton Investment Funds acquired a stake of 3.06% in MLP. This investment was then reduced to 2.9942% in November. In line with the German Stock Exchange's definition, institutional investors are not taken into consideration when determining the free float. The free float therefore increased slightly from 47.6% to 48.0% in the financial year 2014. The following chart provides an overview of the major shareholders.

MLP shareholder structure



* Definition of freefloat on the German stock exchange; including additional voting rights pursuant to § 22 of the German Securities Trading Act (WpHG).

Key figures compared to previous year

		2014	2013	2012	2011	2010
Shares in circulation at the end of the year	in units	107,877,738	107,877,738	107,877,738	107,877,738	107,877,738
Share price at the beginning of the year	in €	5.29	5.08	5.07	7.64	8.27
Share price at the end of the year	in €	3.71	5.21	5.00	5.12	7.60
Share price high	in €	5.98	6.58	6.89	7.85	8.27
Share price low	in €	3.48	4.41	4.17	4.25	6.21
Market capitalisation at the end of the year	in € million	400.2	562.2	539.4	552.3	819.9
Average daily turnover of shares	in units	43,775	47,302	31,011	39,673	87,274
Dividend per share	in €	0.17*	0.16	0.32	0.60	0.30
Total dividend	in € million	18.3*	17.3	34.5	64.7	32.4
Return on dividend	in %	4.6*	3.1	6.4	11.8	4.0
Earnings per share [1]	in €	0.27	0.22	0.47	0.10	0.32
Diluted earnings per share [1]	in €	0.27	0.22	0.47	0.11	0.31

* Subject to the approval of the Annual General Meeting on June 18, 2015.
[1] Previous year's values adjusted.

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 also sought active exchange with both private and institutional investors at regular capital market events, such as roadshows and our Annual General Meeting. Alongside 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.

Interesting information on the Group, the share and other relevant notices can be found on our investor relations web pages. We also provide a special investor relations newsletter service, whereby anyone interested can sign up to receive e-mails on important events. Anyone interested can also keep up-to-date with news from the company and the sector via twitter (http://twitter.com/MLP_AG). You can find the investor relations section at: www.mlp-ag.com/investor-relations. Please feel free to contact us if you prefer to talk to someone in person.

twitter.com/MLP_AG www.mlp-ag.com/investor-relations

Key figures for business valuation and statement of financial position analysis

		2014	2013
Equity ratio	in %	23.2	24.3
Return on equity	in %	7.8	6.4
Liquid funds	in € million	155	147
Market capitalisation at the end of the year	in € million as of Dec. 31	400.2	562.2
Total revenue	in € million	531.1	499.0
EBIT	in € million	39.0	30.7

Setting your own priorities

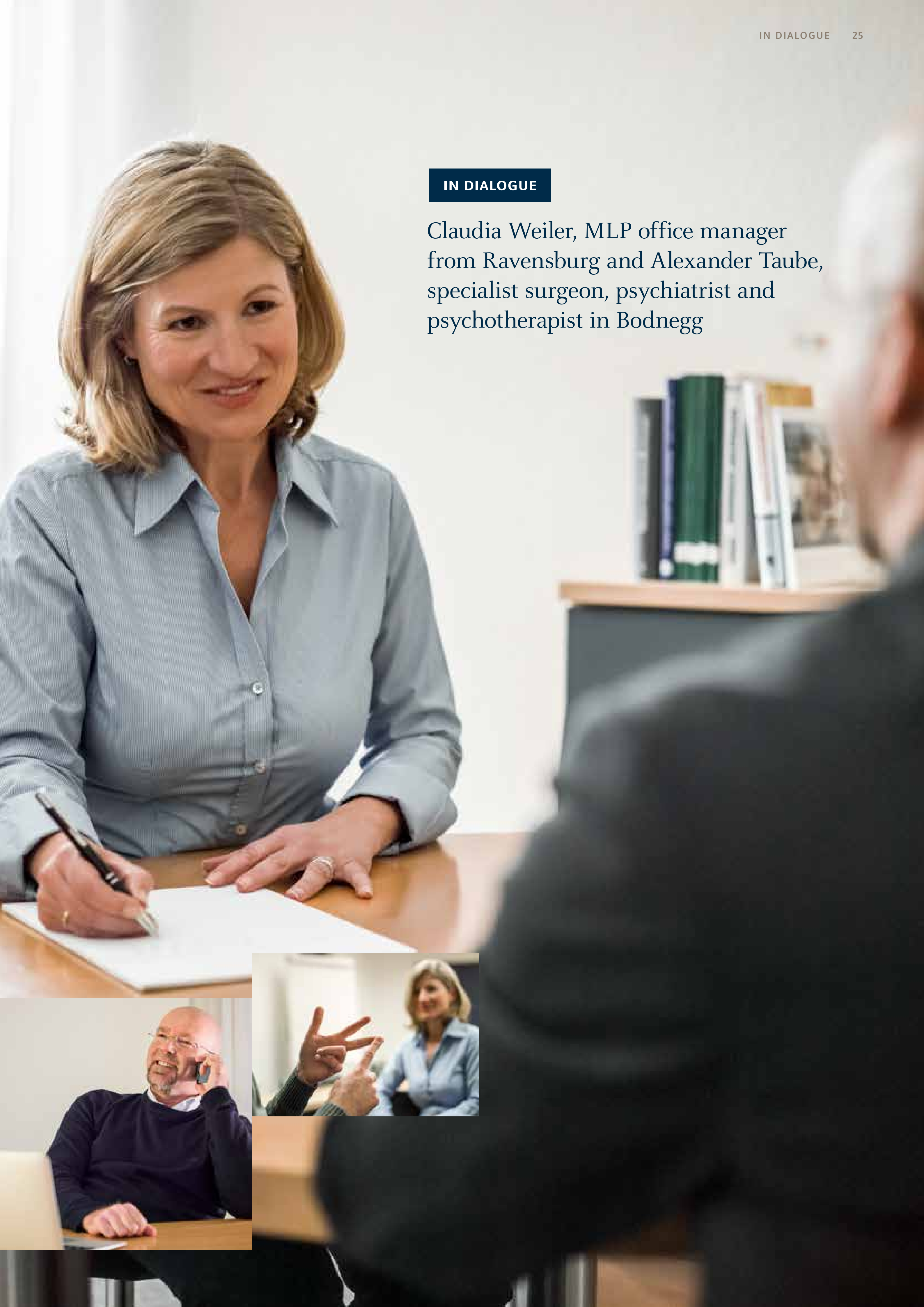
Life changes as you get older – and this also has an effect on your finances. Alexander Taube therefore decided to pop into MLP today for a check-up with MLP office manager Claudia Weiler. Where is Alexander Taube's portfolio strong – and where is further action needed? At home he then goes through the various options recommended by his consultant. His priority is to ensure financial security in his old age, too. This also includes the potential need for nursing care.

Continuous quality control: With the "ClientNavigator", Alexander Taube can provide Claudia Weiler with further direct feedback after some time has passed.

Alexander Taube selects one insurer from several proposals. So that he has a record of everything that has been discussed, he receives documentation of the consulting services he has used via the MLP Financepilot client portal.

IN DIALOGUE

Claudia Weiler, MLP office manager from Ravensburg and Alexander Taube, specialist surgeon, psychiatrist and psychotherapist in Bodnegg



Joint management report

In addition to the MLP Group, the following joint management report also encompasses MLP AG in accordance with § 315 (3) in connection with § 298 (3) of the German Commercial Code (HGB).

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

The Previous year's values of the consolidated income statement and the consolidated balance sheet have been adapted and are disclosed accordingly in the following tables. Information on this is provided in Note 3.

FUNDAMENTAL PRINCIPLES OF THE GROUP

Business model

The MLP Group – The partner for all financial matters

Broad range of services

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

- MLP Finanzdienstleistungen AG: The dialogue partner for all financial matters
- FERI AG: The investment expert for institutional investors and high net-worth individuals
- TPC GmbH: The specialist in pension management for companies

Client requirements in focus

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

MLP Finanzdienstleistungen AG: Focus on individual professional groups

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

High quality standard guaranteed

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

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

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

Transparent partner and product selection process

In addition to its private client business, the MLP Group has also been establishing an extensive portfolio for corporate clients, institutional investors and high net worth individuals since 2004. With the continuous expansion of our business model and new additions to our core competencies, we have created stable pillars to secure the sustainable success of our company.

Diversification at an advanced stage

As an investment expert, FERI offers high net worth individuals and institutional clients services in three business segments: Investment Management, Consulting & Family Office and Research & Rating.

FERI – Wealth management with independent research

In the Investment Management business segment, FERI Trust GmbH offers a broad spectrum of wealth management services in all asset classes. These range from the development and implementation of individual investment strategies, right through to quantitative risk management and control.

The Consulting & Family Office segment (FERI Institutional & Family Office GmbH) specialises in the long-term advising of major institutional investors and high-net-worth families.

In addition to this, the FERI Group includes FERI EuroRating Services AG (FERI EuroRating), one of the leading European ratings agencies for analysis and rating of investment markets and investment products, as well as one of the largest economic research and forecast institutes.

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

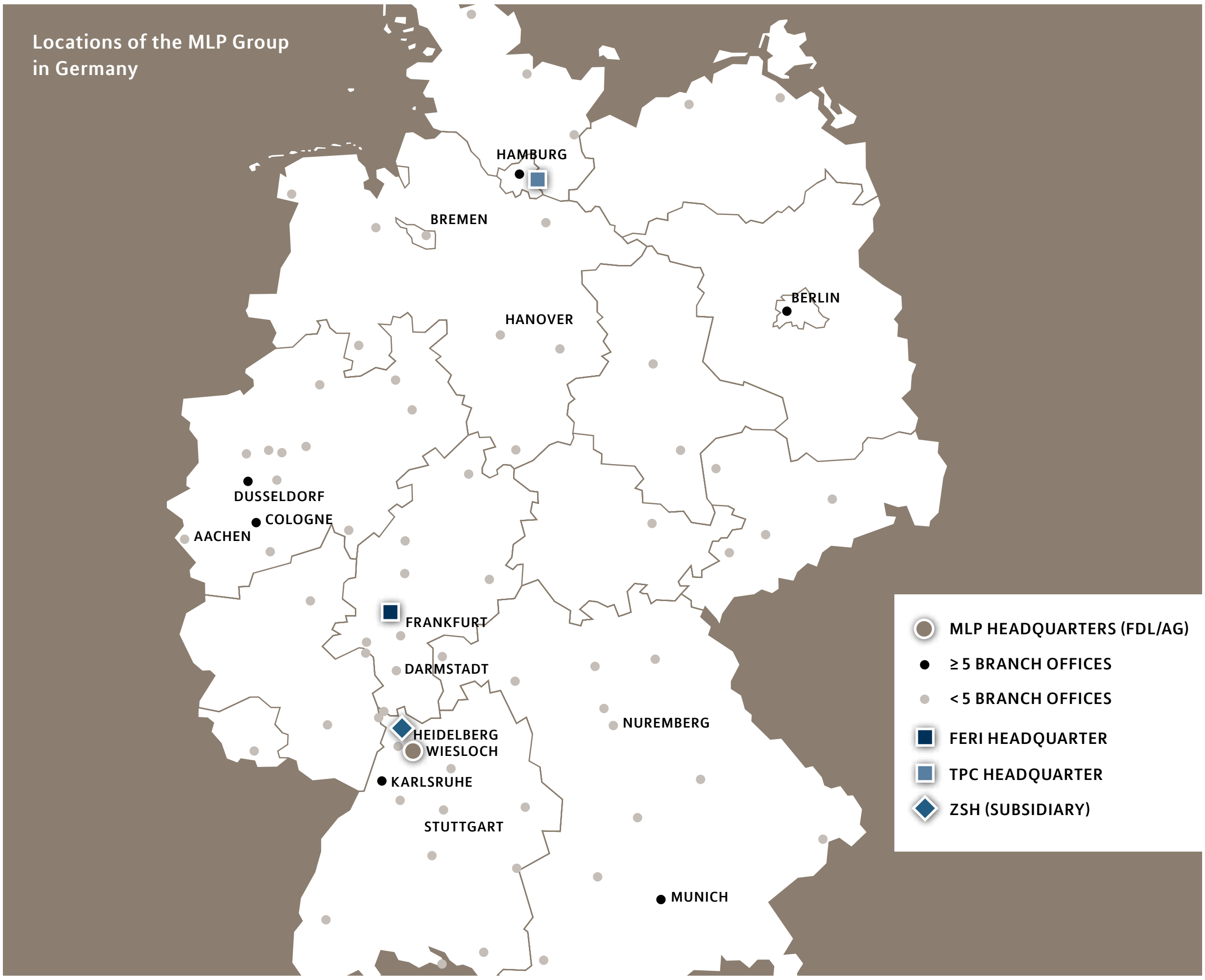
TPC: Sector concepts for occupational pension provision management

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

Qualifications and further training of key importance

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

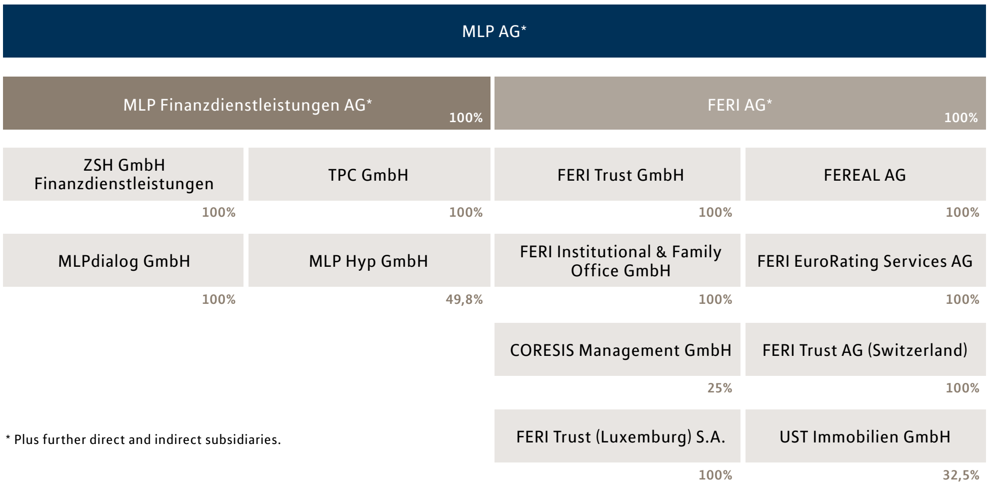
Represented throughout Germany



Legal corporate structure and Executive Bodies

MLP is organised as a holding company, in which central management duties are performed by the Group's parent company, MLP AG. The two subsidiaries MLP Finanzdienstleistungen AG and FERI AG are directly subordinate to it (see figure). 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 as of December 31, 2014



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

The main fields of business conducted by FERI AG are investment management for institutional and private clients through FERI Trust GmbH, Bad Homburg v.d.H., the Consulting & Family Office for institutional and private clients through FERI Institutional & Family Office GmbH, Bad Homburg v.d.H., as well as rating & research services through FERI EuroRating Services AG, Bad Homburg v.d.H.

The main companies and affiliations in Germany and abroad include FERI Trust (Luxembourg) S.A., which acts as fund manager and coordinates the entire fund structuring and fund floating process, as well as FERI Trust AG (Switzerland), which offers investment solutions for private and institutional investors. In the field of real estate, FERI AG holds investments in CORESIS Management GmbH, as well as in UST Immobilien GmbH, which specialises in the US real estate market.

FEREAL AG is to be expanded into a capital management company that complies with the new legally stipulated requirements of the Capital Investment Code (KAGB). Activities in and around the management of alternative and fixed asset investments will then be centralised there.

Factors affecting business development

Economic developments in Germany have a significant impact on the business model of the MLP Group, as the company generates almost all of its revenue in this country. Particularly important indicators in this regard are economic growth, the general savings rate, developments on the employment market and salary levels, which are described in further detail in the chapter entitled “Economic report – Overall economic climate”. In addition to this, the results of operations are largely influenced by the market conditions in the consultancy fields of old-age provision, health insurance and wealth management, which are presented in the chapter entitled “Economic report – Industry situation and competitive environment”.

Organisation and administration

On March 31, 2014, Muhyddin Suleiman, member of the Executive Board at both MLP AG and MLP Finanzdienstleistungen AG with responsibility for sales, left both committees by common agreement. Since April 1, 2014 the Executive Board at MLP AG has therefore comprised three rather than previously four members: Beside the Chairman of the Board, Dr. Uwe Schroeder-Wildberg, Manfred Bauer (Product Management) and Reinhard Loose (Finance) are also members of the Executive Board.

The responsibilities of the Executive Board members changed as follows on April 1, 2014. Alongside Strategy, Communication & Policies, Marketing, and Market & Innovation, Dr. Uwe Schroeder-Wildberg now also holds responsibility for Sales. In addition to his previous responsibilities, Reinhard Loose also assumed responsibility for HR, Legal and Auditing.

The Supervisory Board, which is required to monitor the Executive Board under German law, comprised six members. There were no changes in the reporting year.

On August 18, 2014, the Supervisory Board extended the current employment contract of Manfred Bauer up to April 30, 2020.

At FERI AG, the Executive Board contract of Arnd Thorn (Chairman) was extended in the reporting period.

Control system

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

Corporate management

EBIT and sales revenue as top key performance indicators

Earnings before interest and tax at Group level (EBIT) and total revenue (sales revenue) represent the central control parameters at MLP for overall business development in the individual business segments. Since we operate largely without the need for borrowed capital and our capital intensity is comparatively low, we are able to concentrate on these control parameters in our forecasts. We require profitable growth and sustainable development of earnings in order to achieve a sustainable increase in company value and expand our market position.

Other KPIs include administrative expenses (defined as the sum of personnel expenses, other operating expenses, as well as depreciation and amortisation), the return on equity, assets under management, brokered new business in the old-age provision segment, the number and turnover rate of consultants, as well as the number of training days.

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

Uniform controlling information for everyone involved

Controlling at MLP Finanzdienstleistungen AG provides the management with daily reports on new contracts signed at all business segments and on qualitative KPIs. In weekly reports, the current figures are compared against both the projected figures and the actual figures from the previous year. These analyses are then used in decision-making processes and represent an important instrument both for the continuous monitoring of our business success and securing a continuous flow of information. The aim here is to grant everyone involved – from the Executive Board, through divisional board members, all the way down to the individual offices – a uniform presentation of the success achieved in sales.

All subsidiaries also submit monthly reports, in which all key value drivers are presented. To permanently monitor and control costs with the greatest possible accuracy within the scope of our efforts to further increase efficiency, cost centre representatives have been appointed for each business segment.

Risk management: Important management and control element

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

Key figures and early indicators used by corporate controlling

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

Keeping consultant turnover low

Our objective is first to win over the best consultants in the industry to our business model and then keep them loyal to our company in the long term. We therefore continually monitor our turnover rate and aim for a maximum annual turnover rate for self-employed consultants of 12% (+/– 2%). Continuous training, which is reflected by the number of training days per year, represents an important factor in attracting and retaining consultants, as well as for assuring the quality of our consulting services.

Research and development

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

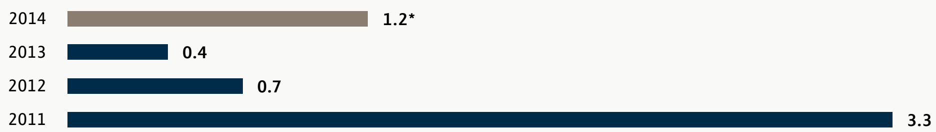
ECONOMIC REPORT

Overall economic climate

Overall economic situation

Economic growth in the eurozone declined markedly during 2014 and, based on expectations of the Organisation for Economic Cooperation and Development (OECD), was only 0.8%. The German economy was also negatively affected by this. Following a good start to the year, economic growth in Germany declined significantly in Q2 and Q3. Based on estimates of the Council of Economic Experts in its 2014/2105 Annual Report, which examines macroeconomic developments, geopolitical risks and unfavourable developments in the eurozone played a key part in this. As a result of this, inflation-adjusted gross domestic product (GDP) only increased by 1.5% in 2014 according to calculations performed at FERI EuroRating.

Economic growth in Germany (all figures in %)



Source: FERI EuroRating Services AG, rate of change in GDP, price-adjusted
* estimate.

Consumer confidence reaches peak levels

Despite the uncertainties mentioned, consumer confidence in Germany proved to be rock in turbulent economic waters in the reporting year. Over the course of the reporting year, the Consumer Sentiment Index of the German Consumer Research Association (GfK) increased slightly, ultimately reaching 8.7 points in December 2014. This index is considered one of the most important indicators of behaviour among German consumers and of economic stability.

Business prospects only really started to improve for German companies towards the end of the reporting year. The ifo business climate index increased to 104.7 points in November (from 103.2 in the previous month) and then reached 105.5 points in December. Prior to this, the business climate in Germany had deteriorated for six months in succession.

Employment and income levels stable

Despite economic weakness, the German employment market displayed stable development in the second half of the year. According to data published by Germany's Federal Employment Agency, the annual average number of registered jobseekers fell year on year by 52,000 to approximately 2.9 million persons in 2014. This corresponds to an unemployment rate of 6.7%.

The employment market continued to offer opportunities for high-skilled employees. According to the latest data published by Germany's Federal Employment Agency, the unemployment rate among academics remained very low at just 2.5%. Based on the definition, this group can actually be considered to be in full employment.

According to a projection published by the German government in autumn, appropriate salary increases are required to keep the employment market healthy. These form the foundations for notable increases in private household income. Based on expectations of the German government, disposable incomes increased by 2.2% in 2014, whereby net wages and salaries increased by 2.6% per employee.

Savings rate at all-time low

According to the German Federal Statistical Office, the savings rate in Germany only increased marginally by 0.1% to 9.2% in the last financial year. In 2010, the rate was 10%. In an international comparison, however, Germans still save more than average relative to their disposable income. Indeed, a survey conducted by Postbank indicates that the savings rates in the US and Great Britain are only half the level in Germany.

Industry situation and competitive environment

84% of total revenue is generated from the following three core fields of consultancy: old-age provision, health insurance and wealth management. The following therefore describes the main factors that had a particular influence on the market environment and the results of operations in these areas in 2014.

Old-age provision

As had already been the case in previous years, the reporting year 2014 was characterised by a strong sense of uncertainty in Germany's market for old-age provision. The ongoing period of low interest rates and sheer volume of negative reports on life insurers and their products stimulated a sense of uncertainty among clients throughout the sector.

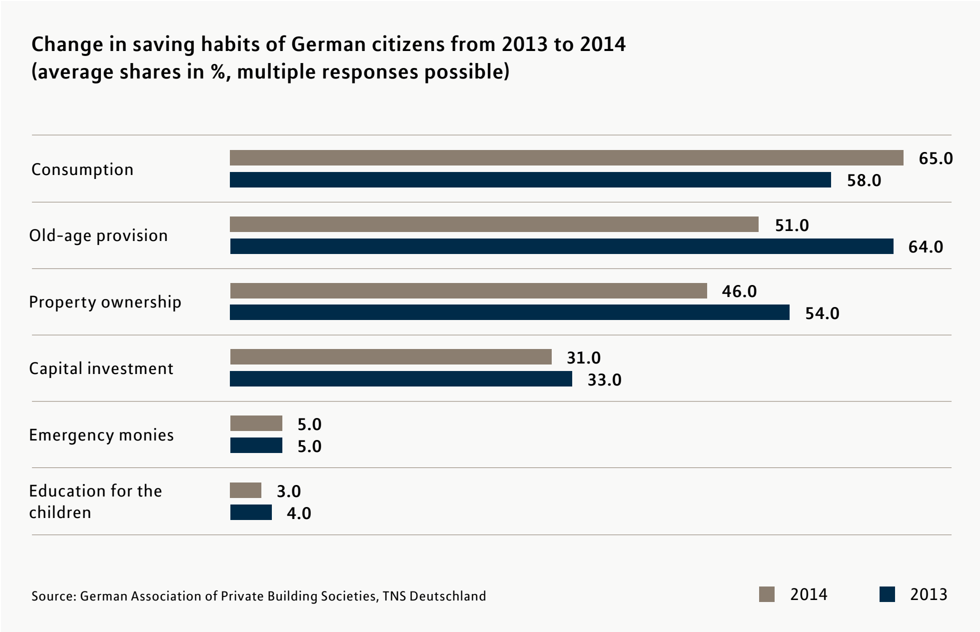
In summer, the many public discussions regarding the Life Insurance Reform Act (LVRG), which was introduced in August 2014, then led to a large number of clients adopting a "wait and see" attitude (you can find further information regarding the effects of the new legislation in the chapter entitled "Competition and regulation").

Reservations in the field of old-age provision

More than one in four Germans (26%) completely ignore the topic of old-age provision: this was the result of the "German Old-Age Provision Report 2014", a representative survey performed by the Research Center for Financial Services, the Steinbeis University in Berlin and Sparda-Bank in Hamburg. However, the study goes on to say that the market potential still remains high. The vast majority of German citizens – around 82% – consider an additional private old-age provision to be necessary. Yet only around half of all Germans have actually sought out advice on this topic.

Willingness for provision investment suffers from low interest rate phase

According to the annual questionnaire on savings behaviour among German citizens commissioned by the German Association of Private Building Societies, one reason for the reservations displayed by many Germans is the ongoing low interest rate environment. Indeed, only 40% actually saved money – meaning that the willingness to save in summer 2014 fell to by far its lowest ever rate since the surveys began in 1997. Added to this is the fact that only 51% of those saving money listed old-age provision as one of their motivations for saving. As such, old-age provision lost 13 percentage points over the previous year and has been pushed down to second place on the list of reasons for saving.



Short-term investments are proving particularly popular at the moment due to the low interest rate environment. More than 70% of German citizens currently have all or some of their money invested in instant-access and fixed-term savings accounts. This is based on a representative survey performed by Goldman Sachs. Material assets such as real estate also remain a popular form of investment. According to the 2014 Wealth Barometer of the Deutsche Sparkassen- und Giroverband (DSGV), 52% of respondents consider the purchase and self-use of real estate as the best way to accumulate wealth.

Reservations at all three tiers

The difficult framework conditions described were also reflected in the market trend of the various old-age provision products in the reporting year. The state is offering citizens various incentives in the form of tax breaks and allowances to encourage them to save for their own old age. State allowances in Germany are presented in the so-called 3-tier model:

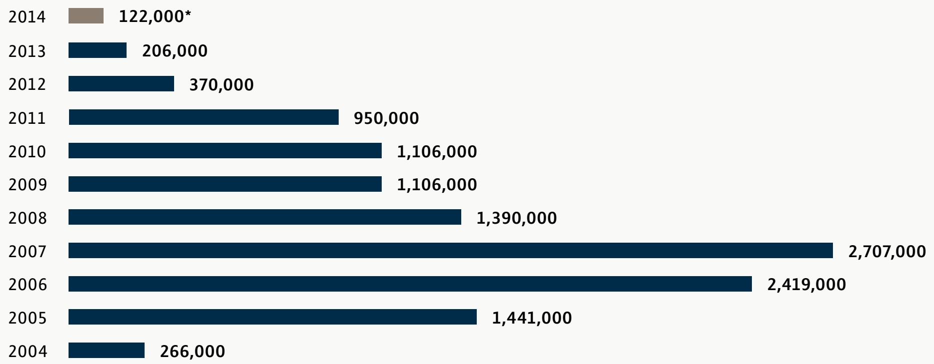
- Basic provision: Statutory pension and basic pension
- Supplementary pension provision: Riester pension and occupational pension provision
- Other supplementary insurance provision: Pension and life insurances, capital market products

Alongside the statutory pension, basic provision (1st tier) also includes the basic pension or Rürup pension, whose premiums can be offset against income tax. The basic pension is also open to freelancers and self-employed people who are not obliged to pay into the statutory pension insurance fund. In 2014, tax payers were able to offset the capital invested into a basic provision policy over the course of the year against income tax up to a level of 78% and a maximum of € 20,000 per person. Despite this considerable tax incentive, in 2014 the basic pension failed to win the acceptance hoped for by the legislator among the German population. According to data published by the German Insurance Association (GDV), only 110,300 new basic pension contracts had been signed by the cut-off date on December 31, 2014 (2013: 118,700). This corresponds to a decline of 7.3%.

The supplementary pension provision (2nd tier) is essentially made up of occupational pension provision and the Riester pension. The sector-wide downward trend in sales also continued in terms of new Riester contracts signed in the reporting year. According to the German Federal Ministry of Labour and Social Affairs, 122,000 new contracts were concluded by the end of Q3 2014 (financial year 2013: 206,000). There were therefore approximately 16 million Riester policies in place – which is only slightly more than on December 31, 2013. As had already been the case in 2013, there was a clear focus on "Wohn-Riester" or "home annuity contracts" among those signing new contracts.

Downward trend in new Riester pension signings

New Riester pension contracts (2004 to 2014)

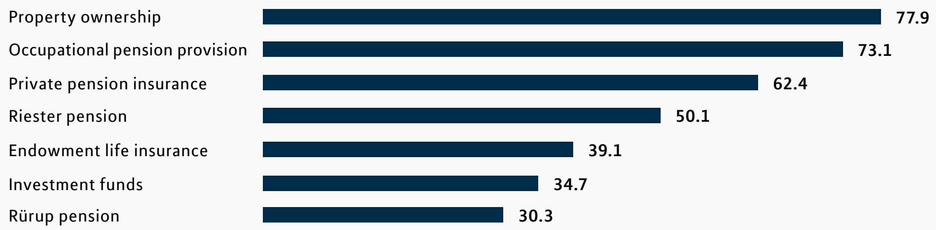


* As of September 30, 2014.
Source: German Federal Ministry of Labour and Social Affairs

The overall significance of occupational pension provision as a further component of 2nd tier provision has increased. According to the "German Old-Age Provision Report 2014", almost three quarters of German citizens (73.1%) consider occupational pension provision to be a suitable or very suitable way of saving for their old age. The only investment more popular than this is therefore the purchase of real estate at just under 78%.

Occupational pension provision increasingly important

Old age provision considered particularly suitable by German citizens (highly suitable and suitable responses combined, in percent)



Source: Steinbeis University Berlin, Sparda-Bank

The results of a survey conducted by Towers Watson indicate that the majority of employees in Germany (63%) expect their employer to offer them an occupational pension provision plan. Companies seem to share this opinion. Indeed, 64% of them believe that employers should take care of their employees' old-age provision needs. In this regard, companies generally state attracting and retaining employees the most important reason for this. However, the percentage of employees with entitlements to occupational pension provision is often quite low, particularly at small and medium-sized companies. According to a survey performed by the Zurich Group, the rate of penetration at companies with between 50 and 200 employees is only around 50%. At small companies, it is even lower.

The 3rd tier is also continuing to display rather stifled development. At 1,594,729 (1,534,890), the number of new classic life and pension insurance policies concluded in the reporting year was only slightly higher than in the overall weak financial year 2013.

Negative trend among long-term care pension policies

Despite all of the current discussions regarding the growing number of German citizens requiring nursing care, the field of long-term care provision displayed a downward trend in 2014. Based on figures published by the German Insurance Association (GDV e.V.), 31,022 new long term care annuity insurance contracts had been signed by the reporting date, December 31, 2014 – which corresponds to a decline of 8.6% compared to the previous year. You can find more detailed information on the topic of long-term care provision in the following section entitled "Health insurance".

Slight upward trend in overall market, single premiums providing strong support

With the Life Insurance Reform Act (LVRG), the legislator has set out various stipulations, including a reduction in the maximum actuarial interest rate from 1.75% to 1.25% from January 1, 2015 onwards. This decision has direct effects on various concepts, including occupational disability insurance. Model calculations performed by MLP have shown that premiums are likely to increase by as much as 7%, depending on age group and contractual term. This led to an increased need for consulting services towards the end of the reporting period.

Despite this effect, new business development displayed only a slight improvement over 2013. At € 151.9 billion, the brokered premium sum of new business is just 4.8% above the comparably low figure from the previous year (€ 144.9 billion). The development was largely supported by greater gains in single premium products.

Health insurance

In the reporting year, the market environment for private health insurance remained extremely difficult – at least in the field of comprehensive insurance. According to data published by the Association of Private Health Insurers, the drop in the number of comprehensive health insurance policyholders more than tripled from 20,100 in 2012 to 66,300 in 2013, which corresponds to a development in the number of policyholders of –0.74%. At the end of 2013, 8.89 million German residents therefore held comprehensive health insurance. The experts at the Assekurata ratings agency do not anticipate any reversal in this trend for the reporting year 2014. In fact, they expect the number of persons holding comprehensive health insurance to decline throughout the sector for the third year in succession – at roughly the same rate as in 2013. This forecast also corresponds to our assessment of market developments.

Increased premiums lead to reservations

There are many reasons for the downturn observed in the sector. The switchover of tariffs to the new "unisex" concept, as well as the reduction in the actuarial interest rate from 3.5% to 2.75% led to some premiums increasing for new business. In addition to this, public debates regarding revised premiums for private health insurance policies – and in particular the affordability of premiums later in life – generated many reservations among those considering signing new policies. This situation is made even more acute by the scepticism and uncertainty being felt among the general population due to the discussions regarding a change of system to the so-called "citizens insurance", which primarily took place in 2013. The withdrawal of many providers in the sector from the low-price segment, which in the past was geared particularly towards offering the price-sensitive clientele of freelancers and self-employed persons private health insurance, also contributed to the decline. However, MLP never operated in this market segment.

Supplementary insurance policies on the rise

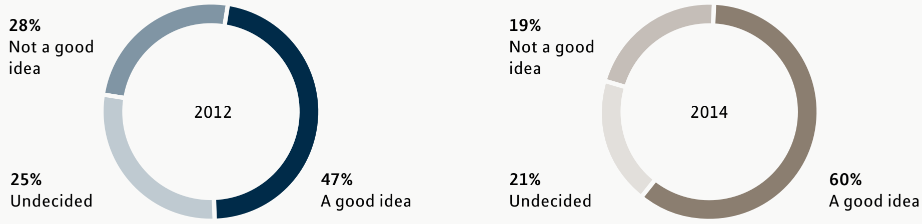
In times when the framework conditions for comprehensive insurance are more than difficult, supplementary insurance is gaining in popularity. Indeed, the latest figures published by the Association of Private Health Insurers show that 461,400 new contracts were signed in 2013. This represents an increase of 2%, which is approximately the same level as the previous year (2012: 2.5%). The Assekurata ratings agency also anticipates comparable growth being achieved for the reporting year 2014.

Supplementary long-term care insurance, and tax-privileged provisional long-term care insurance in particular (state-supported private long term-care insurance with daily cash benefits, the so called "Pflege-Bahr"), made the most significant contribution to growth in the field of supplementary insurance. According to the Association of Private Health Insurers, slightly more than half a million supplementary long-term care insurance policies (527,500) were concluded in 2013, around two thirds of which (353,400) were state-subsidised tariffs. The total inventory of supplementary long-term care insurance policies therefore increased to more than 2.7 million contracts. According to data published by the Association of Private Health Insurers, more than 400,000 people had signed a tax-privileged long-term care provision contract by April 2014, so more than a million new contracts are anticipated by the end of 2014. Yet despite this, the Association of Private Health Insurers indicates that only 3% of the population has signed up for supplementary long-term care insurance to date. This highlights the massive future potential that remains in this segment.

German population becoming increasingly aware of the need for nursing care

Awareness for the topics of nursing care and long term care provision has definitely increased among German citizens, not least due to the public discussions in the course of the planned care reform and the passing of the first Care Enhancement Act (PSG). The new legislation came into force on January 1, 2015. According to the MLP Health Report 2014, 60% of German citizens actually welcome the existing state allowances for supplementary insurance in the event of long-term care.

Support for state subsidies/allowances for private provision in the event of long-term care



Basis: Federal Republic of Germany, citizens over 16 years of age.
Source: MLP Health Report 2014, IfD surveys

Care already part of day-to-day life

A survey undertaken by Techniker Krankenkasse shows that the topic of care already affects three quarters of German citizens either directly or indirectly. Based on this, more than one in two Germans (56%) have persons either requiring or providing care in their personal environment. Two of every ten respondents (22%) are themselves already regularly looking after family members who live in a home and require care, while one in six (16%) currently cares for someone at home or has done so within the last five years.

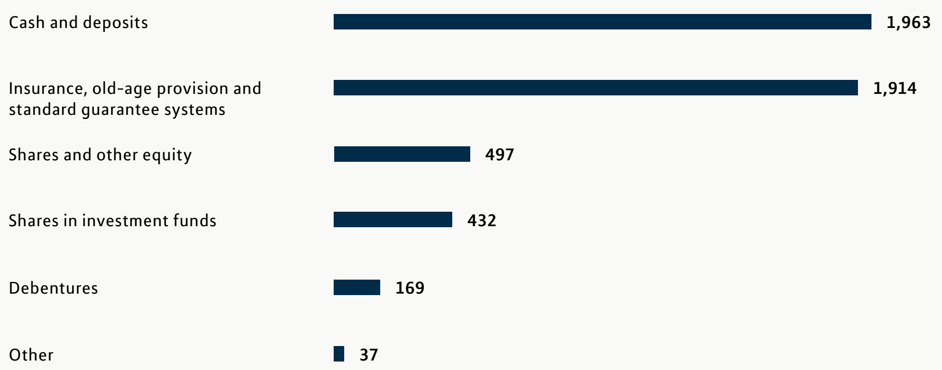
Wealth management

Despite the ongoing low interest rate environment, households across the globe have never been as rich as they are now. According to the “Global Wealth Report 2014”, published by the Boston Consulting Group (BCG), the sum of private assets held worldwide increased by 14.6% in 2013 to a new record of US$152 trillion. Germans have also become richer. According to a survey performed by corporate consultancy Capgemini, the number of dollar millionaires in Germany increased by 11.4% to 1.13 million persons in 2013. Based on the “Global Wealth Report 2014” published by Allianz, the average German citizen has net assets of € 44,283. This corresponds to around 5.3% more than in the previous year.

Liquid and low-risk investments preferred

Based on the latest figures of the German Bundesbank, private households in Germany primarily chose to invest in secure accounts with daily access to their funds. The total monetary assets of private households in Germany at the end of Q3 2014 were € 5,011 billion – and therefore almost 5% higher than one year previously. Around € 53 billion was deposited in the first nine months of the reporting year. Most of this took the form of demand deposits, including cash.

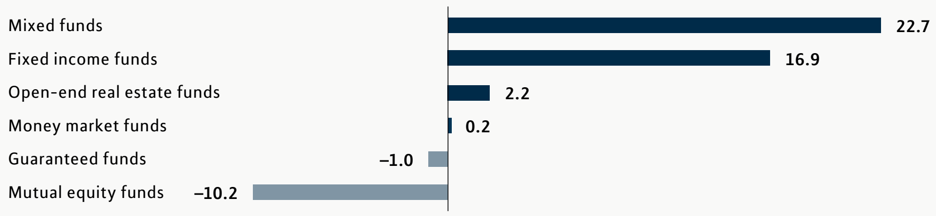
Private monetary assets of German citizens (all disclosures in € billion)



Source: German Bundesbank, dated: January 19, 2015

In terms of investment funds, investors also preferred low-risk products in the reporting year. According to the German Association of Investment and Asset Management e.V. (BVI), mixed funds recorded by far the highest inflows of all mutual funds at € 22.7 billion as of December 31, 2014, followed by fixed income funds at € 16.9 billion. Mutual equity funds, on the other hand, proved less popular and investors withdrew a total of € 10.2 billion from these funds in 2014.

Cash inflows and outflows of various types of investment funds in Germany from January to December 2014 (all figures in € billion)



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

Low interest rates threaten capital accumulation

According to the “Global Wealth Report 2014” published by Allianz, the low interest rates are not only restricting long-term capital accumulation, but are also having direct effects on income in the form of lost interest.

Investors are slowly adapting their savings behaviour

According to the Wealth Barometer 2014 published by the Sparkassen- und Giroverband, the historically low interest rates are increasingly unsettling German citizens. The European Central Bank’s current monetary policy is the biggest concern for 45% of citizens when saving money. Almost one third of investors (30%) have already adjusted their own savings behaviour to the low interest rates currently being offered or are planning to do so in future.

Fiercely contested market

The market for providing consulting and asset management services to high net worth individuals and institutional investors, which we process via FERI, has become more complex and fiercely contested since the financial and economic crisis. The competitive environment is characterised by ongoing consolidation in the fields of private banking and wealth management. However, the decision-making cycles of investors remain long and the willingness to sign new contracts remains fairly low. In light of the low interest environment, institutional investors in particular are looking beyond classic liquid assets for a return and increasingly requesting information on alternative investments.

Confidence growing in the wealth management sector

Based on the “World Wealth Report 2014” published by corporate consultancy Capgemini, trust in professional investment managers has increased among high net worth individuals. At the start of 2014, three quarters of dollar millionaires surveyed stated that they have a high degree of trust in their investment managers. A glance at the service preferences of respondents indicates that they are increasingly looking for professional consulting services (34%, compared with 21% who are not seeking advice) and prefer tailor-made rather than standard services (29% compared with 24%). According to a survey of 138 institutional investors undertaken by FERI EuroRating, these investors generally prefer to trust “smaller operations” that handle lower volumes when investing their money.

Positive overall market development

The assets of institutional investors enjoyed positive overall development, with investments in special funds increasing by 15.1% from € 1,071 billion to € 1,231 billion. The total assets managed in Germany by the German investment industry at the end of 2014 were € 2,382 billion – some 13.2% higher than in 2013.

Competition and regulation

The competitive situation in the German market for financial services did not change significantly for the MLP Group in 2014 compared to the previous year. The sector remains very heterogeneous and is characterised by a high level of competitive pressure and a trend towards consolidation. The providers include numerous banks, insurance companies and free finance brokers. However, the quality of consulting provided by these companies can vary quite markedly.

Altered framework conditions

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

Life Insurance Reform Act (LVRG)

In July 2014, the Bundestag and Bundesrat passed the Life Insurance Reform Act (LVRG). Some of the changes came into force at short notice with publication in the Federal Law Gazette, while other revisions have been in force since January 1, 2015.

The following came into force in August 2014:

- New legislation regarding participation of policyholders in valuation reserves

Participation in the valuation reserves associated with fixed income securities is limited. In future, companies may only allow withdrawing clients to participate in half of those reserves that exceed the so-called hedging requirements. This is the amount required in the current interest rate environment in order to secure the benefits and guarantees promised. Withdrawing clients retain their 50% participation in the valuation reserves of shares or real estate.

- Block on dividend payouts for companies

To ensure that life insurers are able to fulfil their guarantee obligations, even in the event of extended periods of low interest rates, the legislator has passed a cap on dividend payouts. This stipulates that no funds may flow from companies to shareholders in the short term, in case such funds are needed in the mid-term or even long-term to secure guarantees.

The following regulations came into effect on January 1, 2015:
- Increased minimum participation in risk surpluses from 75% to 90%
- Introduction of an effective cost ratio
- Reduction in maximum actuarial interest rate (guaranteed interest rate) from 1.75% to 1.25%
- Reduction in the maximum zillmerisation rate from 4% to 2.5%

You can find more details regarding the effects of this new legislation in the Forecast section under “Competition and regulation”.

MLP considers it generally positive that the necessary decisions have been taken with the Life Insurance Reform Act (LVRG) and that the public discussions regarding the future of life insurance products should now start to calm down again. We also welcome the requirement to disclose effective costs, as well as the fact that no flat-rate cap has been introduced for acquisition commission.

Basic prerequisite for registration fulfilled

Germany's Fee-Based Investment Advice Act (HAnlBG), which came into force on August 1, 2014 and changes the rules for fee-based investment advisory services, represents an important regulatory step for the sector. MLP adapted its compensation structure for investment advisory services as early as the start of 2012. Unlike most banks, we have been refunding all trail commissions that we receive for the brokerage of investment assets to clients conducting new business since this time. MLP thereby complies with one of the most important prerequisites for possible registration as a fee-based investment consultant. However, we have not submitted an application to date, since this would lead to complications with old client contracts due to the impractical nature of the legislation. According to data published by the Federal Financial Supervisory Authority (BaFin), there are currently only 14 fee-based investment consultant registrations.

Fee-based consulting already part of the offer

The Fee-Based Investment Advice Act refers exclusively to the field of investment consulting. However, further regulations for the field of insurance consulting have been announced in the coalition agreement. The current German government sees fee-based consulting as a supplementary alternative to commission-based consulting and is not striving for any kind of ban on commissions.

MLP is generally open to fee-based consulting, not just in the field of wealth management. In fact, we are already offering fee-based services in other fields, including consulting on doctor's office and real estate financing, as well as certain areas of occupational pension provision. However, we remain firmly convinced that the quality of investment advice does not depend on the type of compensation, but rather on correct consultant training, the quality of the product selection and transparency for the client. We already consider ourselves to be well-positioned in this regard through our business model, the extensive qualification and further training opportunities we offer our consultants, as well as our partner and product selection process.

Stricter banking regulation in Europe

The package of regulations for implementation of Basel III came into force in the European Union on January 1, 2014 with the Implementation Act on the Capital Requirement Directive (CRD IV) and the Capital Requirement Regulation (CRR). These represent fundamental restructuring of the supervisory legislation for banks within the EU. Among other things, the amendments require equity ratios to be increased in a step-by-step process by 2019, while harmonised EU-wide liquidity requirements are also to be met for the first time. This should provide greater equity for the transactions conducted by banks, which in turn will allow the banks to cover potential losses more effectively and thereby lend them greater resilience in times of crisis. As an institute with a banking licence, these regulations also apply to MLP Finanzdienstleistungen AG and thereby to the MLP Group.

New legislation for investment funds

Various new pieces of legislation have already been in force for alternative investment fund managers since 2013 on the basis of the Alternative Investment Fund Manager (AIFM) Implementation Act. Among other things, these are now subject to regulation by BaFin. With this step, an EU Directive has been implemented in German law through introduction of the Capital Investment Code (KAGB). The Capital Investment Code (KAGB) represents the first piece of legislation to govern requirements of both closed and open funds and their managers.

The AIFM Tax Amendment Act came into force on December 24, 2013 as tax-related accompanying legislation to the Capital Investment Code (KAGB). It regulates taxation of all investment funds governed by the Capital Investment Code (KAGB). Based on this, German investment funds may only be established in the form of a separate trust, an investment stock corporation with variable capital or the newly created open limited investment partnership.

The “Act Amending Financial Market Legislation”, which includes the so-called “KAGB Repair Act” among others, has been in force since July 19, 2014. The “KAGB Repair Act” primarily comprises technical and editorial amendments to the Capital Investment Code (KAGB) which has already been in force since 2013, including a precise definition of “open funds” and “closed funds”.

FEREAL AG is to be extended to a capital management company within the MLP Group that complies with the legal requirements of the Capital Investment Code (KAGB). Given the increasing importance of alternative and fixed asset investments, this is an important step.

Market shares of various market members

Independent financial consultants, i.e. providers such as MLP that do not offer any of their own products, continued to play a key part in the brokerage of old-age provision products in Germany in the last financial year. According to the 2014 Sales Channel Survey performed by corporate consultancy Towers Watson, independent brokers were the third most important specialist consulting sector in the industry in terms of life and pension insurance policy sales. Based on the latest figures, the market share of brokered new business was 26.0%. At 28.1%, tied agents that only offer products from one insurance company are in second place just behind banks, which still occupy first place with a share of 28.5%.

The latest figures from Towers Watson indicate that independent consultants such as MLP also continue to play a key role in the brokerage of private health insurance policies. With a market share of 37.2%, independent consultants are now the second most important group of advisers after tied agents, who represent just one single insurance company.

Business performance

The massive challenge in our core market also had a negative impact on our business development in the reporting year 2014. Even positive economic data, such as stable domestic demand, a low unemployment rate and increasing wages, was not able to compensate for these effects.

In the field of old-age provision, the ongoing low interest rate phase and negative press regarding the stability of life insurers were the main factors that led to continued reservations in terms of signing long-term contracts. In the field of health insurance, the pronounced reservations regarding comprehensive private insurance remained unchanged.

Despite these market conditions, we were able to significantly increase total revenue in the last financial year. Revenue in the field of wealth management set a new record and we were also able to record greater gains than the market in the field of old-age provision. Revenue in the field of non-life insurance also displayed further positive development. Due to the many public discussions of the last few years, revenue in the field of health insurance once again displayed a downward trend. Revenue from financing was slightly below the previous year’s level.

Wealth management further strengthened

Working together with our subsidiary FERI AG, we further strengthened our wealth management operations in the reporting period. FERI was able to acquire new clients in all business segments. The consulting and service portfolio was consistently expanded, above all in the areas of investment management, alternative assets and real assets (for example private equity, hedge funds and real estate). The Group’s funds under management increased by 12.2% to € 27.5 billion.

First place in the all-time best list of the „Fuchsbriefe“ magazine

FERI took 3rd place in the “Best Investment Manager 2015” test conducted by the “Fuchsbriefe” magazine in the reporting period. This puts the company in first place on the all-time best list. A total of 84 banks, wealth management companies and family offices from Germany, Switzerland, Austria, Liechtenstein and Luxembourg were tested in the first half of 2014.

To cater to the increased demand for real estate and sustainably broaden its revenue basis, MLP significantly expanded its consulting portfolio in and around the field of real estate in the reporting year within the scope of its growth initiatives. On customers demand, MLP consultants can offer clients real estate for their own use or for use by third parties. Quality assurance is performed by the subsidiary FERI EuroRating Services, which undertakes a check of all providers.

Consulting services extended in and around the field of real estate

IT in the German banking sector has seen dynamic development over the last few years. It can be anticipated that the pressure for change likely to be felt in the IT services segment over the course of the next few years will increase. At the same time, increasing digitalisation is leading to new services being required, which will then need to be secured using modern and platform-independent IT products. We addressed these developments with numerous measures in the reporting year.

Virtualisation of the workplace completed

One of the most important projects in 2014 was the roll-out of the process for virtualisation of IT workplaces for consultants and employees, who can now access their workplace from virtually any terminal – in compliance with strict data protection and security aspects. In parallel with this, all workplaces were updated to the latest version of Microsoft Office and a new file storage system was introduced. All employees and consultants received training on this in 2014. More details about this can be found in the chapter entitled “Employees and consultants”.

We have decided to temporarily postpone introduction of a new, standardised consulting application originally planned for 2014 in order to focus on making further changes and improvements.

Online consulting and eSignatures in the pipeline

Within the scope of further expanding cloud services, a pilot project for use of videoconferencing during online consulting was launched in 2014. Aside from this, MLP began initial preparations for introduction of a digital signature (eSignature) as a prerequisite for online contract conclusion in selected areas.

In the reporting year, MLP therefore created the technological basis for further expansion of its digitalisation strategy. You can find details on this in the chapter entitled “Anticipated business development”.

Another important element of our digitalisation strategy is our ability to acquire new clients via the Internet – focusing in particular on young clients. MLP launched its Facebook page in the summer of 2014 under the heading of “MLP financify”. Revised presences on YouTube and Twitter have also been online since autumn. Significant progress in the preparations for an additional website aimed at young adults was made in the reporting year.

Social media activities as a way of acquiring new clients

Due to the challenging market environment, MLP is supplementing its growth strategy with a consistent efficiency management programme. Despite extensive investments to secure MLP’s future, administrative expenses remained within their target corridor. Around € 4 million in temporary expenses were accrued in the financial year 2014. Among other things, these costs can be attributed to recruiting programs, implementation of our digitalisation strategy and investments in IT.

Costs well under control despite extensive capital expenditure

Change in corporate structure

In the reporting period, FERI AG strengthened its presence in the Swiss market through the acquisition of Michel & Cortesi Asset Management AG. The primary focus here lies on wealth management and consulting for institutional and private clients, as well as management of investment funds. The company operates as an independent provider of investment solutions in the Swiss market and was managing total assets of approximately CHF 300 million at the

Expansion of the Swiss wealth management business time of acquisition. Once the transaction is complete and all necessary approvals have been received from the supervisory authorities, the plan is to merge his company with FERI Trust AG (Switzerland).

Aside from this, there were no significant changes to the corporate structure of the MLP Group in the reporting year.

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

Results of operations

Development of total revenue

Total revenue increased

Despite the tough market conditions already described, MLP was able to increase total revenue in the reporting period by 6.4% to € 531.1 million (€ 499.0 million). This growth was primarily driven by the increase in commission income from € 457.7 million to € 486.9 million. At € 22.9 million (€ 22.8 million), revenue from the interest rate business was at the same level as in the previous year. Other revenue rose to € 21.4 million (€ 18.5 million).

New business in the old-age provision segment significantly above the previous year

Due to the ongoing low interest rate environment and negative press in the media regarding life insurers and their products, many citizens are still reluctant to sign long-term life insurance contracts. The extensive discussions revolving around the Life Insurance Reform Act (LVRG), which came into force at the start of August 2014, also contributed to many clients adopting a "wait-and-see" attitude. On the basis of the previous year's comparatively low figure, however, MLP succeeded in increasing revenue in the old-age provision segment from € 219.9 million to € 239.7 million. New business (brokered premium sum) also increased accordingly from € 3.6 billion to € 4.1 billion. Occupational pension provision contributed 12% towards this (12%).

Revenue in the health insurance segment once again displayed a downward trend. Many customers still have great reservations based on the ongoing public discussion regarding private health insurance. Revenue in this consulting segment declined to € 43.5 million (€ 47.8 million).

Development of the non-life insurance, loans and mortgages business

The non-life insurance segment displayed further positive development. Revenue rose from € 32.5 million to € 34.6 million. Following the previous year's record value, the volume of brokered loans and mortgages decreased to € 1.4 billion (€ 1.5 billion). Revenue in this segment decreased from € 14.5 million to € 13.6 million as a result of this. This was supplemented by investment income of € 1.1 million from the joint venture MLP Hyp (€ 0.9 million).

New business

	2014	2013	2012	2011	2010
Old-age provision (premium sum in € billion)	4.1	3.6	4.8	5.2	5.0
Loans and mortgages (volume in € million)	1,415	1,513	1,301	1,327	1,219

Wealth management continues to grow

Having already displayed excellent development in the previous year, revenue in the field of wealth management once again increased – setting a new record at € 147.0 million (€ 138.1 million). The increase can essentially be attributed to the positive business development at FERI. In the past year, our subsidiary recorded positive business development in all three business segments of: Investment Management, Consulting & Family Office and Rating & Research. The Group's funds under management increased by 12.2% to € 27.5 billion (€ 24.5 billion).

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

Successful cost management

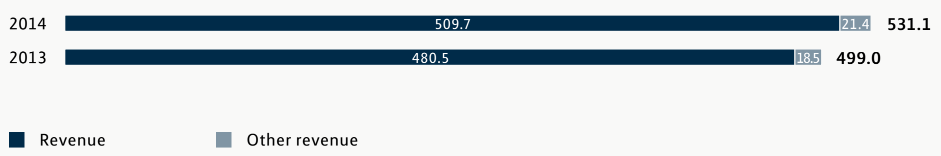
MLP successfully continued its cost management programme in the financial year 2014. As announced, we also made important investments to secure our future. Including these temporary expenses, administrative expenses (defined as the sum of personnel expenses, amortisation expenses and impairments, as well as other operating expenses) were € 256.8 million (€ 250.6 million) – and thereby around € 55 million below the figure recorded in 2008, the year in which we launched our efficiency programme.

In the course of increasing revenue, EBIT also increased to € 39.0 million (€ 30.7 million). The EBIT margin rose to 7.3% (6.2%). Productivity (defined as revenue per consultant in the financial services segment) improved to € 206,800 (€ 192,500).

Analysis of the change in revenue

Sales revenue increased from € 480.5 million to € 509.7 million in the reporting period. Other revenue also rose to € 21.4 million (€ 18.5 million). This can partly be attributed to revenue based on the positive effect on MLP of a court ruling with respect to a negative declaratory judgement against several former FERI shareholders. This has resulted in the reimbursement of legal and court costs to us. This rise is also attributable to the sale of fixed assets. Total revenue rose to € 531.1 million (€ 499.0 million).

Development of total revenue (all figures in € million)



The increase in commission income from € 457.7 million to € 486.9 million had a positive effect on revenue development. At € 22.9 million (€ 22.8 million), interest income remained at the same level as the previous year. The old-age provision segment continues to represent the lion's share of commission income, followed by wealth management. Other commission and fees recorded the strongest growth, reflecting the increase in revenue from the real estate portfolio since April 2014. The following table provides a detailed overview.

Breakdown of revenue

All figures in € million	2014	2013	Change in %
Old-age provision	239.7	219.9	9.0%
Wealth management	147.0	138.1	6.4%
Health insurance	43.5	47.8	–9.0%
Non-life insurance	34.6	32.5	6.5%
Loans and mortgages	13.6	14.5	–6.2%
Other commission and fees	8.4	4.9	71.4%
Total commission income	**486.9**	**457.7**	**6.4%**
Interest income	22.9	22.8	0.4%
Total	**509.7**	**480.5**	**6.1%**

Analysis of expenses

Commission expenses primarily comprise performance-linked commission payments to our consultants. They represent the largest single item under expenses. As a result of greater commission income, we also recorded an increase here. Also of importance is the fact that the commissions paid in the FERI segment also rose in the reporting years due to higher revenue. This is a result of the successful development in the field of fund administration. Variable expenses are, for example, accrued in this business segment due to remuneration of the depository banks or fund sales. Total commissions paid increased from € 214.2 million to € 233.6 million. The commission result was therefore € 253.3 million, following € 243.5 million in the previous year.

Interest expenses fell from € 4.4 million to € 2.8 million due to the ongoing downward trend in interest rates. Our total net interest increased from € 18.4 million to € 20.1 million.

Gross profit increased to € 294.7 million in the reporting period (€ 280.4 million).

Administration costs under control

At € 256.8 million, administrative expenses increased slightly in the reporting year (€ 250.6 million). This was due to temporary expenses for future investments.

On an individual item basis, personnel expenses of € 106.0 million (€ 106.2 million) are slightly below the previous year's level despite a one-off expense. Depreciation and amortisation increased to € 13.4 million, following € 11.8 million in the previous year. This was essentially due to the investments made in the previous year, which focused on IT and include corresponding amortisation expenses for the subsequent years. Other operating expenses increased slightly to € 137.4 million (€ 132.6 million). This can essentially be attributed to greater expenses for recruiting and in IT.

Breakdown of expenses

All figures in € million	2014	In % of total expenses	2013	In % of total expenses	Change in %
Commission expenses	233.6	47.4%	214.2	45.7%	9.1%
Interest expenses	2.8	0.6%	4.4	0.9%	–36.4%
Personnel expenses	106.0	21.5%	106.2	22.6%	–0.2%
Depreciation and amortisation	13.4	2.7%	11.8	2.5%	13.6%
Other operating expenses	137.4	27.9%	132.6	28.3%	3.6%
Total	**493.2**	**100.0%**	**469.2**	**100.0%**	**5.1%**

MLP Hyp displayed very encouraging business development in the last financial year. We hold a 49.8% stake in this company, which is operated as a joint venture together with the mortgage broker Interhyp. As a result of the good business development, our allotted earnings from the company increased from € 0.9 million to € 1.1 million, thereby exceeding the previous year's earnings. This is reflected in the income statement under the item "Earnings from investments accounted for using the equity method".

With increased commission income, EBIT also rose to € 39.0 million in the financial year (€ 30.7 million). The EBIT margin improved to 7.3%, following 6.2% in the previous year.

EBIT rises 27 %

EBIT development (all figures in € million)

The finance cost dropped from € 0.2 million to € –1.3 million in the last financial year. The decline in other interest and similar income from € 1.2 million to € 0.7 million had a significant effect on this. At the same time, other interest and similar expenses increased to € 2.0 million (€ 1.0 million). Earnings before tax (EBT) increased to € 37.6 million (€ 30.8 million). The tax rate increased slightly from 22.4% to 23.1%. Income tax expenditure was € 8.7 million (€ 6.9 million).

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

Structure and changes in earnings

All figures in € million	2014	2013	Change in %
Total revenue	531.1	499.0	6.4%
Gross profit [1]	294.6	280.4	5.1%
Gross profit margin (%)	55.5%	56.2%	–1.2%
EBIT	39.0	30.7	27.0%
EBIT margin (%)	7.3%	6.2%	17.7%
Finance cost	–1.3	0.2	> –100.0%
EBT	37.6	30.8	22.1%
EBT margin (%)	7.1%	6.2%	14.5%
Income taxes	–8.7	–6.9	26.1%
Net profit	29.0	23.9	21.3%
Net margin (%)	5.5%	4.8%	14.6%

[1] Definition: Gross profit results from total revenues less commission expenses and interest expenses

Group net profit increased to € 29.0 million in the financial year 2014 (€ 23.9 million). The basic and diluted earnings per share were € 0.27 (€ 0.22).

Group net profit

All figures in € million	2014	2013	Change in %
Continuing operations	29.0	23.9	21.3%
Group	29.0	23.9	21.3%
Earnings per share in € (basic)	0.27	0.22	22.7%
Earnings per share in € (diluted)	0.27	0.22	22.7%
Number of shares in millions (basic)	107.9	107.9	0.0%

Appropriation of profits

As in previous years, we have announced that we will be distributing 60% to 70% of net earnings to shareholders in the form of dividends. We paid our shareholders € 0.16 per share in the form of a regular dividend for the financial year 2013. The total dividend paid was therefore € 17.3 million. We did not purchase any treasury stock during the reporting period.

The Executive Board and Supervisory Board will therefore propose a dividend of € 0.17 per share for the financial year 2014 to the Annual General Meeting on June 18, 2015. This corresponds to a pay-out ratio of 63%.

Financial position

Aims of financial management

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

No significant liabilities or receivables in foreign currencies

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

Financing analysis

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

Equity ratio at 23.2%

The Group's equity capital backing and liquidity remain good. Shareholders' equity increased slightly from € 370.5 million to € 376.8 million in the reporting period. The Group net profit of € 29.0 million for the financial year 2014 had a significant effect on this. However, this was counteracted by the dividend payment of € 17.3 million for the financial year 2013. Due to the higher balance sheet total, the equity ratio declined from 24.2% to 23.2%. The core capital ratio was 13.6% on the balance sheet date (16.7%). This decline can essentially be attributed to new requirements as per Basel III which, among other things, provide for a different way of offsetting goodwill against shareholders' equity in the balance sheet.

At present, we are not using any borrowed funds in the form of securities or promissory note bond issues to finance the Group long-term. Our non-current assets are financed in part by non-current liabilities. Current liabilities to clients and banks from 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 from the banking business of € 1,025.1 million (€ 956.4 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 € 1,054.9 million in receivables from clients and financial institutions from the banking business (€ 981.7 million).

Since provisions only account for 5.7% (5.5%) of the balance sheet total, they have no significant financing function for the Group. Other liabilities increased to € 117.8 million on the balance sheet date (€ 108.7 million), whereby current liabilities increased to € 115.5 million (€ 103.2 million). These are essentially liabilities from operating activities. Current liabilities are offset on the assets side of the balance sheet by cash and cash equivalents of € 49.1 million (€ 46.4 million), financial investments of € 145.3 million (€ 146.1 million), as well as other current assets of € 104.2 million (€ 88.4 million).

On the balance sheet date, December 31, 2014, financial commitments of € 14.5 million from rental and leasing agreements were in place (€ 14.5 million). These mainly constitute liabilities from the renting of our offices, as well as leasing of motor vehicles and office equipment. They can result in potential total liabilities of € 59.6 million by the year 2020 (€ 50.6 million) due to the founding of new offices in the last financial year.

Liquidity analysis

Cash flow from operating activities reduced to € 32.3 from € 67.6 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 € –32.4 million to € –4.3 million. Fewer new investments in time deposits were made in the reporting period than in the same period of the previous year.

Cash flow from financing activities is affected by dividend payments for the financial year 2013.

Condensed statement of cash flow

All figures in € million	2014	2013
Cash and cash equivalents at beginning of period	**61.4**	**60.7**
Cash flow from operating activities	32.3	67.6
Cash flow from investing activities	–4.3	–32.4
Cash flow from financing activities	–17.3	–34.5
Change in cash and cash equivalents	**10.8**	**0.7**
Change in cash and cash equivalents due to changes to the scope of consolidation	0.0	0.0
Cash and cash equivalents at end of period	**72.1**	**61.4**

On December 31, 2014, the MLP Group had around € 155 million (€ 147 million) in cash holdings. A good level of liquid funds therefore remains available. There are sufficient cash reserves available to the MLP Group. Alongside cash holdings, free lines of credit are also in place. In 2014, the MLP Group was capable of meeting its payment obligations at all times.

Capital expenditure analysis

MLP generally finances capital expenditures from current cash flow. As forecast, the total investment volume in intangible assets and property, plant and equipment decreased in the last financial year to € 15.4 million (€ 22.5 million). This drop can essentially be attributed to the fact that we made comparably high investments in IT systems to support sales in the previous year.

Capital expenditure

All figures in € million	2014	2013	2012	2011	2010
Intangible assets	**8.9**	**19.5**	**7.8**	**4.3**	**2.3**
Goodwill	–	–	–	–	–
Software (created internally)	0.4	0.4	0.4	0.4	0.5
Software (purchased)	1.1	0.6	0.4	0.2	0.3
Other intangible assets	0.0	0.0	0.0	–	–
Payments on account and assets under construction	7.4	18.5	7.0	3.6	1.4
Property, plant and equipment	**6.6**	**2.9**	**6.7**	**3.5**	**1.6**
Land, leasehold rights and buildings	0.4	0.4	0.4	0.2	0.1
Other fixtures, fittings and office equipment	4.2	1.8	5.4	3.2	1.1
Payments on account and assets under construction	2.0	0.8	0.9	0.0	0.4
Total capital expenditures	**15.4**	**22.5**	**14.5**	**7.8**	**3.9**

The overwhelming majority of capital expenditure in the last financial year was related to investments in the financial services segment (€ 13.6 million). These involve capital expenditure for operating and office equipment, in particular hardware, and major investments in IT systems to support sales. They contribute to the continuous improvement of consulting support and client service. Alongside these capitalisable investments, we also use other intensive resources for these projects which are recognised as expenses in the income statement. In the FERI segment, capital expenditure was € 1.1 million. We invested equally in operating & office equipment, as well as intangible assets.

Capital expenditure by segment

	Total capital expenditure		Change in %
All figures in € million	2014	2013	
Financial services	13.6	21.2	–35.8%
FERI	1.1	0.9	22.2%
Holding	0.7	0.4	75.0%
Total	**15.4**	**22.5**	**–31.6%**

Net Assets

Analysis of the asset and liability structure

Increase in balance sheet total

As of December 31, 2014, the balance sheet total of the MLP Group rose by € 91.1 million or 5.9% to € 1,624.7 million (€ 1,533.6 million).

At € 156.2 million (€ 155.3 million), intangible assets remained at the same level as the previous year. At € 66.0 million (€ 65.8 million), property, plant and equipment also remained stable on the reporting date.

Receivables from financial institutions in the banking business increased from € 490.1 million to € 559.3 million. This is the result of a greater investment volume, which itself can be attributed to an increase in the total client funds entrusted to us and the reallocation of investments. Receivables from clients in the banking business increased slightly to € 495.6 million (€ 491.6 million). This is due to the increase in receivables from product providers, which itself is a result of greater commission income and an increase in development loans passed on to our clients. Around 66% (65%) of receivables from banks and clients from the banking business have a term to maturity of less than one year.

Financial investments stable

At € 145.3 million at the end of the reporting year (€ 146.1 million), financial investments remained at the previous year's level. Cash and cash equivalents increased from € 46.4 million to € 49.1 million. The primary reason behind this increase is the profit transfer of MLP Finanzdienstleistungen AG for the financial year 2013. However, the dividend distribution 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".

Other receivables and assets increased to € 117.7 million on the balance sheet date (€ 104.7 million). This item essentially comprises commission receivables from insurance companies resulting from the brokerage of insurance products.

Equity capital backing remains good

The equity capital backing of the MLP Group remains good. Shareholders' equity was € 376.8 million as of December 31, 2014 (€ 370.5 million). Due to a slightly higher balance sheet total, the equity ratio was 23.19% (24.16%). Based on Group net profit of € 29.0 million, we therefore achieved a return on equity of 7.8% (6.4%).

Provisions increased from € 84.1 million to € 92.0 million. This was largely a result of the increase in pension provisions established due to the ongoing downward trend in interest rates.

Further increase in client deposits

The deposits of our clients (liabilities due to clients in the banking business) increased by 6.5% from € 946.5 million to € 1,007.7 million at the end of the reporting period. This increase is largely attributable to short-term deposits held in bank accounts, credit cards and instant access savings accounts. Liabilities due to banks in the banking business rose to € 17.4 million (€ 9.9 million). This can be attributed to a higher volume of promotional loans being passed on to our clients. This item includes the refinancing funds from development institutions.

Other liabilities increased to € 117.8 million (€ 108.7 million). This item essentially comprises current liabilities due to our consultants and office managers based on open commission claims (see also the section entitled "Financial position").

General statement on the economic situation

In the last financial year, business development in the MLP Group continued to be affected by the difficult framework conditions in our core markets. In the old-age provision segment, the ongoing low interest rate phase and negative press regarding life insurers and their products were the main factors that led to continued reservations in terms of signing long-term contracts. In the health insurance segment, the pronounced reservations regarding comprehensive private insurance also remained unchanged.

Yet despite this, we succeeded in visibly increasing both revenue and earnings. We also see the increase in the old-age provision segment and further growth in the wealth management segment as positive. The financial year 2014 also underlines the importance of our efforts over the last few years to diversify our revenue basis and implement our efficiency management programme.

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

Comparison of the actual and forecast development of business

Due to the extraordinary levels of uncertainty in the market environment, we took a decision at the start of 2014 to use a scenario-based approach in the forecast. In a basic scenario, for which we assumed slight improvements in the framework conditions, we anticipated EBIT of around € 65 million. In an upper scenario, which assumed significant improvements in market conditions, we anticipated an increase in EBIT to as much as € 75 million. In a lower scenario, we anticipated EBIT of at least € 50 million. We assumed difficult conditions in the field of old-age provision and health insurance for this scenario.

In our interim report for the first 6 months of 2014, we communicated that our EBIT goal was between the figures of the lower and the basic scenario due to difficult market conditions. At the end of Q3, however, we then indicated that to record EBIT of at least € 50 million has become more ambitious in light of the difficult framework conditions in the markets.

With EBIT of € 39.0 million, we were not able to reach our lowest forecast scenario. However, we consider it positive that we were able to record visible increases in both revenue and earnings while operating in the aforementioned environment.

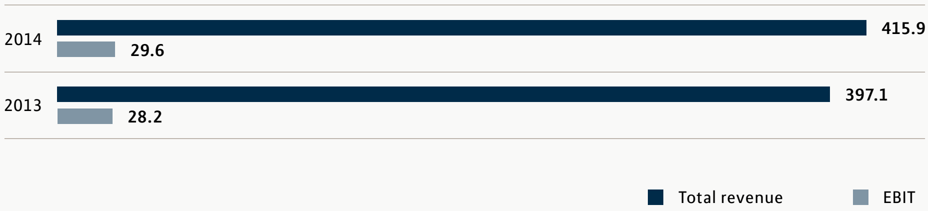
In terms of administration costs, we had forecast a slight increase to € 255 million across all scenarios. This was due to temporary expenses for future investments. With administration costs of € 256.8 million, we are within the scope the forecast figures.

Segment report

Financial services segment

In 2014, total revenue in the financial services segment increased by 4.7% to € 415.9 million (€ 397.1 million). This can essentially be attributed to increasing commission income in the old-age provision segment. Revenue from the interest rate business remained at the same level as the previous year.

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



Commission expenses, which are largely variable, increased from € 162.6 million to € 176.0 million. This was primarily attributable to the increase in commission income. Interest expenses fell from € 4.4 million to € 2.8 million due to the downward trend in interest rates.

At € 72.8 million, personnel expenses remained at the previous year's level (€ 72.2 million). Depreciation/amortisation and impairment increased from € 7.3 million to € 9.2 million. This is largely attributable to the IT investments made in the previous year. Other operating expenses increased from € 123.3 million to € 126.6 million – primarily due to the one-off future investments announced.

Overall, EBIT rose from € 28.2 million to € 29.6 million. The EBIT margin was 7.1% (7.1%). The finance cost was € –0.5 million, following € 0.3 million in the previous year. EBT therefore reached € 29.0 million (€ 28.5 million).

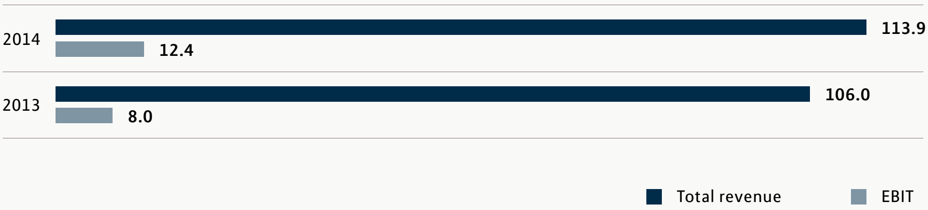
FERI segment

The FERI segment shows the activities of the FERI Group. Total revenue rose to € 113.9 million in the reporting year (€ 106.0 million). Alongside growth in the field of fund administration and a positive development in performance-based remuneration, mandates gained also contributed to this.

Commission expenses increased from € 55.9 million to € 60.3 million as a result of higher revenue in the field of fund administration. Following one-off expenses in the previous year, personnel expenses decreased from € 29.0 million to € 27.6 million. Depreciation/amortisation and impairment was € 2.1 million (€ 2.0 million). Other operating expenses were € 11.6 million (€ 11.1 million).

Overall, EBIT increased from € 8.0 million to € 12.4 million.

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



Holding segment

The Holding segment does not have active operations. Total revenue in the reporting year was € 15.4 million (€ 11.5 million). This revenue can essentially be attributed to the letting of buildings to affiliated companies. Among other things, the increase over the previous year is a result of the reversal of provisions, as well as the decision in favour of MLP in the legal proceedings against several former shareholders in FERI.

At € 5.5 million, personnel expenses were slightly higher than in the previous year (€ 5.0 million). This is due to a one-off expense. Depreciation/amortisation and impairment decreased slightly to € 2.1 million (€ 2.5 million). Other operating expenses increased from € 9.4 million to € 10.5 million. At € –0.3 million, the finance cost remained at the previous year's level (€ –0.3 million). EBT was therefore € –3.0 million, following € –5.3 million in the previous year.

Employees and consultants

As MLP is a knowledge-based service provider, qualified and motivated employees and consultants represent the most important foundation for sustainable company success. The focus in 2014 was therefore on continuous further development of personnel work, qualifications and further training, as well as recruiting new consultants.

Low staff turnover rate

In the 2014 reporting year, an average of 1,542 employees worked in the MLP Group. This corresponds to 17 persons or 1.1% fewer than in 2013. At 4.5%, the natural staff turnover rate at the company HQ was still at a low level in 2014 (2013: 4.3%). The average age of employees at MLP AG, MLP Finanzdienstleistungen AG and FERI AG is currently just under 40 (previous year: just under 40).

At € 106.0 million (€ 106.2 million), personnel expenses for our employees with permanent contracts remained virtually constant in the reporting year. This item comprises also € 91.6 million for salaries and wages (previous year: € 92.2 million), € 12.0 million for social security contributions (previous year: € 11.6 million) and employer-based old-age provision allowances of € 2.4 million (previous year: € 2.4 million).

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

Development of the average number of employees by segment

Segment	2014	2013	2012	2011	2010
Financial services	1,303	1,306	1,265	1,324	1,407
FERI	232	244	251	249	251
Holding	7	9	8	12	14
Total	**1,542**	**1,559**	**1,524**	**1,584**	**1,672**

Consultant turnover at a low level

As of December 31, 2014, MLP operated 162 dedicated branch offices with 1,952 consultants (2013: 1,998), who work as self-employed commercial agents. The average age of consultants is currently 43. The loyalty displayed by existing consultants remains very pleasing, as underlined by our employee turnover rate. This rate was just 9.3% in 2014 – and thereby well below our target of maximum 12% (+/–2%).

Progress in the process for recruiting new consultants

Acquiring new consultants was an important topic in 2014. The new entry-level models for new consultants, which were introduced in 2013, are starting to show positive effects. The first financial trainees completed their programme in the autumn of 2014. The next set of successful candidates are due to start in 2015. In addition to this, we also launched a new trainee programme in 2014 with around 100 participants. The objective of this programme is to give school leavers and students a better idea of what working as an MLP consultant actually entails.

More than 100 dual students and trainees at MLP

The "Sales" dual study course, which was also launched in 2013 and involves training at MLP's offices, has now established itself as a good option for students seeking targeted preparation for a future career as consultants. Some 22 dual study course students and 26 trainees are currently working at the various offices (previous year: 19 and 32), while 30 dual study course students and 25 trainees are working at the company HQ (previous year: 24 and 20).

Alongside this, we have founded new offices in the university segment at the university locations of Münster, Frankfurt, Dusseldorf and Essen. MLP recorded a slight increase in the total number of consultant applications in the financial year 2014. You can find further information on other plans under "Anticipated business development".

Qualifications and further training as the key to success

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

High-level qualifications and further training represent an indispensable prerequisite in achieving this. The MLP Corporate University (CU), based in Wiesloch, sits at the very heart of our consultant qualification and training program. Following an extensive certification process, the CU was the first institution of its kind to receive the international "Certified Corporate University" seal of approval from the International Agency for Quality Assurance through Accreditation of Programs of Study. 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.

The CU has already been accredited by the Financial Planning Standards Board Deutschland e.V. for training to the Certified Financial Planner (CFP) standard since 2012 – since which time more than 120 financial planners have been trained. Further consultants are also currently in training. To consistently maintain the high level of our CFP training in future, we began work on the cyclical re-accreditation process in the reporting year and will complete this process in 2015.

CFP training in line with international standards

To offer our young employees even better development opportunities, we launched a new programme for junior staff in 2013. 23 employees successfully completed the "Top Talents Programme" in December 2014. Among other things, the focus was on training on the topics of leadership behaviour, project management and conflict management.

First year of junior staff programme successfully completed

The importance of qualifications and further training is reflected in numerous seminars and events. In 2014, around 1,100 individual events were held at the CU. The number of central training days (including online seminars) was around 23,000.

Comprehensive IT training for all employees and consultants

As announced, the focus this year was on supportive IT training. All employees and consultants were therefore given corresponding training within the scope of the switchover to the latest version of Microsoft Office and introduction of a new file storage system. Our approximately 2,000 consultants also received further training within the scope of the planned roll-out of a new consultant application. You can find more detailed information on this in the chapter entitled "Performance". In addition to this, numerous specialist training sessions were held.

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

MLP works intensively on winning talents and experts and then keeping them loyal to the company. We were awarded the "Top4Women" seal of approval for our commitment in the reporting year. This is presented by the "Agentur ohne Namen" agency to companies that are actively committed to promoting female junior managers and that pursue a particularly female-friendly corporate policy.

Awarded the „Top4Women" seal of approval

MLP has signed the Diversity Charter. This Germany-wide initiative aims at improving recognition, appreciation and integration of diversity within corporate cultures in Germany. More than 1,850 companies and public establishments have already signed the Charter.

Diversity Charter signed

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.

Thank you from the Executive Board

EVENTS SUBSEQUENT TO THE REPORTING DATE

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

REMUNERATION REPORT

Principles of Executive Board remuneration

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

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

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

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

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

The Chairman of the Board, Dr. Uwe Schroeder-Wildberg, also has individual occupational benefit plan entitlements. An old-age pension upon reaching 62 years of age, a disability pension, a widow's pension and orphan's benefits have been guaranteed. The benefit entitlement for the old-age pension, disability pension and widow's pension is either set at 60% of the last fixed monthly salary received or specified separately in supplements to the service contracts.

The level of orphan's benefit payable per eligible child is calculated on a case by case basis. The total of the widow's pension and orphan's benefit of all entitled persons together must not exceed 100% of the old-age pension. However, the members of the Group Executive Board, Manfred Bauer and Reinhard Loose, receive employer-financed, defined contribution benefits in an occupational pension scheme.

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

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

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

No significant changes over previous years were made to the compensation structure. However, the following amendments were made in the reporting year to comply with the new supervisory requirements:

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

In accordance with the recommendation of the German Corporate Governance Code, individualised Executive Board remuneration is disclosed on the basis of the specimen tables provided as appendices to the Code. The way in which this is presented has therefore also changed in comparison with the 2013 Annual Report. Unfortunately, direct comparability of figures is therefore only granted to a limited extent.

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

	Dr. Uwe Schroeder-Wildberg Chairman of the Board		Reinhard Loose Chief Financial Officer		Manfred Bauer Member of the Board for Products and Services		Muhyddin Suleiman Member of the Board for Sales	
	since Jan. 1, 2003		since Feb. 1, 2011		since May 1, 2010		until Mar. 31, 2014	
Allocation	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**
Fixed compensation	550	550	357	360	360	360	360	360
Fringe benefits	34	30	16	16	24	26	24	20
Total fixed compensation	**584**	**580**	**373**	**376**	**384**	**386**	**384**	**380**
One-year variable compensation	356	213	252	124	288	142	286	99
Multi-year variable compensation	–	–	–	–	–	141	–	–
Bonus 2010 (2010–2013)	–	–	–	–	–	141	–	–
Other	–	–	–	–	–	–	–	–
Total fixed and variable remuneration	**940**	**793**	**625**	**500**	**672**	**669**	**670**	**480**
Pension benefits	193	205	140	140	150	150	149	158
Total compensation (in accordance with the German Corporate Governance Code (DCGK))	**1,133**	**998**	**765**	**640**	**822**	**819**	**819**	**638**

Granted remuneration

	Dr. Uwe Schroeder-Wildberg Chairman of the Board				Reinhard Loose Chief Financial Officer			
	since Jan. 1, 2003				since Feb. 1, 2011			
Benefits granted	**2013**	**2014**	**2014 (min.)**	**2014 (max.)**	**2013**	**2014**	**2014 (min.)**	**2014 (max.)**
Fixed compensation	550	550	550	550	357	360	360	360
Fringe benefits	34	30	30	30	16	16	16	16
Total fixed compensation	**584**	**580**	**580**	**580**	**373**	**376**	**376**	**376**
One-year variable compensation	178	190	133	247	124	152	106	198
Multi-year variable compensation	429	317	–	990	301	254	–	660
Bonus 2014 (2014–2017)	–	317	–	990	–	254	–	660
Bonus 2013 (2013–2016)	429	–	–	–	301	–	–	–
Total fixed and variable remuneration	**1,191**	**1,087**	**713**	**1,817**	**798**	**781**	**482**	**1,233**
Pension benefits	193	205	205	205	140	140	140	140
Total compensation (in accordance with the German Corporate Governance Code (DCGK))	**1,384**	**1,292**	**918**	**2,022**	**938**	**921**	**622**	**1,373**

	Manfred Bauer Member of the Board for Products and Services since May 1, 2010				Muhyddin Suleiman Member of the Board for Sales until Mar. 31, 2014			
Benefits granted	**2013**	**2014**	**2014 (min.)**	**2014 (max.)**	**2013**	**2014**	**2014 (min.)**	**2014 (max.)**
Fixed compensation	360	360	360	360	360	360	360	360
Fringe benefits	24	26	26	26	24	20	20	20
Total fixed compensation	**384**	**386**	**386**	**386**	**384**	**380**	**380**	**380**
One-year variable compensation	142	152	106	198	142	–	–	–
Multi-year variable compensation	344	254	–	660	344	–	–	–
Bonus 2014 (2014–2017)	–	254	–	660	–	–	–	–
Bonus 2013 (2013–2016)	344	–	–	–	344	–	–	–
Total fixed and variable compensation	**870**	**792**	**493**	**1,244**	**870**	**380**	**380**	**380**
Pension benefits	150	150	150	150	149	158	158	158
Total compensation (in accordance with the German Corporate Governance Code (DCGK))	1,020	942	643	1,394	1,019	538	538	538

As of December 31, 2014, pension provisions totalling € 17,631 thsd (previous year: € 13,598 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 2014	Remuneration 2013
Dr. Peter Lütke-Bornefeld (Chairman)	135	135
Dr. h.c. Manfred Lautenschläger (Vice Chairman)	100	100
Dr. Claus-Michael Dill	90	96
Johannes Maret	55	66
Burkard Schlingermann	55	31
Alexander Beer	65	37
Norbert Kohler [1]	–	17
Maria Bähr [1]	–	17
Total	**500**	**500**

[1] Employees' Representative until June 2013.

In the financial year 2014 € 22 thsd (previous year: € 23 thsd) was paid as compensation for expenses and training measures.

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, as well as its risk bearing ability. Due to the potential growth and extra earnings they can offer, risks should be addressed and taken in a conscious and controlled manner within the scope of internal control/monitoring procedures.

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

Group-wide risk management

The following companies are examined within the scope of risk management: MLP AG, Wiesloch, MLP Finanzdienstleistungen AG, Wiesloch, ZSH GmbH Finanzdienstleistungen, Heidelberg, FERI AG, Bad Homburg v. d. Höhe, FERI Trust GmbH, Bad Homburg v. d. Höhe, FERI Institutional & Family Office GmbH, Bad Homburg v. d. Höhe, FEREAL AG, Bad Homburg v. d. Höhe, FERI Trust (Luxembourg) S.A., Luxembourg and FERI EuroRating Services AG, Bad Homburg v. d. Höhe (scope of consolidation pursuant to § 25a of the German Banking Act (KWG) – Germany's "MaRisk" Minimum Risk Management Requirements).

Scopes of consolidation – differences between the IFRS and MaRisk (minimum risk management requirements) scope of consolidation

Segment	Company	IFRS scope of consolidation	MaRisk scope of consolidation (§ 25a of the German Banking Act (KWG))
Holding segment	MLP AG	X	X
Financial services segment	MLP FDL AG	X	X
	TPC GmbH	X	
	ZSH GmbH	X	X
	MLPdialog GmbH	X	
	MLP Hyp GmbH	X	
FERI segment	FERI AG	X	X
	FERI Trust GmbH	X	X
	FEREAL AG	X	X
	FERI EuroRating Services AG	X	X
	FERI Trust (Luxembourg) S.A.	X	X
	FERI Institutional & Family Office GmbH	X	X

In the sense of § 25a (3) of the German Banking Act (KWG) and in conjunction with section 4.5 of Germany's Minimum Requirements for Risk Management (MaRisk), the Executive Board at MLP Finanzdienstleistungen AG, which as per Article 11 of the Capital Requirements Regulation (CRR) is the controlling body of the MLP Financial Holding Group as the depository institution, ensured appropriate control and monitoring of the significant risks at Group level through suitable processes (section 4.5, subsection 1). This approach encompasses in particular

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

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

Risk policies

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

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

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

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

MLP promotes a strong awareness of risks and lives a pronounced risk culture:
A strong awareness of risks across all divisions and a corresponding risk culture are encouraged through appropriate organisational structures. Risk awareness that goes beyond each department's or person's own field of responsibility is essential. The effectiveness of the risk management system is continuously monitored and any adjustments that become necessary are implemented as quickly as possible. Appropriate data security and 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 level openly and without restriction. The Executive Board is informed in a comprehensive and timely manner (if necessary ad hoc) of the risk profile of the relevant risks, and profit and losses at the MLP Financial Holding Group. The Supervisory Board receives the information required to perform its legal obligations. Internal risk communication and risk reporting is supplemented by comprehensive, external publications that cater to the interests of MLP AG shareholders and the capital market and also comply with the supervisory requirements.

Objective

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

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

Risk capital management and stress tests

Risk capital management – risk-bearing ability

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

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

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

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

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

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

As it has the largest business volume and greatest earning power, MLP Finanzdienstleistungen AG bears the greatest risks within the Financial Holding Group. This is also reflected in the allocation of 79% of the risk coverage fund to the Financial Services segment.

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

Stress tests

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

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

Organisation

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 the MLP Financial Holding Group. He is kept continuously informed of the risk situation in the Financial Holding Group and gives regular reports on this to the entire Executive Board and Supervisory Board.

Risk controlling function

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

Compliance function

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

Risk management and controlling processes

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

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

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

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

Controlling monitors earnings trends

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

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

Internal controlling system in the accounting process

Group accounting is the central contact for all accounting questions, both at individual company and Group level. Financial accounting acts as the central processing point for all accounting-related information. Job descriptions, substitution plans and work instructions are all in place to support the correct procedure. Process descriptions and various checklists are also available for further support. All regulations and instructions are published in the organisation manual, which is continuously updated and can be accessed by all employees. Functional separations, as well as ongoing and subsequent checks based on the "four-eyes principle", are in place to prevent any misuse or fraud. Continuous further training of employees ensures that all accounting is performed in line with current legislation.

Internal audits

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

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

Risk reporting

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

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

Statement of risks

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

In 2014, there were no significant changes to the risk profile over the previous year.

Financial risks

Counterparty default risks

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

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

Concentration of risk

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

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

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

A considerable portion of the earnings generated at FERI Trust (Luxembourg) S.A., which has become a significant contributor to Group earnings, can be attributed to just one client.

Credit management

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

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

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

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

All forms of traditional loan collateral are essentially used throughout. This specifically includes mortgages on residential and commercial property, warranties, sureties, life insurance policies, financial collateral, as well as assigned receivables (see list in the notes entitled "Receivables from clients in the banking business").

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 allowances for losses). Loans that are recognised as being problematic are transferred to certain specialist departments and managed by experts.

Allowances for losses

Amount in € million (previous year)	Opening balance	Allocations	Reversals	Utilisation	Other changes	Closing balance
Specific allowance for doubtful accounts	9.0 (11.3)	1.3 (1.5)	1.2 (0.7)	1.5 (3.2)	0.0 (0.0)	7.7 (9.0)
General allowance for bad debts	5.8 (10.9)	0.6 (0.4)	0.1 (0.0)	0.9 (2.4)	0.0 (0.0)	5.4 (5.8)
General allowance for doubtful accounts	5.7 (1.4)	0.1 (1.6)	0.2 (0.4)	0.3 (0.0)	0.0 (0.0)	5.3 (5.7)
Provisions	0.4 (0.4)	0.0 (0.0)	0.1 (0.0)	0.0 (0.0)	0.0 (0.0)	0.3 (0.4)
Total	**20.8 (24.0)**	**2.1 (3.6)**	**1.5 (1.2)**	**2.7 (5.6)**	**0.0 (0.0)**	**18.7 (20.8)**

In addition to the above-described risks, 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 have acquired within the scope of capital investment management – also in light of current market trends – through the specified creditworthiness requirements of our capital investment directive. Where available, the MLP Financial Holding Group also bases its decisions in the field of financial investments on external ratings.

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

Market price risks

The MLP Financial Holding Group understands market price risks as the uncertainty regarding changes in market prices and rates (including interest, share prices, exchange rates and raw material prices), the correlations between them and their volatility. Interest rate and price risks represent the sub-categories of the market price risk which are important for us.

Interest rate risks

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

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

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

	Interest rate shock/parallel shift			
	Change in value +200 BP		Change in value –200 BP	
Amount in € million	2014	2013	2014	2013
Total	–2.7	1.1	1.4	0.6

Price risks

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

There are minor risks relating to foreign currency or commodities. In the year under review, no speculative use was made of financial instruments – such as securitisation transactions – with a view to making profits in the short term, nor is this envisaged for the future. The MLP Financial Holding AG continues to hold the status of a non-trading book institute.

Liquidity risks

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

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

Operational liquidity control

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

Structural liquidity control

The funding matrix is the central instrument of structural liquidity control at the MLP Financial Holding Group and also a preliminary step towards economic analysis of additional refinancing costs. It indicates for each time frame whether there is a surplus or possible shortfall of financing means and thereby allows open liquidity items to be controlled. The liquidity value at risk (LVaR), which indicates the additional refinancing costs required to close open liquidity items, is another key instrument of structural liquidity control and is also used in risk capital management. When determining the LVaR as of December 31, 2014, net cash inflows for the year were in line with forecasts and no additional refinancing costs are thus expected to occur. If, contrary to expectations, net cash outflows should occur, sufficient cash reserves are available. The liquidity risk in the MLP Financial Holding Group results primarily from MLP Finanzdienstleistungen AG as the deposit-taking bank. The refinancing structure is based largely on client deposits. There are no plans to issue any promissory note bonds or securities. Appropriate short and medium-term credit lines have also been agreed to safeguard against a possible short-term liquidity shortfall.

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

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

Operational risks

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

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

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

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

Risks from internal procedures

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

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

Human resources risks

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

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

A possible error in client consulting, investment and acquisition brokerage or finance portfolio management and associated claims for damages can present a consulting and liability risk. We minimise potential consulting risks by maintaining consistently high quality consulting which we ensure, for example, through IT-supported consulting tools. Consultations with our clients and the results coming from this are comprehensively documented. A high standard of training is guaranteed by our own Corporate University, at which each of our consultants initially attends extra-occupational training to become a Senior Financial Consultant. Our Corporate University has received the seal of approval with distinction from the European Foundation for Management Development (EFMD) and was also certified by the Foundation for International Business Administration Accreditation (FIBAA) in 2013.

IT risks

To effectively minimise possible IT risks, the MLP Financial Holding Group pursues appropriate strategies. When selecting our IT systems, we generally opt for industry-specific standard software from reputable providers. If necessary, business-specific proprietary IT applications are developed by qualified specialists. The correct functioning of IT systems is secured by performing comprehensive system tests and pilot phases before they are commissioned. By outsourcing the data processing centre to leading service providers with various sites, back-up systems and a defined contingency plan (BCM), the data is to be secured against possible loss, thereby ensuring availability and consistency. IT systems are protected against unauthorised access through access and authorisation concepts, extensive virus protection, as well as other comprehensive security measures.

Risks from external events

As business processes are focused on the brokerage and banking business, on cost optimisation and on scalability, the MLP Financial Holding Group makes use of external partners for standard services. All significant outsourcing activities are closely intertwined with risk management and thereby incorporated in the risk management and controlling processes. Responsibilities for outsourced processes are clearly set out at the MLP Financial Holding Group. This ensures that any potential organisational, structural or process-based risks that may occur due to outsourced business activities are closely controlled.

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

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

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

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

To ensure maintenance of critical processes in all cases, the potential consequences of external events are examined within the scope of the Business Continuity Management system and corresponding plans of action drawn up.

Legal risks

Our legal department controls legal risks. In addition to consulting on corporate decisions and designing business processes, its tasks include following and assessing current legal disputes. Possible legal risks are detected at an early stage and possible solutions for minimising, limiting or preventing such risks are shown. The legal department coordinates the commissioning and integration of external lawyers. Within the scope of risk mitigation, the legal department in cooperation with the product management checks and monitors the existing insurance coverage for economic loss and initiates any adjustments which may be necessary. According to our review, the pending or threatening legal proceedings against the MLP Financial Holding Group do not represent risks which could endanger the Group's continued existence. The Executive Board at MLP AG is convinced that the legal claims filed against MLP AG since August 2007 with virtually the same wording and originating from a single firm of lawyers will not be successful. These claims have been filed for 32 clients for damages due to the issuing of allegedly erroneous capital market information between 2000 and 2002. Two of them have already been withdrawn.

The judicial dispute between MLP AG and several former shareholders in FERI AG has now come to an end, with the final decision falling in favour of MLP AG. As such, there are now no further discernible legal risks associated with this.

Taxation risks

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

Capital charge according to the basic indicator approach

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

Other risks

Reputation risks

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

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

General business risks

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

At the present time, we are primarily focusing on topics such as the continuing low interest rate environment and the Life Insurance Reform Act (LVRG), both of which are generating a great deal of uncertainty. More detailed information on the environment, sector and competitive situation can be found in the "Economic report and forecast".

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

Leverage risk

Risk-based capital adequacy requirements are of essential importance to ensure availability of sufficient equity to cover unanticipated losses. Despite the carefully considered reasons on the part of the European Parliament in choosing to introduce the CRR, however, the crisis has shown that these requirements alone are not enough to prevent institutes from taking on excessive leverage risks which simply cannot be maintained in the long term.

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

The leverage ratio KPI establishes a connection between regulatory equity and the non-risk-weighted items both on and off the balance sheet. Use of the waiver for equity serves to substantiate the relevance for MLP at Group level. The Group's leverage ratio is integrated into the risk reporting submitted to the Executive Board, the Supervisory Board and the capital market to allow any necessary measures to be derived early on.

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

Results of the analysis of risk-bearing ability

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

In 2014, 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.

At 42% and 44% respectively, counterparty default risks and operational risks take up the majority of the risk coverage fund available. At 79%, the financial services segment ties up the majority of risk capital.

At no point did limit utilisations reach the threshold of 90% and are far from reaching any critical utilisation level. The MLP Financial Holding Group thus displayed a solid risk-bearing ability throughout 2014.

Risk bearing ability of the MLP Financial Holding Group

Risk bearing ability	2014 utilisation (in %)	2013 utilisation (in %)
Risk and capital commitment	71.0	56.3
thereof:		
Counterparty default risk	73.4	59.1
Market price risk	62.5	16.5
Operational risk	75.2	70.2
Liquidity risk	–	–

Key banking regulatory figures and solvency requirements

The backing of risk assets with eligible own funds for tier 1 capital generally requires a minimum ratio of 4%. As in the previous year, these requirements did not change during the financial year 2014, even with introduction of the Capital Requirements Regulation (CRR).

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

Share capital, capital reserves, statutory reserve and retained earnings. Among other factors, the following serve to reduce Tier 1 capital: intangible assets, treasury stock and goodwill.

As in the previous year, the MLP Financial Holding Group has fulfilled all legal requirements relating to the minimum shareholders' equity backing during the financial year 2014. The relationship between the risk assets and core capital at year-end closing is illustrated below.

Supervisory KPIs

Shareholders' equity (in € million)	2014	2013
Tier 1 common capital	228.2	245.1
Tier 1 additional capital	–	–
Tier 2 capital	–	–
Eligible own funds	228.2	245.1
Capital adequacy requirements for counterparty default risks	71.2	67.9
Capital adequacy requirements for operational risks	45.7	49.8
Equity ratio (at least 8 %)	15.62	16.65
Tier 1 common capital ratio (at least 4 %)	15.62	16.65

Summary

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

Both the MLP Financial Holding Group as a whole and the Group companies always acted within the scope of their financial risk-bearing ability in 2014.

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

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

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

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

Opportunity report

Opportunity management

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

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

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

Opportunities

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

Opportunities from changing framework conditions

The economic forecasts for the year 2015 suggest only limited opportunities for MLP. Although economic experts are assuming that Germany will enjoy further growth, the aforementioned reservations on the part of clients when it comes to signing long-term savings contracts will hinder progress. In the mid to long term, however, the greater need for private and also occupational pension provision should increase demand for these two products significantly again – particularly among MLP's target groups. Should the German economy enjoy better development than assumed in our forecast, this will only have an indirect influence on short-term operating developments. However, should the reservations disappear altogether (contrary to our expectations) when it comes to signing long-term contracts, this would have direct positive effects for MLP.

The ever stricter regulation of the financial services sector in Germany, with the objective of stabilising the financial system and increasing investor protection, presents both challenges and opportunities for MLP. Stricter regulatory requirements will initially lead to additional costs and reduced productivity, as administrative costs increase and processes in the company have to be adapted. However, the regulation also tightens the quality standards required of market members. This will accelerate consolidation of the market, as individual brokers will not be able to comply with the stricter requirements. The supply side of the market will reduce in size overall. With our consulting approach, which focuses on clients and their needs, 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 particularly been strengthened over the last few years. Alongside support for private clients, we are now increasingly focusing on our business with corporate clients and institutional investors. In cooperation with our Group companies TPC and FERI, we will further expand our portfolio for corporate clients and institutional investors in the areas of investment, risk management and occupational pension provision. If, as has been set out in the coalition agreement of the governing parties, greater governmental support is to be provided, particularly in the field of occupational pension provision, this could certainly generate additional opportunities for MLP.

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

Within the scope of opportunity management, MLP examines the market for potential acquisitions, including in the non-life insurance segment. In the event of an acquisition, opportunities can arise which can increase revenue potential.

Business performance opportunities

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

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

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

The private client business is not the only area in which we see opportunities for winning and supporting new clients. There is also a high demand for independent, professional consulting in the business with corporate clients and with institutional clients, which we have now bundled at our subsidiary FERI. Particularly for institutional investors and high net-worth families, the need for consulting services is on the rise, above all in the field of alternative investments.

Over the last few years, we have introduced and implemented various measures to increase the productivity of our consultants. These include further development of our consulting programmes, even greater support for our consultants – for example in product selection – and even more effective service from the back-office in Wiesloch. The MLPdialog service centre also makes an important contribution to this. The goal of these measures is to allow our consultants to direct their focus even more on their core task in future, namely advising and supporting their clients. This provides important revenue potential for the future.

Opportunities from financial risks

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

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

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

Opportunities might also arise from agreements with contract partners which may potentially result in higher profit contributions than anticipated.

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

Summary

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

FORECAST

Future overall economic development

Geopolitical tensions and weak growth in the eurozone represent risks for Germany

The national economic climate is characterised by a high degree of uncertainty in the short- to mid-term. FERI EuroRating expects that the weak growth will continue in the eurozone in 2015. Coupled with geopolitical uncertainty, this could have a negative impact on the external economic environment and place ever greater burdens on exports and capital investment. However, thanks to positive developments on the employment market and salary increases, for example due to the minimum wage, domestic demand in Germany should remain above average. Yet a general deterioration in consumer confidence in Germany still represents a risk. Overall, the economic experts from FERI EuroRating therefore expect economic growth for 2015 to reach just 0.7%, which is lower than in the reporting year. A figure of 1.7% is being forecast for 2016. For the eurozone, FERI EuroRating anticipates growth of 0.8% in 2015 and 1.5% in 2016.

Employment set to reach its highest ever levels

Based on estimates submitted by the Institute for Employment Research of the German Federal Employment Agency (IAB), employment is set to continue its upward trend. The strong demand for specialists and the high immigration rate are facilitating this development, even if the economic situation has dampened somewhat. The employment market remains in good shape. Based on the forecast, the number of people in employment subject to compulsory social security contributions is likely to increase by 430,000 to 30.61 million in 2015 – which would be a new record. Estimates provided by the employment market experts at the German Federal Employment Agency (IAB) indicate that unemployment is likely to stagnate in 2015 at an annual average of 2.88 million persons.

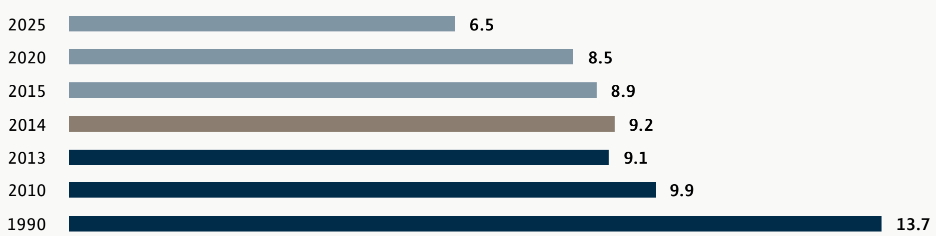
Boost in real purchasing power anticipated

In its autumn forecast, the German government stated that it expects net wages and salaries to increase by 2.7% per employee in 2015 and that private households in Germany will enjoy a 2.9% increase in disposable income. In connection with moderate price level developments, these significant increases in income will lead to an increase in real purchasing power.

Savings rate declining in the long-term

The savings rate in Germany will hover around the 9% mark over the next few years. According to a forecast published by the Federal Association of German Cooperative Banks (BVR), however, German citizens are likely to significantly reduce their savings rate in the mid to long term. Indeed, the rate is expected to fall below the 7% mark by 2025. According to the survey, demographic developments in Germany will be the driving force behind this development. The rising percentage of pensioners in the overall German population will serve to increasingly subdue the savings activities of German citizens. According to the German Federal Statistical Office, the savings rate is currently at 9.2%.

Savings rate development in Germany (forecast figures from 2015 onwards, all figures in %)



Sources: German Federal Statistical Office, Federal Association of German Cooperative Banks (BVR) for forecast figures from 2015 onwards

Future industry situation and competitive environment

Old-age provision

In future, private and occupational pension provision are likely to assume an increasingly important role in Germany. Despite the reservations currently being felt by many citizens, there is still massive market potential in the mid-term. A market survey performed for KUBUS Insurance by MSR Consulting substantiates this. In this survey, just under half (46%) of insurance clients stated that they still had financial reserves available for supplementary old-age provision or could free up capital for this purpose if necessary. A quarter of respondents said that they could find the necessary funds from their income, while 22% stated that they would have to accept compromises in other areas of their life in order to expand their existing old-age provision concepts. Real estate owners in particular stated that they had significant income reserves which could be channelled into old-age provision concepts.

Citizens expecting financial losses

When examining the financial situation they are likely to encounter after retiring, most Germans consider their situation critical. Based on an old-age provision survey commissioned by Gothaer Versicherungsbank, 77% of respondents expect to have less money available to them in retirement than during their active working life. Half of the respondents expect to receive between 50% and 75% of their last net salary per month from their statutory pension. 27% of respondents even expect to receive less than 50%. In addition to this, only around half of the respondents (48%) believe that they have adequate private provision in place.

Pension levels nosedive

The standard pension level (net before taxes) is currently 47.9%. Based on calculations performed by the German government, this already low figure is likely to drop even further to 44.4% by 2028.

Development of the standard pension level before taxes* (all figures in %)

* Calculation for standard pensioners (45 years of contributions based on average earnings), in %.
Source: data up to 2008: German Pension Insurance. From 2008 onwards: German government, Pension Insurance Report 2014

More and more Germans at risk of old age poverty

The risk of old age poverty is something that concerns the vast majority of Germans, according to a survey performed by the YouGov market research institute. Based on this, two thirds (66%) of German citizens are worried that they may no longer be able to maintain their lifestyle later in life with their statutory and private pensions. These worries are certainly justified, since poverty is affecting more and more elderly people in Germany. The risk of poverty for the over 65s is rising at a faster rate than that for the general population and, according to data published by the German Federal Statistical Office, has reached its highest level since the statistics were introduced in 2005. More than one in six Germans (15.5%) over the age of 65 is at risk of poverty – 1.5% more than in 2006.

Old-age provision shortfall

Although the population is aware of the consequences of inadequate old-age provision, they have not yet revised their savings behaviour accordingly. This was the conclusion of the "German Old-Age Provision Report 2014", a representative survey performed by the Research Center for Financial Services, the Steinbeis University in Berlin and Sparda-Bank in Hamburg. Almost half of German citizens (44%) stated that they would be willing to invest future wage increases in supplementary old-age provision if this allowed them to eliminate their provision shortfall.

Occupational pension provision in focus

Companies in Germany believe that there is a lot of work to be done in the field of occupational old-age and health provision over the course of the next few years, as underlined by a study conducted by Towers Watson. Based on this, almost half of German companies (46%) are anticipating increased demand for employer offers in the fields of healthcare and occupational pension provision by 2020. The study then goes on to say that the majority of German companies surveyed therefore believe that it will be their duty in future to provide old-age provision (64%) and health provision (60%) for their staff. There is also a great deal of catching up to be done, as only one in three companies (32%) considers itself well-positioned for 2020 in terms of old-age provision options for its employees. Almost exactly the same number (34%) consider it unlikely that their existing offers will remain suitable in the mid-term. This leads to significant market potential for consulting services in the mid-term.

Government keen to strengthen occupational pension provision

Further positive impulses for this field could result from the coalition agreement, in which the further strengthening of occupational pension provision is laid down as one of the objectives. The conditions are to be established so that occupational pension provision can also be expanded at small and medium-sized enterprises. First indications as to exactly what form this strengthening of occupational pension provision concepts will take are expected around Q2 2015.

Additional incentive for Rürup pensions from 2015 onwards

There will be additional tax incentives for the basic pension from 2015 onwards. By adopting this approach, the legislator is making products in this category more attractive in the long run. The maximum amount that can be offset against tax for a single person is to be increased from € 20,000 to € 22,172 (in the case of joint applications with a spouse/life partner, the maximum amount will increase from € 40,000 to € 44,344) – and will in future be linked to the premium rate for the "Knappschaft" (miners') pension insurance and its income threshold. According to data published by the Federal Finance Ministry, the financial leeway is to be improved for establishing supplementary old-age provision and as a cover against occupational disability.

Lower guaranteed interest rate is slowing down new business

Although the market potential remains promising in the mid-term, it is not realistic to expect the market to improve in the short term. This is due to the reservations that many German citizens have now held for several years when it comes to signing long-term contracts. These reservations were triggered by the uncertainty associated with the financial crisis and then made even more acute by discussions regarding the low interest rate.

For the coming year, the entire sector is therefore anticipating ongoing reservations among German citizens when it comes to signing long-term old-age provision policies. The reduction of the guaranteed interest rate from 1.75% to 1.25% on January 1, 2015 will likely have an additional negative impact on new business, above all in the field of life and pension insurance.

Health insurance

Further reforms are to be expected for the German healthcare system over the course of the next few years. The driving force behind these is also the demographic shift, which is set to drive up the costs of statutory health and long-term care insurance. We see great potential in the mid-term here, as we believe that many policy holders will continue to look for sustainable and attractive alternatives, for example by switching to private health insurance or seeking to improve their individual cover with private supplementary insurance policies (such as for dental prostheses, international healthcare coverage, supplementary insurance for inpatient treatment and individual health services).

Health the most precious asset

Health is the most important basic requirement for 80% of the over 50s, and even ranks above a harmonious partnership or spending time with family. This was the result of a representative survey performed by Easycredit that investigated the liquidity of the over–50s generation. Based on this, just over half of all elderly German citizens (53%) are keen to invest in their health and medical services over the course of the next twelve months.

Fears of increasing premiums and two-tier system of medical care

General drops in the quality of healthcare provision over the next ten years are anticipated both by physicians and the German population at large. This is the key finding of the MLP Health Report 2014, drafted in collaboration with the Allensbach Institute. Around 60% of physicians and German citizens expect their insurance policies only to pay for basic medical care, meaning that patients will need to bear a significant portion of their costs themselves. More than two thirds of respondents are therefore expecting to see a two-tier system of medical care. In addition to this, around three quarters of German citizens expect the premiums for statutory health insurance to increase.

A survey conducted by Techniker Krankenkasse also came to similar conclusions. Based on this, the vast majority of German citizens (85%) expect the premiums for statutory health insurance policies to increase in future. At the same time, around half (54%) expect services and coverage to be reduced, while 47% believe that the quality of medical care is likely to fall.

Statutory health insurance system to demand earnings-related additional premiums in future

On January 1, 2015, the Act to Further Develop the Financial Structure and Quality of the Statutory Health Insurance System (FQWG) came into force. Based on this new legislation, the general premium rate for statutory health insurance will be reduced from 15.5% to 14.6% from 2015 onwards. This percentage is split evenly, with employer and employee each paying half. The former special premium of 0.9%, paid exclusively by policyholders, is to be dropped. If healthcare funds are unable to manage with the allocations they receive from the German Health Fund, they can demand individually stipulated premium rate percentages based on assessable income. This should strengthen the autonomy of the individual healthcare funds with regard to premium contributions. Only very few statutory health insurers are likely to manage without additional premiums in 2015, and many will therefore base their calculations on an average of 0.9%.

The Kiel Institute for Micro Data Analysis has calculated what financial effects these additional premiums will have on various income groups. Assuming an additional premium contribution of 0.9%, an average earner with an income of around € 2,500 per calendar month can, for example, expect to pay € 272 more per year, while a good earner with an income of € 4,050 per calendar month will pay an additional € 437. The new legislation stipulates that any member of a health insurance fund has the right to switch healthcare funds by exercising a break option if additional premiums are demanded or increased. MLP anticipates that the willingness of those with statutory health insurance to switch funds will generally increase based on this new legislation.

Irrespective of the changes to the statutory health insurance system and the good mid-term prospects for private provision, we do not expect any discernible improvements to market conditions in the field of private health insurance. This is due to the reservations of German citizens, which are described in the chapter entitled "Economic report – Industry situation and competitive environment".

Guidelines on tariff switches increase attractiveness of private health insurance

With the introduction of new guidelines on tariff switches, private health insurance companies are keen to extend their service to offer a transparent and client-friendly switchover process. The clear and binding code of conduct drafted by the industry association is set to be adopted by all participating companies no later than 2016. The Assekurata ratings agency considers the new guidelines to offer an improvement in client focus and anticipates that this will make private health insurance more attractive in future.

Nursing care provision offers significant growth potential

The first Act to Strengthen Long-term Care, which extends services for those in need of care and their families, came into force on January 1, 2015. The ongoing public discussion on the topic of nursing care within the scope of the care reform is also reflected in the fears of German citizens. The risks associated with needing long-term care are currently the biggest area of concern for German citizens, ahead of illness, old age poverty and unemployment. This was the result of a representative survey performed within the scope of the Continentale Survey 2014. Based on this, around 84% of German citizens fear nothing more than themselves needing nursing care, while 83% stated that their biggest worry was being a burden on their family. Over half therefore see a highly pressing need to sign up for private coverage in case they ever need long-term care. According to the industry association, however, only around 3% of German citizens actually have a private supplementary long-term care insurance policy in place. The Assekurata ratings agency therefore believes that private long-term care provision products hold significant growth potential for the future.

Fears of German citizens (all figures in %)

Source: Continentale Krankenversicherung a.G.

Occupational health insurance popular

As with occupational pension provision, we also expect the topic of occupational health provision to become increasingly important over the course of the next few years. This is underlined by a recent survey conducted by the market research institute INSA, based on which two thirds of employees (63%) would welcome occupational health insurance.

Wealth management

The need for high-quality wealth management services is set to increase in the long term, due to the constantly growing number of high net-worth individuals. In its 2014 Global Wealth Report, the Boston Consulting Group expects global private assets to increase by just under 5.4% annually and exceed US$ 198 billion by 2018. For Western Europe, the survey forecasts annual asset growth of around 5.2%; in Germany, private assets are likely to increase by a total of 29% over the next five years. According to a study conducted by the Credit Suisse Group, by 2019 there will be around 18 million more dollar millionaires worldwide than there are today.

Alternative investments increasingly in demand among large-scale investors

The need for professional wealth management and consulting services is on the rise, particularly for institutional investors and high net-worth families in the field of alternative investments. According to a survey conducted by FERI EuroRating, 30.8% of institutional investors surveyed are keen to increase the share of real estate, private equity, shares, hedge funds and other fixed income securities within their portfolio by 2016. Stakes in companies and government bonds, on the other hand, are to be reduced. This portfolio restructuring is necessary if institutional investors are to hit their target returns in an ongoing low interest rate environment. The 138 institutional investors surveyed by FERI EuroRating together have an investment volume of € 770 billion.

Germans shy away from shares

According to a survey conducted by Goldman Sachs, most Germans remain reluctant to invest in shares and funds, despite the ongoing period of low interest rates. Almost half of all German citizens (48%) would not even consider investing in shares if they had a potential investment volume of € 100,000, while 63% would not purchase any investment fund shares. The vast majority of respondents (83%) also expect interest rates to remain the same or drop even further over the course of the next year. Only around 14% expect to see interest rates increased in this period.

According to the survey, their desire for security is the main reason why so many Germans shy away from more risky investment options. Indeed, around 64% stated that security is the most important criterion when investing their money. One in four also consider it essential to have access to their savings at all times, whereas only around 9% consider a strong return important.

Based on a survey performed by Gothaer Asset Management AG, 83.3% of German citizens believe that the financial crisis is not yet over.

Wave of inheritance in Germany

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 will inherit around € 2.6 billion by the year 2020 in Germany alone. A representative survey performed by Postbank came to the conclusion that more than one in four upcoming inheritances will involve the transfer of more than € 100,000. Based on the DIA survey, an average of € 305,000 will be handed down per inheritance. With two persons benefiting from an inheritance, the average inheritance per beneficiary and inheritance is then € 153,000.

Baby boomer generation approaching retirement age

The baby boomers (1955 to 1969) will be approaching retirement age in the next few years. Many will receive payouts from life insurance policies in their early or mid 60s.

Based on the results of a representative survey commissioned by MLP and conducted by market research company YouGov on the investment behaviour of the baby boomer generation, around 70% of respondents are currently favouring day deposits and other short-term, low interest investment options. According to the Institute for Small and Medium Sized Business Research, the number of business transfers is likely to increase significantly by the year 2020. Within this context we expect to see an increased need for consulting services in the field of professional wealth management among all of the Group's target client groups over the course of the next few years.

For the financial year 2015 overall, we anticipate that investors will continue to pursue a risk-averse strategy and the capital market environment will remain difficult.

Competition and regulation

The market for financial services and the insurance sector are both characterised by ongoing consolidation.

Ongoing process of consolidation at health insurance funds

Further consolidation should be anticipated due to ever increasing cost pressure, particularly in the healthcare sector. The number of statutory health insurance funds already dropped quite sharply in previous decades. According to the National Association of Statutory Health Insurance Funds (GKV-Spitzenverband), there were 1,815 health insurance funds back in 1970. However, this number had already reduced almost by half to 960 in 1995. Today, there are just 132 health insurance funds, and this number is likely to drop even further in future. According to a survey performed by PricewaterhouseCoopers, the statutory health insurance funds believe consolidation to be indispensable as a way of reducing costs and increasing efficiency. Two thirds of respondents believe that 40 to 100 statutory health insurers will be enough in future.

New Insurance Supervision Act (VAG) introduced

Consolidation processes are also to be expected in the insurance market over the next few years – set primarily against the background of the Life Insurance Reform Act (LVRG) and the Solvency II regulations initiated by the EU, which prescribe new supervisory and equity regulations for the insurance sector in Europe. In September 2014, the German government passed a comprehensive draft bill in the form of the Insurance Supervision Act (VAG), with which supervision of insurance companies is to be improved and the provisions of Solvency II implemented as national law. The new regulations are likely to come into force on January 1, 2016.

The competitive environment in the wealth management sector is also characterised by ongoing consolidation in the fields of private banking and wealth management. Germany is considered to be the market with the greatest potential in Europe, in which both national and international service providers are competing. The stricter regulations are placing greater pressure on providers, particularly smaller players, so that more pronounced consolidation effects are to be expected in future.

In recent years, the legislator has begun to exert greater influence in terms of regulating the markets for financial services, and thereby also MLP's market. This development is likely to continue in future regulations.

Life Insurance Reform Act (LVRG): Disclosure of effective costs and reduction of the guaranteed interest rate

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

- Increased minimum participation in risk surpluses from 75% to 90%

From 2015 on, the minimum participation of clients in risk surpluses is to increase. This applies both to existing and new clients, who in future can generally expect greater surplus-sharing as a result of the increase. Alongside cost surpluses and capital income, risk surpluses form one of the three sources of surplus-sharing. They occur when fewer risks come about than calculated.

- Introduction of an effective cost ratio

From January 1, 2015, life and pension insurance policies must include a KPI on the effective cost. The effective cost ratio specifies the effect of costs on the return associated with a policy. The KPI takes into account all calculated costs, i.e. not only ongoing costs, but also contract and marketing expenses, as well as fund costs in the case of unit-linked products. As such, it establishes transparency for consumers, which MLP explicitly welcomes.

- Reduction in maximum actuarial interest rate (guaranteed interest rate) from 1.75% to 1.25%

On January 1, 2015, the guaranteed minimum interest rate accrued by capital stock formed when setting up classic life and pension insurance policies was reduced. This reduction only applies to new contracts. It is also likely to make occupational disability insurance more expensive from 2015 onwards. Although the guaranteed interest rate is only one component in the overall return offered of a life insurance policy – clients also receive surplus-sharing on their savings portion – there is still a risk that the reduction in the maximum actuarial interest rate could in future also lead to further reservations among German citizens when it comes to signing long-term old-age provision policies.

- Reduction in the maximum zillmerisation rate from 4% to 2.5%

In concrete terms, the cap of the maximum zillmerisation rate means that in the first five years of the contractual term, insurers can only capitalize acquisition costs up to a level of 2.5% of the premium sum of a life insurance contract in their balance sheet. Although the new legislation does not have any direct effects on the level of acquisition commission, we believe that this measure will lead to increased margin pressure. We anticipate this will lead to the start of partially spread commissions. Based on all the current information, as a high-quality provider MLP expects to continue receiving appropriate remuneration in future. For the financial year 2015, we anticipate the effects for our company to be manageable. However, margin pressure is likely to increase significantly in sections of the market that are less quality-driven.

As already mentioned in the economic report, MLP considers it positive that public discussions regarding the future of life insurance products are likely to decrease now that the binding regulations are in place. In addition to this, we welcome the fact that no flat-rate cap has been introduced for acquisition commission within the scope of the Life Insurance Reform Act (LVRG) – despite intensive public debates.

The Life Insurance Reform Act (LVRG) is accompanied by many challenges, particularly for insurers with poor capital backing. This will make it more important than ever for clients to choose the right insurer when investing their money. In our business model, we select the best products for our clients from the broad scope of offers in the market and employ a systematic partner and product selection process. Our role is likely to become more important and we expect to benefit from these market developments in the mid-term.

Markets in Financial Instruments Directive MiFID II on the home straight

In April 2014, the European Parliament passed the Markets in Financial Instruments II (MiFID II). National regulations for financial services need to be implemented as national legislation by July 2016 and will then be binding from January 2017 onwards. The objectives include improved transparency and better investor protection.

Building on the existing regulations, the revised MiFID stipulates stricter requirements in terms of portfolio management, investment consulting and the way in which complex financial products are offered. As a general rule, fee-based and commission-based consulting will continue to exist alongside one another. Commission-based consulting is still permitted if payment of the commission is intended to improve the quality of the service provided and does not lead to any conflict of interest.

We believe that certain sections of the Directive are already covered by the Fee-Based Investment Advice Act, which came into force in the summer of 2014. The European Securities and Markets Authority (ESMA) and the EU Commission are still working on detailed standards to govern commission-based consulting. Results should be expected around mid-2015.

In parallel to the tightening of the Markets in Financial Instruments Directive MiFID II, the EU is also working on a new draft of the Insurance Mediation Directive (IMD II). Negotiations between Parliament, the Council and Commission are currently taking place. The Directive is likely to come into force at the start of 2016. Similarly to MiFID II, IMD II stipulates comprehensive transparency requirements, as well as new regulations both to prevent and address conflicts of interest. MLP considers it positive that not only the Council, but also the EU Parliament has spoken out against the introduction of a general ban on accepting commissions. The disclosure of the type (commission or fee) and source (insurance company or policyholder) of brokerage remuneration stipulated in the draft directive should also be welcomed. We anticipate further drafts regarding this over the course of the 2015.

Comprehensive transparency requirements within the scope of IMD II

In summary, we consider our current competitive situation as good, thanks largely to the sustainable diversification of our business model. We were also early adopters of numerous requirements that will become binding law in future. Thanks to its position as a partner for all financial matters with banking licence, MLP distances itself clearly from the rest of the market. MLP considers itself to be well prepared in terms of the implementation expertise needed to comply with the legal documentation, qualification and transparency obligations. Irrespective of this, the regulatory developments will certainly represent a challenge for all market members.

Well equipped to handle new requirements

Anticipated business development

MLP is a future-oriented company that expects a significant positive development in the results of operations in the mid- to long-term. As presented in the chapter entitled “Forecast – Future industry situation and competitive environment”, however, market conditions are likely to remain difficult in the financial year 2015.

In the field of old-age provision, MLP expects reservations regarding signing long-term contracts to continue throughout the market. The field of occupational pension provision, however, is likely to provide positive impetus here, as will the provision of cover against occupational disability and against long-term care on the basis of a pension insurance. Alternative guarantee concepts and single premiums are also likely to become increasingly important. The reduction in the guaranteed interest rate, which has been in place since January 1, 2015, is likely to have a negative effect. Overall, we expect new business and sales revenue to remain at the previous year’s level in this field of consulting for the financial year 2015.

As described, we do not anticipate any significant short-term improvements to market conditions in the field of health insurance. However, the anticipated additional premiums in the statutory healthcare system should have a positive effect, as they are likely to motivate many citizens to consider making the switch to private insurance. Aside from this, MLP is set to extend its portfolio from Q2 onwards and thereby offer policyholders who have not yet received any advice from MLP the opportunity to have their provision concepts examined and optimised. In this process, we analyse the respective policy and look for better alternatives. We also consider the field of long-term care insurance to offer increasing potential. In summary, we expect to record a slight increase in sales revenue from the field of health insurance in 2015.

In the field of wealth management, we have to assume that many investors will continue to adopt a low-risk strategy. In the private client business of MLP Finanzdienstleistungen AG, however, we expect the field of wealth management to become even more important due to the age pattern of our clients. There is a strong demand for alternative investments among institutional investors and high net-worth families. The FERI Group has comprehensive expertise, particularly in this field of consulting. On the other hand, performance-based remuneration is likely to decrease due to the difficult capital market environment. Overall, we also anticipate a slight increase in sales revenues in the field of wealth management in 2015. In terms of assets under management, we expect the overall volume to remain at the same level as the previous year.

However, this will be supplemented by additional potential from the brokering of real estate. We massively expanded this area in 2014 and are therefore expecting to record a significant increase in sales revenues for the current financial year ("Other commission and fees"). However, a degree of uncertainty remains in all fields of consulting due to the challenging market environment.

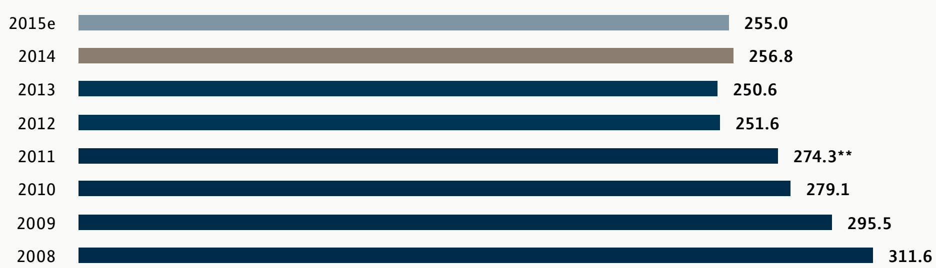
Sales revenue estimates for 2015 (in comparison with the previous year)

	2015
Revenue from old-age provision	Stable development
Revenue from health insurance	Slight increase
Revenue from wealth management	Slight increase

Constant administration costs

MLP has considerably reduced its administration expenses since 2008. The baseline achieved by the end of the financial year 2012 provides an excellent foundation for us to generate good earning power, even in difficult market conditions. For 2015, MLP expects to record administration expenses of approximately € 255 million – slightly below the expenses disclosed in 2014.

Development of administrative costs* (in € million)



* Definition: Personnel expenses, depreciation and amortisation and other operating expenses.
** Adjusted to include one-off expenses.

The forecast administration costs include additional expenses for future investments – including implementation of our digitalisation strategy. Attracting new consultants represents another focus of investment. We created the foundation for this in the financial year 2013 by introducing three new entry-level models for new consultants (please refer to the chapter entitled "Economic report – Employees and consultants"). Building on this, we are set to significantly increase the rate at which we win over new consultants from Q2 2015 onwards. Among other things, we will be improving income opportunities for new consultants and making it easier for them to make the transition into self-employment. In addition to this, we will significantly expand our internship programmes. At € 5 million, the additional expenses associated with recruiting new consultants are partially reflected in the administrative expenses. A significant portion of these expenses falls under the item "Commission expenses". The ratio of commissions paid relative to commission income will therefore increase from the financial year 2015 onwards.

Forecast: Slight increase in EBIT anticipated

Taking the expectations for sales revenue and costs together, MLP expects to record a slight increase in EBIT for the financial year 2015. Following the considerable 27% increase in EBIT recorded in 2014, with this outlook we are underpinning our mission to achieve profitable growth – despite operating in difficult markets and making extensive investments to win over new consultants. This forecast is based on the assumption that the general conditions do not deteriorate any further.

As was already the case in the previous year, we once again expect the finance cost to be slightly negative in 2015. The tax rate in 2014 was 23.1%. For 2015, we are anticipating a slight increase in the tax rate.

Dividends of € 0.17 per share

As a general rule, our dividend policy is aligned to the respective financial and earnings position, as well as the company's future liquidity requirements. Since MLP employs a business model that is not very capital-intensive, we intend to maintain an attractive and consistent dividend policy for the future. However, capital requirements have increased due to the revised definition of equity, as well as the stricter capital adequacy requirements as per Basel III, meaning that the Group uses a portion of its earnings for the purpose of reinvestment. Set against this background, we announced a distribution rate of 60% to 70% of Group net profit.

On the basis of this prognosis, the Executive Board and Supervisory Board will therefore propose a dividend of € 0.17 per share at the Annual General Meeting on June 18, 2015. This corresponds to a pay-out ratio of 63%.

Acquisitions possible

The consolidation of the market, which has been progressing steadily for several years, will continue. From today's perspective, we are not planning any acquisitions in our core business at MLP Finanzdienstleistungen AG (sales). However, acquisitions are conceivable at MLP Finanzdienstleistungen AG to extend the added value chain and tap cross-selling potential – for example in the business with corporate clients. Aside from this, we could also envisage acquiring companies that possess special technological or processing solutions. Even following the acquisition of Michel & Cortesi Asset Management AG, further acquisitions and joint ventures are generally possible in the market of FERI AG.

Focus on winning new consultants

One of MLP's objectives in 2015 is to increase the number of consultants above the level recorded on December 31, 2014 (1,952). However, this is subject to existing consultant turnover remaining below 12% (+/–2%). At the same time, we are significantly expanding our activities to win over new consultants. To accompany this, we are also planning to found more new branch offices in the university segment.

Qualifications and further training will continue to play an important role in the future. The training received by our new consultants will also continue to go beyond the legally prescribed level. In addition to this, we will offer our consultants extensive further training opportunities.

This should help us increase the number of central training days (including online seminars) at our CU to a slightly higher level than in the last financial year. This also applies to the total budget for qualifications and further training.

Online conclusion of policies planned

Within the scope of its digitalisation strategy, MLP is planning to make increasing use of the Internet as an interface for acquiring new clients and stimulation interest among potential clients – focusing in particular on young adults. To accompany the activities already introduced in the social media arena in 2014, the new "MLP financify" website is scheduled for launch in 2015 and will facilitate close networking with our social media activities. We are also planning on allowing clients to sign contracts for basic products online via this platform.

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 € 15.4 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 make investments throughout the financial year 2015, focusing primarily on IT, and anticipate an annual investment volume at approximately the same level as 2014. Alongside consulting applications, the ongoing digitalisation of workplaces represents an important concept. Following a successful pilot phase for online consulting and digital signatures, the plan is to offer across-the-board online consulting and then gradually introduce eSignatures in the relevant consulting fields in the course of further expanding our cloud services. 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.

Slight increase anticipated in return on equity

Return on equity developed from 6.4% to 7.8% in the financial year 2014. Despite the planned retention of portions of earnings, we are anticipating a slight increase in return on equity for 2015 in connection with the forecast earnings development.

The Group's liquidity rose from € 147 million to € 155 million in the financial year 2014. However, the overall liquidity situation remains good. Liquidity will be reduced by the intended dividend payment of € 18.3 million for the financial year 2014. It will increase again in the second half of 2015 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. We do not expect any liquidity squeezes for the next two financial years.

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

MLP anticipates that the difficult market conditions will continue throughout the financial year 2015. On the basis of a constant level of administration expenses, we expect to record a slight increase in EBIT. We are financially strong and, in combination with our strong market position as an independent consulting firm, this will enable us to further expand our competitive position. We therefore expect to see a positive overall development within the Group.

Prognoses

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

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

MLP AG accepts no liability to the general public for updating or correcting prognoses. All prognoses and predictions are subject to various risks and uncertainties, which can lead to the actual results differing from expectations. The prognoses reflect the points of view at the time when they were made.

SUPPLEMENTARY DATA FOR MLP AG (DISCLOSURES BASED ON HGB)

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

Business and general conditions

General company situation

MLP AG is the holding company for the MLP Group. The company's primary role is to manage the Corporate Group. It defines strategic goals and ensures coordinated and aligned corporate policy within the Group. The subsidiary MLP Finanzdienstleistungen AG is the Group's consulting company for private and corporate clients. It holds a banking licence and, as an insurance broker, is registered for brokering insurance policies. The second subsidiary FERI AG (including its own subsidiaries) primarily looks after high net worth individuals and institutional investors.

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".

Business development at MLP AG

There were no significant changes to the corporate structure at the subsidiaries of MLP AG in the reporting period.

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

Results of operations

In the financial year 2014, other operating income rose from € 12.6 million to € 15.8 million. This essentially includes income from the rental of buildings to affiliated companies. The increase over the previous year results among other things from the reversal of provisions, as well as from the positive effect on MLP of a court ruling with respect to a negative declaratory judgement against several former FERI shareholders. This rise is also attributable to the sale of fixed assets.

Personnel expenses increased from € 5.7 million to € 6.2 million. This is essentially due to a one-off expense. At € 3.9 million (€ 4.3 million), depreciation of plant, property and equipment was lower than in the previous year.

Other operating expenses rose from € 8.9 million to € 11.2 million in the reporting period. This is as a result of higher amortisation expenses/allowances for bad debts, as well as higher consulting expenses.

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

Finance cost rose to € 32.1 million (€ 30.9 million) in the reporting period. This development can essentially be attributed to a slightly higher overall volume from the profit/loss transfer agreements in place with MLP Finanzdienstleistungen AG and FERI AG.

Earnings before tax therefore increased from € 24.6 million to € 26.6 million. The tax expense in the last year was € 9.1 million (€ 5.2 million) and was largely affected by a higher tax assessment basis. The net profit recorded was therefore € 17.1 million (€ 19.0 million).

Net Assets

At € 407.2 million (€ 405.6 million), the balance sheet total of MLP AG on the balance sheet date December 31, 2014 remained at the same level as the previous year.

On the assets side of the balance sheet, the item “Property, plant and equipment” declined slightly from € 49.1 million to € 45.5 million. This was essentially due to depreciation and amortisation expenses. As there were no changes to the shares in affiliated companies, financial investments remained constant at € 229.4 million (€ 229.4 million).

The receivables and other assets declined slightly to € 53.0 million (€ 54.6 million). This includes receivables from affiliated companies, which rose from € 32.8 million to € 34.0 million. These largely comprise receivables from MLP Finanzdienstleistungen AG and FERI AG from the profit/loss transfer agreements in place with these companies. This was countered by the development of other assets, which declined from € 21.7 million to € 19.0 million on the reporting date. In comparison with the previous year they include lower advance tax payments, from which we expect refund claims.

The item “Cash on hand and on deposit with the Deutsche Bundesbank, bank deposits and cheques” increased from € 71.5 million to € 77.0 million. This is due to the profit transfers of the subsidiaries. The dividend payout to our shareholders had an opposing effect.

On the equity side of the balance sheet, shareholders’ equity remained at the previous year’s level at € 384.3 million (€ 384.5 million).

Provisions increased over the previous year to € 19.3 million (€ 17.3 million). At € 9.2 million (€ 9.0 million), the provisions for pensions and similar obligations remained at the previous year’s level. Tax reserves were € 4.0 million (€ 3.4 million). Other provisions rose to € 6.1 million (€ 4.9 million).

Financial position and dividends

As of the balance sheet date, December 31, 2014, MLP AG had cash holdings (cash on hand and on deposit with the Deutsche Bundesbank, bank deposits and cheques) of € 77.0 million (€ 71.5 million). This increase is essentially the result of the profit transfer of MLP Finanzdienstleistungen AG of € 27.0 million for the financial year 2013 (2012: € 68.8 million). Payment of the dividends for the financial year 2013 of € 0.16 per share with a total volume of € 17.3 million had an opposing effect. At 94.4% (94.8%), the equity ratio remained virtually constant. MLP AG therefore continues to enjoy a good equity capital backing. In addition to this, MLP AG had open lines of credit of € 50.0 million as of the balance sheet date.

The liabilities of MLP AG dropped to € 3.6 million on the balance sheet date (€ 3.8 million). The liabilities at MLP AG are all current liabilities. Cash and cash equivalents therefore exceed current liabilities several times over.

The dividend payments of MLP AG are made in accordance with the financial and profit situation, as well as future liquidity requirements. As announced, the distribution rate for the financial year 2014 will be between 60% and 70% of group profits. In concrete terms, the Executive Board and Supervisory Board will propose a dividend of € 0.17 per share at the Annual General Meeting on June 18, 2015. This corresponds to a pay-out ratio of 63% of the Group’s net profit.

Comparison of the actual and forecast development of business

Business development at MLP AG is essentially dependent on the business development of the MLP Group. We therefore make reference to the comparison of actual business development with the forecast development of the MLP Group.

Market conditions that generally remained difficult meant that MLP AG was not quite able to meet its own expectations in 2014.

Employees

In addition to the members of the Executive Board, MLP AG employed an average of 7 employees in the last financial year, compared to 9 employees in the previous year.

Remuneration report of MLP AG

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

Risks and opportunities at MLP AG

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

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

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

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

Events subsequent to the reporting date at MLP AG

There were no appreciable events after the balance sheet date affecting the company's financial or asset situation.

Forecast for MLP AG

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

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

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

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

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

EXPLANATORY REPORT ON THE DISCLOSURES PURSUANT TO § 176 (1) OF THE GERMAN STOCK CORPORATION ACT (AKTG), § 289 (4) AND § 315 (4) OF THE GERMAN COMMERCIAL CODE (HGB)

Composition of capital

As of December 31, 2014, the company's share capital amounts to € 107,877,738 and is divided into 107,877,738 ordinary bearer shares with a nominal value of € 1 per share.

Restrictions on voting rights or on the transfer of shares

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

Capital stakes

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

	Number of shares*	Shareholding*
Dr. h.c. Manfred Lautenschläger, Gaiberg[1]	25,383,373[1]	23.53%
Angelika Lautenschläger Beteiligungen Verwaltungs GmbH, Gaiberg	22,796,771	21.13%

* Status known to MLP AG as of December 31, 2014.
[1] In accordance with § 22 (1) Sentence 1 No. 1 of the German Securities Trading Act (WpHG), 22,796,771 voting rights (=21.13% of the share capital of MLP AG) held by Angelika Lautenschläger Beteiligungen Verwaltungs GmbH are attributable to Dr. h.c. Manfred Lautenschläger.

Shares with special control rights

Shares which confer special control rights have not been issued.

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

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

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

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

Amendments to the company's Articles of Association

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

Authority of the Executive Board to issue or buy back shares

A resolution passed by the Annual General Meeting on June 5, 2014 authorised the Executive Board, with the 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.

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

A resolution passed at the Annual General Meeting on June 6, 2013 also authorised the company, as per § 71 (1) No. 8 of the German Stock Corporation Act (AktG) to purchase as much as 10% of the share capital during the authorisation period up to June 5, 2018. No shares were bought by the company on the basis of this authorisation up to December 31, 2014.

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

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

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

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

MLP financify: Digital dialogues

Young adults have their own expectations and are keen to live their life freely. But what does this cost – and how do you insure what? Under its new www.mlp-financify.de presence, MLP also uses Facebook and YouTube to provide answers to all questions around financial matters. Realistic, practical and beneficial.

IN DIALOGUE

MLP and you

Whether for holiday, university or an extra job: learn more about financial issues online. "I like!"

A format that leaves no questions unanswered: networked with the YouTube community on the green sofa.

CORPORATE GOVERNANCE REPORT – DECLARATION ON CORPORATE GOVERNANCE

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

Text of the Declaration of Compliance

"Pursuant to § 161 of the German Stock Corporation Act (AktG), the Executive Board and Supervisory Board of MLP AG hereby declare that the company has complied with the recommendations of the "German Corporate Governance Code" government commission (version dated June 24, 2015) since the last Declaration of Compliance was issued. Only the recommendations specified in section 4.1.5, section 4.2.2 (2) sentence 2, section 4.2.3 (4) and (5), section 4.2.3 sentence 10, section 5.1.2 sentences 2 and 7, section 5.4.1 sentence 2, and section 5.4.1. (2) and (3) were not followed.

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

Section 4.1.5 (compliance with diversity at management level)

Based on the recommendations of the German Corporate Governance Code, the Executive Board must pay attention to diversity when filling management positions and aim for an appropriate consideration of women.

Throughout the current financial year, the Executive Board has strengthened its efforts to secure diversity when filling management positions and in particular aim for an appropriate consideration of women at the management levels within the company. The Executive Board at MLP AG has already implemented measures in the past with the objective of making it easier for staff to combine their career with a family. It also continued to review these measures in the financial year 2014 to determine their effectiveness and then passed a complete concept in November 2013 to ensure that appropriate consideration is given to women in the company's management ranks, taking into account the company's specific situation. Guidelines on diversity-compliant staff promotion also form part of this concept, although these still need to be finalised. No criteria for specific selection decisions when filling vacant positions have therefore been defined to date.

The measures are therefore not yet fully compliant with every aspect of the requirements of Section 4.1.5 of the Code. As was also the case in the financial year 2014, MLP has taken the prudent approach of declaring not to follow this recommendation in the financial year 2015.

Section 4.2.2 (2) Sentence 2 (vertical remuneration comparison)

Based on the recommendations of the German Corporate Governance Code, the Supervisory Board should also pay attention to the ratio of Executive Board remuneration to the remuneration of the senior management level and the overall workforce over time, whereby the Supervisory Board itself specifies how the senior management level and the relevant workforce are to be defined for the purpose of comparison.

When determining the total remuneration of an individual member of the Executive Board, the Supervisory Board always ensures that this is appropriate based on the performance and duties of the respective member of the Executive Board, as well as the company situation, and does not exceed typical remuneration at this level. The Supervisory Board has regularly reviewed the appropriateness of Executive Board remuneration in the past. Within the scope of these reviews, the Supervisory Board has also taken into account the vertical appropriateness of Executive Board remuneration, namely its relation to the remuneration granted to the company's next management levels. 2014 was the first year in which the Supervisory Board also took into account the proportion of Executive Board remuneration in relation to that of upper management and the entire workforce over time. It also specified how the upper management level and the relevant workforce are to be defined for reasons of comparison. However, the Supervisory Board does intend to incorporate these additional aspects in its regular reviews of the appropriateness of Executive Board remuneration in the following years and thereby comply in full with the aforementioned recommendation.

For the first time, the measures are therefore fully compliant with the requirements of Section 4.2.2 (2) Sentence 2 of the Code. MLP can therefore now declare that it no longer deviates from this recommendation.

Section 4.2.3 (4) and (5) (severance payment cap)

As per the recommendations of the German Corporate Governance Code, attention must be paid when concluding Executive Board member contracts to ensure that any payments to members of the Executive Board do not exceed the value of two years' remuneration including fringe benefits (severance payment cap) of these Executive Board members, should their position be terminated prematurely without serious cause. If the employment contract is terminated for an important reason, for which the member of the Executive Board in question is responsible, no payments are made to said member of the Executive Board. Calculation of the severance payment cap should be based on the total remuneration of the previous financial year and, if available and appropriate, also the total anticipated 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.

In the course of the financial year 2011, MLP changed all service contracts with members of the Executive Board to a new remuneration system. Following on from this, particular attention was paid in 2014 to ensuring compliance with the requirements the German Banking Act (KWG) and the Ordinance on the Supervisory Requirements for Institutions' Remuneration Systems (InstitutsVergV). MLP has been complying with the aforementioned recommendations since the changeover in 2011.

There is no entitlement to severance payment in the case of termination of contract by mutual agreement. For contractual reasons, provisions regulating severance payment arrangements concerning the termination of contracts by mutual agreement can in any case only be seen as a guideline. And the parties involved are free to deviate from these provisions at any time with mutual consent. For this reason, any provisions of this nature would be no more than a formality.

As was also the case in 2014, MLP has therefore once again elected not to comply with this recommendation in 2015.

Section 4.2.3 Sentence 10 (specification of the targeted level of benefits)

Based on the recommendations of the German Corporate Governance Code, the Supervisory Board should specify the targeted level of benefits in each case when making benefit obligations – including the total service time on the Executive Board – and then take into account both the annual and long-term costs associated with these benefits for the company.

The new remuneration system introduced by the Supervisory Board within the context of implementing the stipulations of the Appropriateness of 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 10 of the Code in full. As was also the case in the financial year 2014, MLP declares not to follow this recommendation in the financial year 2015.

Section 5.1.2 Sentence 2 (diversity in 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.

The Supervisory Board at MLP AG aims at increasing its efforts in respecting diversity and, in particular, ensuring appropriate consideration of women in future appointments of Executive Board members. The Supervisory Board gives specific consideration to applications from suitable women in its selection procedures. It continued to address this topic in the financial year 2014 and will implement further measures so that appropriate consideration is also given to women on the company's Executive Board, following on from the Group-wide overall concept passed by the Executive Board for implementation of the recommendation in the Code pursuant to Section 4.1.5 (taking into account diversity when filling managerial positions), considering the company's specific situation. Irrespective of this, the Supervisory Board at MLP AG intends to continue basing its selection decisions primarily on personal and professional qualifications.

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 2014, MLP has taken the prudent approach of declaring not to follow this recommendation in the financial year 2015.

Section 5.1.2 Sentence 7 (age limit for members of the Executive Board)

Based on 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 2014. No age limit is set 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 2014, MLP has therefore also opted not to follow this recommendation in 2015.

Section 5.4.1 Sentence 2 (age limit for members of the Supervisory Board)

Based on the recommendations of the German Corporate Governance Code, an age limit should be set and taken into account when considering proposals for the election of Supervisory Board members.

MLP did not follow this recommendation in 2014. No age limit is set for members of the Supervisory Board at MLP. In light of the knowledge, skills and specialist experience stipulated in Section 5.4.1 Sentence 1 of the Code, it makes little sense to specify an age limit. As was the case in 2014, MLP has therefore also opted not to follow this recommendation in 2015.

Section 5.4.1 (2) and (3) (specification of concrete objectives for the composition of the Supervisory Board)

Based on the recommendations of the German Corporate Governance Code, the Supervisory Board is to stipulate concrete objectives regarding its composition. As well as giving consideration to the company's specific situation, these objectives also take into account the company's international operations, any potential conflicts of interest, the number of independent members of the Supervisory Board in the sense of Section 5.4.2, an age limit to be specified for members of the Supervisory Board and diversity. These concrete objectives should, in particular, stipulate an appropriate degree of female representation. Recommendations by the Supervisory Board to the respective selection committees should also take these objectives into account. The objectives and present status of implementation are to be published in the corporate governance report.

MLP did not follow this recommendation in 2014. In its meetings during the financial years 2010, 2012 and 2014, the Supervisory Board at MLP AG addressed the topic of setting concrete targets for the composition of the Supervisory Board, paying particular attention to diversity. Assuming equivalent professional and personal suitability of the candidates, the Supervisory Board has set itself the goal of filling at least 25% of the positions on the Supervisory Board on the shareholder side with suitable female members. However, largely due to the low number of members that sit on the Supervisory Board as per the company's Articles of Association, the Supervisory Board does not currently consider it prudent to specify a concrete timetable for implementation of this objective. Therefore, it is currently also not possible to report on any concrete measures for the achievement of objectives in the corporate governance report.

As was the case in the financial year 2014, MLP therefore chose not to follow this recommendation in the financial year 2015."

In December 2014, 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. You can also view the text of the Declaration of Compliance of December 16, 2014 at www.mlp-ag.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 June 24, 2014, 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 controlling structure

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 AG'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 AG'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

The Supervisory Board currently consists of six members. These are four shareholder representatives, elected by the Annual General Meeting in 2013, and two employees' representatives, elected by employees in 2013. The members of the Supervisory Board are currently Dr. Peter Lütke-Bornefeld (Chairman of the Supervisory Board), Dr. h.c. Manfred Lautenschläger, Dr. Claus-Michael Dill, Hans Maret, Alexander Beer (employees' representative) and Burkhard Schlingermann (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.

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. The Supervisory Board has set itself the goal of having at least three shareholder representatives as members of the Supervisory Board who are "independent" in the sense of § 100 (5) of the German Stock Corporation Act (AktG). This goal has already been achieved. The Supervisory Board has also set itself the additional goal of filling at least 25% of Supervisory Board member positions on the shareholder side with suitable female members, in the presence of candidates of equal professional and personal suitability. However, largely due to the low number of members that sit on the Supervisory Board as per the company's Articles of Association, the Supervisory Board does not currently consider it prudent to specify a concrete timetable for implementation of this objective. 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 AG Audit Committee fully complies with these requirements.

Efficiency of the Supervisory Board

In the absence of the Executive Board, the Supervisory Board also reviewed the efficiency of its own activities in 2014. 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.

Supervisory Board committees

The Supervisory Board of MLP AG 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, 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 AG and the MLP Group and submits a recommendation for resolution to the Supervisory Board. 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 Dr. Peter Lütke-Bornefeld (Chairman of the Personnel Committee), Dr. h.c. Manfred Lautenschläger, Mr. Johannes Maret 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 Alexander Beer. The Nomination Committee comprises Dr. Peter Lütke-Bornefeld (Chairman of the Nomination Committee), Dr. h.c. Manfred Lautenschläger, Johannes Maret and Dr. Claus-Michael Dill.

Corporate governance in the Supervisory Board

In 2014, the Executive and Supervisory Boards of MLP AG 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 June 24, 2014, 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.

Cooperation between Executive Board and Supervisory Board

Intensive dialogue between the Executive and Supervisory Boards forms the basis of transparent and responsible company management. The Executive Board of MLP AG 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.

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 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, 2014, 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, 2013	Number of shares as of Dec. 31, 2014
Dr. Peter Lütke-Bornefeld	100,000	150,000
Dr. h.c. Manfred Lautenschläger [1]	25,383,373	25,383,373
Johannes Maret	100,000	100,000
Dr. Claus-Michael Dill	–	–
Burkhard Schlingermann	50	50
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, 2013	Number of shares as of Dec. 31, 2014
Dr. Uwe Schroeder-Wildberg	–	–
Manfred Bauer	11,254	11,254
Reinhard Loose	5,000	5,000

Directors' Dealings

Directors' Dealings

Pursuant to § 15a of the German Securities Trading Act (WpHG), persons discharging managerial responsibilities as an issuer of shares must notify the issuer and the Federal Financial Supervisory Authority (BaFin). This duty also applies to persons with a close relationship to such a person.

Pursuant to § 15a of the German Securities Trading Act (WpHG) one transaction was reported to us in the financial year 2014. This can be viewed on our website www.mlp-ag.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 codes of conduct for the capital market 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 applicable legal provisions and internal company directives, as well as preventing and combating 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 relevant regulations as a way of preventing any accidental infractions while also providing support in applying our corporate guidelines, represent an important element of our risk prevention measures. They include in particular web-based training sessions on the topics of compliance and the prevention of money laundering, financing 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 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.

An extensive system of compliance rules and standards in the MLP Group explains the legal regulations on insider law both to members of the Executive Bodies and employees, and describes the internal guidelines for performing investment business. In this respect, the compliance guidelines serve to secure the responsible handling of sensitive information at MLP and set out defined guidelines for advising and supporting our clients, while also providing our employees with the legal framework for both accepting and issuing 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 redefined its core values a few years ago; 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-ag.de. In a third 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

As a contribution to the discussion on the quality of financial advice in Germany, MLP presented a Consulting Code in the form of guidelines for client consulting in 2009. This code summarises MLP's consulting and client support standards, many of which have already been in use at the company for several years. The aim is to increase transparency for clients, interested parties and the general public. All guidelines are based on MLP's company values, which shape the relationship between employees, consultants and all stakeholders. Our "Guidelines on consulting and supporting private clients" are published on our company website at www.mlp-ag.com.

As per the recommendation in Section 4.1.5. of the Corporate Governance Code, the Executive Board has further intensified its efforts to secure diversity when filling management positions. It will also test the effectiveness of the adopted measures in the financial year 2015 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 disclosure report" of the Annual Report.

Information

By law, the shareholders are involved in all fundamentally important decisions at MLP AG, 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-ag.com, where the Chairman's speech can also be accessed online.

Information of 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-ag.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 2014 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 AG also discusses the annual and Group financial statements.

Marketing and communication

MLP continued to maintain a presence in the public eye throughout 2014 with numerous marketing, communication and promotion measures. A selection of these measures is given below:

"Yes, we want your money!"

MLP continued the wealth management advertising campaign it launched in 2013 throughout Germany. For targeted positioning, the "Open dialogue on wealth management" campaign was extended to include three new messages. The statements "You can often save savings" ("Sparen können Sie sich oft sparen"), "The capital market is not a request concert" ("Kapitalmarkt ist kein Wunschkonzert") or "Yes, we want your money" ("Ja, wir wollen ihr Geld") are now each presented by one MLP consultant. The messages were shown in rotation in high-coverage print and online media. They were also accompanied by additional measures, including the "Investment Talks" series of events held throughout Germany with presentations from renowned fund managers.

International success: Ten years of "Join the best"

Gaining valuable experience worldwide from global players: MLP's "Join the best" scholarship programme celebrated its 10th anniversary in the reporting year. MLP decided to mark this landmark by offering the participants ten additional work placements. A total of 26 (instead of the usual 16) work placements at international companies and institutions were therefore awarded. These practical work placements, which last between two and six months, are each tied to a specific project. The participating companies include BASF, Porsche Consulting and Unilever. Within the scope of the 16 regular scholarships, MLP not only covers flight and accommodation costs, but also offers an insurance package and a credit card. The ten additional scholarships each offer up to € 1,000 in extra financial support (including insurance package). All participants in the "Join the best" programme gain access to an exclusive network, for example enabling them to establish and build on contacts at the partner companies involved. MLP is also committed to the "Deutschlandstipendium" initiative of the Federal Ministry of Education and Research, which provides funding for young people from ethnic minorities and with underprivileged backgrounds. In the reporting year, we supported a total of 63 students at numerous universities.

"All-time best list": 1st place

In November, MLP subsidiary FERI took first place in the "All-time best list" of the "Fuchsbriefe" specialist magazine. In this ranking, the editorial team and Dr. Richter from the Institute for Quality Assurance and Audit of Financial Services (IQF) took a close look at 84 banks, asset managers and family offices from Germany, Switzerland, Austria, Liechtenstein and Luxembourg. The market test focused primarily on professional handling of clients' attitudes toward risk. The testers submitted their ratings based on the categories of consultation, wealth strategy, portfolio quality and transparency. FERI once again had an excellent showing in 2014 with third place.

Sport, culture & co.: Targeted commitment

In the field of sponsoring, MLP focuses primarily on sport and culture. Our basketball commitment represents a key focus in the sporting arena. In September 2014, the "MLP Academics Heidelberg" made their début in the Pro-A league for the 2014/2015 season. In addition to this, MLP again supported the MLP Golf Journal Trophy as title sponsor. A cultural highlight was the internationally established "Heidelberger Frühling" music festival, which was once again held in the spring of 2014. As in the year before, MLP was the main sponsor. Now in its 18th year, the festival continues to impress guests with around 130 events – and this year set a new attendance record in the process.

Customer magazine: Prominent celebrities and great user value

MLP also published three editions of its eMagazine in 2014. "Forum" regularly offers information and reports on a wide range of different topics, including famous faces from the world of politics, economy and society. One such article, published in March, was an interview with former leader of the CDU party, Friedrich Merz. The multimedia eMagazine is available as a web browser version, as well as an app for Android and Apple devices at www.forum-mlp.de. Closely linked to central consulting topics of the year, such as real estate, wealth management or old-age provision, the editions each focussed on one specific topic in a user-friendly form, including interactive tools/calculators. In July, Forum was awarded silver for its tablet version in the category "Digital Media / Mobile (B2C)" by Forum Corporate Publishing.

MLP financify: 1st choice online partner

Under the heading of "MLP financify", MLP completely revised its Facebook page in 2014. Revised presences on YouTube and Twitter have also been online since autumn. A comprehensive website for young adults is set to follow in 2015 at www.mlp-financify.de. MLP will use this forum to address users with topics from their own life and environment. There are also plans to allow clients to take out contracts for certain products online in future. The mid-term target is to also be the number 1 online contact for young adults in all financial matters. Learn more about this on page 100.

Overview – MLP Consolidated Financial Statements

114
MLP consolidated financial statements

120
Notes

Income statement and statement of comprehensive income

Income statement for the period from January 1 to December 31, 2014

All figures in €'000	Notes	2014	2013*
Revenue	(9)	509,727	480,502
Other revenue	(10)	21,378	18,477
Total revenue		**531,105**	**498,979**
Commission expenses	(11)	–233,633	–214,158
Interest expenses	(12)	–2,838	–4,401
Personnel expenses	(13)	–105,964	–106,203
Depreciation	(14)	–13,417	–11,811
Other operating expenses	(15)	–137,394	–132,632
Earnings from investments accounted for using the equity method	(16)	1,127	902
Earnings before interest and tax (EBIT)		**38,986**	**30,676**
Other interest and similar income		669	1,214
Other interest and similar expenses		–2,007	–1,046
Finance cost	**(17)**	**–1,337**	**167**
Earnings before tax (EBT)		**37,649**	**30,844**
Income taxes	(18)	–8,694	–6,937
Net profit		**28,955**	**23,907**
Of which attributable to			
owners of the parent company		28,955	23,907
Earnings per share in €	**(19)**		
basic/diluted		0.27	0.22

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

Statement of comprehensive income for the period from January 1 to December 31, 2014

All figures in €'000	2014	2013*
Net profit	**28,955**	**23,907**
Gains/losses due to the revaluation of defined benefit obligations	–8,466	–1,552
Deferred taxes on non-reclassifiable gains/losses	2,486	450
Non-reclassifiable gains/losses	**–5,980**	**–1,102**
Gains/losses from changes in the fair value of available-for-sale securities	797	509
Deferred taxes on reclassifiable gains/losses	–174	–54
Reclassifiable gains/losses	**623**	**455**
Other comprehensive income	**–5,357**	**–647**
Total comprehensive income	**23,598**	**23,260**
Of which attributable to		
owners of the parent company	23,598	23,260

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

Statement of financial position

Assets as of December 31, 2014

All figures in €'000	Notes	Dec. 31, 2014	Dec. 31, 2013*	Jan. 1, 2013*
Intangible assets	(20)	156,182	155,267	141,713
Property, plant and equipment	(21)	66,037	65,822	68,782
Investment property	(22)	7,262	7,325	–
Investments accounted for using the equity method	(23)	2,772	2,547	2,601
Deferred tax assets	(18)	6,728	3,258	3,993
Receivables from clients in the banking business	(24)	495,569	491,570	431,396
Receivables from banks in the banking business	(25)	559,316	490,110	510,510
Financial assets	(26)	145,276	146,082	137,118
Tax refund claims	(18)	18,743	20,622	7,428
Other receivables and assets	(27)	117,665	104,653	136,530
Cash and cash equivalents	(28)	49,119	46,383	40,682
Assets held for sale		–	–	10,532
Total		**1,624,668**	**1,533,638**	**1,491,285**

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

Liabilities and shareholders' equity as of December 31, 2014

All figures in €'000	Notes	Dec. 31, 2014	Dec. 31, 2013*	Jan. 1, 2013*
Shareholders' equity	(29)	376,795	370,457	381,720
Provisions	(30)	92,049	84,138	81,704
Deferred tax liabilities	(18)	7,404	8,272	8,465
Liabilities due to clients in the banking business	(31)	1,007,728	946,484	871,110
Liabilities due to banks in the banking business	(31)	17,380	9,924	10,498
Tax liabilities	(18)	5,531	5,654	4,831
Other liabilities	(32)	117,780	108,708	132,958
Total		**1,624,668**	**1,533,638**	**1,491,285**

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

Statement of cash flow

Statement of cash flow for the period from January 1 to December 31, 2014

All figures in €'000	2014	2013*
Net profit (total)	**28,955**	**23,907**
Income taxes paid	–6,930	–17,887
Interest received	23,568	24,110
Interest paid	–4,038	–5,105
Earnings from investments accounted for using the equity method	–1,127	–902
Dividends received from investments accounted for using the equity method	902	956
Dividends received	0	1
Depreciation/impairments/write-ups of intangible assets and property, plant and equipment	13,417	11,811
Depreciation/impairments/write-ups of financial assets	521	–23
Allowances for bad debts	1,859	2,704
Earnings from the disposal of intangible assets and property, plant and equipment	–1,911	–484
Earnings from the disposal of financial assets	17	–19
Adjustments from income taxes, interest and other non-cash transactions	–22,281	–4,582
Changes in operating assets and liabilities		
Receivables from banks in the banking business	–69,206	20,400
Liabilities due to banks in the banking business	7,456	–574
Receivables from clients in the banking business	–3,778	–61,238
Liabilities due to clients in the banking business	61,244	75,375
Other assets	–13,212	20,172
Other liabilities	8,969	–23,446
Provisions	7,911	2,434
Cash flow from operating activities	**32,333**	**67,610**
Purchase of intangible assets and property, plant and equipment	–15,418	–22,450
Proceeds from disposal of intangible assets and property, plant and equipment	2,845	3,736
Repayment of/investment in time deposits	–	–30,000
Repayment of/investment in held-to-maturity investments	20,514	16,184
Purchase of other financial assets	–17,159	–522
Proceeds from disposal of other financial assets	4,900	645
Cash flow from investing activities	**–4,318**	**–32,407**
Dividends paid to shareholders of MLP AG	–17,260	–34,521
Cash flow from financing activities	**–17,260**	**–34,521**
Change in cash and cash equivalents	10,754	682
Cash and cash equivalents at beginning of period	61,364	60,682
Cash and cash equivalents at end of period	**72,119**	**61,364**
Composition of cash and cash equivalents		
Cash and cash equivalents	49,119	46,383
Loans ≤ 3 months	23,000	15,000
Liabilities to banks due on demand (excluding the banking business)	–	–19
Cash and cash equivalents at end of period	**72,119**	**61,364**

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

The notes on the consolidated statement of cash flow appear in Note 33.

Statement of changes in equity

Statement of changes in equity for the period from January 1 to December 31, 2014

	Equity attributable to MLP AG shareholders					
All figures in €'000	Share capital	Capital reserves	Gains/losses from changes in the fair value of available-for-sale securities**	Revaluation gains/losses related to defined benefit obliga-tions after taxes	Retained earnings*	Total shareholders' equity*
As of Jan. 1, 2013	**107,878**	**142,184**	**382**	**–3,648**	**137,361**	**384,157**
Retrospective adjustments	–	–	–	–	–2,438	–2,438
As of Jan. 1, 2013 (adjusted)	**107,878**	**142,184**	**382**	**–3,648**	**134,923**	**381,720**
Dividend	–	–	–	–	–34,521	–34,521
Transactions with owners	**–**	**–**	**–**	**–**	**–34,521**	**–34,521**
Net profit (adjusted)	–	–	–	–	23,907	23,907
Other comprehensive income	–	–	455	–1,102	–	–647
Total comprehensive income (adjusted)	**–**	**–**	**455**	**–1,102**	**23,907**	**23,260**
As of Dec. 31, 2013 (adjusted)	**107,878**	**142,184**	**837**	**–4,750**	**124,309**	**370,457**
As of Jan. 1, 2014 (adjusted)	**107,878**	**142,184**	**837**	**–4,750**	**124,309**	**370,457**
Dividend	–	–	–	–	–17,260	–17,260
Transactions with owners	**–**	**–**	**–**	**–**	**–17,260**	**–17,260**
Net profit	–	–	–	–	28,955	28,955
Other comprehensive income	–	–	623	–5,980	–	–5,357
Total comprehensive income	**–**	**–**	**623**	**–5,980**	**28,955**	**23,598**
As of Dec. 31, 2014	**107,878**	**142,184**	**1,460**	**–10,730**	**136,004**	**376,795**

* Previous year's values adjusted. The adjustments are disclosed under Note 3.
** Reclassifiable gains/losses.

The notes on the statement of changes in equity appear in Note 29.

Notes

GENERAL INFORMATION

1 Information about the company

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

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

2 Principles governing the preparation of the financial statements

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

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

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

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

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

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

In the financial year 2014, MLP became aware of a case that was recorded inappropriately in the previous years. Mutual claims and obligations exist between MLP and contract partners due to incorrect commission invoices and VAT-related issues resulting from the sale of a subsidiary. These issues and the respective deferred taxes thereon were allocated to the wrong accounting periods. It has become evident that the general provision of € 2,000 thsd. recorded in this regard in the consolidated financial statements for 2012 was already inappropriate on the basis of information available at that time. Indeed, the financial assessment did not take into account all information known at the time regarding the status of the negotiations. The correction is made retrospectively in line with IAS 8.41. The following tables show the effects of this correction on the previous year's values:

Statement of financial position

All figures in €'000	Dec. 31, 2013 Before adjustment	Dec. 31, 2013 Adjustment	Dec. 31, 2013 After adjustment	Jan. 1, 2013 Before adjustment	Jan. 1, 2013 Adjustment	Jan. 1, 2013 After adjustment
Deferred tax assets	1,974	1,284	3,258	2,999	995	3,993
Other receivables and assets	109,164	–4,512	104,653	139,749	–3,219	136,530
Total assets	**1,536,865**	**–3,227**	**1,533,638**	**1,493,509**	**–2,224**	**1,491,285**
Shareholders' equity	374,477	–4,020	370,457	384,157	–2,438	381,720
Provisions	85,138	–1,000	84,138	83,704	–2,000	81,704
Deferred tax liabilities	8,628	–356	8,272	8,465	–	8,465
Other liabilities	106,560	2,148	108,708	130,745	2,213	132,958
Total liabilities and shareholders' equity	**1,536,865**	**–3,227**	**1,533,638**	**1,493,509**	**–2,224**	**1,491,285**

Income statement

All figures in €'000	2013 Before adjustment	2013 Adjustment	2013 After adjustment
Other revenue	20,561	–2,084	18,477
Total revenue	**501,063**	**–2,084**	**498,979**
Earnings before interest and tax (EBIT)	**32,760**	**–2,084**	**30,676**
Other interest and similar income	1,358	–144	1,214
Finance cost	**311**	**–144**	**167**
Earnings before tax (EBT)	**33,072**	**–2,228**	**30,844**
Income taxes	–7,583	646	–6,937
Net profit	**25,489**	**–1,582**	**23,907**
Earnings per share in €			
basic/diluted	0.24	–0.01	0.22

Statement of comprehensive income

All figures in €'000	2013 Before adjustment	Adjustment	After adjustment
Net profit	**25,489**	**–1,582**	**23,907**
Total comprehensive income	**24,842**	**–1,582**	**23,260**
Total comprehensive income attributable to owners of the parent company	24,842	–1,582	23,260

Statement of cash flow

All figures in €'000	2013 Before adjustment	Adjustment	After adjustment
Net profit	25,489	–1,582	23,907
Adjustments from income taxes, interest and other non-cash transactions	–3,936	–646	–4,582
Other assets	18,879	1,293	20,172
Other liabilities	–23,381	–65	–23,446
Provisions	1,434	1,000	2,434

In the financial year 2014 the following new or amended standards and interpretations were to be applied for the first time.

In the financial year 2014, MLP applied **IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements", IFRS 12 "Disclosure of Interests in Other Entities",** and the subsequent amendments to **IAS 27 "Separate Financial Statements"** (amended in 2011), as well as **IAS 28 "Investments in Associates and Joint Ventures"** (amended in 2011). IFRS 10 governs which companies are to be included in consolidated financial statements on the basis of a comprehensive control concept. IFRS 11 governs the way in which joint arrangements are recognised in the balance sheet and therefore addresses the type of rights and obligations resulting from such arrangements. IFRS 12 governs comprehensive disclosure obligations for all types of investments in other companies. Application of IFRS 10 and IFRS 11 had no significant impact on the company's consolidated financial statements. However, application of IFRS 12 led to additional notes.

The IASB published its amendment to **IAS 32 "Financial Instruments: Presentation"** in December 2011. The aim of this amendment is to eliminate practical handling inconsistencies when offsetting financial assets and financial liabilities. The changes have no effect on the consolidated financial statements.

In June 2013, the IASB published the amendment to **IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"**. IAS 39 was supplemented by a simplification rule, based on which it is not necessary to terminate hedge accounting under certain conditions if the original derivative is no longer in place. The changes have no effect on the consolidated financial statements.

In May 2013, the IASB published **IFRIC 21 "Levies"**. IFRIC 21 addresses the question of recognising public levies in the balance sheet which are not income taxes in the sense of IAS 12. Clarification is in particular provided as to when obligations to pay levies of this kind are to be recognised as liabilities or provisions in the financial statements. The changes have no effect on the consolidated financial statements.

Adoption of the following new or revised standards and interpretations was not yet compulsory for the financial year commencing on January 1, 2014. They were not adopted early.

EU endorsement has already taken place:

The IASB published amendments to **IAS 19 "Employee Benefits"** in November 2013. The amendments clarify the regulations addressing the assignment of employee premiums or third party premiums to periods of service if the premiums are linked to years of service. In addition to this, simplifications are provided if the premiums are not dependent on the number of years of service. The amendment is to be applied for the first time for financial years starting on or after July 1, 2014. MLP does not expect the amendments to have any significant impact on its consolidated financial statements.

In December 2013, the IASB published the **annual improvements to IFRS 2010–2012,** as well as the **annual improvements to IFRS 2011–2013.** The amendments affect the standards IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16/IAS 38, IAS 24 and IAS 38 (revisions 2010-2012), as well as the standards IFRS 1, IFRS 3, IFRS 13 and IAS 40 (revisions 2011-2013). The amendments are to be applied for the first time for financial years starting on or after July 1, 2014. The amendments eliminate inconsistencies and clarify certain formulations. MLP does not expect the amendments to have any significant impact on its consolidated financial statements.

EU endorsement still pending:

In July 2014, the IASB completed its project to replace **IAS 39 "Financial Instruments: Recognition and Measurement"** with publication of the final version of **IFRS 9 "Financial Instruments"**. IFRS 9 introduces a uniform approach to classification and measurement of financial assets. The standard refers to the cash flow characteristics and the business model that is used to control them as its basis. In addition to this, it prescribes a new impairment model that is based on anticipated credit defaults. IFRS 9 also contains new regulations regarding application of hedge accounting to present a company's risk management activities more clearly, in particular with regard to managing non-financial risks. The new standard is to be applied to financial years beginning on or after January 1, 2018. Early adoption is also permitted. The European Financial Reporting Advisory Group has postponed the recommendation to adopt IFRS 9. The company is currently reviewing what effects adoption of IFRS 9 would have on its consolidated financial statements.

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 also contains stipulations regarding disclosure of performance surpluses or obligations in place at contractual level. These are assets and liabilities resulting from customer contracts that are based on the relationship between the service performed by the company and the payment made by the customer. In addition to this, the new standard requires disclosure of a whole host of quantitative and qualitative information to allow readers of the consolidated financial statements to understand the type, level and timing of revenue and cash flows from contracts with customers, as well as the uncertainty associated with these. IFRS 15 replaces IAS 11 "Construction Contracts" and IAS 18 "Revenue", as well as the accompanying interpretations. The standard is to be applied to financial years beginning on or after January 1, 2017. Early adoption is also permitted. The company is currently reviewing what effects adoption of IFRS 15 would have on the Group's consolidated financial statements and will then stipulate the timing of the initial application, as well as the transmission methods.

If accepted in their current form by the EU, the following amendments are to be adopted for the first time for reporting periods beginning on or after January 1, 2016. Unless explicitly mentioned, MLP does not expect the amendments to have any significant impact on its consolidated financial statements.

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

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

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

In September 2014, the IASB published amendments to **IFRS 10 and IAS 28 "Sales or Contributions of Assets between an Investor and its Associate or Joint Venture"**. This eliminates an inconsistency that has previously existed between the two standards.

In December 2014, the IASB published amendments to **IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"**. These amendments serve to clarify various issues relating to application of the exception from the consolidation obligation pursuant to IFRS 10 if the parent company fulfils the definition of an "investment company".

In December 2014, the IASB published amendments to **IAS 1 "Disclosure Initiative"**. The amendments are intended to improve the way information is presented in financial statements. In future, disclosures are to be more relevant and company-specific. The amendments could result in revised explanatory notes to the consolidated financial statements for MLP.

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

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

Changes in the financial year

On November 6, 2014, FERI AG acquired Michel & Cortesi Asset Management AG, Zurich and Michel, Cortesi & Partners AG, Zurich. Once the transaction is complete and all necessary approvals have been received from the supervisory authorities, the plan is to merge this company with FERI Trust AG (Switzerland).

Scope of consolidation as of the balance sheet date

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

Alongside MLP AG as the parent company, nine (previous year: nine) fully consolidated domestic subsidiaries and, as was already the case in the previous year, one fully consolidated foreign subsidiary and one associated company were incorporated in the consolidated financial statements of December 31, 2014.

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

As of Dec. 31, 2014	Share of capital in %	Shareholders' equity (€'000)	Net profit (€'000)
Fully consolidated subsidiaries			
MLP Finanzdienstleistungen AG, Wiesloch [1]	100.00	109,548	25,375
TPC GmbH, Hamburg [1] (Wholly-owned subsidiary of MLP Finanzdienstleistungen AG)	100.00	314	468
ZSH GmbH Finanzdienstleistungen, Heidelberg [1] (Wholly-owned subsidiary of MLP Finanzdienstleistungen AG)	100.00	1,190	1,499
FERI AG, Bad Homburg v.d. Höhe [1]	100.00	19,862	7,318
FERI Trust GmbH, Bad Homburg v.d. Höhe [1] (Wholly-owned subsidiary of FERI AG)	100.00	5,114	3,598
FERI Institutional and Family Office GmbH, Bad Homburg v.d. Höhe [1] (Wholly-owned subsidiary of FERI AG)	100.00	51	544
FERI EuroRating Services AG, Bad Homburg v.d. Höhe [1] (Wholly-owned subsidiary of FERI AG)	100.00	958	648
FEREAL AG, Bad Homburg v.d. Höhe [1] (Wholly-owned subsidiary of FERI AG)	100.00	2,171	22
FERI Trust (Luxembourg) S.A., Luxembourg (Wholly-owned subsidiary of FERI AG)	100.00	12,880	13,386
MLPdialog GmbH, Wiesloch (Wholly-owned subsidiary of MLP Finanzdienstleistungen AG)	100.00	299	124
Associates consolidated at equity			
MLP Hyp GmbH, Wiesloch (49.8% subsidiary of MLP Finanzdienstleistungen AG)	49.80	4,734	1,734
Companies not consolidated due to immateriality			
MLP Consult GmbH, Wiesloch	100.00	2,309	–106
FERI Trust AG (Switzerland), St. Gallen [2] [5] (Wholly-owned subsidiary of FERI AG)	100.00	CHF –738 thsd	CHF –61 thsd
FERI Corp. (USA), New York [3] [5] (Wholly-owned subsidiary of FERI EuroRating Service AG)	100.00	USD 87 thsd	USD –24 thsd
CORESIS Management GmbH, Bad Homburg v.d. Höhe [2] (25% held by FERI AG)	25.00	185	1
FPE Private Equity Beteiligungs-Treuhand GmbH, Munich [2] (Wholly-owned subsidiary of FEREAL AG)	100.00	203	147
FPE Private Equity Koordinations GmbH, Munich [2] (Wholly-owned subsidiary of FEREAL AG)	100.00	83	57
FPE Direct Coordination GmbH, Munich [2] (Wholly-owned subsidiary of FEREAL AG)	100.00	68	42
FERI Private Equity GmbH & Co. KG, Munich [2] (Wholly-owned subsidiary of FEREAL AG)	100.00	37	–5
FERI Private Equity Nr. 2 GmbH & Co. KG, Munich [2] (Wholly-owned subsidiary of FEREAL AG)	100.00	6	–5
Michel & Cortesi Asset Management AG, Zurich [2] [5] (Wholly-owned subsidiary of FERI AG)	100.00	CHF 1,247 thsd	CHF 196 thsd
Michel, Cortesi & Partners AG, Zurich [2] [5] (Wholly-owned subsidiary of FERI AG)	100.00	CHF 171 thsd	CHF 53 thsd
UST Immobilien GmbH, Bad Homburg v.d. Höhe [2] (32.5% held by FERI AG)	32.50	367	67
AIF Komplementär GmbH, Munich [2] (25% held by FERI AG, 50% held by UST Immobilien GmbH)	41.25	24	–1
AIF Register-Treuhand GmbH, Munich [4] (Wholly-owned subsidiary of FERI AG)	100.00	–	–

[1] A profit and loss transfer agreement is in place. Presentation of the net result for the year before profit transfer.
[2] Shareholders' equity and net profit as of December 31, 2013.
[3] Shareholders' equity and net profit as of December 31, 2010.
[4] Founded in 2013, financial statements are not available yet.
[5] Currency conversion rates on the balance sheet date: € 1 = CHF 1.2023 / € 1 = USD 1.2155.

Disclosures on non-consolidated structured entities

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

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

The carrying amounts of non-consolidated structured entities in the MLP Group are € 755 thsd as of December 31, 2014. In the financial year 2014, MLP AG recorded an income of € 160 thsd from non-consolidated structured entities.

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

5 Principles of consolidating subsidiaries and associates

Subsidiaries are companies that are controlled either directly or indirectly by MLP AG, since MLP AG has the decision-making authority to control their relevant activities, as well as an entitlement to the significant variable returns from the companies in which it holds an interest, and can use this decision-making authority to influence the level of these significant variable returns. Other factors can also lead to MLP AG gaining control of a company, for example when a principal agent relationship is in place. In cases such as this, another party with decision-making rights acts as an agent for MLP AG. However, this other party does not itself control the company in question, since it only exercises decision-making rights delegated by MLP AG, the principal.

Subsidiaries material to the consolidated financial statements are fully consolidated from the date of acquisition, i.e. from the date on which MLP AG gains control. They are deconsolidated as soon as the parent company loses control. For subsidiaries included in the consolidated financial statements for the first time, equity consolidation is performed using the acquisition method of accounting in line with IFRS 3 "Business Combinations". Here, the acquisition costs for the shares acquired are offset against the proportionate share of equity in subsidiaries. The assets, debts and contingent liabilities acquired are fully incorporated into the consolidated balance sheet at the time of acquisition, whereby hidden reserves and liabilities are also taken into account. Any remaining positive differences are then disclosed as goodwill. In the event of deconsolidation, this goodwill is released to income. Any negative differences are recognised in the income statement immediately. For business combinations in which fewer than 100% of the shares are acquired, IFRS 3 provides the option of using either the purchased goodwill method or the full goodwill method. This option can be exercised each time a new company is acquired. The consolidated financial statements contain no effects of intra-group transactions. No intra-group income and expenses or receivables and liabilities between consolidated companies are offset against each other. Profits between consolidated companies (inter-company profits) are eliminated. Deferred taxes are recognised by MLP to accommodate any unrecognised differences between the IFRS carrying amounts and the tax values resulting from the consolidation.

Associates are companies where MLP AG has significant influence on financial and operating policy, but which are neither subsidiaries nor joint ventures. A significant influence can generally be exerted when holding a 20% to 50% share of the voting rights. Associates are accounted for using the equity method. The equity method is also used for joint ventures. The shares in associates accounted for using the equity method are recorded at the date of addition based on their historical costs. The goodwill corresponds to the positive difference between the historical costs of the interest and the pro rata net fair value of the associate's assets. When applying the equity method, the goodwill is not amortised, but in the case of indications it is tested for an impairment of the shares. Existing goodwill is disclosed under investments accounted for using the equity method.

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 AG controls them.

6 Significant discretionary decisions, estimates and changes in estimates

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

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

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

- Note 4 – aggregation principles for structured entities
- Notes 7 and 20 – significant assumptions applied in discounted cash flow forecasts
- Notes 7, 24 to 27 and 37 – classification and measurement of financial instruments
- Notes 7, 27, 30 and 36 – provisions and corresponding refund claims as well as contingent assets and liabilities
- Notes 7 and 30 – measurement of defined benefit obligations
- Notes 7 and 35 – classification of leases
- Notes 7 and 22 – valuation of investment property
- Notes 7, 24 and 27 – allowances for bad debts

7 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, financing and other consulting services.

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

MLP sets up provisions for cancellation risks based on empirical values with regard to its obligation to repay commissions received if brokered insurance policies are cancelled. The change in provisions is disclosed under commission expenses.

In the field of **old-age provision**, only commission income from the brokering of life insurance policies is included. In the areas of **non-life and health insurance**, commission income comes solely from the brokering of corresponding insurance products.

Revenue from **wealth management** includes issuing premiums, custody and account maintenance charges, fund management 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 sales revenue from **financing**. MLP realises brokerage commissions for loan brokerage after concluding the respective loan agreement.

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

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

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

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

Currency translation

The euro is the functional currency of all companies consolidated in MLP's consolidated financial statements. Therefore, there are no significant effects from currency translation.
No subsidiaries of the MLP Group operate in hyper-inflationary economies.

Fair value

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

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

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

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

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

- Note 22 – investment property
- Note 37 – additional information on financial instruments

Intangible assets

Intangible assets that have been acquired or created by the company itself are recognised as assets in accordance with the requirements of IAS 38 “Intangible Assets”. Alongside other criteria, use of the asset must provide a probable future economic advantage. It must also be possible to reliably determine the costs of the asset.

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. Goodwill is valued at the excess of the business combination’s acquisition cost over the acquired net assets on the date of addition.

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. Amortisation begins once the intangible asset becomes ready for use and ends as soon as the asset is derecognised or if the asset is no longer classified as “available for sale”. The residual value, useful life and amortisation method for a definite-lived intangible asset are reviewed at the end of each financial year. If the expected useful life or the expected pattern of an asset’s usage has changed, MLP caters to this by adjusting the amortisation period or selecting a different amortisation method. MLP recognises changes in estimates of this nature prospectively in the balance sheet in accordance with IAS 8. The carrying amount of definite-lived intangible assets is checked whenever there is an indication that their value may have been reduced (impairment).

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. They are also reviewed once a year to establish whether their classification as an indefinite-lived asset is still justified. If this is not the case, the asset is handled according to the principles for definite-lived intangible assets from then on. The change in useful life from indefinite to finite is recognised prospectively in the balance sheet as a change in estimate in accordance with IAS 8.

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 the sustainable sales revenues.

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

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. If the capitalisation conditions for internally generated intangible assets are not met, MLP recognises the development costs as expenses in the period in which they were incurred.

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. Depreciation of the property, plant and equipment or components begins when an asset is ready for use. Probable physical wear and tear, technical obsolescence and legal/contractual limitations are taken into account in determining expected useful lives.

The procurement and manufacturing costs for property, plant and equipment contain greater expenses for initial procurements that extend the average useful life or increase the capacity. In the case of assets that have been sold or scrapped, the historic procurement or manufacturing costs and the cumulative depreciation charges are derecognised. The profits or losses resulting from the disposal of the 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.

Investment property

Investment property pursuant to IAS 40 consists of all property that is held to earn rental income and/or for capital appreciation, rather than for use in the supply of services or for administrative purposes or sale in the company's ordinary course of business. MLP measures investment property at amortised procurement and manufacturing costs, including incidental costs. Investment property is written off in accordance with the principles detailed for property, plant and equipment. Investment property is derecognised if it is sold or no longer used on a permanent basis or if no future economic benefit is expected when selling it. Gains or losses from the closure or the disposal of an investment property are recognised under other revenue or other operating expenses at the time of their closure or sale.

Rental income from investment property is realised by the Group on a straight-line basis over the duration of the tenancy agreement.

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. MLP determines whether there are any indications of impairment to other intangible assets, property, plant and equipment and investment property on each balance sheet date. If the recoverable amount for the individual asset cannot be determined, the estimate is made for the smallest cash-generating unit to which the asset belongs. An asset's recoverable amount is the higher of either the fair value of an asset less selling costs or the value in use. If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and is written down to its recoverable amount.

For the purposes of determining value in use, estimated future cash flows are discounted to their present value on the basis of a pre-tax discount rate reflecting current market assessments of the time value of money and the risks specific to the asset. If necessary, impairment losses are shown in the income statement under "Depreciation/amortisation and impairments".

Goodwill acquired within the scope of business combinations is tested for impairment losses at least once a year and also at any time when there is indication of potential impairment losses on assets. For the purposes of impairment tests, the goodwill must be allocated from the date of acquisition onwards to those of the Group's cash-generating units or groups of cash-generating units that are to benefit from the synergies from the combination. This applies irrespective of whether other assets or liabilities of the acquired company have been allocated to these units or groups of units. Each unit or group of units to which goodwill is allocated represents the lowest level within the Group at which goodwill is monitored for internal management purposes and is no larger than one business segment in the sense of IFRS 8. The carrying amount is tested by determining the recoverable amount of the cash-generating unit to which the goodwill refers. If the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. If the Group sells part of a cash-generating unit to which goodwill is allocated, the goodwill is regularly divided in proportion to the values of the sold and retained portion of the unit. The proportional goodwill allocated to the part that has been sold is included in the calculation of the profit from sale of discontinued operations.

At each closing date, MLP checks whether there are any indications that an impairment loss recognised in prior reporting periods no longer exists or may have decreased. If there is any such indication, it measures the recoverable amount. An impairment loss recognised previously is reversed if, since the last impairment loss was recognised and due to a change in the estimates, the recoverable amount is higher than the asset's carrying amount. The reversal may not exceed what the amortised cost would have been if an impairment had not been recognised in the previous years. Such a reversal must be recognised directly in the net income for the period. Once impairment losses have been reversed, an adjustment may need to be made in future reporting periods so as to systematically distribute the asset's adjusted carrying amount less any residual value over its remaining useful life. No reversal of impairment losses may be made to goodwill.

MLP has defined the following groups of cash-generating units for allocation of goodwill: The reportable Financial Services business segment contains the following groups of cash-generating units: (1) Financial Services, (2) Occupational Pension Provision, (3) ZSH. The reportable FERI business segment contains the following groups of cash-generating units: (1) FERI Asset Management, (2) FERI Consulting, (3) FERI EuroRating Services and (4) FEREAL.

The significant assumptions that are used when calculating the recoverable amount 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 the growth rate stated above, 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 20.

Indefinite-lived intangible assets are also to be tested for possible impairment on a yearly basis. This concerns the “FERI” brand, which was acquired in 2006 within the scope of the business combination with the FERI Group. In view of the recognition of this brand, at present no definite end of its useful life can be specified. The brand is fully attributed to the group of cash-generating units of the “FERI” reportable business segment and is tested for impairment on the basic of the cash-generating units. For further details, please refer to Note 20.

Leasing

MLP operates as both a lessee and lessor to third parties. MLP determines whether a contractual agreement constitutes or contains a lease on the basis of the economic substance of the agreement concluded. This requires an assessment of whether performance of the agreement is dependent upon the use of a particular asset or particular assets and whether the agreement confers the right to use the asset. Leases where all risks and rewards incident to ownership of the leased asset remain substantially with the Group as lessor are classified as operating leases. 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 one leasing agreement as **lessor** of a commercial property in Heidelberg. This agreement is classified as an operating lease, as MLP continues to bear the key risks and opportunities associated with ownership of the property. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and expensed over the term of the lease, just as rental income is recognised as expenses over the term of the lease. For further details, please refer to Note 22.

MLP signed multiple leasing agreements as **lessee** of rental properties, motor vehicles and office machines. The agreements are also classified as operating leases, as the lessors bear the key risks and opportunities associated with ownership of the property. Rental payments under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. The same principle applies to benefits received and receivable that serve as an incentive to enter into an operating lease. For further details, please refer to Note 35.

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 23.

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 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 members 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. Please refer to Note 37 for information on reclassification. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method. If held-to-maturity investments are likely to be subject to an impairment, this will be recognised through profit or loss. An impairment that was previously recognised as an expense is reversed to income if a recovery in value can be attributed objectively to facts that have arisen since the original impairment charge. An increase in value is only recognised to the extent that it does not exceed the value of the amortised costs that would have resulted without impairment. The recoverable amount of securities held to maturity which is required for impairment testing corresponds to the present value of the expected future cash flow, discounted using the original effective interest rate of the financial asset. The fair value of held-to-maturity investments can temporarily drop below their carrying amount. Insofar as this drop is not due to credit risks, no impairment is recognised.

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

Any impairment losses are recognised in profit or loss on the corresponding impairment account. If a receivable is uncollectable (i.e. payment is almost certainly impossible), it will be written off. **Allowances for losses in the banking business** are established on the basis of historical loss rates. Specific allowances for bad debts are recognised if receivables are likely to be uncollectable. In addition to this, MLP forms general allowances for bad debt based on dunning levels. A general allowance for doubtful accounts is then made for the remaining accounts receivable. 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 the allowances for losses 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 24 and 27.

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.

Other receivables and assets

Non-financial assets included in other receivable and assets are measured at amortised costs.

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.

If the benefits of a plan are changed or the scope of a plan is reduced, the resulting change to the benefit or profit/loss affecting years of service already earned is recognised directly as profit or loss when reducing the scope of said plan. The Group recognises profit and loss resulting from a defined benefit plan at the time of occurrence.

Further details of pension provisions are given in Note 30.

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.

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, tariff 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. MLP will use the longer of these periods.

Tax liabilities

Uncertainties exist with regard to the interpretation of complex tax regulations and the amount and the date of occurrence of taxable income. Based on reasonable estimates, MLP establishes **tax liabilities for potential effects of field tax audits**.

Other liabilities

Non-financial liabilities disclosed under “Other liabilities” are recognised in the balance sheet at their settlement value.

Share-based payments

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

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

You can find further details on the share-based payments in Note 34.

Income taxes

Actual tax refund claims and tax liabilities for both the current period and earlier periods are measured at the amount expected to be refunded by or paid to the tax authorities. The amount is determined on the basis of the tax rates and tax legislation that apply on the respective balance sheet date.

In accordance with IAS 12 “Income taxes”, **deferred taxes** are recognised on the basis of the balance sheet liability method for all taxable unrecognised differences existing on the balance sheet date between the values of the IFRS consolidated balance sheet and the taxable values of the individual companies. The respective national income tax rates expected at the time of implementation due to applicable tax law or tax law amendments deemed to be certain are taken into account when measuring deferred taxes. Deferred taxes are recognised in the income statement as tax income or expenses, unless they relate to items recognised directly in equity.

In this case, the deferred taxes are also recorded under shareholders' equity, but with no effect on the operating result. Deferred taxes are not recognised if the temporary difference results from the initial recognition of goodwill or from the initial recognition of other assets/debts in a transaction (insofar as this is not a business combination) and their recognition has no effect either on the tax result or on IFRS earnings. Besides tax advantages from deductible temporary differences, deferred tax assets are also recognised for future benefits expected to arise from tax loss carryforwards.

Deferred tax assets are recognised if it is probable that there will be offsettable taxable income available at the time of reversing the deductible temporary differences or that loss carryforwards can be used within a limited timeframe. Deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that there will be sufficient taxable profit against which the deferred tax assets can be used.

Deferred tax assets that have not been recognised are reviewed at each balance sheet date and recognised to the extent that it has become probable that future taxable profit will make realisation possible. Deferred tax assets and deferred tax liabilities are netted against one another if there is an enforceable right to offset tax refund claims against tax liabilities and if the deferred tax assets and deferred tax liabilities relate to the same income taxes levied by the same taxable entity and the same tax authority.

Contingent liabilities

Contingent liabilities are potential commitments resulting from past events and whose existence depends on the occurrence or non-occurrence of one or multiple uncertain future events that are not completely in the company's control. Contingent liabilities can also arise due to a current commitment that is based on past events but which was not recognised because it is not probable that an outflow of resources will bring economic benefit or a sufficiently reliable estimate of the amount of the obligation cannot be made. Contingent liabilities are not recognised in the balance sheet. If the outflow of resources is unlikely to provide any economic benefit for the company, no contingent liability is disclosed.

8 Reportable business segments

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

- Financial services
- FERI
- Holding

In line with IFRS 8.12, MLP merged the business segments of "Financial Services", "Occupational Pension Provision" and "ZSH" to form a single, reportable "Financial Services" business segment in the reporting year.

To form the reportable "FERI" business segment, MLP merged the business segments "FERI Asset Management", "FERI Consulting", "FERI EuroRating Services" and "FEREAL".

The reportable **Financial services** business segment consists of consulting services for academics and other discerning clients, particularly with regard to insurance, investments, occupational pension provision schemes and loans of all kinds, as well as the brokering of contracts concerning these financial services. This segment also includes finance portfolio management, the trustee credit business and the loan and credit card business. The financial services segment incorporates the divisions focused on the brokerage business of MLP Finanzdienstleistungen AG, TPC GmbH, ZSH GmbH Finanzdienstleistungen, MLPdialog GmbH and the associate MLP Hyp GmbH.

The business operations of the **FERI** business segment cover wealth and investment consulting. This segment consists of FERI AG, FERI Trust GmbH, FERI Trust (Luxembourg) S.A., FERI Institutional and Family Office GmbH, FERI EuroRating Services AG and FEREAL AG.

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

Information regarding reportable business segments

	Financial services	
All figures in €'000	2014	2013*
Revenue	403,705	384,666
of which total inter-segment revenue	2,895	4,688
Other revenue	12,224	12,439
of which total inter-segment revenue	2,022	1,900
Total revenue	**415,929**	**397,106**
Commission expenses	–176,026	–162,619
Interest expenses	–2,841	–4,403
Personnel expenses	–72,842	–72,163
Depreciation	–9,180	–7,327
Other operating expenses	–126,586	–123,258
Earnings from investments accounted for using the equity method	1,127	902
Segment earnings before interest and tax (EBIT)	**29,582**	**28,238**
Other interest and similar income	238	535
Other interest and similar expenses	–779	–242
Finance cost	**–540**	**293**
Earnings before tax (EBT)	**29,041**	**28,530**
Income taxes		
Net profit		
Investments accounted for using the equity method	**2,772**	**2,547**
Investments in intangible assets and property, plant and equipment	**13,622**	**21,156**
Major non-cash expenses:		
Impairment charges/reversal of impairment charges for receivables and financial assets	2,933	2,646
Increase/decrease of provisions/accrued liabilities	38,331	38,815
Gains/losses from the disposal of intangible assets and property, plant and equipment	159	–484

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

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

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

All segments perform their economic activities predominantly in Germany. The FERI Assetmanagement segment also operates in Luxembourg.

Revenue of € 59,592 thsd is generated in the financial services segment with one product partner. The same business segment generated a revenue of € 51,674 thsd with one product partner in the previous year.

FERI		Holding		Consolidation		Total	
2014	2013	2014	2013*	2014	2013	2014	2013*
109,229	100,943	–	–	–3,208	–5,108	509,727	480,502
313	420	–	–	–3,208	–5,108	–	–
4,698	5,102	15,443	11,527	–10,987	–10,590	21,378	18,477
8	9	8,957	8,681	–10,987	–10,590	–	–
113,927	**106,045**	**15,443**	**11,527**	**–14,195**	**–15,698**	**531,105**	**498,979**
–60,253	–55,937	–	–	2,647	4,398	–233,633	–214,158
–	–	–	–	2	2	–2,838	–4,401
–27,575	–29,036	–5,547	–5,004	–	–	–105,964	–106,203
–2,110	–1,974	–2,127	–2,510	–	–	–13,417	–11,811
–11,611	–11,092	–10,468	–9,354	11,272	11,072	–137,394	–132,632
–	–	–	–	–	–	1,127	902
12,377	**8,005**	**–2,699**	**–5,341**	**–274**	**–226**	**38,986**	**30,676**
19	312	429	436	–17	–70	669	1,214
–673	–397	–757	–702	202	295	–2,007	–1,046
–653	**–84**	**–329**	**–266**	**185**	**225**	**–1,337**	**167**
11,724	**7,921**	**–3,027**	**–5,607**	**–89**	**0**	**37,649**	**30,844**
						–8,694	–6,937
						28,955	**23,907**
–	**–**	**–**	**–**	**–**	**–**	**2,772**	**2,547**
1,081	**858**	**715**	**436**	**–**	**–**	**15,418**	**22,450**
159	21	–	–	–	–	3,092	2,668
9,332	7,247	2,925	4,232	–	–	50,587	50,294
–	–	–2,070	0	–	–	–1,911	–484

NOTES TO THE INCOME STATEMENT

9 Revenue

All figures in €'000	2014	2013
Old-age provision	239,729	219,929
Wealth management	147,034	138,092
Health insurance	43,452	47,785
Non-life insurance	34,573	32,542
Loans and mortgages	13,622	14,536
Other commission and fees	8,449	4,850
Commission and fees	**486,858**	**457,734**
Revenue from the interest rate business	**22,869**	**22,768**
Total	**509,727**	**480,502**

10 Other revenue

All figures in €'000	2014	2013*
Income from the reversal of provisions	3,482	2,850
Income from the disposal of fixed assets	2,070	580
Reversal of impairment losses/income from written-off receivables	1,857	1,481
Rent	1,271	1,232
Income from the reversal of deferred obligations	1,240	1,141
Cost transfers to commercial agents	1,081	1,303
Remuneration of management	1,029	1,325
Own work capitalised	746	1,151
Sundry other income	8,602	7,415
Total	**21,378**	**18,477**

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

For more information on income from the reversal of provisions, please refer to Note 30.

The income from the disposal of fixed assets includes the sale of various pieces of art.

The item "Reversal of impairment losses/income from written-off receivables" relates to the items "Receivables from clients in the banking business" and "Other receivables and assets". Revenue is offset against allowances for bad debts, which are recorded under "Other operating expenses".

Rental income essentially results from letting the investment property.

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

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

Sundry other income includes income from cost reimbursement claims, income from investments and offset remuneration in kind.

11 Commission expenses

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

12 Interest expenses

All figures in €’000	2014	2013
Interest and similar expenses		
Financial instruments measured at amortised cost	2,693	4,373
Available-for-sale financial instruments	87	1
Change fair value option		
Financial instruments at fair value through profit and loss	58	27
Total	**2,838**	**4,401**

Interest expenses of € 2,072 thsd (previous year: € 4,102 thsd) are attributable to interest charges for liabilities due to clients in the banking business.

13 Personnel expenses

All figures in €’000	2014	2013
Salaries and wages	91,599	92,208
Social security contributions	11,996	11,602
Expenses for old-age provisions and benefits	2,369	2,393
Total	**105,964**	**106,203**

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.

14 Depreciation

All figures in €'000	2014	2013
Depreciation		
Intangible assets	7,912	5,950
Property, plant and equipment	5,442	5,783
Investment property	63	78
Total	**13,417**	**11,811**

The development of non-current assets is disclosed in Note 20 (intangible assets), Note 21 (property, plant and equipment) and Note 22 (investment property).

15 Other operating expenses

All figures in €'000	2014	2013
IT operations	47,932	44,609
Rental and leasing	13,419	14,282
Consultancy	13,209	11,244
Administration operations	11,236	10,694
Representation and advertising	7,892	8,118
External services – banking business	6,456	8,352
Other external services	3,992	3,737
Travel expenses	3,714	2,972
Premiums and fees	3,591	3,808
Training and further education	3,554	3,630
Entertainment	2,803	2,522
Depreciation and impairments of other receivables and assets	2,470	2,067
Insurance	2,393	2,326
Maintenance	2,197	2,001
Expenses for commercial agents	2,130	2,490
Other employee-related expenses	1,151	1,102
Supervisory Board remuneration	1,032	882
Audit	1,002	1,187
Depreciation and impairments of other receivables from clients in the banking business	903	1,748
Sundry other operating expenses	6,319	4,858
Total	**137,394**	**132,632**

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 contain costs relating to building operations, office costs and communication costs. The item “External services - banking business” mainly contains securities settlement and transaction costs in connection with the MLP credit card. Expenses for representation and advertising include costs incurred due to media presence and client information activities. Expenses for commercial agents include costs for former consultants and the training allowance granted for new consultants. Amortisation and impairment on other receivables and assets comprise allowances for receivables from commercial agents. Sundry other operating expenses essentially comprise the current service cost from the allocations to pension provisions, expenses for other taxes, as well as vehicle costs.

16 Earnings from investments accounted for using the equity method

Earnings from investments accounted for using the equity method were € 1,127 thsd in the financial year (previous year: € 902 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.

17 Finance cost

All figures in €’000	2014	2013*
Other interest and similar income	**669**	**1,214**
Interest expenses from financial instruments	–1,421	–473
Interest expenses from net obligations for defined benefit plans	–585	–574
Other interest and similar expenses	**–2,007**	**–1,046**
Finance cost	**–1,337**	**167**

* Previous year’s values adjusted. The adjustments are disclosed under Note 3.

Other interest and similar income of € 293 thsd (previous year: € 166 thsd) is attributable to interest income from deposits with financial institutions which were not included in the banking business segment and € 41 thsd (previous year: € 664 thsd) is attributable to income from the discounting of provisions. Other interest and similar expenses include expenses from the accrued interest of other provisions totalling € 833 thsd (previous year: € 230 thsd).

18 Income taxes

All figures in €’000	2014	2013*
Income taxes	8,694	6,937
of which current taxes on income and profit	10,720	6,165
of which deferred taxes	–2,026	772

* Previous year’s values adjusted. The adjustments are disclosed under Note 3.

The current taxes on income and profit include expenses of € 2,062 thsd (previous year: € 434 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 13.37% (previous year: 13.15%) and amounts to 29.19% (previous year: 28.98%).

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	2014	2013*
Earnings before tax	**37,649**	**30,844**
Group income tax rate	29.19%	28.98%
Calculated income tax expenditure in the financial year	**10,990**	**8,939**
Tax-exempt earnings and permanent differences	–2,881	–3,431
Non-deductible expenses	977	765
Divergent trade taxation charge	393	356
Effects of other taxation rates applicable abroad	4	31
Income tax not relating to the period	–846	330
Tax effects from tax rate changes	53	–
Other operating expenses	4	–54
Income taxes	**8,694**	**6,937**

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

The effective income tax rate applicable to the earnings before tax is 23.1% (previous year: 22.5%).

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 are due to entertainment costs, gifts and other such matters.

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

	Deferred tax assets		Deferred tax liabilities	
All figures in €'000	Dec. 31, 2014	Dec. 31, 2013*	Dec. 31, 2014	Dec. 31, 2013*
Intangible assets	1,145	1,395	10,992	11,303
Property, plant and equipment	–	–	3,327	3,070
Financial assets	–	44	340	64
Investment property	–	–	919	658
Other assets	2,213	3,241	580	0
Provisions	11,189	5,122	–	128
Liabilities	935	407	0	–
Gross value	**15,482**	**10,209**	**16,158**	**15,223**
Netting of deferred tax assets and liabilities	–8,754	–6,951	–8,754	–6,951
Total	**6,728**	**3,258**	**7,404**	**8,272**

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

The deferred tax income recognised under other comprehensive income outside the income statement is € 2,312 thsd (previous year: € 395 thsd).

Tax refund claims include € 10,554 thsd (previous year: € 9,539 thsd) of corporation tax and € 8,189 thsd (previous year: € 11,084 thsd) of trade tax. The major portion of € 18,704 thsd (previous year: € 20,497 thsd) is attributable to MLP AG.

Tax liabilities are made up of € 3,408 thsd (previous year: € 3,661 thsd) of corporation tax and € 2,123 thsd (previous year: € 1,993 thsd) of trade tax, of which € 4,000 thsd (previous year: € 3,390 thsd) is attributable to MLP AG.

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

19 Earnings per share

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

All figures in €'000	2014	2013*
Basis of the basic / diluted net profit per share	**28,955**	**23,907**

All figures in number of units		
Weighted average number of shares for the basic / diluted net profit per share	107,877,738	107,877,738

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

The basic and diluted earnings per share are € 0.27 (previous year: € 0.22).

NOTES TO THE STATEMENT OF FINANCIAL POSITION

20 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, 2013	**90,616**	**8,164**	**73,548**	**7,749**	**46,793**	**226,869**
Additions	–	410	601	18,472	21	19,505
Disposals	–	–	–147	–	–	–147
Transfers	–	–	915	–915	–	0
As of Dec. 31, 2013	**90,616**	**8,575**	**74,916**	**25,307**	**46,814**	**246,227**
Additions	–	372	1,137	7,356	–	8,864
Disposals	–	–	–21	–	–19	–40
Transfers	–	7,151	260	–7,411	–	0
As of Dec. 31, 2014	**90,616**	**16,098**	**76,291**	**25,252**	**46,795**	**255,051**
Depreciation and impairment						
As of Jan. 1, 2013	**3**	**7,558**	**65,515**	**–**	**12,080**	**85,156**
Depreciation	–	408	3,559	–	1,983	5,950
Disposals	–	–	–147	–	–	–147
As of Dec. 31, 2013	**3**	**7,966**	**68,927**	**–**	**14,064**	**90,960**
Depreciation	–	1,710	4,235	–	1,967	7,912
Disposals	–	–	–3	–	–	–3
As of Dec. 31, 2014	**3**	**9,676**	**73,160**	**–**	**16,030**	**98,869**
Carrying amount Jan. 1, 2013	90,613	606	8,032	7,749	34,712	141,713
Carrying amount Dec. 31, 2013	**90,613**	**609**	**5,989**	**25,307**	**32,750**	**155,267**
Carrying amount Jan. 1, 2014	90,613	609	5,989	25,307	32,750	155,267
Carrying amount Dec. 31, 2014	**90,613**	**6,422**	**3,131**	**25,252**	**30,764**	**156,182**

Intangible assets include work performed in-house in connection with the development and implementation of software. They are recorded under Software (purchased), Software (created internally) and Advance payments and developments in progress. All development and implementation costs incurred in the financial year 2014 complied in full with the criteria for capitalisation pursuant to IAS 38 “Intangible assets” (2014: € 746 thsd; (previous year: € 1,150 thsd)).

Indefinite-lived intangible assets comprise the trade name “FERI”.

All figures in €'000	2014	2013
FERI Assetmanagement	10,165	10,165
FERI Consulting	649	649
FERI EuroRating Services	3,534	3,534
FEREAL	1,481	1,481
FERI	**15,829**	**15,829**

As was already the case in the previous year, there was no need for an impairment of capitalised goodwill in the financial year 2014. The significant assumptions presented in the following were based on the impairment test performed. The assumptions for the respective business segments represent the management's assessment and are based on both internal and external sources:

Reportable Financial Services business segment

Financial services

Weighted average (in %)	2014	2013
Discount rate (before tax)	11.9	10.6
Growth rate of the terminal value	1.0	1.6
Planned EBT growth rate (average of the next 4 years)	38.3	25.4

Occupational pension provision

Weighted average (in %)	2014	2013
Discount rate (before tax)	12.0	10.8
Growth rate of the terminal value	1.0	1.6
Planned EBT growth rate (average of the next 4 years)	23.7	14.1

ZSH

Weighted average (in %)	2014	2013
Discount rate (before tax)	11.7	10.2
Growth rate of the terminal value	1.0	1.6
Planned EBT growth rate (average of the next 4 years)	53.8	16.4

Reportable FERI business segment

FERI Assetmanagement

Weighted average (in %)	2014	2013
Discount rate (before tax)	15.2	10.3
Growth rate of the terminal value	1.0	1.6
Planned EBT growth rate (average of the next 4 years)	0.1	7.0

FERI Consulting

Weighted average (in %)	2014	2013
Discount rate (before tax)	11.7	10.4
Growth rate of the terminal value	1.0	1.6
Planned EBT growth rate (average of the next 4 years)	106.0	36.5

FERI EuroRating Services

Weighted average (in %)	2014	2013
Discount rate (before tax)	11.9	10.6
Growth rate of the terminal value	1.0	1.6
Planned EBT growth rate (average of the next 4 years)	48.1	21.7

FEREAL

Weighted average (in %)	2014	2013
Discount rate (before tax)	12.0	11.0
Growth rate of the terminal value	1.0	1.6
Planned EBT growth rate (average of the next 4 years)	88.5	38.4

The impairment test has confirmed the anticipated carrying amounts for goodwill. 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 15%. 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.

Cash-generating units were allocated the following goodwill values arising from business combinations:

All figures in €'000	Dec. 31, 2014	Dec. 31, 2013
Financial services	22,042	22,042
Occupational pension provision	9,955	9,955
ZSH	4,072	4,072
Financial services	**36,069**	**36,069**
FERI Assetmanagement	39,919	39,919
FERI Consulting	2,807	2,807
FERI EuroRating Services	6,812	6,812
FEREAL	5,006	5,006
FERI	**54,544**	**54,544**
Total	**90,613**	**90,613**

Amortisation of intangible assets is disclosed in Note 14.

Useful lives of intangible assets

	Useful life as of Dec. 31, 2014	Useful life as of Dec. 31, 2013
Acquired software/licences	3–7 years	3–7 years
Software created internally	3–5 years	3 years
Acquired trademark rights	10–15 years	10–15 years
Client relations/contract inventories	10–25 years	10–25 years
Goodwill/brand names	undefinable	undefinable

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 € 255 thsd as of December 31, 2014 (previous year: € 1,124 thsd).

21 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, 2013	**80,670**	**66,571**	**102**	**147,344**
Additions	351	1,761	833	2,945
Disposals	–871	–3,582	–	–4,452
Transfers	457	139	–596	0
As of Dec. 31, 2013	**80,607**	**64,890**	**339**	**145,837**
Additions	429	4,161	1,963	6,553
Disposals	–1,406	–5,019	–	–6,425
Transfers	119	716	–834	0
As of Dec. 31, 2014	**79,750**	**64,748**	**1,468**	**145,965**
Depreciation and impairment				
As of Jan. 1, 2013	**26,524**	**52,037**	**–**	**78,562**
Depreciation	1,906	3,877	–	5,783
Write-ups	–	–1	–	–1
Disposals	–871	–3,459	–	–4,329
As of Dec. 31, 2013	**27,560**	**52,455**	**–**	**80,015**
Depreciation	1,774	3,668	–	5,442
Disposals	–1,370	–4,159	–	–5,529
As of Dec. 31, 2014	**27,964**	**51,964**	**–**	**79,928**
Carrying amount Jan. 1, 2013	54,146	14,534	102	68,782
Carrying amount Dec. 31, 2013	**53,047**	**12,435**	**339**	**65,822**
Carrying amount Jan. 1, 2014	53,047	12,435	339	65,822
Carrying amount Dec. 31, 2014	**51,786**	**12,784**	**1,468**	**66,037**

Depreciation charges are disclosed in Note 14.

Useful lives of property, plant and equipment

	Useful life/residual value Dec. 31, 2014	Useful life/residual value Dec. 31, 2013
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	Term of the respective lease	Term of the respective lease
Furniture and fittings	10–25 years	10–25 years
IT hardware, IT cabling	3–13 years	3–13 years
Office equipment, office machines	3–13 years	3–13 years
Cars	6 years	6 years
Works of art	13–15 years	13–15 years

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 € 72 thsd net as of December 31, 2014 (previous year: € 754 thsd).

22 Investment property

All figures in €'000	Investment property
Acquisition costs	
As of Jan. 1, 2013	**0**
Reclassification IFRS 5	25,047
As of Dec. 31, 2013	**25,047**
As of Dec. 31, 2014	**25,047**
Depreciation and impairment	
As of Jan. 1, 2013	**0**
Depreciation	78
Reclassification IFRS 5	17,644
As of Dec. 31, 2013	**17,722**
Depreciation	63
As of Dec. 31, 2014	**17,785**
Carrying amount Jan. 1, 2013	0
Carrying amount Dec. 31, 2013	**7,325**
Carrying amount Jan. 1, 2014	7,325
Carrying amount Dec. 31, 2014	**7,262**

The property held by MLP AG concerns an office and administration building which is rented out under an operating lease. The minimum term of the rental agreement is 10 years. The agreement will therefore end no earlier than October 6, 2015. The annual rent payments are based on the consumer price index. Please refer to Note 35 for further information.

Since it was not sold, the property was reclassified and reclassified from "real estate held for sale" to "investment property" in the previous year. As of December 31, 2014, the property was valued at its amortised book value. At € 7,262 thsd, this figure is only marginally above the fair value of € 7,244 thsd determined as of December 31, 2014 (previous year: € 7,356 thsd). The fair value is based on an internal report, drawn up using the gross rental method in compliance with the German legislation "Decree on the Principles for Determining the Market Value of Property (ImmoWertV)". It is classified as level 3 fair value.

23 Investments accounted for using the equity method

Associates

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

The shares developed as follows:

All figures in €'000	2014	2013
Share as of Jan. 1	**2,547**	**2,601**
Dividend payouts	–902	–956
Pro rata profit after tax	1,127	902
Share as of Dec. 31	**2,772**	**2,547**

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

All figures in €'000	Dec. 31, 2014	Dec. 31, 2013
Non-current assets	58	57
Current assets	5,580	5,053
Non-current liabilities	13	15
Current liabilities	891	707
Net assets (100%)	**4,734**	**4,388**
of which MLP's share in net assets (49.8%)	2,358	2,185
Incidental acquisition costs	**151**	**151**
Dividend payout	**–1,015**	**–805**
Cumulative disproportionate profit	**1,279**	**1,015**
Carrying amount of the investment	**2,772**	**2,547**
Revenue	9,226	8,173
Total comprehensive income (100 %)	**1,734**	**1,388**
of which MLP's share in total comprehensive income (49.8%)	864	691
Disproportionate profit for the current financial year (65%)	**264**	**211**
MLP's share in total comprehensive income	**1,127**	**902**

24 Receivables from clients in the banking business

All figures in €'000	Dec. 31, 2014	Dec. 31, 2013
Originated loan	248,584	223,357
Corporate bond debts	124,000	142,500
Receivables from credit cards	97,357	98,181
Receivables from current accounts	35,965	39,346
Receivables from wealth management	332	660
Total, gross	**506,239**	**504,044**
Impairment	–10,670	–12,474
Total, net	**495,569**	**491,570**

As of December 31, 2014, receivables (net) with a term of more than one year remaining to maturity are € 330,156 thsd (previous year: € 301,974 thsd).

	Gross value	Of which financial assets	Financial assets, neither impaired nor overdue	Financial assets, not impaired but overdue within the following time span		
All figures in €'000				< 90 days	90–180 days	> 180 days
Receivables from clients (gross) as per Dec. 31, 2014	506,239	506,239	499,808	1,530	250	508
Receivables from clients (gross) as per Dec. 31, 2013	504,044	504,044	488,409	1,452	226	775

At € 2,288 thsd (previous year: € 2,453 thsd), receivables for which no specific allowance has been made but which are overdue as of December 31, 2014 are secured with customary banking collaterals.

Receivables from clients due to originated loans are partly secured by mortgages (December 31, 2014: € 65,490 thsd; previous year: € 45,779 thsd), assignments (December 31, 2014: € 33,017 thsd, previous year: € 28,023 thsd) or liens (December 31, 2014: € 12,776 thsd, previous year: € 22,622 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 the banking business, whose conditions were renegotiated and which would otherwise be overdue or written down, were € 286 thsd on the closing date (previous year: € 0 thsd).

The Group holds forwarded loans of € 16,717 thsd (previous year: € 9,911 thsd) in the form of collateral for liabilities due to refinancing banks.

Due to defaults of debtors, financial and non-financial assets of € 856 thsd (previous year: € 2,069 thsd), serving as collateral for originated loans and receivables, were utilised. The assets mainly concern property and receivables from claimed life insurance policies.

The allowances for losses 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 an allowance for losses carried under assets, and by the recognition of provisions for credit risks (see Note 30).

The allowances for losses due to receivables from clients in the banking business carried under assets developed as follows:

	Allowances for losses on individual account		Impairment loss on portfolio basis		Total	
All figures in €'000	2014	**2013**	2014	**2013**	2014	**2013**
As of Jan. 1	**4,441**	**5,869**	**8,034**	**9,080**	**12,474**	**14,949**
Allocation	152	277	580	1,384	732	1,661
Reclassification	–	–	–	–	–	–
Utilisation	–602	–1,092	–898	–2,386	–1,499	–3,478
Reversal	–985	–613	–51	–44	–1,035	–657
As of Dec. 31	**3,006**	**4,441**	**7,665**	**8,034**	**10,670**	**12,474**
of which allowances for bad debts measured at amortised cost	3,006	4,441	7,665	8,034	10,670	12,474

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-offs of € 172 thsd (previous year: € 89 thsd) and income from written-off receivables of € 316 thsd (previous year: € 256 thsd), the total direct amortisation and reversals performed in the reporting year resulted in a net cost of allowances for losses of € 448 thsd (previous year: € –836 thsd).

Receivables for which specific allowances have been made amount in total to € 4,143 thsd (previous year: € 5,195 thsd). For € 257 thsd of these (previous year: € 373 thsd), the impairment was less than 50% of the gross receivable, while the remaining volume was written down by more than 50%. The allowance for bad debts comes to € 3,006 thsd (previous year: € 4,441 thsd). This corresponds to a percentage of 73% (previous year: 86%).

Accounts receivable for which a specific allowance has been made are secured as per December 31, 2014 with customary banking collaterals amounting to € 305 thsd (previous year: € 599 thsd).

Further information on receivables from clients in the banking business is disclosed in Note 37.

25 Receivables from banks in the banking business

All figures in €'000	Dec. 31, 2014	Dec. 31, 2013
Due on demand	193,681	194,841
Other receivables	260,420	275,212
Domestic financial institutions	**454,101**	**470,052**
Due on demand	–	50
Other receivables	105,215	20,008
Foreign financial institutions	**105,215**	**20,058**
Total	**559,316**	**490,110**

As of December 31, 2014, receivables with a term of more than one year remaining to maturity are € 27,000 thsd (previous year: € 29,500 thsd). The receivables are not collateralised. MLP only places funds at banks with a first-class credit standing. 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 37.

26 Financial assets

All figures in €'000	Dec. 31, 2014	Dec. 31, 2013
By public-sector issuers	15,138	4,999
By other issuers	54,372	74,417
Debenture and other fixed income securities	**69,510**	**79,416**
Shares and certificates	3,738	5,307
Investment fund shares	3,621	3,369
Shares and other variable yield securities	**7,359**	**8,677**
Fixed and time deposits	**63,138**	**55,230**
Investments in non-consolidated subsidiaries	**5,268**	**2,759**
Total	**145,276**	**146,082**

As of December 31, 2014, MLP has portfolios amounting to € 50,936 thsd (previous year: € 68,112 thsd) that are due in more than 12 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, 2014	Dec. 31, 2013
Held-to-maturity investments	43,983	74,283
Available-for-sale financial assets	20,453	–
Financial assets at fair value through profit and loss	5,074	5,133
Debenture and other fixed income securities	**69,510**	**79,416**
Available-for-sale financial assets	6,129	6,948
Financial assets at fair value through profit and loss	1,231	1,728
Shares and other variable yield securities	**7,359**	**8,677**
Fixed and time deposits (loans and receivables)	**63,138**	**55,230**
Investments in non-consolidated subsidiaries (available-for-sale financial assets)	**5,268**	**2,759**
Total	**145,276**	**146,082**

Valuation changes of € 95 thsd (previous year: € –347 thsd) were recognized for available-for-sale shares and other variable yield securities, and valuation changes of € 909 thsd (previous year: € 0 thsd) were recognized for available-for sale debentures and other fixed income securities and included in the revaluation reserve not affecting profit or loss.

Due to the disposal of financial assets and recording of impairments, € –543 thsd (previous year: € –174 thsd) was withdrawn from the revaluation reserve in the reporting period and recognised under net income for the period.

Impairments and losses on disposals of € –597 thsd (previous year: € 66 thsd) for available-for-sale financial assets were recognised through profit or loss in the financial year 2014.

In the reporting period, valuation adjustments to financial assets that are measured at fair value through profit and loss of € –691 thsd (previous year: € –33 thsd) were recognised in the 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 € 34,990 thsd (previous year: € 44,987 thsd) with a face value of € 35,000 thsd (previous year: € 45,000 thsd).

For further disclosures regarding financial assets, please refer to Note 37.

27 Other receivables and assets

All figures in €'000	Dec. 31, 2014	Dec. 31, 2013*
Trade accounts receivable	67,859	52,227
Refund receivables from recourse claims	20,553	20,704
Receivables from commercial agents	18,688	21,718
Advance payments	6,069	6,531
Purchase price receivables for MLP Finanzdienstleistungen AG, Austria	1,246	2,428
Other assets	11,293	9,338
Total, gross	**125,708**	**112,946**
Impairment	–8,043	–8,292
Total, net	**117,665**	**104,653**

*Previous year´s values adjusted. The adjuments are disclosed under Note 3.

As of December 31, 2014, receivables (net) with a term of more than one year remaining to maturity are € 13,446 thsd (previous year: € 16,281 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.

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

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

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

The purchase price receivable from the sale of the shares in MLP Finanzdienstleistungen AG, Vienna, Austria is due from FINUM.Private Finance Holding GmbH, Vienna, Austria, a subsidiary of Aragon AG, Wiesbaden. As specified in the contract, MLP received the third instalment of € 1,267 thsd in the financial year 2014.

	Gross value	Of which financial assets	Financial assets, neither impaired nor overdue	Financial assets, not impaired but overdue within the following time span		
All figures in €'000				< 90 days	90–180 days	> 180 days
Other receivables and assets as of Dec. 31, 2014	125,708	99,161	91,016	1,353	490	746
Other receivables and assets as of Dec. 31, 2013*	112,946	86,931	76,318	2,819	433	1,896

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

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 assets are as follows:

	Allowances for losses on individual account		Impairment loss on portfolio basis		Total	
All figures in €'000	2014	2013	2014	2013	2014	2013
As of Jan. 1	**4,863**	**6,505**	**3,429**	**3,230**	**8,292**	**9,735**
Utilisation	–868	–2,784	–306	–20	–1,175	–2,804
Allocations	1,198	1,252	145	649	1,343	1,901
Reversal	–184	–111	–233	–429	–417	–540
As of Dec. 31	**5,009**	**4,863**	**3,035**	**3,429**	**8,043**	**8,292**

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-offs of € 1,127 thsd (previous year: € 166 thsd) and income from written-off receivables of € 0 thsd (previous year: € 0 thsd), the total direct write-down and reversals performed in the reporting year resulted in a net cost of allowances for losses of € 2,053 thsd (previous year: € 1,527 thsd).

As of December 31, 2014, receivables for which specific allowances have been made amount to a total of € 5,431 thsd (previous year: € 5,466 thsd). For € 555 thsd of these (previous year: € 565 thsd) the allowance for bad debts was less than 50% of the gross receivable, the remaining volume was written down by more than 50%. The impairment loss comes to a total of € 5,009 thsd (previous year: € 4,863 thsd). This corresponds to an average impairment rate of 92% (previous year: 89%).

Additional disclosures on other receivables and assets can be found in Note 37.

28 Cash and cash equivalents

All figures in €'000	Dec. 31, 2014	Dec. 31, 2013
Bank deposits	38,585	35,997
Deposits at Deutsche Bundesbank	10,415	10,299
Cash on hand	119	87
Total	**49,119**	**46,383**

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

29 Shareholders' equity

All figures in €'000	Dec. 31, 2014	Dec. 31, 2013*	Jan. 1, 2013*
Share capital	107,878	107,878	107,878
Capital reserves	142,184	142,184	142,184
Retained earnings			
Statutory reserve	3,117	3,117	3,117
Other retained earnings and net profit	132,887	121,193	131,807
Revaluation reserve	–9,269	–3,913	–3,266
Total	**376,795**	**370,457**	**381,720**

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

Share capital

The share capital of MLP AG is made up of 107,877,738 (previous year: 107,877,738) no-par-value shares.

Authorised capital

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 € 22,000,000 in exchange for cash or non-cash contributions up to June 5, 2019. This resolution replaces the resolution approved at the Annual General Meeting on May 20, 2010.

Capital reserves

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

Other retained earnings and net profit

Other equity comprises retained earnings of the MLP Group.

Revaluation reserve

At € 1,730 thsd (previous year: € 933 thsd), the provision includes unrealised gains and losses from the change in fair value of securities available for sale and deferred taxes attributable to this of € –269 thsd (previous year: € –96 thsd). In addition to this, the provision includes losses from the revaluation of defined benefit obligations of € 15,154 thsd (previous year: € 6,688 thsd) and deferred taxes attributable to this of € 4,424 thsd (previous year: € 1,938 thsd).

Proposed appropriation of profit

The Executive Board and Supervisory Board of MLP AG will propose a dividend of € 18,339 thsd (previous year: € 17,260 thsd) for the financial year 2014 at the Annual General Meeting. This corresponds to € 0.17 (previous year: € 0.16) per share.

30 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 € 18,489 thsd (previous year: € 15,489 thsd). Pension insurance policies are in place for all other pension obligations (defined benefit obligation of € 27,884 thsd; previous year: € 21,386 thsd).

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

All figures in €'000	Defined benefit obligation 2014	Defined benefit obligation 2013	Fair value of pension scheme assets 2014	Fair value of pension scheme assets 2013	Net liability from defined benefit plans 2014	Net liability from defined benefit plans 2013
As of Jan. 1	**36,875**	**34,115**	**–19,610**	**–17,505**	**17,265**	**16,610**
Recognised in profit or loss						
Current service cost	513	821	–	–	513	821
Interest expenses (+)/income (-)	1,315	1,286	–729	–713	585	574
	1,827	**2,107**	**–729**	**–713**	**1,098**	**1,394**
Recognised in other comprehensive income						
Gains (-)/losses (+) from revaluations						
Actuarial Gains (-)/losses (+) from						
financial assumptions	10,457	1,230	–	–	10,457	1,230
experience adjustments	–2,061	62	–	–	–2,061	62
Gains (-)/losses (+) from pension scheme assets without amounts recognized as interest income	–	–	69	260	69	260
	8,396	**1,291**	**69**	**260**	**8,466**	**1,552**
Other						
Contributions paid by the employer	–	–	–1,207	–1,891	–1,207	–1,891
Payments made	–725	–638	276	238	–449	–400
	–725	**–638**	**–931**	**–1,653**	**–1,656**	**–2,291**
As of Dec. 31	**46,373**	**36,875**	**–21,200**	**–19,610**	**25,173**	**17,265**

€ 944 thsd of the net liabilities recognised in the balance sheet (previous year: € 1,102 thsd) are attributable to Executive Board members active at the end of the reporting period.

With regard to net pension provisions, payments of € 2,177 thsd are anticipated for 2015 (previous year: € 1,963 thsd). € 666 thsd thereof (previous year: € 407 thsd) is attributable to direct, anticipated company pension payments, while € 1,511 thsd (previous year: € 1,557 thsd) is attributable to anticipated reinsurance policy premiums.

Actuarial calculations incorporate the following assumptions:

	2014	2013
Assumed interest rate	2.0%	3.6%
Anticipated annual salary development	–	1.8%
Anticipated annual pension adjustment	1.5/2.5%	1.8%

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

On December 31, 2014, the weighted average term of defined benefit obligations was 19.1 years (previous year: 18.0 years)

Sensitivity analysis

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

All figures in €'000	Change of parameter	Reduction/ increase of defined obligation
Assumed interest rate	0.5%	–4,019
	–0.5%	4,512
Salary trend	0.5%	–
	–0.5%	–
Pension trend	0.5%	3,528
	–0.5%	–3,176
Mortality	80.0%	1,568

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 2014 they total € 9,053 thsd (previous year: € 8,875 thsd).

Other provisions are made up as follows:

All figures in €'000	Dec. 31, 2014			Dec. 31, 2013*		
	Current	Non-current	Total	Current	Non-current	Total
Cancellation risks	12,320	14,149	26,469	12,856	14,675	27,530
Bonus schemes	25,261	–	25,261	20,974	2,425	23,400
Economic loss	6,263	–	6,263	5,846	–	5,846
Share-based payments	1,907	883	2,789	1,065	2,267	3,331
Litigation risks/costs	1,795	188	1,983	1,966	336	2,302
Rent	750	701	1,452	788	1,033	1,821
Phased retirement	163	68	231	203	211	414
Lending business	212	70	282	229	138	367
Anniversaries	237	213	449	109	301	410
Other	1,261	437	1,698	928	523	1,451
Total	**50,168**	**16,708**	**66,876**	**44,964**	**21,909**	**66,873**

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

Other provisions have changed as follows:

All figures in €'000	Jan. 1, 2014*	Utilisation	Reversal	Compounding / Discounting	Allocation	Netting	Dec. 31, 2014
Cancellation risks	27,530	–3,278	–12	185	2,043	–	26,469
Bonus schemes	23,400	–20,706	–512	68	23,011	–	25,261
Economic loss	5,846	–2,033	–135	–	2,584	–	6,263
Share-based payments	3,331	–494	–349	52	249	–	2,789
Litigation risks/costs	2,302	–346	–655	64	617	–	1,983
Rent	1,821	–773	–284	81	607	–	1,452
Phased retirement	414	–415	–6	16	47	174	231
Lending business	367	–	–86	–	–	–	282
Anniversaries	410	–103	–5	–	146	–	449
Other	1,451	–155	–37	–8	447	–	1,698
Total	**66,873**	**–28,301**	**–2,081**	**459**	**29,752**	**174**	**66,876**

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

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 bonus schemes are recognised for incentive agreements for 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 € 5,930 thsd (previous year: € 5,443 thsd).

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

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

31 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.

			Dec. 31, 2014			Dec. 31, 2013
All figures in €'000	Current	Non-current	Total	**Current**	**Non-current**	**Total**
Liabilities due to clients	1,005,840	1,888	1,007,728	944,527	1,957	946,484
Liabilities due to banks	2,078	15,302	17,380	468	9,456	9,924
Total	**1,007,918**	**17,191**	**1,025,107**	**944,995**	**11,413**	**956,408**

The change in liabilities due to banking business from € 956,408 thsd to € 1,025,107 thsd is essentially attributable to the increase in short-term client deposits in current accounts.

As of December 31, 2014, liabilities due to clients from savings deposits with an agreed notice period of three months amounted to € 14,533 thsd (previous year: € 13,537 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 Note 37.

32 Other liabilities

			Dec. 31, 2014			Dec. 31, 2013*
All figures in €'000	Current	Non-current	Total	Current	Non-current	Total
Liabilities due to commercial agents	45,685	88	45,773	37,423	509	37,932
Trade accounts payable	23,313	–	23,313	21,952	–	21,952
Advance payments received	9,254	–	9,254	10,487	–	10,487
Purchase price liability FERI AG	–	–	–	809	–	809
Interest derivatives	–	–	–	179	–	179
Liabilities due to other taxes	2,422	–	2,422	3,041	–	3,041
Liabilities from social security contributions	56	–	56	99	–	99
Other liabilities	34,781	2,180	36,961	29,213	4,996	34,208
Total	**115,513**	**2,268**	**117,780**	**103,204**	**5,505**	**108,708**

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

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.

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 € 3,615 thsd (previous year: € 4,212 thsd). Commissions withheld are charged with interest. Their term is mainly indefinite.

MLP has agreed upon, non-utilised lines of credit amounting to € 65,820 thsd (previous year: € 65,026 thsd).

Further disclosures on other liabilities can be found in Note 37.

NOTES TO THE STATEMENT OF CASH FLOW

33 Notes to the statement of cash flow

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

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

Cash flow from investing activities is essentially influenced by the investments in IT systems to support sales, the investment of cash and cash equivalents in time deposits, and 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, 2014	Dec. 31, 2013
Cash and cash equivalents	49,119	46,383
Loans ≤3 months	23,000	15,000
Liabilities to banks due on demand	–	–19
Cash and cash equivalents	**72,119**	**61,364**

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

MISCELLANEOUS INFORMATION

34 Share-based payments

Participation programme

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

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

If the contractual relationship with an eligible participant ends at a time before December 31 of the 12th year, he or she is only entitled to receive payment for vested phantom shares earned 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, 2014 (units)	156,452	111,107	134,793	174,486	576,838
SARs expired in 2014 (units)	–4,573	–1,380	–3,010	–7,384	–16,347
Paid out in 2014 (units)	–	–	–58,771	–	–58,771
Inventory on Jan. 31, 2014 (units)	151,879	109,727	73,012	167,102	501,720
Guaranteed share price (€)	–	–	–	5.36	
Expenses recognised in 2014 (€'000)	–	–	4	245	249
Income recognised in 2014 (€'000)	–224	–26	–89	–10	–349
	–224	**–26**	**–85**	**235**	**–100**
Expenses recognised in 2013 (€'000)	237	231	317	236	1,022
Income recognised in 2013 (€'000)	–15	–611	–37	–7	–670
	222	**–380**	**280**	**229**	**352**
Provision as of Dec. 31, 2013 (€'000)	1,227	394	1,048	662	3,331
Provision as of Dec. 31, 2014 (€'000)	1,053	386	432	918	2,789
Inventory certificates on Jan. 1, 2014 (units)	469,356	333,321	108,362	–	911,039
Inventory certificates on Dec. 31, 2014 (units)	455,637	329,181	108,362	–	893,180

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

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

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

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

35 Leasing

As lessee, the Group has concluded operating leases for various motor vehicles, administration buildings and office machines. The average term of the contracts is four years for motor vehicles, seven 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 to 5 years	More than 5 years	Total
Rent on buildings	13,129	34,318	9,220	56,667
Other rental/leasing liabilities	1,333	1,618	2	2,953
Total	**14,462**	**35,936**	**9,222**	**59,620**

The Group entered into a lease agreement as lessor for an administration building. MLP classifies this contract as an operating lease, as the risks and opportunities associated with the ownership of the lease object remain with the lessor. As a lessor, MLP is obliged to maintain the exterior of the building and the technical equipment and facilities.

The rental income generated from the rental of the property in the financial year was € 1,247 thsd (previous year: € 1,138 thsd). The expenses accrued within the context of investment property were € 296 thsd (previous year: € 231 thsd).

The total of minimum leasing payments due to irredeemable operating leases breaks down as follows:

All figures in €'000	Up to 1 year	1 to 5 years	More than 5 years	Total
Dec. 31, 2014	906	–	–	906
Dec. 31, 2013	1,212	909	–	2,122

36 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 allowances for losses or insurance 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 for potentially considerable damages 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 € 3,156 thsd in contingent liabilities on account of sureties and warranties (face value of the obligation) (previous year: € 2,677 thsd) and irrevocable credit commitments (contingent liabilities) of € 32,874 thsd (previous year: € 41,099 thsd).

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

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

37 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.

							Dec. 31, 2014
	Carrying amount					Fair value	No financial instruments according to IAS32/39
All figures in €'000		Carrying amount corre-sponds to fair value	Level 1	Level 2	Level 3	Total	
Financial assets measured at fair value	**32,887**		**17,073**	**15,814**		**32,887**	
Fair Value Option	**6,305**		**1,231**	**5,074**		**6,305**	
Receivables from banking business – clients	–	–	–	–	–	–	–
Financial investments (share certificates and structured bonds)	6,305	–	1,231	5,074	–	6,305	–
Available-for-sale financial assets	**26,582**		**15,843**	**10,739**		**26,582**	
Financial investments (share certificates and investment fund shares)	6,129	–	5,704	425	–	6,129	–
Financial assets (bonds)	20,453	–	10,138	10,315	–	20,453	–
Financial assets measured at amortised cost	**1,307,510**	**528,314**	**16,704**	**394,047**	**401,837**	**1,340,902**	
Loans and receivables	**1,258,260**	**523,046**		**365,657**	**401,837**	**1,290,539**	
Receivables from banking business – clients	495,569	125,990	–	–	401,837	527,828	–
Receivables from banking business – banks	559,316	193,681	–	365,657	–	559,337	–
Financial investments (fixed and time deposits)	63,138	63,138	–	–	–	63,138	–
Other receivables and assets	91,118	91,118	–	–	–	91,118	26,547
Cash and cash equivalents	49,119	49,119	–	–	–	49,119	–
Held-to-maturity investments	**43,983**		**16,704**	**28,390**		**45,095**	
Financial assets (bonds)	43,983	–	16,704	28,390	–	45,095	–
Available-for-sale financial assets	**5,268**	**5,268**				**5,268**	
Financial assets (investments)	5,268	5,268	–	–	–	5,268	–
Financial liabilities measured at amortised cost	**1,124,066**	**1,091,172**		**32,893**		**1,124,066**	
Liabilities due to banking business – clients	1,007,728	991,307	–	16,466	–	1,007,773	–
Liabilities due to banking business – banks	17,380	907	–	16,427	–	17,335	–
Other liabilities	98,958	98,958	–	–	–	98,958	18,823
Sureties and warranties	**3,156**	**3,156**				**3,156**	
Irrevocable credit commitments	**32,874**	**32,874**				**32,874**	

							Dec. 31, 2013*
	Carrying amount					Fair value	No financial instruments according to IAS32/39
All figures in €'000		Carrying amount corre-sponds to fair value	Level 1	Level 2	Level 3	Total	
Financial assets measured at fair value	**17,091**		**13,809**	**3,282**	**–**	**17,091**	
Fair Value Option	**10,143**		**6,861**	**3,282**	**–**	**10,143**	
Receivables from banking business – clients	3,282	–	–	3,282	–	3,282	–
Financial investments (share certificates and structured bonds)	6,861	–	6,861	–	–	6,861	–
Available-for-sale financial assets	**6,948**		**6,948**			**6,948**	
Financial investments (share certificates and investment fund shares)	6,948	–	6,948	–	–	6,948	–
Financial assets measured at amortised cost	**1,232,999**	**508,732**	**29,981**	**341,634**	**383,836**	**1,264,183**	
Loans and receivables	**1,158,716**	**505,973**		**295,594**	**383,836**	**1,185,403**	
Receivables from banking business – clients	488,288	130,764	–	–	383,836	514,600	–
Receivables from banking business – banks	490,110	194,891	–	295,594	–	490,485	–
Financial investments (fixed and time deposits)	55,230	55,230	–	–	–	55,230	–
Other receivables and assets	78,705	78,705	–	–	–	78,705	25,948
Cash and cash equivalents	46,383	46,383	–	–	–	46,383	–
Held-to-maturity investments	**74,283**		**29,981**	**46,040**		**76,021**	
Financial assets (bonds)	74,283	–	29,981	46,040	–	76,021	–
Available-for-sale financial assets	**2,759**	**2,759**				**2,759**	
Financial assets (investments)	2,759	2,759	–	–	–	2,759	–
Financial liabilities measured at fair value	**179**			**179**		**179**	
Financial instruments held for trading	**179**			**179**		**179**	
Other liabilities	179	–	–	179	–	179	–
Financial liabilities measured at amortised cost	**1,046,419**	**1,021,271**		**24,771**		**1,046,042**	
Liabilities due to banking business – clients	946,484	930,991	–	15,318	–	946,309	–
Liabilities due to banking business – banks	9,924	269	–	9,453	–	9,722	–
Other liabilities	90,011	90,011	–	–	–	90,011	18,517
Sureties and warranties	**2,677**	**2,677**				**2,677**	
Irrevocable credit commitments	**41,099**	**41,099**				**41,099**	

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

Cash and cash equivalents, receivables and liabilities due to banking business without agreed terms to maturity, trade receivables, 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 € 1,244 thsd (previous year: € 870 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.

Change in classification

On the basis of a change in intended use, receivables due from clients in the banking business of € 3,282 thsd were reclassified from the "Financial assets measured at fair value" category to the "Loans and receivables" category in the financial year 2014.

In addition to this, bonds with a carrying amount of € 9,550 thsd and a fair value of € 10,692 thsd were reclassified from the "Held-to-maturity investments" category to the "Available-for-sale financial assets" category to comply with altered supervisory requirements.

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. Compensation effects from the hedged item are not taken into account when determining the market value of derivative financial instruments.

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 • administrative expenses • 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 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	2014	2013
Loans and receivables	19,832	21,724
Held-to-maturity investments	902	1,544
Available-for-sale financial assets	616	928
Financial instruments held for trading	–107	–199
Fair Value Option	–564	178
Financial liabilities measured at amortised cost	–2,622	–4,506

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 € 23,550 thsd (previous year: € 22,768 thsd) and interest costs of € –2,891 thsd (previous year: € 4,506 thsd) were incurred in the last financial year.

For impairment losses we refer to the note for the items "Receivables from the banking business" and "Other receivables and assets". For the disposal of available-for-sale financial assets, impairments of € 543 thsd had to be recognised in the reporting year (previous year: € 49 thsd). 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.

Derivative business

MLP Finanzdienstleistungen AG has concluded interest rate swaps to hedge against interest risks (interest-dependent risk of changes to the fair value of originated fixed interest-bearing loans). These interest rate swaps do not serve speculative purposes, but are rather taken out to hedge interest risks. They were not subject to hedge accounting. All interest rate swaps were sold in January 2014 for a market value of € –143 thsd (previous year: € –179 thsd).

38 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 36.

In the 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)

Due in €'000 as of Dec. 31, 2014	Due on demand	Up to 1 year	1 to 5 years	More than 5 years	Total
Financial liabilities	**1,037,882**	**70,038**	**4,227**	**12,250**	**1,124,397**
Liabilities due to banking business – clients	991,307	16,433	–	–	1,007,740
Liabilities due to banking business – banks	907	603	3,939	12,250	17,699
Other liabilities	45,668	53,002	288	–	98,958
Financial guarantees and credit commitments	**36,030**	**–**	**–**	**–**	**36,030**
Sureties and warranties	3,156	–	–	–	3,156
Irrevocable credit commitments	32,874	–	–	–	32,874
Total	**1,073,912**	**70,038**	**4,227**	**12,250**	**1,160,427**

Total cash flow (principal and interest)

Due in €'000 as of Dec. 31, 2013**	Due on demand	Up to 1 year	1 to 5 years	More than 5 years	Total
Financial liabilities	**968,687**	**64,505**	**5,459**	**4,272**	**1,042,924**
Liabilities due to banking business – clients	930,991	15,503	–	–	946,494
Liabilities due to banking business – banks	269	398	5,039	4,272	9,978
Other liabilities	37,427	48,423	420	–	86,271
of which negative market values from derivative financial instruments	–	181*	–	–	181
Financial guarantees and credit commitments	**43,776**	**–**	**–**	**–**	**43,776**
Sureties and warranties	2,677	–	–	–	2,677
Irrevocable credit commitments	41,099	–	–	–	41,099
Total	**1,012,463**	**64,505**	**5,459**	**4,272**	**1,086,700**

* Cash flows from derivative financial instruments are assigned to a term to maturity of up to one year since they were sold before maturity in the first quarter of 2014.
** Previous year's values adjusted. The adjustments are disclosed under Note 3.

39 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.de** and in the corporate governance report of this Annual Report.

40 Related parties

Executive Board

Dr. Uwe Schroeder-Wildberg, Heidelberg
Chairman
responsible for Strategy, Communication, Policy/Investor Relations, Marketing, Market and Innovations, Sales

Reinhard Loose, Berlin
responsible for Controlling, IT and Purchasing, Group Accounting, Risk Management, Internal Audit, Legal, Human Resources

Manfred Bauer, Leimen
responsible for Product Management

Muhyddin Suleiman, Walldorf
responsible for Sales
(until March 31, 2014)

Supervisory Board

Dr. Peter Lütke-Bornefeld, Everswinkel
Chairman
formerly chairman of the Executive Board at General Reinsurance AG, Cologne

Dr. h.c. Manfred Lautenschläger, Gaiberg
Vice Chairman
formerly Chairman of the Executive Board
MLP AG, Wiesloch

Dr. Claus-Michael Dill, Berlin
formerly chairman of the Executive Board
AXA Konzern AG, Cologne

Johannes Maret, Burgbrohl
Investment Committee Member The Triton Fund, Jersey, GB

Burkhard Schlingermann, Dusseldorf
Employees' representative
Employee of MLP Finanzdienstleistungen AG, Wiesloch
Member of the works council of MLP AG and MLP Finanzdienstleistungen AG, Wiesloch

Alexander Beer, Karlsruhe
Employees' representative
Employee of MLP Finanzdienstleistungen AG, Wiesloch

Mandates in other statutory Supervisory Boards of companies based in Germany	Memberships in comparable domestic and foreign control bodies of commercial enterprises
• FERI AG, Bad Homburg v.d.H. (Chairman)	–
–	–
–	• MLP Hyp GmbH, Wiesloch (Supervisory Board)
–	–

Mandates in other statutory Supervisory Boards of companies based in Germany	Memberships in comparable domestic and foreign control bodies of commercial enterprises
• VPV Lebensversicherungs-AG, Stuttgart • VHV Vereinigte Hannoversche Versicherung a. G., Hannover (Chairman) • VHV Holding AG, Hannover (Chairman) • VHV Lebensversicherung AG, Hannover • Hannoversche Direktversicherung AG, Hannover • Hannoversche Lebensversicherung AG, Hannover • MLP Finanzdienstleistungen AG, Wiesloch (Chairman)	–
–	• University Hospital Heidelberg, Heidelberg (Supervisory Board)
• General Reinsurance AG, Cologne (Chairman) • HUK-COBURG Holding AG, Coburg • HUK-COBURG VVaG, Coburg • HUK-COBURG Allgemeine Versicherung AG, Coburg • Catlin SE, Cologne	• Polygon AB, Stockholm, Sweden (Non-executive Member of the Board) (until October 30, 2014) • Catlin Re AG, Zurich, CH (Member of the Governing Board) • Catlin Group plc, Hamilton/Bermuda (Independent Director) (since May 13, 2014)
–	• Gebrüder Rhodius KG, Burgbrohl (Chairman of the Advisory Board) • The Triton Fund, Jersey, GB (Investment Committee Member) • Befesa Holding S.à.r.l., Luxembourg (Member of the Advisory Board) • Battenfeld Cincinnati Holding GmbH, Bad Oeynhausen (Chairman of the Advisory Board)
• MLP Finanzdienstleistungen AG, Wiesloch (employees' representative)	–
–	–

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 € 1,811 thsd (previous year: € 3,452 thsd). The legal transactions were completed under standard market or employee conditions.

As of December 31, 2014, members of the Executive Bodies had current account credit lines and surety loans totalling € 538 thsd (previous year: € 629 thsd). Surety loans are charged an interest rate of 1.0% (previous year: 1.0%) and the current account debits 6.50% to 8.75% (previous year: 6.50% to 8.45%).

The total remuneration for members of the Executive Board active on the reporting date is € 2,053 thsd (previous year: € 3,466 thsd), of which € 1,342 thsd (previous year: €1,725 thsd) is attributable to the fixed portion of remuneration and € 711 thsd (previous year: € 1,741 thsd) is attributable to the variable portion of remuneration. In the financial year, expenses of € 290 thsd (previous year: € 290 thsd) were accrued for occupational pension provision. Retired members of the Executive Board received redundancy payments of € 1,440 thsd (previous year: € 0 thsd). As of December 31, 2014, pension provisions of € 17,631 thsd were in place for former members of the Executive Board (previous year: € 13,598 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 2014 (previous year: € 500 thsd). In addition, € 22 thsd (previous year: € 23 thsd) was paid as compensation for expenses and training measures.

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

Related companies

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

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

Related companies 2014

All figures in €'000	Receivables	Liabilities	Income	Expenses
MLP Consult GmbH, Wiesloch	0	2,065	–	13
MLP Hyp GmbH, Wiesloch	26	–	4,677	20
FERI Trust AG (Switzerland), St. Gallen	405	–	12	–
Coresis Management GmbH, Bad Homburg v.d. Höhe	1	–	40	786
UST Immobilien GmbH, Bad Homburg v.d. Höhe	16	–	87	82
AIF Komplementär GmbH, Munich	499	–	419	–
Total	**946**	**2,065**	**5,236**	**901**

Related companies 2013

All figures in €'000	Receivables	Liabilities	Income	Expenses
MLP Consult GmbH, Wiesloch	–	2,052	–	13
MLP Hyp GmbH, Wiesloch	22	–	4,197	–
FERI Trust AG (Switzerland), St. Gallen	351	–	11	120
Coresis Management GmbH, Bad Homburg v.d. Höhe	8	–	9	761
UST Immobilien GmbH, Bad Homburg v.d. Höhe	21	–	17	–
AIF Komplementär GmbH, Munich	–	–	–	–
Total	**402**	**2,052**	**4,234**	**894**

41 Number of employees

The average number of staff employed fell from 1,559 in 2013 to 1,542 in 2014.

	2014			2013		
		of which executive employees	of which marginal part-time employees		of which executive employees	of which marginal part-time employees
Financial services	1,303	32	87	1,306	30	103
FERI	232	8	54	244	8	62
Holding	7	2	–	9	2	–
Total	**1,542**	**42**	**141**	**1,559**	**40**	**165**

An average of 95 people (previous year: 87) underwent vocational training in the financial year.

42 Auditor's fees

The total fees for services performed by the auditing firm KPMG AG Wirtschaftsprüfungsgesellschaft, Frankfurt in the financial year 2014 (including expenses, but excluding statutory value added tax) are as follows:

All figures in €'000	2014	2013
Audit services	631	582
Other assurance services	112	223
Tax advisory services	–	19
Other services	192	108
Total	**935**	**931**

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

43 Disclosures on equity/capital control

A primary objective of equity control is to ensure that the legal solvency regulations for banking and financial services businesses, which prescribe a minimum capital adequacy, are fulfilled and that the sound quantitative and qualitative equity base is strengthened. At MLP, the examinations 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). Pursuant to Article 11 of the CRR, the relevant Group comprises MLP AG, Wiesloch, MLP Finanzdienstleistungen AG, Wiesloch, FERI AG, Bad Homburg v. d. Höhe, FERI Institutional & Family Office GmbH, Bad Homburg v. d. Höhe, FERI Trust GmbH, Bad Homburg v. d. Höhe, FEREAL AG, Bad Homburg v. d. Höhe, FERI Trust (Luxembourg) S. A., Luxembourg, as well as ZSH GmbH Finanzdienstleistungen, Heidelberg. As a depository institution, MLP Finanzdienstleistungen AG, Wiesloch is the controlling institution as per Article 11 of the CRR.

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

Pursuant to Article 92 et seq. of the CRR, MLP is obliged to back its capital adequacy requirements for both counterparty default risks and the operational risk at Group level with at least 8% eligible own funds (equity ratio). 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).

The backing of risk assets with eligible own funds for tier 1 capital generally requires a minimum ratio of 4%. As in the previous year, these requirements did not change during the financial year 2014, even with introduction of the Capital Requirements Regulation (CRR).

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

As in the previous year, MLP has fulfilled all legal requirements relating to the minimum shareholders' equity backing during the financial year 2014. The relationship between the risk assets and core capital at year-end closing is illustrated below.

All figures in €'000	2014	2013
Tier 1 common capital	**228,173**	**245,089**
Tier 1 additional capital	**–**	**–**
Tier 2 capital	–	–
Eligible own funds	**228,173**	**245,089**
Capital adequacy requirements for counterparty default risks	**71,162**	**67,917**
Capital adequacy requirements for operational risk	**45,667**	**49,819**
Equity ratio (at least 8%)	**15.62**	**16.65**
Tier 1 common capital ratio (at least 4%)	**15.62**	**16.65**

44 Events after the balance sheet date

There were no appreciable events after the balance sheet date affecting the MLP Group's financial or asset situation.

45 Release of consolidated financial statements

The Executive Board prepared the consolidated financial statements on February 24, 2015 and will present them to the Supervisory Board on March 20, 2015 for publication.

Wiesloch, February 24, 2015

MLP AG

Executive Board

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

Auditor's Report

We have audited the consolidated financial statements prepared by the MLP AG, Wiesloch, comprising the consolidated income statement and statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flow and consolidated statement of changes in equity and the notes to the consolidated financial statements and its joint management report on the position of the Company and the Group for the business year from January 1 to December 31, 2014. The preparation of the consolidated financial statements and the joint management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB [Handelsgesetzbuch "German Commercial Code"] are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the joint management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB [Handelsgesetzbuch „German Commercial Code"] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with [German] principles of proper accounting and in the joint management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the joint management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and joint management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The joint management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt/Main, February 26, 2015

KPMG AG
Wirtschaftsprüfungsgesellschaft

Dr. Hübner
Wirtschaftsprüfer
(German Public Auditor)

Fust
Wirtschaftsprüfer
(German Public Auditor)

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, February 24, 2015

MLP AG

Executive Board

Dr. Uwe Schroeder-Wildberg   Manfred Bauer   Reinhard Loose

List of figures and tables

LIST OF FIGURES

Investor Relations

Management Report

LIST OF TABLES

Cover (front)

Investor Relations

Management Report

Corporate Governance report

MLP Consolidated financial statements

Notes

Financial calendar

FEBRUARY

February 26, 2015
Publication of the results for the financial year 2014.
Annual press conference and analyst conference in Frankfurt.

MARCH

March 26, 2015
Publication of the Annual Report for the financial year 2014.

MAI

Mai 12, 2015
Publication of the results for the first quarter 2015.

JUNE

June 18, 2015
Annual General Meeting (AGM) of MLP AG in Mannheim.
MLP AG holds its AGM at the Rosengarten in Mannheim.

AUGUST

August 13, 2015
Publication of the results for the first half-year and the second quarter 2015.

NOVEMBER

November 12, 2015
Publication of the results for the first nine months and third quarter 2015.

More information at
www.mlp-ag.com, Investor Relations, Calendar

Imprint

Publisher
MLP AG
Alte Heerstraße 40, 69168 Wiesloch, Germany
www.mlp-ag.com

Concept, design and production
heureka GmbH – einfach kommunizieren, Essen

Photography
Thorsten Schmidtkord Fotografie, Düsseldorf
(Photos of the Executive Board and Supervisory Board)
Michael Gernhuber, Essen (Cover Story Photos)

Translation
com·be·nations GmbH, Heidelberg

Editorial Office
RR Donnelley, London

Contact

Investor Relations
Phone +49 (0) 6222 • 308 • 8320
Fax +49 (0) 6222 • 308 • 1131
E-Mail investorrelations@mlp.de

Public Relations
Phone +49 (0) 6222 • 308 • 8310
Fax +49 (0) 6222 • 308 • 1131
E-Mail publicrelations@mlp.de

MLP AG

Alte Heerstraße 40
69168 Wiesloch
Phone +49 (0) 6222 • 308 • 8320
Fax +49 (0) 6222 • 308 • 1131
www.mlp-ag.com