

CONSOLIDATED FINANCIAL STATEMENTS

Income statement and statement of comprehensive income

Income statement for the period from January 1 to December 31, 2018

All figures in €'000	Notes	2018	2017
Revenue	→ (8)	642,137	608,743
Other revenue	→ (9)	23,821	19,424
Total revenue		665,958	628,167
Commission expenses	→ (10)	-332,533	-309,344
Interest expenses	→ (11)	-556	-1,055
Valuation result/loan loss provisions	→ (12)	500	-511
Personnel expenses	→ (13)	-128,039	-123,245
Depreciation and impairment	→ (14)	-15,960	-15,293
Other operating expenses	→ (15)	-145,528	-143,607
Earnings from investments accounted for using the equity method	→ (16)	2,547	2,487
Earnings before interest and tax (EBIT)		46,388	37,600
Other interest and similar income		3,161	209
Other interest and similar expenses		-3,689	-1,433
Valuation result not relating to operating activities		-52	-
Finance cost	→ (17)	-580	-1,223
Earnings before tax (EBT)		45,808	36,377
Income taxes	→ (18)	-11,314	-8,582
Net profit		34,494	27,796
Of which attributable to			
owners of the parent company		34,494	27,796
Earnings per share in €	→ (19)		
basic/diluted		0.32	0.25

Statement of comprehensive income for the period from January 1 to December 31, 2018

All figures in €'000	Notes	2018	2017
Net profit		34,494	27,796
Gains/losses due to the revaluation of defined benefit obligations	→ (28)	-574	821
Deferred taxes on non-reclassifiable gains/losses	→ (18)	240	-253
Non-reclassifiable gains/losses		-333	568
Gains/losses from changes in the fair value of available-for-sale securities	→ (24)	-	-595
Deferred taxes on reclassifiable gains/losses	→ (18)	-	301
Reclassifiable gains/losses		-	-293
Other comprehensive income		-333	274
Total comprehensive income		34,160	28,070
Of which attributable to			
owners of the parent company		34,160	28,070

Statement of financial position

Assets as of December 31, 2018

All figures in €'000	Notes	Dec. 31, 2018	Dec. 31, 2017
Intangible assets	→ (20)	155,892	161,838
Property, plant and equipment	→ (21)	78,270	61,861
Investments accounted for using the equity method	→ (16)	4,186	4,132
Deferred tax assets	→ (18)	5,368	8,035
Receivables from clients in the banking business	→ (22)	761,027	701,975
Receivables from banks in the banking business	→ (23)	694,210	634,150
Financial assets	→ (24)	165,279	158,457
Tax refund claims	→ (18)	12,758	12,346
Other receivables and assets	→ (25)	158,123	125,741
Cash and cash equivalents	→ (26)	385,926	301,013
Total		2,421,038	2,169,547

Liabilities and shareholders' equity as of December 31, 2018

All figures in €'000	Notes	Dec. 31, 2018	Dec. 31, 2017
Shareholders' equity	→ (27)	424,826	404,935
Provisions	→ (28)	94,485	88,737
Deferred tax liabilities	→ (18)	10,245	9,531
Liabilities due to clients in the banking business	→ (29)	1,638,892	1,439,805
Liabilities due to banks in the banking business	→ (29)	81,625	61,383
Tax liabilities	→ (18)	5,197	10,243
Other liabilities	→ (30)	165,768	154,913
Total		2,421,038	2,169,547

Statement of cash flow

Statement of cash flow for the period from January 1 to December 31, 2018

All figures in €'000	2018	2017
Net profit (total)	34,494	27,796
Income taxes paid/reimbursed	-12,337	-5,308
Interest received	20,249	20,322
Interest paid	-237	-2,082
Earnings from investments accounted for using the equity method	-2,547	-2,487
Dividends received from investments accounted for using the equity method	2,493	2,106
Depreciation/impairments/write-ups of intangible assets and property, plant and equipment	15,960	15,293
Depreciation/impairments/write-ups of financial assets	1,140	-1,422
Allowances for bad debts	1,216	902
Earnings from the disposal of intangible assets and property, plant and equipment	21	-
Earnings from the disposal of financial assets	15	-101
Adjustments from income taxes, interest and other non-cash transactions	3,006	-9,204
Changes in operating assets and liabilities		
Receivables from banks in the banking business	-60,060	-43,178
Liabilities due to banks in the banking business	20,242	23,663
Adjustments due to demerger operations	-	-12,004
Receivables from clients in the banking business	-60,268	-76,275
Liabilities due to clients in the banking business	199,087	168,735
Other assets	-32,794	-3,320
Other liabilities	5,809	14,598
Provisions	5,747	-2,488
Cash Flow from operating activities	141,238	115,548
Purchase of intangible assets and property, plant and equipment	-26,629	-7,324
Proceeds from disposal of intangible assets and property, plant and equipment	185	116
Repayment of/investment in the other investments (fixed and time deposits)	5,000	-
Repayment of/investment in held-to-maturity investments	-	9,962
Repayment of/investment in fixed income securities	-13,252	-
Payments/proceeds from purchase/disposal of other financial assets	237	-5,375
Cash Flow from investing activities	-34,459	-2,621
Dividends paid to shareholders of MLP SE	-21,866	-8,747
Cash Flow from financing activities	-21,866	-8,747
Change in cash and cash equivalents	84,913	104,180
Change in cash and cash equivalents due to demerger operations	-	12,004
Cash and cash equivalents at beginning of period	301,013	184,829
Cash and cash equivalents at end of period	385,926	301,013
Compositions of cash and cash equivalents		
Cash and cash equivalents	385,926	289,009
Change in cash and cash equivalents due to demerger operations	-	12,004
Cash and cash equivalents at the end of period	385,926	301,013

The notes on the statement of cash flow appear in → [Note 31](#).

Statement of changes in equity

Statement of changes in equity for the period from January 1 to December 31, 2018

All figures in €'000	Equity attributable to MLP SE shareholders					
	Share capital	Capital reserves	Gains/losses from changes in the fair value of available-for-sale securities*	Revaluation gains/losses related to defined benefit obligations after taxes	Retained earnings	Total shareholders' equity
As of Jan. 1, 2017	109,335	146,727	1,252	-12,752	139,024	383,585
Share-based payment	-	2,027	-	-	-	2,027
Dividend	-	-	-	-	-8,747	-8,747
Transactions with owners	-	2,027	-	-	-8,747	-6,720
Net profit	-	-	-	-	27,796	27,796
Other comprehensive income	-	-	-293	568	-	274
Total comprehensive income	-	-	-293	568	27,796	28,070
As of Dec. 31, 2017	109,335	148,754	959	-12,184	158,072	404,935
As of Jan. 1, 2018	109,335	148,754	959	-12,184	158,072	404,935
Effects from the first-time adoption of IFRS 9/IFRS 15	-	-	-959	-	8,807	7,848
As of Jan. 1, 2018	109,335	148,754	-	-12,184	166,880	412,783
Treasury stock	-168	-	-	-	-556	-724
Share-based payment	-	473	-	-	-	473
Dividend	-	-	-	-	-21,866	-21,866
Transactions with owners	-168	473	-	-	-22,422	-22,117
Net profit	-	-	-	-	34,494	34,494
Other comprehensive income	-	-	-	-333	-	-333
Total comprehensive income	-	-	-	-333	34,494	34,160
As of Dec. 31, 2018	109,167	149,227	-	-12,518	178,951	424,826

* Reclassifiable gains/losses.

The notes on the statement of changes in equity appear in → [Note 3](#) and → [27](#).

Notes

General information

1 Information about the Company

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

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

2 Principles governing the preparation of the financial statements

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

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

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

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

The term "branch office manager", which is used in the following report section, encompasses the branch office managers at MLP Finanzberatung SE and the sales agents at MLP Banking AG. We use the term "MLP consultants" to summarise all consultants operating in the MLP Group.

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

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

In the current financial year 2018, MLP had to apply the following new or amended standards for the first time.

- IFRS 9 Financial instruments
- IFRS 15 Revenue from Contracts with Customers and associated clarifications
- Amendments to IFRS 2 Classification and measurement of share based payment transactions
- Revisions to the IFRS 2014–2016
- Amendments to IAS 40
- IFRIC 22 Foreign Currency Transactions and Advance Consideration

MLP made use of the simplified initial application option for the new IFRS 9 and IFRS 15 standards. The accumulated effect from the retroactive application of the new provisions was recognised directly in equity. Comparative figures from the respective periods of previous years were not adjusted. Instead, the changes to items in the balance sheet and income statement of the current period resulting from the first-time adoption of IFRS 9 and IFRS 15 are described. Furthermore, IFRS 15 was only applied to contracts that had not yet been completely fulfilled on January 1, 2018.

The following tables show the adjustments that have been recorded for every single item.

All figures in €'000					
Effects on the consolidated balance sheet	Dec. 31, 2017	Changes in reporting*	IFRS 9 effects	IFRS 15 effects	Jan. 1, 2018
Assets					
Intangible assets	161,838				161,838
Property, plant and equipment	61,861				61,861
Investments accounted for using the equity method	4,132				4,132
Deferred tax assets	8,035		1,278	-3,079	6,234
Receivables from clients in the banking business	701,975	3,031	-2,513		702,493
Receivables from banks in the banking business	634,150		-212		633,938
Financial assets	158,457		-276		158,181
Tax refund claims	12,346				12,346
Other receivables and assets	125,741	-3,031	-1,121	36,392	157,981
Cash and cash equivalents	301,013		-5		301,008
Total	2,169,547		-2,849	33,313	2,200,011
Liabilities and shareholders' equity					
Shareholders' equity	404,935		-4,004	11,852	412,783
Provisions	88,737		1,263		90,000
Deferred tax liabilities	9,531		-107	1,800	11,224
Liabilities due to clients in the banking business	1,439,805	8,101			1,447,906
Liabilities due to banks in the banking business	61,383				61,383
Tax liabilities	10,243				10,243
Other liabilities	154,913	-8,101		19,661	166,473
Total	2,169,547		-2,849	33,313	2,200,011

*Recognition of the receivables from/liabilities due to branch office managers has changed with the change due to IFRS 9/IFRS 15.

The overall effect on the Group's retained earnings as of January 1, 2018 is as follows:

All figures in €'000	
Retained earnings as of Dec 31, 17	158,072
IFRS 9	
Reclassification of financial assets from "available-for-sale financial assets" to "fair value through profit or loss" (FVPL)	959
Reclassification of financial assets from "available-for-sale financial assets" to "amortised cost" (AC)	-237
Recognition of higher impairments on receivables from clients in the banking business	-2,513
Recognition of higher impairments on receivables from banks in the banking business	-212
Recognition of higher impairments on financial investments measured at amortised cost	-39
Recognition of higher impairments on receivables and assets	-1,121
Recognition of higher impairments on cash and cash equivalents	-5
Recognition of higher provisions for guarantees/sureties and undrawn credit lines	-1,263
Recognition of higher deferred tax assets with regard to impairment provisions	1,385
IFRS 15	
Initial adoption effect due to capitalisation of contractual assets, minus redemption of accrued commission formed under IAS 18	36,392
Initial adoption effect from the recognition of liabilities due to MLP consultants and branch office managers*	-19,661
Reduction in deferred tax assets due to initial adoption effects of IFRS 15	-4,879
Retained earnings as of Jan. 1, 18	166,880

*In the report on June 30, 2018 it was referred to as contractual liabilities.

Initial adoption of IFRS 9 at MLP produced an equity-reducing effect after deferred taxes of € 4,004 thsd. The following section presents a reconciliation of the values reported pursuant to IAS 39 with the values to be applied pursuant to IFRS 9.

All figures in €'000				Dec. 31, 2017		Jan. 1, 2018	
		IAS 39			IFRS 9		
	Reference	Category	Carrying amount	no financial instruments according to IAS 32/39	Category	Carrying amount	no financial instruments according to IAS 32/9
Receivables from banking business - clients	A	L+R	701,975		AC	699,462	
Receivables from banking business - banks	A	L+R	634,150		AC	633,938	
Financial assets (bonds)	B	FVPL	4,978		FVPL	4,978	
Financial investments (shares and investment funds)	C	AfS	4,047		FVPL	4,047	
Financial investments (shares and investment fund) EC					EK (FVPL)	589	
Financial investments (share certificates and investment fund) DC					FK (FVPL)	3,458	
Financial assets (bonds)	D	AfS	19,399		AC	19,157	
Financial assets (investments)	E	AfS	6,624		FVPL	1,078	5,546
Financial investments (fixed and time deposit)	A	L+R	55,087		AC	55,072	
Financial investments (loans)	A	L+R	10,000		AC	9,998	
Financial assets (bonds)	F	HtM	58,322		AC	58,306	
Other receivables and assets	A	L+R	99,822	25,920	AC	97,665	26,955
Cash and cash equivalents	A	L+R	301,013		AC	301,008	
Liabilities due to banking business - clients	G	AC	1,439,805		AC	1,439,805	
Liabilities due to banking business - banks	G	AC	61,383		AC	61,383	
Other liabilities	G	AC	118,018	36,895	AC	116,522	38,391
Sureties and warranties	H	AC	3,848		AC	3,746	
Undrawn credit lines	H	AC	829,764		AC	828,603	

Note:

A) The receivables and liabilities recognised at amortised cost under IAS 39 meet the cash flow criterion under IFRS 9 (see → [Note 6](#) for further details) and can continue to be recognised at amortised cost. The reductions to the carrying amounts result from the newly calculated loan loss provision. The effects are presented in the following table.

B) The loan does not meet the cash flow criterion and continues to be recognised at fair value through profit or loss under IFRS 9.

C) Shares held on January 1, 2018 are equity instruments for which the OCI option was not applied. Pursuant to IFRS 9, these therefore need to be recognised at fair value through profit or loss. The investment funds are debt instruments that do not fulfil the cash flow criterion and therefore need to be measured at fair value through profit or loss.

D) The bonds fulfil the cash flow criterion and are measured at amortised costs. The fair value as at December 31, 2017 was € 19,399 thsd, while the amortised costs as at January 1, 2018 were € 19,157 thsd. The initial adoption effect resulting from reclassification of € 237 thsd, as well as formation of the loan loss provision of € 6 thsd were recorded under retained earnings. In the event of continued classification under "Available for sale financial assets", losses resulting from reductions to the fair value of € 197 thsd would have been recognised directly in the revaluation reserve with no effect on profit or loss.

E) For reasons of materiality, non-consolidated investments were already measured at amortised cost under IAS 39. As of January 1, 2018, the simplifications pursuant to IFRS 9.B5.2.3 were applied and the measurement performed at amortised cost.

F) As of January 1, 2018, the portfolio of held-to-maturity (HtM) investments only contained debentures which meet the cash flow criterion. Accordingly, these financial instruments continue to be measured at amortised costs.

G) The liabilities recognised at amortised cost under IAS 39 meet the cash flow criterion under IFRS 9 and can continue to be recognised at amortised cost.

H) As a result of IFRS 9, impairment regulations have been extended to include off-balance-sheet items that are not recognised at fair value through profit or loss. With initial adoption of IFRS 9, an impairment of € 1,263 thsd was formed for the guarantees, sureties and credit commitments.

The following section presents the amendments to the first-time adoption for loan loss provisions:

All figures in €'000		IAS 39			IFRS 9		
	Reference	Category	Impairments as of Dec. 31, 2017	Change in reporting*	Category	As at impairments as of Jan. 1, 2018	Difference in retained earnings
Receivables from banking business – clients	A	L+R	-7,360	-1,450	AC	-11,323	2,513
Receivables from banking business – banks	B	L+R	-		AC	-212	212
Financial investments (fixed and time deposit)	C	L+R	-		AC	-15	15
Financial investments (loans)	C	L+R	-		AC	-2	2
Financial assets (bonds)	C	HtM	-		AC	-16	16
Financial assets (bonds)	C	AfS	-		AC	-6	6
Other receivables and assets	D	L+R	-5,432	1,450	AC	-5,106	1,121
Cash and cash equivalents	C	L+R	-		AC	-5	5
Sureties and warranties	E		-			-102	102
Undrawn credit lines	E		-			-1,161	1,161

*Recognition of receivables from/liabilities due to branch office managers has changed with the changes in pursuant to IFRS 9/IFRS 15.

Note:

A) The increase in impairment primarily results from extending the application scope and adopting the credit risk parameter method described in → [Note 6](#) of € 2,513 thsd.

B) Pursuant to IAS 39, no impairments were formed for the receivables from banking business. As a result of extending the application scope due to IFRS 9, an impairment of € 212 thsd was formed for the initial adoption. These receivables are also based on the credit risk parameter method described in → [Note 6](#).

C) The first-time adoption of IFRS 9 leads to formation of an impairment of € 44 thsd for cash and cash equivalents, time deposits, loans and bonds measured at amortised costs.

D) The increase in impairment primarily results from extension of the application scope and consequently from the switchover to the loss-rate method described in → [Note 6](#) of € 1,121 thsd.

E) Pursuant to IAS 39, no impairment was necessary for sureties, warranties or undrawn credit lines. The impairment regulations were extended to include these items as a result of IFRS 9.5.5.1. The off-balance-sheet items are also impaired using the credit risk parameter method. The impairment of € 1,263 thsd from the initial adoption effect is recognised in the provisions.

In the context of the **initial adoption of IFRS 15**, contractual assets of € 41,513 thsd were to be disclosed on January 1, 2018. They are disclosed under "Other receivables and assets". However, redemption of accrued commission formed under IAS 18 must be taken into account in this item. Retained earnings increased accordingly. The contractual assets result from trail commissions for unit-linked life insurance policies that were brokered in the past. The effects on the revenue streams are described in → [Note 6](#) "Accounting policies". Development of the contractual assets is disclosed in → [Note 25](#).

For the contractual assets recognised for the first time pursuant to IFRS 15, corresponding commission liabilities of € 26,642 thsd were recognised in the "Other liabilities" item. Please refer to → [Note 30](#) for further explanations.

In the last financial year, additional revenue to be realised due to IFRS 15 amounted to € 11,452 thsd. Corresponding expenses of € 7,545 thsd are recognised in the "Commission expenses" item.

Adoption of the following new or revised standards and interpretations was not yet binding for the financial year commencing on January 1, 2018. The standards were not adopted early:

IFRS 16	Leases ¹
IFRS 17	Insurance Contracts ^{3, 4}
Amendments to IFRS 3	Definition of a Business ^{2, 4}
Amendments to IAS 1 and IAS 8	Changes in Definition of Material ^{2, 4}
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement ^{1, 4}
Amendments to IAS 28 and IFRS 10	Investments in Associates and Joint Ventures ¹
Annual improvements to the IFRS	2015-2017 Cycle ^{1, 4}
Change to the framework	Changes to references made to the accounting framework ^{2, 4}
IFRIC 23	Uncertainty over Income Tax Treatments ¹

¹ To be applied for financial years beginning on or after January 1, 2019.

² To be applied for financial years beginning on or after January 1, 2020.

³ To be applied for financial years beginning on or after January 1, 2021.

⁴ EU endorsement still pending.

The IASB published its new IFRS 16 "Leases" standard in January 2016. IFRS 16 replaces IAS 17 and the accompanying interpretations (IFRIC 4, SIC-15, SIC-27). IFRS 16 is to be applied for financial years beginning on or after January 1, 2019. Early adoption is also possible. The date of transition to IFRS 16 in accordance with the modified retrospective approach is January 1, 2019. Comparative figures from the respective periods of previous years will not be adjusted.

For lessees, IFRS 16 introduces a uniform approach for the accounting of leases, based on which assets for usage rights to the lease objects and liabilities for payment obligations received are to be disclosed for all leases in the balance sheet. For lease objects of low value and for short-term leases (fewer than 12 months), the simplified application rules are applied. In addition, the option to separate leasing and non-leasing components (service) is also applied. Non-leasing components are not taken into account in the recognised right-of-use asset. For leases that have previously been classified as "operating leases" in line with IAS 17, the leasing liability is disclosed at the present value of the remaining leasing payments with discounting performed using the marginal borrowing costs of the lessee at the time of first-time adoption. The right to use the lease object is capitalised in a simplified approach with an amount equal to the leasing liability, adjusted by advance payments or deferred leasing payments. Provisions in place for onerous lease contracts at the time of initial adoption are offset against the capitalised right of use.

The accounting regulations for lessors remain largely unchanged, in particular with regard to the ongoing need to classify leases pursuant to IAS 17.

The analysis performed within the scope of a Group-wide project for initial adoption of IFRS 16 showed that IFRS 16 is likely to have the following effects on the components of the consolidated financial statements and presentation of net assets, financial position and results of operations:

Balance sheet:

As of January 1, 2019, leasing liabilities in the mid double-digit million range are likely to be recognised in the balance sheet as a result of the reclassification. The reclassification effect primarily impacts real estate rented by MLP. No effects on retained earnings in shareholders' equity occur at the time of initial adoption as a result of recognising the right of use at the level of the leasing liability. The equity ratio is likely to deteriorate by less than one percentage point due to the balance sheet extension.

Income statement:

In contrast to the previous recognition of expenses from operating leases under other operating expenses, amortisation expenses for usage rights, as well as interest costs from the accrued interest of leasing liabilities will be recognised in future. For financial year 2019, this leads to an improvement in EBITDA in the low double-digit million range, as well as to an improvement in EBIT, albeit at the expense of the finance cost. On the basis of the leases in place as at January 1, 2019, Group EBIT will increase by up to one million.

Statement of cash flow:

Cash flow from operating activities will improve, while cash flow from financing activities will decline as a result of the changed recognition of leasing expenses from operating leases.

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

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

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

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

Alongside MLP SE as the parent company, 13 (previous year: 13) fully consolidated domestic subsidiaries and, as was already the case in the previous year, one fully consolidated foreign subsidiary and one associated company were incorporated in the consolidated financial statements as of December 31, 2018.

With the resolution dated March 9, 2018 DOMCURA AG, as a shareholder in Nordvers GmbH, approved an exemption pursuant to section 264 (3) of the German Commercial Code (HGB) from the need to draft a management report as per section 289 of the German Commercial Code (HGB) for financial year 2018. The company is included in the 2018 consolidated financial statements of MLP SE with its registered office in Wiesloch. The consolidated financial statements are published in the Federal Gazette (Bundesanzeiger) within the legal deadlines. A single-entity relationship is in place between the Company and MLP SE which obliges MLP SE to the assumption of losses as per section 302 of the German Stock Corporation Act (AktG), as well as to the assumption of liability.

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

As of Dec. 31, 2018	Share of capital in %	Shareholders' equity (€'000)	Net profit (€'000)
Fully consolidated subsidiaries			
MLP Finanzberatung SE, Wiesloch	100.00	30,577	13,822
TPC GmbH, Hamburg ¹⁾ (Wholly-owned subsidiary of MLP Finanzberatung SE)	100.00	314	315
ZSH GmbH Finanzdienstleistungen, Heidelberg ¹⁾ (Wholly-owned subsidiary of MLP Finanzberatung SE)	100.00	1,190	2,407
FERI AG, Bad Homburg v.d. Höhe ¹⁾	100.00	19,862	17,233
FERI Trust GmbH, Bad Homburg v.d. Höhe ¹⁾ (Wholly-owned subsidiary of FERI AG)	100.00	10,386	7,233
FEREAL AG, Bad Homburg v.d. Höhe ¹⁾ (Wholly-owned subsidiary of FERI AG)	100.00	1,949	132
FERI Trust (Luxembourg) S.A., Luxembourg (Wholly-owned subsidiary of FERI AG)	100.00	23,804	14,744
DOMCURA AG, Kiel ¹⁾	100.00	2,380	5,629
nordias GmbH Versicherungsmakler, Kiel ¹⁾	100.00	435	-123
Nordvers GmbH, Kiel ¹⁾ (Wholly-owned subsidiary of DOMCURA AG)	100.00	26	-8
Willy F.O. Köster GmbH, Hamburg ¹⁾ (Wholly-owned subsidiary of nordias GmbH Versicherungsmakler)	100.00	2,025	156
Siebert GmbH Versicherungsmakler, Arnstadt ¹⁾ (Wholly-owned subsidiary of nordias GmbH Versicherungsmakler)	100.00	26	20
MLPdialoG GmbH, Wiesloch (Wholly-owned subsidiary of MLP Finanzberatung SE)	100.00	1,262	294
Associates consolidated at equity			
MLP Hyp GmbH, Wiesloch (49.8 % stake held by MLP Finanzberatung SE)	49.80	6,793	3,793
Companies not consolidated due to immateriality			
MLP Consult GmbH, Wiesloch	100.00	2,300	-10
Uniwunder GmbH, Dresden ²⁾ (49,00% held by MLP Finanzberatung SE)	49.00	150	-112
FERI (Schweiz) (formerly: Michel & Cortesi Asset Management AG, Zurich (Switzerland) ²⁾ , ³⁾ (Wholly-owned subsidiary of FERI AG)	100.00	TCHF 531	TCHF -87
FPE Private Equity Beteiligungs-Treuhand GmbH, Munich ²⁾ (Wholly-owned subsidiary of FERI Trust GmbH)	100.00	202	56
FPE Private Equity Koordinations GmbH, Munich ²⁾ (Wholly-owned subsidiary of FERI Trust GmbH)	100.00	73	44
FPE Direct Coordination GmbH, Munich ²⁾ (Wholly-owned subsidiary of FERI Trust GmbH)	100.00	6	-6
FERI Private Equity GmbH & Co. KG, Munich ²⁾ (Wholly-owned subsidiary of FERI Trust GmbH)	100.00	39	19
FERI Private Equity Nr. 2 GmbH & Co. KG, Munich ²⁾ (Wholly-owned subsidiary of FERI Trust GmbH)	100.00	3	-6
AIF Komplementär GmbH, Munich ²⁾ (25% held by FERI AG)	25.00	26	15
AIF Register-Treuhand GmbH, Bad Homburg v.d. Höhe ²⁾ (Wholly-owned subsidiary of FERI AG)	100.00	24	-11
DIEASS GmbH, Kiel ¹⁾ (Wholly-owned subsidiary of DOMCURA AG)	100.00	26	-17
innoAssekuranz GmbH, Kiel (formerly: Portus Assekuranz Vermittlungsgesellschaft mbH, Kiel ¹⁾ (Wholly-owned subsidiary of DOMCURA AG)	100.00	25	-29
Walther Versicherungsmakler GmbH, Hamburg ¹⁾ (Wholly-owned subsidiary of nordias GmbH Versicherungsmakler)	100.00	25	-242

¹⁾ A profit and loss transfer agreement is in place: Presentation of the net result for the year before profit transfer.

²⁾ Shareholders' equity and net profit from the annual financial statements 2017.

³⁾ Currency conversion rate as at the balance sheet date: € 1 = CHF 1.12774.

Disclosures on non-consolidated structured entities

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

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

The companies' activities of the 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 on the basis of two different approaches; firstly through 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 € 171 thsd as of December 31, 2018 (previous year: € 360 thsd). In financial year 2018, MLP SE recorded an income of € 1,595 thsd from non-consolidated structured entities (previous year: € 221 thsd).

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

5 Significant discretionary decisions, estimates and changes in estimates

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

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

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

- → Note 4 – aggregation principles for structured entities
- → Notes 6 and → 8 – recognition of revenue at a point in time or over time, as well as determination of the revenue level with variable transaction prices
- → Notes 6 and → 20 – impairment test (discounted cash flow forecasts and significant assumptions applied)
- → Notes 6, → 22 to → 25 and → 35 – classification and measurement of financial instruments, as well as fair value disclosures.
- → Notes 6, → 22, → 25 and → 28 – allowances for bad debts
- → Notes 6, → 28 and → 34 – provisions and corresponding refund claims as well as contingent assets and liabilities
- → Notes 6 and → 28 – measurement of defined benefit obligations
- → Notes 6 and → 33 – classification of leases
- → Note 18 – recognition of tax receivables/tax reserves
- → Note 26 – cash and cash equivalents – composition of cash and cash equivalents

6 Accounting policies

With effect from January 1, 2018, IFRS 15 has to be applied for the recognition of revenue from customer contracts. IFRS 15 replaces IAS 18 Revenue, as well as the applicable interpretations, and now applies (with a few exceptions) to all revenue from contracts with clients. The application scope of IFRS 15 includes **mutual contracts** in which the other contracting party qualifies as a client, i.e. concludes a contract with MLP regarding receipt of services from ordinary business activities in return for payment. The **identification** of a client with regard to MLP's transactions can be performed regularly and easily.

Since there is no requirement for a mutual client contract, IFRS 15 is not applied to **dividend earnings** (IFRS 15.BC28). Revenue generated from these transactions is to be recorded in accordance with the applicable standard. The provisions previously anchored in IAS 18 for recording dividend earnings were adopted in IFRS 9. **Interest income**, too, does not fall within the scope of IFRS 15. In line with the provisions of IFRS 9, this is also recorded using the effective interest method.

IFRS 15 standardises the following cumulative **requirements of contracts with clients**:

- The contracting parties have approved the contract and are obligated to fulfil their mutual services.
- The rights of each party and the payment conditions with regard to the goods to be delivered /services to be provided can all be identified.
- The contract has commercial substance (in the sense of anticipated effects on the Company's future cash flows).
- The Company is likely to receive the payment.

Pursuant to IFRS 15, recognition of revenue is tied to fulfilment of independent benefit obligations, according to which the services are transferred to the client if the client gains control of the respective assets. Accordingly, MLP only recognises revenue when the client gains the "authority of disposal".

Depending on the way in which control is transferred to the client, IFRS 15 provides recognition of revenue at a point in time or over time. MLP recognises revenue from pure brokerage services (in particular acquisition commission and dynamic commission) at a point in time. Recognition of revenue over time is, in particular, performed for sustainable services (for example portfolio management, fund management).

In the fields of **old-age provision, non-life insurance and health insurance**, commission income is generated from the brokering of insurance products. Acquisition commission is recorded at the time of contract conclusion. With the transition to IFRS 15, the pro rata commission income paid from unit-linked old-age provision products is also to be recognised at a point in time, taking into account the percent of completion.

MLP receives dynamic commissions for contract adjustments that involve extended insurance coverage. Similarly to commission from the brokering of the basic policy, these are recognised when the dynamic increase takes effect.

In the old-age provision and health insurance segment, MLP receives commission payments pertaining to the management of contracts for ongoing support of the policyholder. The service is performed over a time period, which leads to a situation in which respective revenue is to be recognised over time.

Due to the obligation to refund portions of the commission received if brokered insurance policies are terminated prematurely, the amount of commission to which brokers are entitled is tied to uncertainties. Pursuant to IFRS 15, there is a **variable transaction price**. The contractual assets at the level of commission still to be anticipated are recognised at face value, as are related liabilities to MLP consultants and branch office managers. MLP estimates the anticipated payment and only realises revenue when any significant cancellation of recorded revenue is highly unlikely.

Insofar as the insurers pay brokerage commission in advance but with a right to reversal, MLP establishes provisions for cancellation risks on the basis of empirical values and capitalises the associated refund claims against MLP consultants and branch office managers. The change in provisions is disclosed under revenue, while the change in the refund claim associated with this is disclosed under commission expenses.

Revenue from **wealth management** contains both revenue to be recognised at a point in time and over time. Revenue recognised at a point in time includes issue surcharges/premiums, custody fees, account management fees, mutual fund brokerage fees, as well as brokerage and trailer commissions from wealth management mandates. Other wealth management revenue recognised at a point in time results from research and rating services. Revenue recognition over time is, in particular, carried out in active fund management and investment consulting fields of business.

Commission income from the brokering of loans (credit brokering commission) is attributed to revenue from the **loans and mortgages** business. MLP realises brokerage commissions for loan brokerage after concluding the respective loan agreement. The same applies to **real estate brokerage**: Here, revenue is realised when signing the notarised purchase contract. **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 on setting up occupational pension provision schemes, for consulting services in connection with medical practice financing and for business start-ups. Outside the old-age provision segment, no contracts which require a deviating recognition of commission were identified.

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

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

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

Currency translation

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

Fair value

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

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

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

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.

Please see → [Note 35](#) for further information on the assumptions made when determining fair values.

Intangible assets

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

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

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

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

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

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

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

Property, plant and equipment

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

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

Impairment test

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

The significant assumptions used when calculating the recoverable amount in the form of the use value are the discount rates, terminal value growth rates and growth rate of earnings before tax. The discount rate is based on a risk-free basic interest rate plus a company-specific risk premium which is derived from the systematic market risk (beta factor) and the current market risk premium. The discounted cash flow model is based on future cash flows over a period of four years. Cash flows after this time period are extrapolated using a growth rate, which is based on the management's estimate of the long-term average annual growth rate in earnings before tax. For further details, please refer to → [Note 20](#).

Leasing

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

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

Investments accounted for using the equity method

The acquisition costs are annually updated by taking into account the equity changes of the associates corresponding to MLP's equity share. Unrealised gains and losses from transactions with associates are eliminated based on the percentage of shares held. The changes of the pro rata shareholders' equity are shown in the Company's income statement under earnings from investments accounted for using the equity method. Dividends received reduce the carrying amount. For further details, please refer to → [Note 16](#).

Financial instruments

Under IFRS 9, financial assets are **classified** in three categories in accordance with a uniform model:

1. financial assets measured at amortised cost (AC),
2. financial assets measured at fair value through other comprehensive income (FVOCI) and
3. financial assets measured at fair value through profit or loss (FVPL).

Financial assets whose cash flows exclusively comprise interest and principal payments are classified on the basis of the business model. The assessment as to whether a financial asset comprises solely interest and principal payments is based on the commercial substance of the cash flows and not on the contractual designations. All contractual agreements which increase the risk or volatility in the contractual cash flows are not consistent with an elementary credit agreement and are therefore a violation of the cash flow criterion. However, contractual conditions that either have only a very small influence on the contractual cash flows (de minimis) or are non-genuine can be disregarded for the assessment of the cash flow criterion.

MLP purchases financial assets exclusively with the objective of collecting contractual cash flows. Divestments are typically concluded prior to the end of the term and all financial assets are subsumed using the "holding" business model. Divestments performed due to deterioration of the credit quality of individual assets, divestments performed near the end of the term and rare/irregular divestments or divestments of insignificant levels would not present any risk for the assignment to the "holding" business model. Since MLP does not operate any "hold to collect and sell" or "sell" business model, there are no assets resulting from the business model which are (2) measured at fair value through other comprehensive income or (3) measured at fair value through profit or loss as at December 31, 2018.

Financial assets whose cash flows do not exclusively comprise interest and principal payments, such as shares in investment funds and derivatives, are measured at fair value through profit or loss (FVPL). MLP therefore measures shares and investment funds at fair value through profit or loss. Alongside this, two debentures do not meet the cash flow criterion and are also rated at fair value through profit or loss. Further details can be found in the table in → [Note 3](#), presenting the transition of values reported pursuant to IAS 39 to the values to be recognised pursuant to IFRS 9. For equity instruments, IFRS 9 provides an option for measurement at fair value through other comprehensive income (FVOCI). MLP applies this option for measurement at fair value through other comprehensive income at the individual case level. As at December 31, 2018, the option is not currently being exercised for any assets. In addition, IFRS 9.4.1.5 allows the optional measurement of assets at fair value to avoid or significantly reduce an accounting mismatch. MLP does not make any use of the Fair Value Option (FVO) as at December 31, 2018.

The **impairment model** under IFRS 9 incorporates future expectations and is based on the anticipated credit losses, while under IAS 39 only losses that have actually occurred are recorded as impairment on financial assets. The impairment model under IFRS 9 provides three levels and can be applied to all financial assets (debt instruments) that are measured either at amortised cost or at fair value through other comprehensive income.

Stage 1: Contains all contracts that have not experienced a significant rise in credit risk since receipt (Low Credit Risk Exemption). Presence of an investment-grade rating is assumed here. The impairment is determined based on the anticipated credit loss, which is expected from default events over the next 12 months.

Stage 2: Contains financial assets that have experienced a significant rise in credit risk, but whose creditworthiness has not yet been compromised. The impairment is determined on the basis of the anticipated credit loss throughout the entire time remaining to maturity.

MLP considers the following conditions/characteristics to represent a significant rise in credit risk:

- More than 30 days in arrears
- Deterioration of the rating by at least two grades compared to the 12-months-forward-and Transfer in "Non-Investment Grade"
- Intensive support

Stage 3: Contains financial assets that display objective indications of a decline in value or that have default status. The anticipated credit losses are recorded as impairments throughout the entire term of the financial assets. Objective indications that a financial asset is compromised in its value include arrears of more than 90 days, as well as further qualitative information that indicates significant financial difficulties on the part of the debtor.

MLP uses the simplified method (loss rate method) for other receivables and assets. These do not have any significant financing component pursuant to IFRS 15. On this basis, these receivables are already assigned to Stage 2 during initial recognition and no estimate is performed regarding a significant increase of the credit risk. If the assets display any objective indications of compromised creditworthiness, they are transferred to Stage 3.

MLP applies various models for measurement of the anticipated credit losses, depending on the asset in question and the availability of data:

- Determination using the credit risk parameter method:

The Expected Credit Loss (ECL) is determined through multiplicative linking of the Exposure at Default (EaD), Probability of Default (PD) and Loss Given Default (LGD) credit risk parameters.

The parameters are determined in such a way that they reflect relevant events in the past, the current situation, as well as information regarding the future. In principle this can be performed using an economic model that contains all of the information gathered or by adjusting existing parameters so that the current economic environment and forecasts with regard to its future development are taken into account. This information encompasses macroeconomic factors (such as GDP growth and the unemployment rate) and forecasts regarding future economic framework conditions.

To secure approximate consistency between the risk measurement and the recording of credit losses in the balance sheet, the PD models currently used are applied and suitably extended. In the first step, multi-year PDs (through-the-cycle PDs) are derived from the existing supervisory models. These are then amended using a shift factor method. With the shift factor method, the through-the-cycle PDs (multi-year PDs) derived from rating data are transformed into point-in-time PDs through a multiplicative factor, the shift factor. Migration matrices are used for this, as a result of which future changes in creditworthiness are anticipated at portfolio level over the term. Using rating classes, the migration matrices are based on observable loan loss histories of the portfolios in question. In the second step, the through-the-cycle PDs are adjusted using a shift factor method in such a way that the current economic environment, as well as the future-oriented factors required by IFRS 9 are taken into account. Here, the through-the-cycle PDs (multi-year PDs) derived from rating data are transformed into point-in-time PDs through a multiplicative factor, the shift factor.

- Loss rate method:

Under certain conditions, IFRS 9 allows use of a loss rate method that is based on the default rates for determining anticipated losses. Here, historical credit default rates are determined for defined portfolios with the same risk characteristics.

Criteria for portfolio creation are contractual terms of the same design for assets, comparable counterparty characteristics and similar credit ratings of the assets in the portfolio. The anticipated losses are estimated on the basis of historical losses. In contrast to the first process described, there is no explicit subdivision into the components of probability of default (PD) and loss given default (LGD). The determination period of the anticipated losses is the entire term remaining to maturity of the respective asset. When determining the loss rates, forward-looking information is considered by weighting the historic loss rates used. For example, loss rates from a period with strong economic activity will receive lower weighting, while loss rates from a period of recession will be given stronger weighting to anticipate an expected economic slump.

- Expert-based ECL determination:

Expert-based ECL determination is performed individually using a scenario analysis, to which the expert adds the circumstances of the respective individual case. Both general values are based on past experience and the specific characteristics are therefore continually considered in the calculation.

In the event of substantial contract adjustments, the original asset is derecognised and a new asset recognised (modification). MLP is currently only making minor non-significant modifications on a small scale. The modifications performed are contractual period extensions in addition to deferred redemption payments. In these cases, the contractual revisions will not lead to the derecognition of an asset. The difference determined between the gross carrying amount of the original contract and present value of the modified contract is recognised in the income statement.

Derecognition of a financial instrument (write-off) is performed if an appropriate estimate indicates that a financial asset cannot be fully or partially realised, for example following completion of insolvency proceedings or following judicial decisions.

Purchased or Originated Credit Impaired Financial Assets (POCI) are generally financial assets that fulfil the "credit-impaired" definition on receipt. This is the case when an allocation to a default class is performed.

Subsequent to their initial recognition, **financial liabilities** are to be recognised at their amortised cost 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 or loss** are measured at their fair value. Profits or losses from the change in fair value are recognised through profit or loss.

Pension provisions

Old-age provision in the Group is performed is based on 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 meet the conditions of pension scheme assets. For this reason the claims from reinsurance policies are netted against corresponding pension provisions in the balance sheet as per IAS 19.

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

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

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

Further details of pension provisions are given in → [Note 28](#).

Other provisions

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

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

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

Reversals of provisions are recognised under other revenue.

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

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

Share-based payments

Share-based payments in line with IFRS 2 "Share-Based Payment" comprise pay systems paid for in cash and using equity instruments.

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

Share-based payments also include those made through equity instruments ("2017 Participation Programme", "2018 Participation Programme" for MLP consultants and branch office managers). The 2018 Participation Programme applies to the 2018 calendar year in addition to MLP consultants and MLP branch office managers whose contracts remained unterminated and in place on December 31, 2018. The compensation to be made in the form of MLP shares is determined on the basis of the annual commission of the MLP consultant/branch office manager, applying various performance parameters, and is recorded in the 2018 consolidated financial statements as an expense with a corresponding increase in shareholders' equity.

Please see Note 32 for further details on share-based payments.

7 Reportable business segments

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

- Financial consulting
- Banking
- FERI
- DOMCURA
- Holding

Due to the similarity of the products and services offered, as well as reliance on the same client base and identical sales channels, MLP pooled the "financial consulting" and "occupational pension provision" business segments under the reportable "financial consulting" business segment in accordance with IFRS 8.12. The subject of the reportable **financial consulting** business segment is the provision of consulting services for academics and other discerning clients, particularly with regard to insurance, investments, occupational pension provision and the brokering of contracts in connection with these financial services. The segment comprises MLP Finanzberatung SE, TPC GmbH, ZSH GmbH Finanzdienstleistungen, MLPdialog GmbH, as well as the associate MLP Hyp GmbH.

The task of the reportable **Banking** business segment is to advise on and operate the banking business, including the securities custody business, the commission business, investment consulting and investment brokerage as well as the brokerage of insurance policies that are related to these activities.

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

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

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

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

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

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

In the financial year, revenue of € 213,353 thsd was generated with two product partners in the business segments of financial consulting, banking, FERI and DOMCURA. In the previous year, revenue of € 205,274 thsd was generated with two product partners in the business segments of financial consulting, banking, FERI and DOMCURA.

Information regarding reportable business segments

All figures in €'000	Financial consulting		Banking		FERI		DOMCURA		Holding		Consolidation		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Revenue	347,150	126,848	75,790	278,317	146,164	139,710	83,441	73,273	-	-	-10,408	-9,405	642,137	608,743
of which total inter-segment revenue	7,138	6,029	3,269	3,371	-	6	-	-	-	-	-10,408	-9,405	-	-
Other revenue	20,259	6,394	12,757	11,639	4,672	4,283	1,860	4,642	9,173	9,611	-24,900	-17,146	23,821	19,424
of which total inter-segment revenue	13,079	4,445	3,138	3,693	-	28	0	63	8,682	8,915	-24,900	-17,146	-	-
Total revenue	367,409	133,242	88,547	289,957	150,836	143,993	85,300	77,915	9,173	9,611	-35,307	-26,551	665,958	628,167
Commission expenses	-171,665	-58,510	-30,986	-128,959	-85,348	-81,754	-54,643	-48,323	-	-	10,109	8,202	-332,533	-309,344
Interest expenses	-	-	-556	-1,055	-	-	-	-	-	-	-	-	-556	-1,055
Valuation result/Loan loss provisions	705	102	259	-619	-423	-34	-42	40	-	-	-	-	500	-511
Personnel expenses	-66,127	-21,467	-10,764	-53,163	-32,208	-30,507	-14,866	-14,337	-4,075	-3,771	-	-	-128,039	-123,245
Depreciation and impairment	-11,672	-3,702	-95	-7,461	-1,262	-1,170	-1,344	-1,293	-1,586	-1,666	-	-	-15,960	-15,293
Other operating expenses	-103,261	-27,243	-33,887	-103,252	-9,822	-10,614	-9,399	-8,277	-14,140	-12,550	24,981	18,328	-145,528	-143,607
Earnings from investments accounted for using the equity method	2,547	2,487	-	-	-	-	-	-	-	-	-	-	2,547	2,487
Segment earnings before interest and tax (EBIT)	17,936	24,910	12,519	-4,553	21,772	19,914	5,006	5,724	-10,627	-8,376	-217	-20	46,388	37,600
Other interest and similar income	663	20	2,582	102	7	40	7	27	-81	45	-16	-24	3,161	209
Other interest and similar expenses	-864	-182	-51	-597	-341	-246	-9	-38	-2,706	-461	282	92	-3,689	-1,433
Valuation result not relating to operating activities	-6	-	-	-	-21	-	-3	-	-23	-	-	-	-52	-
Finance cost	-207	-163	2,531	-495	-356	-206	-5	-11	2,809	-417	266	68	-580	-1,223
Earnings before tax (EBT)	17,729	24,747	15,050	-5,047	21,416	19,708	5,001	5,713	-13,436	-8,793	48	48	45,808	36,377
Income taxes	-	-	-	-	-	-	-	-	-	-	-	-	-11,314	-8,582
Net profit	-	-	-	-	-	-	-	-	-	-	-	-	34,494	27,796
Earnings from investments accounted for using the equity	4,186	4,132	-	-	-	-	-	-	-	-	-	-	4,186	4,132
Investments in intangible assets and property, plant and equipment	8,105	1,320	685	3,678	15,420	527	1,145	1,523	1,273	277	-	-	26,629	7,324
Major non-cash expenses:	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impairments/reversal of impairments on receivables	-705	-57	-976	965	423	34	42	-40	-	-	-	-	-1,216	902
Impairments/reversal of impairments on financial assets	11	-	804	-341	296	-	5	-	24	-	-	-	1,140	-341
Increase/decrease of provisions/accrued liabilities	44,859	15,905	3,240	38,236	11,187	10,609	3,897	69	4,972	2,179	-	-	68,155	66,997

The previous year's segment figures were not adjusted to the new structure with the Financial Consulting and Banking segments. However, to make the figures comparable, the values of the current financial year have also been prepared in line with the previous year's segment structure in the following table.

Information regarding reportable business segments

All figures in €'000	Financial services		FERI		DOMCURA		Holding		Consolidation		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Revenue	420,167	400,737	146,164	139,710	83,441	73,273	-	-	-7,634	-4,976	642,137	608,743
of which total inter-segment revenue	7,634	4,970	-	6	-	-	-	-	-7,634	-4,976	-	-
Other revenue	19,236	14,373	4,672	4,283	1,860	4,642	9,173	9,611	-11,120	-13,485	23,821	19,424
of which total inter-segment revenue	2,437	4,478	-	28	0	63	8,682	8,915	-11,120	-13,485	-	-
Total revenue	439,403	415,109	150,836	143,993	85,300	77,915	9,173	9,611	-18,754	-18,461	665,958	628,167
Commission expenses	-199,885	-184,213	-85,348	-81,754	-54,643	-48,323	-	-	7,343	4,946	-332,533	-309,344
Interest expenses	-556	-1,055	-	-	-	-	-	-	-	-	-556	-1,055
Valuation result/loan loss provisions	964	-517	-423	-34	-42	40	-	-	-	-	500	-511
Personnel expenses	-76,891	-74,630	-32,208	-30,507	-14,866	-14,337	-4,075	-3,771	-	-	-128,039	-123,245
Depreciation and impairment	-11,768	-11,164	-1,262	-1,170	-1,344	-1,293	-1,586	-1,666	-	-	-15,960	-15,293
Other operating expenses	-123,368	-125,654	-9,822	-10,614	-9,399	-8,277	-14,140	-12,550	11,202	13,847	-145,528	-143,607
Earnings from investments accounted for using the equity method	2,547	2,487	-	-	-	-	-	-	-	-	2,547	2,487
Segment earnings before interest and tax (EBIT)	30,446	20,365	21,772	19,914	5,006	5,724	-10,627	-8,376	-209	-27	46,388	37,600
Other interest and similar income	3,244	122	7	40	7	27	-81	45	-16	-24	3,161	209
Other interest and similar expenses	-914	-779	-341	-246	-9	-38	-2,706	-461	282	92	-3,689	-1,433
Valuation result not relating to operating activities	-6	-	-21	-3	-	-	-23	-	-	-	-52	-
Finance cost	2,325	-657	-356	-206	-5	-11	-2,809	-417	265	68	-580	-1,223
Earnings before tax (EBT)	32,771	19,708	21,416	19,708	5,001	5,713	-13,436	-8,793	56	41	45,808	36,377
Income taxes	-	-	-	-	-	-	-	-	-	-	-11,314	-8,582
Net profit	-	-	-	-	-	-	-	-	-	-	34,494	27,796
Earnings from investments accounted for using the equity method	4,186	4,132	-	-	-	-	-	-	-	-	4,186	4,132
Investments in intangible assets and property, plant and equipment	8,791	4,998	15,420	527	1,145	1,523	277	277	-	-	26,629	7,324
Major non-cash expenses:												
Impairments/reversal of impairments on receivables	-1,681	908	423	34	42	-40	-	-	-	-	-1,216	902
Impairments/reversal of impairments on financial assets	815	-341	296	-	5	-	24	-	-	-	1,140	-341
Increase/decrease of provisions/accrued liabilities	48,099	54,140	11,187	10,609	3,897	69	4,972	2,179	-	-	68,155	66,997

Notes to the income statement

8 Revenue

All figures in €'000	2018	2017
Old-age provision	212,251	208,117
Wealth management	202,026	190,629
Non-life insurance	120,272	109,850
Health insurance	47,707	45,863
Real estate brokerage*	20,135	13,989
Loans and mortgages	17,785	17,019
Other commission and fees	4,624	4,416
Total commission income	624,801	589,883
Interest income	17,336	18,860
Total	642,137	608,743

*In the previous year, the revenue from real estate brokerage was included in the other commission and fees item.

The commission income disclosed under revenue is recognised on a regular and point-in-time basis. Revenue is recognised on a regular and point-in-time basis. Revenue recognised over time totalling € 239,637 thsd was generated from the old-age provision business in the financial consulting segment, from the health insurance business in the financial consulting and DOMCURA segments, as well as from the wealth management business in the financial consulting and FERI segments. The revenue from the interest rate business includes negative interest from lending and money market transactions of € 1,818 thsd (previous year: € 1,146 thsd).

9 Other revenue

All figures in €'000	2018	2017
Income from the sales tax adjustment	7,842	-
Income from the reversal of provisions	2,142	4,230
Cost transfer to MLP consultants and branch office managers	2,091	1,393
Income from the reversal of deferred obligations	1,969	1,878
Income from investments	1,775	527
Offset remuneration in kind	1,185	1,335
Compensation of management	648	719
Rent	491	485
Own work capitalised	412	306
Income from currency translation	256	176
Income from the disposal of fixed assets	16	24
Income from securities of the participation programme	-	2,396
Sundry other income	4,993	5,955
Total	23,821	19,424

VAT corrections from previous years result in income of € 7,842 in financial year 2018. This is essentially attributable to the subsequent recognition of the VAT unity within the MLP Group, which had initially not been granted within the scope of the tax audit for the years 2008 to 2012. As a result of the subsequent recognition, VAT expenses relating to VAT from previous years were accrued at the level of MLP SE (see → [Note 15](#)), while income was received at the level of MLP Banking AG (€ 4.7 million). Alongside this, income of € 2.2 million was received from the VAT receivables for previous years that were capitalised in Q3. Further income from VAT refund claims of € 0.9 million results from the payment relating to subsequently declared VAT issues.

For more information on income from the reversal of provisions, please refer to → [Note 28](#).

Income from the reversal of provisions for economic loss, which is offset by expenses from liability insurance refund claims, is disclosed net under income from the reversal of provisions.

Income from the reversal of provisions does not contain any income from provisions for the lending business or provisions for anticipated losses from the lending business. These are part of the loan loss provisions. We make reference to → [Note 12](#) here.

The item "Cost transfers to MLP consultants and branch office managers" essentially comprises income from cost transfers of insurance premiums, services and material costs.

Income from the reversal of deferred obligations are essentially attributable to the reversal of provisions for outstanding invoices, provisions for auditing fees and provisions for profit-sharing payments and performance-based compensation.

The item "Compensation for management" contains pre-allocated profits due to management tasks for private equity companies.

Own work capitalised results from the collaboration of Group employees in the development of acquired software and software created in-house.

The income from securities of the participation programme essentially comprises income in the context of the sale of certificates in financial year 2017. Please refer to → [Note 32](#) for further details.

Among other things, sundry other income includes advertising subsidies, income from the performance of IT services, as well as income from cost reimbursement claims.

10 Commission expenses

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

11 Interest expenses

All figures in €'000	2018	2017
Interest and similar expenses IAS 39		
Financial instruments measured at amortised cost	-	1,024
Available-for-sale financial instruments	-	8
Change fair value option IAS 39		
Financial instruments at fair value through profit or loss	-	22
Interest and similar expenses IFRS 9		
Financial instruments measured at amortised cost	556	-
Liabilities due to clients from the banking business	252	-
Liabilities due to banks from the banking business	305	-
Total	556	1,055

Interest expenses in the previous year relate to interest charges for liabilities due to clients in the banking business of € 630 thsd, as well as interest charges for liabilities due to banks in the banking business of € 230 thsd. The previous year's figure included securities valuations, which from 2018 onwards are disclosed under "Loan loss provisions".

12 Valuation result/loan loss provisions

All figures in €'000	2018
Provisions for risks from potential bad debts	661
Provisions for risks from the lending business	555
Valuation result	-716
Total	500

As of December 31, 2018, provisions for anticipated losses of € 1,216 thsd were recognised in accordance with IFRS 9. This figure is made up of income from the reversal of impairments of receivables totalling € 661 thsd and income from the reversal of provisions of € 555 thsd.

For further details to the development of the loan loss provisions we make reference to notes → 22 and → 28.

Write-downs of financial instruments measured at fair value through profit or loss led to a valuation result of € -716 thsd.

13 Personnel expenses

All figures in €'000	2018	2017
Salaries and wages	110,444	106,674
Social security contributions	14,700	13,985
Expenses for old-age provisions and benefits	2,895	2,586
Total	128,039	123,245

Personnel expenses essentially include salaries and wages, compensation 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 and impairments

All figures in €'000	2018	2017
Depreciation		
Intangible assets	10,330	9,912
Property, plant and equipment	5,630	5,381
Total	15,960	15,293

As was the case in the previous year, there was no impairment loss in financial year 2018.

15 Other operating expenses

All figures in €'000	2018	2017
IT operations	48,461	45,554
Consultancy	14,353	17,423
Rental and leasing	12,500	12,845
Administration operations	10,807	11,121
Other external services	9,018	7,345
External services – banking business	8,220	9,008
Representation and advertising	5,776	6,504
Sales tax expense	5,212	1,026
Premiums and fees	5,112	5,810
Expenses for MLP consultants and branch office managers	3,830	4,321
Travel expenses	3,823	4,425
Entertainment	3,204	2,326
Training and further education	3,090	2,728
Insurance	2,587	2,723
Maintenance	1,603	1,563
Other employee-related expenses	1,542	1,299
Audit	1,270	1,576
Supervisory Board compensation	960	963
Goodwill	431	478
Sundry other operating expenses	3,730	4,569
Total	145,528	143,607

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

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

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

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

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

VAT expenses relate to VAT for previous years as a result of subsequent recognition of VAT unity within the MLP Group, which had initially not been granted within the scope of the tax audit for 2008 to 2012. VAT payments granted to MLP SE in 2016 as a result of this circumstance have now been imposed again. Corresponding income was recorded at MLP Banking AG (see → [Note 9](#)).

The expenses for MLP consultants and branch office managers encompass the expenses resulting from the allocation of provisions for obligations towards longstanding branch office managers, for retired staff, as well as the training allowance granted to young MLP consultants.

Sundry other operating expenses essentially comprise expenses for other taxes, charitable donations, cars, literature and expenses from investments.

16 Earnings from investments accounted for using the equity method

Earnings from investments accounted for using the equity method were € 2,547 thsd in the financial year (previous year: € 2,487 thsd) and resulted from the share of earnings in MLP Hyp GmbH. In line with a company agreement, the profit distribution of MLP Hyp GmbH is disproportionate.

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

The shares developed as follows:

All figures in €'000	2018	2017
Share as of Jan. 1	4,132	3,751
Dividend payouts	-2,493	-2,106
Pro rata profit after tax	2,547	2,487
Share as of Dec. 31	4,186	4,132

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

All figures in €'000	Dec. 31, 2018	Dec. 31, 2017
Non-current assets	64	74
Current assets	10,857	10,104
Non-current liabilities	-	-
Current liabilities	4,128	3,448
Net assets (100 %)	6,793	6,730
of which MLP's share in net assets (49.8 %)	3,383	3,352
Incidental acquisition costs	151	151
Dividend payout	-2,849	-2,213
Cumulative disproportionate profit	3,501	2,843
Carrying amount of the investment	4,186	4,132
Revenue	21,172	19,124
Total comprehensive income (100 %)	3,793	3,730
of which MLP's share in total comprehensive income (49.8 %)	1,889	1,858
Disproportionate profit for the current financial year (67.2 % / previous year 66.7 %)	658	630
MLP's share in total comprehensive income	2,547	2,487

17 Finance cost

All figures in €'000	2018	2017
Other interest and similar income	3,161	209
Interest expenses from financial instruments	-531	-166
Interest expenses from net obligations for defined benefit plans	-423	-429
Other interest costs	-2,735	-838
Other interest and similar expenses	-3,689	-1,433
Valuation result not relating to operating activities	-52	
Finance cost	-580	-1,223

Other interest and similar income of € 1 thsd (previous year: € 22 thsd) is attributable to interest income from deposits with financial institutions which were not included in the banking business segment and € 21 thsd (previous year: € 26 thsd) is attributable to income from the discounting of provisions. In addition to this, other interest and similar income includes negative interest on bank deposits of € -214 thsd (previous year: € -85 thsd). Other interest and similar expenses include expenses from the accrued interest of other provisions totalling € 539 thsd (previous year: € 558 thsd).

18 Income taxes

All figures in €'000	2018	2017
Income taxes	11,314	8,582
of which current taxes on income and profit	11,199	7,871
of which deferred taxes	116	711

The current taxes on income and profit include expenses of € 596 thsd (previous year: € -634 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 13.45% (previous year: 13.53%) and amounts to 29.27% (previous year: 29.36%).

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

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

All figures in €'000	2018	2017
Earnings before tax	45,808	36,377
Group income tax rate	29.27%	29.36%
Calculated income tax expenditure in the financial year	13,408	10,680
Tax-exempt earnings and permanent differences	-2,756	-4,511
Non-deductible expenses	1,137	2,580
Divergent trade taxation charge	264	89
Effects of other taxation rates applicable abroad	-539	-366
Income tax not relating to the period (current and deferred)	-318	52
Other	119	57
Income taxes	11,314	8,582

The effective income tax rate applicable to the earnings before tax is 24.7% (previous year: 23.6%).

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

Non-deductible expenses result from consultancy fees in connection with Group restructuring measures, entertainment expenses, gifts, as well as non-deductible operating expenses incurred in the context of tax-exempt dividends and capital gains, Supervisory Board compensation and other relevant factors.

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

All figures in €'000	Deferred tax assets		Deferred tax liabilities	
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Intangible assets	144	401	10,630	11,385
Property, plant and equipment	-	-	4,503	4,172
Financial assets	207	6	2	128
Other assets	2,201	1,123	4,485	377
Provisions	10,878	10,316	8	-
Liabilities	1,938	2,720	617	-
Gross value	15,368	14,566	20,245	16,062
Netting of deferred tax assets and liabilities	-10,000	-6,531	-10,000	-6,531
Total	5,368	8,035	10,245	9,531

The deferred tax income recognised under other comprehensive income outside the income statement is € 240 thsd (previous year: € -48 thsd).

Tax refund claims include € 8,158 thsd (previous year: € 7,197 thsd) of corporation tax and € 4,600 thsd (previous year: € 5,149 thsd) of trade tax. € 8,494 thsd thereof (previous year: € 11,881 thsd) thereof relate to MLP SE and € 4,265 thsd (previous year: € 465 thsd) to MLP Finanzberatung SE.

Tax liabilities are made up of € 2,543 thsd (previous year: € 5,588 thsd) of corporation tax and € 2,654 thsd (previous year: € 4,655 thsd) of trade tax. € 4,431 thsd thereof (previous year: € 2,572 thsd) thereof relate to MLP SE and € 541 thsd (previous year: € 6,633 thsd) to MLP Finanzberatung SE.

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

19 Earnings per share

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

All figures in €'000	2018	2017
Basis of the basic net profit per share	34,494	27,796

All figures in number of units		
Weighted average number of shares for the basic net profit per share	109,222,778	109,334,686

The basic earnings per share is € 0.32 (previous year: € 0.25).

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

All figures in €'000	2018	2017
Basis of the diluted net profit per share	34,494	-

All figures in number of units		
Weighted average number of shares for the diluted net profit per share	109,334,686	-

The diluted earnings per share is € 0.32 (previous year: € 0.25).

Notes to the statement of financial position

20 Intangible assets

All figures in €'000	Goodwill	Software (developed inhouse)	Software (purchased)	Advance payments and developments in progress	Other intangible assets	Total
Acquisition costs						
As of Jan. 1, 2017	94,964	13,037	105,510	492	57,848	271,851
Additions	-	221	1,049	2,100	-	3,371
Disposals	-	-	-11,212	-35	-593	-11,839
Transfers	-	-	1,664	-1,664	-	-
As of Dec. 31, 2017	94,964	13,259	97,011	893	57,255	263,382
Additions	-	234	879	3,279	-	4,392
Disposals	-	-	-134	-	-	-134
Transfers	-	-	2,767	-2,767	-	0
As of Dec. 31, 2018	94,964	13,493	100,523	1,405	57,255	267,640
Depreciation and impairment						
As of Jan. 1, 2017	3	9,737	74,301	-	19,392	103,432
Depreciation	-	1,650	6,291	-	1,971	9,912
Impairment	-	-	-	-	-	-
Disposals	-	-	-11,207	-	-593	-11,800
As of Dec. 31, 2017	3	11,387	69,385	-	20,770	101,544
Depreciation	-	1,648	6,711	-	1,971	10,330
Impairment	-	-	-	-	-	-
Disposals	-	-	-126	-	-	-126
As of Dec. 31, 2018	3	13,035	75,970	-	22,740	111,748
Carrying amount Jan. 1, 2017	94,962	3,300	31,209	492	38,456	168,419
Carrying amount Dec. 31, 2017	94,962	1,871	27,626	893	36,485	161,838
Carrying amount Jan. 1, 2018	94,962	1,871	27,626	893	36,485	161,838
Carrying amount Dec. 31, 2018	94,962	457	24,553	1,405	34,515	155,892

Intangible assets comprise definite-lived and indefinite-lived assets. Depreciation/amortisation and impairment on intangible assets are presented in → [Note 14](#).

Useful lives of intangible assets

	Useful life as of Dec. 31, 2018	Useful life as of Dec. 31, 2017
Acquired software / licences	3-7 years	3-7 years
Software created internally	3-5 years	3-5 years
Acquired trademark rights	-	-
Client relations / contract inventories	10-25 years	10-25 years
Goodwill / brand names	undefinable	undefinable

The **goodwill** originating from company acquisitions was allocated by MLP at the level of the cash-generating units. The disclosures take into account the demerger of MLP Finanzdienstleistungen AG performed in financial year 2017 within the former financial services business segment into the business segments of financial consulting and banking. The reportable financial consulting business segment contains the following groups of cash-generating units: (1) financial consulting, (2) occupational pension provision and (3) ZSH. No goodwill has been allocated to the reportable banking business segment. The reportable FERI business segment includes the cash-generating unit FERI Assetmanagement. The reportable DOMCURA business segment contains one DOMCURA cash-generating unit. Cash-generating units were allocated the following goodwill values arising from business combinations:

All figures in €'000	Dec. 31, 2018	Dec. 31, 2017
Financial consulting	22,042	22,042
Occupational pension provision	9,955	9,955
ZSH	4,072	4,072
Financial consulting	36,069	36,069
FERI Asset Management	53,230	53,230
FERI	53,230	53,230
DOMCURA	5,663	5,663
DOMCURA	5,663	5,663
Total	94,962	94,962

As was already the case in the previous year, there was no need for an impairment of capitalised goodwill in financial year 2018. The significant assumptions presented in the following were based on the impairment test performed.

Reportable financial consulting business segment

Financial consulting		
Weighted average (in %)	2018	2017
Discount rate (before tax)	10.4	9.8
Growth rate of the terminal value	1.0	1.0
Planned EBT growth rate (relative average EBT increase per year)	28.3	2.5
Occupational pension provision		
Weighted average (in %)	2018	2017
Discount rate (before tax)	10.9	9.8
Growth rate of the terminal value	1.0	1.0
Planned EBT growth rate (relative average EBT increase per year)	3.6	4.6
ZSH		
Weighted average (in %)	2018	2017
Discount rate (before tax)	10.8	9.8
Growth rate of the terminal value	1.0	1.0
Planned EBT growth rate (relative average EBT increase per year)	14.3	14.0

Reportable FERI business segment

FERI Asset Management		
Weighted average (in %)	2018	2017
Discount rate (before tax)	14.6	13.4
Growth rate of the terminal value	1.0	1.0
Planned EBT growth rate (relative average EBT increase per year)	4.4	8.0

Reportable DOMCURA business segment

DOMCURA		
Weighted average (in %)	2018	2017
Discount rate (before tax)	10.9	9.9
Growth rate of the terminal value	1.0	1.0
Planned EBT growth rate (relative average EBT increase per year)	1.5	-4.0

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 4% (previous year: 1%). The sensitivity analyses showed that, from today's perspective, there are no impairment losses for recorded goodwill at any cash-generating unit, even under these assumptions.

The items **software (in-house), software (purchased), advance payments and developments in progress** contain own work performed within the context of developing and implementing software. In the financial year 2018, own services with a value of € 412 thsd were capitalised (previous year: € 306 thsd). All development and implementation costs incurred complied in full with the criteria for capitalisation pursuant to IAS 38 "Intangible assets".

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

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

All figures in €'000	2018	2017
FERI Asset Management	15,829	15,829
FERI	15,829	15,829

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

All figures in €'000	2018	2017
DOMCURA	7,023	7,023

There are no restraints on disposal or pledges with regard to intangible assets. Contractual obligations for the purchase of intangible assets have a net total of € 355 thsd as of December 31, 2018 (previous year: € 129 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, 2017	78,590	59,105	392	138,087
Additions	339	2,572	1,043	3,954
Disposals	-3,870	-8,506	-	-12,376
Transfers	575	197	-772	0
As of Dec. 31, 2017	75,633	53,368	663	129,665
Additions	16,173	3,448	2,616	22,237
Disposals	-634	-4,319	-126	-5,079
Transfers	483	2,583	-3,067	0
As of Dec. 31, 2018	91,656	55,080	86	146,823
Depreciation and impairment				
As of Jan. 1, 2017	28,569	46,153	-	74,722
Depreciation	2,008	3,373	-	5,381
Impairment	-	-	-	-
Disposals	-3,867	-8,432	-	-12,299
As of Dec. 31, 2017	26,710	41,094	-	67,804
Depreciation	2,119	3,512	-	5,630
Impairment	-	-	-	-
Disposals	-610	-4,271	-	-4,881
As of Dec. 31, 2018	28,218	40,335	-	68,553
Carrying amount Jan. 1, 2017	50,021	12,952	392	63,365
Carrying amount Dec. 31, 2017	48,924	12,274	663	61,861
Carrying amount Jan. 1, 2018	48,924	12,274	663	61,861
Carrying amount Dec. 31, 2018	63,438	14,746	86	78,270

Useful lives of property, plant and equipment

	Useful life/residual value Dec. 31, 2018	Useful life/residual value Dec. 31, 2017
Administration buildings	33 years to residual value (30 % of original cost)	33 years to residual value (30 % of original cost)
Land improvements	15-25 years	15-25 years
Leasehold improvements	10 years or duration of the respective tenancy agreement	10 years or duration of the respective tenancy agreement
Furniture and fittings	8-25 years	8-25 years
IT hardware, IT cabling	3-13 years	3-13 years
Office equipment, office machines	3-23 years	3-23 years
Cars	2-6 years	2-6 years
Works of art	15-20 years	15-20 years

Depreciation/amortisation and impairment of property, plant and equipment are disclosed in → [Note 13](#).

The payments on account and assets under construction refer exclusively to acquired property, plant and equipment. 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 € 491 thsd net as of December 31, 2018 (previous year: € 1,687 thsd).

22 Receivables from clients in the banking business

Receivables from clients in the banking business

All figures in €'000	Dec. 31, 2018	Dec. 31, 2017
Originated loan	432,114	389,613
Corporate bond debts	203,814	194,500
Receivables from credit cards	101,035	89,699
Receivables from current accounts	27,950	34,777
Receivables from wealth management	1,139	746
Other	3,998	–
Total, gross	770,051	709,335
Impairment	-9,024	-7,360
Total, net	761,027	701,975

As of December 31, 2018, receivables (net) with a term of more than one year remaining to maturity amount to € 643,219 thsd (previous year: € 515,338 thsd).

The gross carrying amounts of receivables from clients in the banking business developed as follows in the financial year:

All figures in €'000	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL – not impaired)	Stage 3 (lifetime ECL – impaired credits)	Purchased or originated credit-impaired financial asset (Stage 4)	Total
As of Jan. 1, 2018	636,340	62,392	10,496	48	709,335
Transfer in stage 1	28,151	-28,104	-46	–	–
Transfer in stage 2	-14,478	14,808	-330	–	–
Transfer in stage 3	-2,337	-2,655	4,992	–	–
Allocation	143,383	5,912	158	–	149,453
of which newly acquired or issued financial assets	114,162	5,912	0	–	120,075
of which existing business	26,077	–	158	–	26,235
Disposals	-77,727	-7,606	-3,403	-1	-88,737
of which financial assets derecognised in their entirety	-77,727	-4,532	-2,718	-1	-84,978
of which existing business	–	-3,074	–	–	-3,074
of write offs	–	–	-685	–	-685
As of Dec. 31, 18	713,391	44,746	11,867	46	770,051

Receivables from clients in the banking business to collect contractual cash flows held by MLP are carried at amortised cost using the effective interest method. Assuming no bad debts are in place, all financial assets are recorded in Stage 1 on their date of acquisition and then written down over the next twelve months with an anticipated default. In the financial year, there were receivables of € 46 thsd where there was already an indication of impairment on the date of acquisition (POCI – purchased or originated credit-impaired financial assets).

If the credit risk increases significantly, a transfer to Stage 2 is performed. This involves a calculation of the impairment on the basis of the expected credit loss over the entire remaining term. If there are objective indications of an impairment or a default status, the financial asset is recognised in Stage 3. See → [Note 6](#) for further details on the impairment methods used and calculation of the impairment.

Modifications were performed to three contracts in the reporting year. These are deferred redemption payments, as well as contractual period extensions. As such, they do not represent substantial modifications. The modification gain resulting from recalculation of the present values of the receivables throughout the contractual period is not presented in the statement of comprehensive income as it is not significant.

On the closing date, there were no receivables from clients in the banking business whose conditions were renegotiated and which would otherwise be overdue or written down (previous year: € 457 thsd).

Loan loss provisions for receivables from clients in the banking business developed as follows in the reporting year:

All figures in €'000	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL – impaired)	Stage 3 (lifetime ECL – impaired credits)	Purchased or originated credit-impaired financial asset (Stage 4)	Total
As of Jan. 1, 2018	2,233	3,216	5,638	40	11,126
Transfer in Stage 1	161	-161	0	–	
Transfer in Stage 2	-56	93	-37	–	
Transfer in Stage 3	-3	-204	207	–	
Allocation	682	1,422	1,728	–	3,832
of which newly acquired or issued financial assets	365	270	–	–	635
of which existing business	317	1,152	1,728	–	3,197
Disposals	-1,250	-2,006	-2,674	-4	-5,934
of which usage/consumption	-187	-127	-2,019	–	-2,333
of which reversal	-1,064	-1,879	-655	-4	-3,602
As of Dec. 31, 18	1,768	2,359	4,862	36	9,024

Loan loss provisions declined from € 11,126 thsd to € 9,024 thsd in the financial year. This can primarily be attributed to disposals of receivables from credit cards, as well as current accounts in Stage 3. There were also reversals from Stage 1 of € 1,064 thsd, as well as from Stage 2 of € - 1,879 thsd in the financial year. The reversals from Stage 2 are primarily the result of improvements to the anticipated default risk on receivables and the transfers to Stage 1 associated with this. These were offset against allocations from newly acquired or issued financial assets to Stage 2 of € 1,422 thsd and to stage 3 of € 1,728 thsd.

Taking into account direct write-offs of € 684 thsd as well as income recovered from written-off receivables of € 198 thsd, allocations of € 3,832 thsd and reversals of € 3,601 thsd recognised in income resulted in a net loan loss provision of € 255 thsd in the previous year.

Qualitative and quantitative information on contributions from anticipated losses

All figures in €'000	Max. default risk without taking into account collateral or other credit enhancement factors as of Dec. 31, 2018	Financial instruments of Stages 3 and 4			
		of which max. default risk of Stage 3 / 4	of which risk reduction by collateral	of which risk reduction through netting agreements as per IAS 32	of which risk reduction through other credit enhancements*
Receivables from clients (AC)	761,027	15,844	1,559	-	-
Receivables from banks (AC)	694,210	-	-	-	-
Financial assets (AC)	159,480	-	-	-	-
Other receivables (AC)	81,315	3,890	-	-	-
4,719	178	-	-	-	-
54,667	10	-	-	-	-
Total	1,755,418	19,922	1,559	-	-

*Financial guarantees; credit derivatives; netting agreements not qualified according to IAS 32 (see also IFRS 7B8G)

As of the balance sheet date, the maximum default risk corresponds to the carrying amount of each of the categories of financial assets listed above. The written down or defaulted receivables disclosed in Stage 3 as of December 31, 2018 of € 15,844 thsd are secured with customary banking collaterals of € 1,559 thsd. The maximum default risk of contingent liabilities and irrevocable credit commitments corresponds to the face value of € 59,386 thsd.

The Group holds forwarded loans of € 81,295 thsd (previous year: € 60,283 thsd) in the form of collateral for liabilities due to refinancing banks.

Due to defaults of debtors, ownership of financial and non-financial assets of € 1,361 thsd (previous year: 784 thsd) serving as collateral for originated loans and receivables was acquired. The assets mainly concern property and receivables from claimed life insurance policies.

Information on the fair value of financial assets is provided in → [Note 35](#).

Comparative information pursuant to IAS 39

The analysis of the carrying amount, as well as the age structure of receivables from clients in the banking business that are neither overdue nor written down is as follows as of December 31, 2017:

All figures in €'000	Gross value	Of which financial assets	Financial assets, neither impaired nor overdue	Financial assets, not impaired but overdue within the following time span			Receivables, not impaired but overdue
				< 90 days	90-180 days	> 180 days	
Receivables from clients (gross) as of Dec. 31, 2017	709,335	709,335	702,239	1,631	268	556	2,455

Receivables for which no specific allowance has been made but which are overdue as of December 31, 2017 of € 2,455 thsd are secured with customary banking collaterals.

Receivables from clients due to originated loans are partly secured by mortgages (December 31, 2017: € 107,500 thsd; previous year: € 94,018 thsd), assignments (December 31, 2017: € 53,314 thsd; previous year: € 46,466 thsd) or liens (December 31, 2017: € 26,849 thsd, previous year: € 20,280 thsd). Receivables from current accounts and credit cards are generally not collateralised. With regard to receivables from the banking business which are neither impaired nor overdue, there were no signs at the closing date that debtors will not meet their payment obligations.

Receivables from clients in the banking business for which new terms were agreed and which would otherwise have been overdue or impaired were € 457 thsd on the closing date (previous year: € 0 thsd).

Loan loss provisions due to receivables from clients in the banking business developed as follows in the previous year:

All figures in €'000	Allowances for losses on individual account 2017	Impairment loss on portfolio basis 2017	Total 2017
As of Jan. 1	2,667	5,457	8,124
Allocation	645	113	758
Utilisation	-373	-652	-1,025
Reversal	-126	-371	-497
As of Dec. 31	2,813	4,547	7,360
of which allowances for bad debts measured at amortised cost	2,813	4,547	7,360

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

Taking into account direct write-offs of € 517 thsd, income from written-off receivables of € 283 thsd, as well as revenue from the reversal of provisions of € 63 thsd, total allocations and reversals recognised in income resulted in a net loan loss provision of € 432 thsd in the previous year.

Receivables for which specific allowances have been made were € 4,642 thsd in the previous year. For a partial amount of € 1,935 thsd, the impairment loss was less than 50 % of the gross receivable, while the remaining volume was written down by more than 50 %. The impairment was € 2,813 thsd. This corresponds to a percentage of 61 %.

Accounts receivable for which a specific allowance has been made are secured as per December 31, 2017 with customary banking collaterals amounting to € 1,384 thsd previous year.

23 Receivables from banks in the banking business

All figures in €'000	Dec. 31, 2018	Dec. 31, 2017
Due on demand	108,839	150,125
Other receivables	585,371	484,024
Total	694,210	634,150

All receivables from banks in the banking business are due from domestic credit institutions. As of December 31, 2018, receivables with a term of more than one year remaining to maturity are € 103,161 thsd (previous year: € 107,000 thsd). The receivables are not collateralised. At the closing date there are no receivables from banks which are overdue. Receivables of € 2,000 thsd have a greater default risk and are therefore allocated to Stage 2. Other receivables from banks of € 692,210 thsd are disclosed in Stage 1 and an anticipated 12-month loss is determined. The anticipated losses on receivables from banks are € 170 thsd in the financial year. This leads to a net loan loss provision income of € 74 thsd in the reporting year.

Further information on receivables from financial institutions in the banking business is disclosed in → [Note 35](#).

24 Financial assets

All figures in €'000	Dec. 31, 2018	Dec. 31, 2017
By public-sector issuers	19,989	19,833
By other issuers	76,155	62,866
Debenture and other fixed income securities	96,144	82,699
Shares and certificates	186	4,047
Investment fund shares	2,972	-
Shares and other variable yield securities	3,157	4,047
Other investments (fixed and time deposits)	59,995	55,087
Loans	-	10,000
Investments in non-consolidated subsidiaries	5,799	6,624
Investments	184	-
Total	165,279	158,457

As of December 31, 2018, MLP has portfolios amounting to € 79,583 thsd (previous year: € 68,593 thsd) that are due in more than twelve months.

As per the measurement categories for financial instruments defined in IFRS 9 (previous year: IAS 39), the financial investment portfolio is structured as follows:

All figures in €'000	Dec. 31, 2018 (IFRS 9)	Dec. 31, 2017 (IAS 39)
Held-to-maturity investments	-	58,322
Available-for-sale financial assets	-	19,399
Financial assets at fair value through profit or loss	-	4,978
AC	86,219	
FVPL	9,925	
Debenture and other fixed income securities	96,144	82,699
Available-for-sale financial assets	-	4,047
FVPL	3,157	
Shares and other variable yield securities	3,157	4,047
Fixed and time deposits (loans and receivables)	59,995	55,087
Loans	-	10,000
Investments/shares in non-consolidated subsidiaries	5,799	6,624
Investments	184	-
Total	165,279	158,457

In financial year 2018, shares and other variable yield securities of € 3,157 thsd are measured at fair value through profit or loss. This leads to valuation differences from exchange losses of € 662 thsd, which are recognised in the valuation result.

Debentures and other fixed income securities of € 9,925 thsd are also measured at fair value through profit or loss in the financial year 2018. This leads to valuation differences from exchange losses of € 54 thsd, which are also recognised in the valuation result.

Debentures and other fixed income securities of € 86,219 thsd are measured at amortised costs.

The anticipated 12-month loss on debentures and other fixed income securities valued at acquisition costs is € 28 thsd in financial year.

The fair value changes to fixed income securities triggered by a change in creditworthiness are € -105 thsd.

Assets pledged as collateral

As at the closing date, the availability of liquidity facilities provided by Deutsche Bundesbank is collateralised by marketable securities of € 6,883 thsd (previous year: € 13,675 thsd) with a face value of € 7,000 thsd (previous year: € 14,500 thsd).

For further disclosures regarding financial assets, please refer to → [Note 35](#).

25 Other receivables and assets

All figures in €'000	Dec. 31, 2018	Dec. 31, 2017
Trade accounts receivable	71,669	72,414
Contractual assets	41,643	-
Refund receivables from recourse claims	19,194	19,012
Receivables from MLP consultants	5,514	9,969
Receivables from underwriting business	6,468	13,616
Advance payments	0	5,126
Other assets	17,731	11,037
Total, gross	162,219	131,174
Impairment	-4,096	-5,432
Total, net	158,123	125,741

As of December 31, 2018, receivables (net) with a term of more than one year remaining to maturity amount to € 45,984 thsd (previous year: € 14,638 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 payment of 30 days.

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

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

The contractual assets in the context of unit-linked life insurance policies developed as follows:

All figures in €'000	2018
As of Jan. 1	0
Effects from the first-time adoption	41,513
Additions from new contracts	7,567
Payments received	-10,570
Change of transaction price	3,132
Impairment pursuant to IFRS 9	-41
As of Dec. 31	41,602

Corresponding revenue had to be recognised for additional payments of € 752 thsd received in relation to contractual assets amounting to a different total.

Revenue of € 3,132 thsd was recognised as the result of an adjustment to an estimation parameter.

All figures in €'000	Gross value	Of which financial assets	Financial assets, neither impaired nor overdue	Financial assets, not impaired but overdue within the following time span		
				< 90 days	90-180 days	> 180 days
Other receivables and assets as of Dec. 31, 2017	131,174	104,671	97,399	2,176	820	333

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

The allowances for other receivables and other assets have developed as follows in the financial year:

Development of impairments on other receivables and assets

All figures in €'000	Stage 2	Stage 3	Total
As of Jan. 1, 2018	1,525	3,557	5,083
Allocation	684	200	884
Utilisation	-524	-1,347	-1,871
of which usage	-16	-78	-78
of which reversal	-524	-1,269	-1,793
As of Dec. 31, 18	1,686	2,410	4,096

MLP uses the simplified approach described in IFRS 9.5.5.15 to determine the loan loss provisions on anticipated losses from other receivables. Based on this, these receivables are already assigned to Stage 2 during initial recognition and no estimate is performed regarding a significant increase of the credit risk. If the assets display any objective indications of compromised creditworthiness, they are transferred to Stage 3.

MLP uses a loss rate approach to determine the losses anticipated throughout the entire term of the contract. Here, historical credit default rates are determined for defined portfolios with the same risk characteristics. The anticipated losses are estimated on the basis of historical losses.

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 € 505 thsd as well as allocations of € 884 thsd and reversals of € 1,871 thsd recognised in income resulted in a net loan loss provision of € 393 thsd in the previous year.

As of December 31, 2018, the total volume of receivables recognised in Stage 2 is € 119,027 thsd. An impairment loss of € 1,686 thsd was recognised for this.

As of December 31, 2018, the total volume of receivables recognised in Stage 3 is € 3,889 thsd. There are objective indications of an impairment or default status for these receivables. An impairment loss of € 2,406 thsd was recognised for this.

Comparative information pursuant to IAS 39

The allowances for other receivables and other assets have developed as follows in the financial year:

All figures in €'000	Allowances for losses on individual account	Impairment loss on portfolio basis	Total
	2017 (IAS 39)	239 (IAS 39)	239 (IAS 39)
As of Jan. 1	5,087	1,354	6,441
Allocation	265	193	458
Utilisation	-777	-	-777
Reversal	-476	-214	-690
As of Dec. 31	4,099	1,333	5,432

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 € 356 thsd, income from written-off receivables of € 57 thsd, total allocations and reversals recognised in income resulted in a net loan loss provision of € 67 thsd in the previous year.

As of December 31, 2018, the total volume of accounts receivable for which a specific allowance has been made is € 4,636 thsd. For a partial amount of € 512 thsd, the impairment was less than 50 % of the gross receivable, while the remaining volume was written down by more than 50 %. The impairment loss comes to a total of € 4,099 thsd. This corresponds to an average impairment rate of 88 %.

Additional disclosures on other receivables and assets can be found in → [Note 35](#).

26 Cash and cash equivalents

All figures in €'000	Dec. 31, 2018	Dec. 31, 2017
Bank deposits	81,490	81,763
Deposits at Deutsche Bundesbank	304,334	219,165
Cash on hand	102	85
Total	385,926	301,013

As was the case in previous years, cash and cash equivalents include deposits at the Deutsche Bundesbank. In financial year 2018, holding funds with commercial banks were transferred to the Bundesbank. This resulted in an increase in cash and cash equivalents, which can be seen within the scope of cash flow from operating activities. Changes in cash and cash equivalents during the financial year are shown in the statement of cash flow. The impairment charge in accordance with IFRS 9 amounts to € 10 thsd. Holdings are assigned to Stage 1.

27 Shareholders' equity

All figures in €'000	Dec. 31, 2018	Dec. 31, 2017
Share capital	109,167	109,335
Treasury stock	168	-
Capital reserves	149,227	148,754
Retained earnings		
Statutory reserve	3,129	3,129
Other retained earnings and net profit	175,653	154,942
Revaluation reserve	-12,518	-11,225
Total	424,826	404,935

Share capital

The share capital of MLP SE comprises 109,166,662 no-par-value shares (December 31, 2017: 109,334,686). In the last financial year, 168,024 own shares were acquired in the last financial year. These will be issued to MLP consultants and branch office managers within the scope of a share-based payment.

Authorised capital

The Executive Board is authorised, with the consent of the Supervisory Board, to increase the Company's share capital by up to € 21,500,000 by issuing new ordinary bearer shares in exchange for cash or non-cash contributions on one or more occasions until June 13, 2023.

Acquisition of treasury stock

The Annual General Meeting on June 29, 2017 authorised the Executive Board to buy back own shares on one or more occasions with a pro rata amount of capital stock represented by such shares of up to € 10,933,468 until June 28, 2022. On November 22, 2018, the Executive Board at MLP SE approved a share buyback that is to be performed by MLP Finanzberatung SE. The shares are to be used for the participation programme. Please refer to → [Note 32](#) for further details.

Capital reserves

The capital reserves include increases/decreases in capital stock in MLP SE from previous years. The capital reserves are subject to the restraints on disposal as per section 150 of the German Stock Corporation Act (AktG). The change in capital reserves in the financial year is the result of recording share-based payment in line with IFRS 2. For further details, please refer to → [Note 32](#).

Other retained earnings and net profit

Other retained earnings comprise retained earnings of the MLP Group and a reserve for treasury shares of € 556 thsd (previous year: € 0 thsd).

Revaluation reserve

The provision includes losses from the revaluation of defined benefit obligations of € 17,804 thsd (previous year: € 17,230 thsd) and deferred taxes attributable to this of € 5,286 thsd (previous year: € 5,046 thsd).

Proposed appropriation of profit

The Executive Board and Supervisory Board of MLP SE will propose a dividend of € 21,867 thsd (previous year: € 21,867 thsd) for financial year 2018 at the Annual General Meeting. This corresponds to € 0.20 (previous year: € 0.20) per share.

28 Provisions

Pension provisions

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

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

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

The defined benefit obligation for retirement income, funded only by means of provisions, amounts to € 19,236 thsd (previous year: € 19,432 thsd). Pension insurance policies are in place for all other pension obligations (defined benefit obligation of € 30,517 thsd; previous year: € 29,708 thsd).

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

All figures in €'000	Defined benefit obligation		Fair value of pension scheme assets		Net liability from defined benefit plans	
	2018	2017	2018	2017	2018	2017
As of Jan. 1	49,140	49,954	-25,590	-24,642	23,550	25,312
Current service cost	266	274	-	-	266	274
Past service cost	-	-	-	-	-	-
Interest expenses (+)/ income (-)	898	864	-473	-435	425	429
Recognised in profit or loss	1,164	1,138	-473	-435	691	703
Actuarial gains (-)/ losses (+) from:						
· financial assumptions	522	-863	-	-	522	-863
· demographic assumptions	461	-	-	-	461	-
· experience adjustments	-306	135	-	-	-306	135
Gains (-)/ losses (+) from pension scheme assets without amounts recognized as interest income	-	-	-104	-92	-104	-92
Gains (-)/ losses (+) from revaluations*	677	-729	-104	-92	574	-821
Contributions paid by the employer	-	-	-103	-862	-103	-862
Payments made	-1,229	-1,223	444	440	-785	-783
Other	-1,229	-1,223	341	-422	-888	-1,644
As of Dec. 31	49,753	49,140	-25,826	-25,590	23,927	23,550

*recognised in other comprehensive income

€ 992 thsd of the net liabilities recognised in the balance sheet (previous year: € 959 thsd) are attributable to Executive Board members active at the end of the reporting period.

With regard to net pension provisions, payments of € 1,314 thsd are anticipated for 2018 (previous year: € 1,185 thsd). € 770 thsd thereof (previous year: € 787 thsd) is attributable to direct, anticipated company pension payments, while € 544 thsd (previous year: € 398 thsd) is attributable to anticipated reinsurance policy premiums.

Actuarial calculations incorporate the following assumptions:

	2018	2017
Assumed interest rate	1.90%	1.85%
Anticipated annual pension adjustment	1.7%/2.5%	1.5%/2.5%

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

As of December 31, 2018, the weighted average term of defined benefit obligations was 18.0 years (previous year: 18.7).

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
	+0.50%	-4,242
Assumed interest rate	-0.50%	4,506
	+0.50%	-
Salary trend	-0.50%	-
	+0.50%	3,727
Pension trend	-0.50%	-3,356
Mortality	80.00%	3,890

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 financial year 2018 they total € 10,510 thsd (previous year: € 9,904 thsd).

Other provisions are made up as follows:

All figures in €'000	Dec. 31, 2018			Dec. 31, 2017		
	Current	Non-current	Total	Current	Non-current	Total
Cancellation risks	12,448	18,928	31,376	12,607	16,965	29,571
Bonus schemes	21,520	-	21,520	19,968	-	19,968
Obligations to longstanding branch office managers	5,239	1,130	6,368	2,934	1,147	4,080
Share-based payments	1,088	2,540	3,628	1,052	3,219	4,271
Claim settlement contributions/ commission reductions	1,620	-	1,620	927	-	927
Litigation risks/ costs	1,098	71	1,169	1,505	114	1,619
Economic loss	1,148	-	1,148	2,364	-	2,364
Anniversaries	174	386	560	171	371	542
Rent	286	113	399	631	281	912
Phased retirement	44	200	244	-	-	-
Lending business	-	-	0	107	-	107
Provisions for expected credit losses	641	201	842	-	-	-
Other	1,273	410	1,684	334	492	827
Total	46,579	23,979	70,558	42,598	22,589	65,187

Other provisions have changed as follows:

All figures in €'000	Jan. 1, 2018	First-time implementation IFRS 9	Utilisation	Reversal	Compounding / Discounting	Allocation	Dec. 31, 2018
Cancellation risks	29,571	-	-12,017	-4	167	13,658	31,376
Bonus schemes	19,968	-	-19,968	-	-	21,520	21,520
Obligations to longstanding branch office managers	4,080	-	-	-47	16	2,319	6,368
Share-based payments	4,271	-	-44	-646	36	12	3,628
Claim settlement contributions/ commission reductions	927	-	-	-710	-	1,402	1,620
Litigation risks/ costs	1,619	-	-171	-390	2	109	1,169
Economic loss	2,364	-	-906	-778	-	468	1,148
Anniversaries	542	-	-147	-6	3	168	560
Rent	912	-	-744	-30	11	250	399
Phased retirement	-	-	-	-	5	239	244
Lending business	107	-	-13	-94	-	-	0
Provisions for expected credit losses	-	1,302	-	-878	-	418	842
Other	827	-	-60	-247	22	1,141	1,684
Total	65,187	1,302	-34,069	-3,829	262	41,704	70,558

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 MLP consultants and branch office managers.

Due to contractual obligations towards insurance companies, provisions for claim settlement contributions/ commission reductions are to be recognised in accordance with the current estimate of the development of claims and premiums of in-force portfolios.

Provisions for share-based payments are recognised for incentive agreements and for profit-sharing schemes for Executive Board members, employees, MLP consultants and branch office managers.

The provisions for economic loss due to liability risks are offset by claims for reimbursement from liability insurance policies with a value of € 970 thsd (previous year: € 2,114 thsd).

The provision for anticipated losses from the lending business was recognised in 2018 as a result of the impairment regulations pursuant to IFRS 9. Please refer to Note 34 for further explanations.

The provisions classed as short-term are likely to be utilised within the next financial year. Payments for long-term provisions are essentially likely to be incurred within the next 2 to 41 years.

The Provision for expected credit losses developed as follows in the financial year:

All figures in €'000				
	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL - not impaired)	Stage 3 (lifetime ECL - impaired credits)	Total
As of Jan. 1, 2018	660	297	345	1,302
Transfer in stage 1	35	-35	-28	-
Transfer in stage 2	-12	15	-2	-
Transfer in stage 3	-8	-45	54	-
Allocation	148	170	50	368
of which Newly acquired or issued financial assets	101	69	-	170
of which Existing business	46	101	50	198
Disposals	-528	-162	-137	-827
of which usage/consumption	-127	-80	-55	-262
of which reversal	-400	-82	-82	-565
As of Dec. 31, 18	294	239	310	842

29 Liabilities due to banking business

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

All figures in €'000	Dec. 31, 2018			Dec. 31, 2017		
	Current	Non-current	Total	Current	Non-current	Total
Liabilities due to clients	1,632,922	5,970	1,638,892	1,433,046	6,759	1,439,805
Liabilities due to banks	2,523	79,102	81,625	2,568	58,815	61,383
Total	1,635,445	85,073	1,720,517	1,435,614	65,575	1,501,188

The change in liabilities due to banking business from € 1,501,188 thsd to € 1,720,517 thsd is essentially attributable to the increase in short-term client deposits in current accounts.

As of December 31, 2018, liabilities due to clients from savings deposits with an agreed notice period of three months amounted to € 18,059 thsd (previous year: € 16,651 thsd).

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

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

30 Other liabilities

All figures in €'000	Dec. 31, 2018			Dec. 31, 2017		
	Current	Non-current	Total	Current	Non-current	Total
Liabilities due to MLP consultants and branch office managers	42,761	21,503	64,263	43,118	-	43,118
Liabilities due to underwriting business	24,136	-	24,136	23,410	-	23,410
Trade accounts payable	26,539	-	26,539	25,049	-	25,049
Liabilities due to banks	3	-	3	10,000	-	10,000
Advance payments received	84	-	84	7,065	-	7,065
Liabilities due to other taxes	2,006	-	2,006	3,148	-	3,148
Liabilities due to social security contributions	1	-	1	171	-	171
Other liabilities	46,321	2,413	48,734	37,127	5,826	42,953
Total	141,852	23,915	165,768	149,087	5,826	154,913

Liabilities due to MLP consultants and branch office managers 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. Since January 1, 2018, additional liabilities to MLP consultants and branch office managers resulting from future commission claims need to be recognised due to the introduction of IFRS 15. As of December 31, 2018, these were € 27,630 thsd. (of which long-term: € 21,503 thsd).

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

The item "Advance payments received" of the previous year concerns paid-in-advance trail commissions from unit-linked life insurance policies.

Other liabilities comprise commissions withheld from MLP consultants due to cancellations amounting to € 2,248 thsd (previous year: € 2,347 thsd). Commissions withheld are charged with interest. Their term is mainly indefinite. The item also contains liabilities for bonus and profit-sharing payments.

MLP has agreed-upon and non-utilised lines of credit amounting to € 116,148 thsd (previous year: € 131,605 thsd).

Further disclosures on other liabilities can be found in → [Note 34](#) and → [35](#).

Notes to the statement of cash flow

31 Notes to the statement of cash flow

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

Cash flow from operating activities results from cash flows that cannot be defined as investing or financing activities. It is determined on the basis of net profit. As part of the indirect determination of cash flow, the changes in balance sheet items due to operating activities are adjusted by effects from changes to the scope of consolidation and currency translations where necessary. The changes in the respective balance sheet items can therefore only be partially aligned with the corresponding values in the published consolidated balance sheets. In financial year 2017, operating cash flow was adjusted to take into account the effects of the demerger. For further details, please refer to the "Financial position" section in the management report.

Cash flow from investing activities is essentially influenced by the investment of cash and cash equivalents in property, plant and equipment, in time deposits, as well as in 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	31.12.2018	31.12.2017
Cash and cash equivalents	385,926	301,013
thereof changes due to demerger operations	-	12,004
Cash and cash equivalents	385,926	301,013

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

Miscellaneous information

32 Share-based payments

Participation programme

In the financial year 2008, MLP launched a participation programme for branch office managers, MLP 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 branch office managers and MLP consultants based on their sales performance in the core fields of old-age provision, health insurance and wealth management, in addition to 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 three phases of four 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. three years after allocation of the SARs. At the end of the first phase, employees can also choose not to receive payment for the SARs and instead continue to participate in phase 2 (turbo I phase). Only in this case will they receive additional bonus SARs. And anyone who is eligible but chooses not to receive payment at the end of phase 2, but rather continue to phase 3 (turbo II phase), will be granted further bonus SARs. All SARs are paid no later than at the end of phase 3. In the event of termination of employment, all entitlements granted up to this time expire, assuming they have not been vested beforehand. The SARs originally granted become vested at the end of the first phase, the bonus SARs of turbo I phase at the end of phase 2 and those of turbo II at the end of phase 3. Participation in the programme ends with termination of employment or disbursement of SARs.

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

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

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

In terms of eligibility, the three phases each represent completed vesting periods. Accordingly, the expenses due to the SARs originally granted are distributed over phase 1 (years one to four), the expenses due to the bonus SARs of turbo I phase over years five to eight and the expenses due to the bonus SARs of turbo II phase over years nine to twelve (no front-loaded recognition of expenses).

	Tranche 2008	Tranche 2009	Tranche 2010	Tranche 2011	Total
Inventory on Jan. 1, 2018 (units)	131,257	87,525	65,463	119,587	403,832
SARs expired in 2018 (units)	-1,247	-1,900	-1,104	-3,315	-7,566
Paid out in 2018 (units)	-	-	-4,080	-	-4,080
Inventory on Dec. 31, 2018 (units)	130,010	85,625	60,279	116,272	392,186
Expenses recognised in 2018 (€'000)	-	-	-12	12	
Income recognised in 2018 (€'000)	-245	-58	-260	-83	-646
	-245	-58	-260	-72	-634
Expenses recognised in 2017 (€'000)	494	128	358	393	1,373
Income recognised in 2017 (€'000)	-25	-2	-6	-2	-34
	469	126	352	391	1,338
Provision as of Dec. 31, 2017 (€'000)	1,527	545	1,052	1,147	4,271
Provision as of Dec. 31, 2018 (€'000)	1,311	502	726	1,088	3,628

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 or loss. The provision accrued on the respective closing date depends on the price of the MLP share, the number of SARs issued and the length of the remaining vesting period.

The participation programme for MLP consultants and MLP branch office managers was launched in 2017 ("2017 Participation Programme"). Its objectives are to extend recognition of extraordinary and sustainable performance, as well as the performance and client focus of MLP consultants and MLP branch office managers, while also making a contribution to keeping high performers both motivated and loyal to the Company. This programme was continued in 2018. Set against this background MLP consultants and MLP branch office managers are to be enabled to acquire shares in MLP SE within the scope of the participation programme and in line with its conditions without having to make any additional payments.

Assuming all eligibility requirements are met, those MLP consultants who are entitled to participate are each granted a number of bonus shares, determined pursuant to the provisions of the 2018 participation programme (taking into account income tax effects where applicable). This number is calculated by dividing the "2018 bonus amount" by the average closing price of the MLP share. The "2018 bonus amount" is calculated on the basis of the MLP consultant's annual commission alongside various performance factors. The average closing price applicable for determining how many bonus shares to grant is based on the price of the MLP share in the month of February 2019. 337,876 shares were issued in the last financial year. An expense of € 2,500 thsd was recognised for the 2018 bonus amount in the consolidated financial statements with a reserve-increasing effect.

33 Leases

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

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

All figures in €'000	Up to 1 year	1–5 years	>5 years	Total
Rent on buildings	11,978	36,887	9,553	58,418
Rental/leasing liabilities	2,050	1,838	5	3,893
Total	14,028	38,725	9,558	62,311

Some of the rented business spaces were sublet. The subletting contracts are anticipated to bring in € 302 thsd in 2018 (previous year: € 224 thsd).

The following future payment obligations (face values) due to irredeemable operating leases were in place as of December 31, 2017:

All figures in €'000	Up to 1 year	1–5 years	>5 years	Total
Rent on buildings	12,312	38,394	13,981	64,687
Rental/leasing liabilities	1,402	1,533	1	2,935
Total	13,714	39,927	13,982	67,623

In the previous year, other financial commitments were disclosed together under leases. For greater clarity and in preparation for the requirements in accordance with IFRS 16, they are presented separately for contingent assets and liabilities as well as other commitments.

34 Contingent assets and liabilities, as well as other liabilities

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

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

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

On the balance sheet date, there are € 4,719 thsd in contingent liabilities on account of sureties and warranties (face value of the obligation) (previous year: € 3,848 thsd) and irrevocable credit commitments (contingent liabilities) of € 54,667 thsd (previous year: € 51,659 thsd). In terms of sureties and warranties, any utilisation remains unlikely as in the past. The irrevocable credit commitments are generally utilised.

IT technology outsourcing essentially relates to a long-term outsourcing contract with EntServ Deutschland GmbH, Böblingen.

As of the balance sheet date, other financial commitments were as follows:

All figures in €'000	Up to 1 year	1–5 years	>5 years	Total
Outsourcing IT technology	38,608	67,383	-	105,991
Purchase commitment	6,421	-	-	6,421
Other obligation	20,499	18,983	41	39,523
Total	65,528	86,366	41	151,935

As of December 2017, other financial commitments were as follows:

All figures in €'000	Up to 1 year	1–5 years	>5 years	Total
Outsourcing IT technology	32,989	98,648	-	131,637
Purchase commitment	8,199	-	-	8,199
Other obligation	13,954	3,699	69	17,722
Total	55,142	102,347	69	157,558

35 Additional information on financial instruments

Classifications and fair values

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

All figures in €'000		Dec 31, 2018					
	Carrying amount	Fair value					No financial instruments according to IFRS 9
		Carrying amount corresponds to fair value	Stage 1	Stage 2	Stage 3	Total	
Financial assets at fair value through profit or loss (FVPL)	13,080	184	2,972	9,925	-	13,080	5,799
Financial investments (shares and structured bonds)	9,925	-	-	9,925	-	9,925	
Financial investments (shares and investment fund shares)	2,972	-	2,972	-	-	2,972	
Investments	184	184	-	-	-	184	5,799
Financial assets measured at amortised cost (AC)	2,110,293	808,709	41,271	628,524	645,399	2,123,903	35,206
Receivables from banking business – clients	761,027	131,028	-	-	645,399	776,427	
Receivables from banking business – banks	694,210	108,843	-	583,536	-	692,380	
Financial investments (fixed and time deposits)	49,998	49,998	-	-	-	49,998	
Financial investments (loans)	9,997	9,997	-	-	-	9,997	
Financial assets (bonds)	86,219	-	41,271	44,988	-	86,259	
Other receivables and assets	122,917	122,917	-	-	-	122,917	35,206
Cash and cash equivalents	385,926	385,926	-	-	-	385,926	
Financial liabilities measured at amortised cost	1,861,006	1,755,682	-	102,115	-	1,857,797	25,279
Liabilities due to banking business – clients	1,638,892	1,614,863	-	24,032	-	1,638,895	
Liabilities due to banking business – banks	81,625	330	-	78,083	-	78,413	
Other liabilities	140,489	140,489	-	-	-	140,489	25,279
Sureties and warranties	4,719	4,719				4,719	
Irrevocable credit commitments	54,667	54,667				54,667	

	Carrying amount		Fair value				No financial instruments according to IAS32/39
		Carrying amount corresponds to fair value	Stage 1	Stage 2	Stage 3	Total	
Financial assets measured at fair value	28,424		8,817	19,607		28,424	
Fair Value Option	4,978		4,978			4,978	
Financial investments (share certificates and structured bonds)	4,978	-	4,978	-	-	4,978	
Available-for-sale financial assets	23,446		3,839	19,607		23,446	
Financial investments (share certificates and investment fund shares)	4,047	-	3,839	207	-	4,047	
Financial assets (bonds)	19,399	-	-	19,399	-	19,399	
Financial assets measured at amortised cost	1,866,993	743,346	28,256	513,461	615,588	1,900,650	
Loans and receivables	1,802,047	736,722		483,394	615,588	1,835,705	
Receivables from banking business – clients	701,975	120,675	-	-	615,588	736,263	
Receivables from banking business – banks	634,150	150,125	-	483,394	-	633,520	
Financial investments (fixed and time deposits)	55,087	55,087	-	-	-	55,087	
Financial investments (loans)	10,000	10,000	-	-	-	10,000	
Other receivables and assets	99,822	99,822	-	-	-	99,822	25,920
Cash and cash equivalents	301,013	301,013				301,013	
Held-to-maturity investments	58,322		28,256	30,066		58,322	
Financial assets (bonds)	58,322	-	28,256	30,066	-	58,322	
Available-for-sale financial assets	6,624	6,624				6,624	
Financial assets (investments)	6,624	6,624				6,624	
Financial liabilities measured at amortised cost	1,619,206	1,535,513		81,354		1,616,867	
Liabilities due to banking business – clients	1,439,805	1,416,395	-	23,432		1,439,827	-
Liabilities due to banking business – banks	61,383	1,100	-	57,921		59,022	-
Other liabilities	118,018	118,018	-		-	118,018	36,895
Sureties and warranties	3,848	3,848				3,848	
Irrevocable credit commitments	51,659	51,659				51,659	

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

On the reporting date, MLP held financial guarantees in the form of sureties and warranties of € 4,569 thsd (previous year: € 3,698 thsd). These financial guarantees are measured on the basis of the impairment provisions defined in IFRS 9. Impairments of € 26 thsd resulting from this are disclosed under other provisions.

Determining fair value

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

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

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

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

Type	Valuation technique	Significant, non-observable input factors	Relationship between significant, non-observable input factors and measurement at fair value
Receivables from banking business – clients with agreed maturity	The valuation model takes into account the present value of the anticipated future cash inflows/outflows throughout the remaining term, which are discounted using a risk-free discount rate. The discount rate is based on the current yield curve. Credit and default risks, administration costs and expected return on equity are taken into account when determining future cash flows.	Adjustment of cash flows by: credit and counterparty default risks <ul style="list-style-type: none"> • administration costs • expected return on equity 	The estimated fair value would increase (decrease) if: <ul style="list-style-type: none"> • the credit and default risk were to rise (fall) • the admin costs were to fall (rise) • the expected return on equity were to fall (rise).

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

All figures in €'000	2018 (IFRS 9)	2017 (IAS 39)
Loans and receivables	-	18,285
Held-to-maturity investments	-	406
Available-for-sale financial assets	-	2,463
Financial instruments held for trading	-	-
Fair Value Option	-	485
FVPL	-	-1,014
Financial assets measured at amortised cost	18,612	-
Financial assets measured at fair value	542	-
Liabilities measured at amortised cost	-666	-

Net gains or net losses comprise gains and losses on fair value measurement through profit or 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 or loss, interest income of € 17,485 thsd (previous year: € 20,579 thsd) and interest costs of € 666 thsd (previous year: € 1,238 thsd) were incurred.

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

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

36 Financial risk management

With the exception of the disclosures in line with IFRS 7.35-39 (b) (with the exception of 7.35B (c)), 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 34](#).

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

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

Total cash flow (principal and interest) in €'000 as of Dec. 31, 2018	Due on demand	Up to 1 year	1 to 5 years	More than 5 years	Total
Financial liabilities	1,607,200	143,396	37,724	64,275	1,852,595
Liabilities due to banking business – clients	1,606,870	24,043	-	-	1,631,913
Liabilities due to banking business – banks	330	-964	14,933	64,275	78,574
Other liabilities	-	120,318	22,790	-	143,108
Financial guarantees and credit commitments	59,386				59,386
Sureties and warranties	4,719	-	-	-	4,719
Irrevocable credit commitments	54,667	-	-	-	54,667
Total	1,666,586	143,396	37,724	64,275	1,911,981

Total cash flow (principal and interest) in €'000 as of Dec. 31, 2017	Due on demand	Up to 1 year	1 to 5 years	More than 5 years	Total
Financial liabilities	1,458,491	93,081	12,004	53,510	1,617,087
Liabilities due to banking business – clients	1,416,395	23,434	-	-	1,439,829
Liabilities due to banking business – banks	1,100	-4,822	9,986	53,159	59,424
Other liabilities	40,996	74,469	2,018	351	117,834
Financial guarantees and credit commitments	55,507				55,507
Sureties and warranties	3,848	-	-	-	3,848
Irrevocable credit commitments	51,659	-	-	-	51,659
Total	1,513,998	93,081	12,004	53,510	1,672,594

37 Declaration of Compliance with the German Corporate Governance Code pursuant to section 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 section 161 of the German Stock Corporation Act (AktG) and made it permanently available to the shareholders via its website, www.mlp-se.de and in the corporate governance report of this Annual Report.

38 Related parties

Executive Board	Mandates in other statutory Supervisory Boards of companies based in Germany	Memberships in comparable domestic and foreign control bodies of commercial enterprises
Dr. Uwe Schroeder-Wildberg, Heidelberg Chairman Responsible for Strategy, Sales, Communication, Policy/Investor Relations, Marketing, Sustainability	<ul style="list-style-type: none"> FERI AG, Bad Homburg v.d.H. (Chairman) 	–
Reinhard Loose, Berlin Responsible for Compliance, Controlling, IT, Group Accounting, Risk Management, Internal Audit, Legal, Human Resources	<ul style="list-style-type: none"> DOMCURA AG, Kiel 	–
Manfred Bauer, Leimen Responsible for Product management	<ul style="list-style-type: none"> DOMCURA AG, Kiel (Chairman) 	<ul style="list-style-type: none"> MLP Hyp GmbH, Wiesloch (Supervisory Board)

Supervisory Board	Mandates in other statutory Supervisory Boards of companies based in Germany	Memberships in comparable domestic and foreign control bodies of commercial enterprises
Dr. Peter Lütke-Bornefeld, Everswinkel Chairman Formerly Chairman of the Executive Board of General Reinsurance AG, Cologne	<ul style="list-style-type: none"> VHV Vereinigte Hannoversche Versicherung a. G., Hannover (Chairman) VHV Holding AG, Hannover (Chairman) VHV Allgemeine Versicherung AG, Hannover Hannoversche Lebensversicherung AG, Hannover MLP Banking AG, Wiesloch (Chairman) MLP Finanzberatung SE, Wiesloch (Chairman) 	<ul style="list-style-type: none"> ITAS Mutua, Trient, Italy (Member of the Governing Board) (until 24.4.2018)
Dr. Claus-Michael Dill, Murnau Vice Chairman formerly chairman of the Executive Board AXA Konzern AG, Cologne	<ul style="list-style-type: none"> HUK-COBURG Holding AG, Coburg HUK-COBURG Haftpflicht-Unterstützungs-Kasse kraftfahrender Beamter Deutschlands a.G., Coburg HUK-COBURG-Allgemeine Versicherung AG, Coburg HUK-COBURG Lebensversicherung AG, Coburg (since December 7, 2018) HUK-COBURG Krankenversicherung AG, Coburg (since December 7, 2018) 	<ul style="list-style-type: none"> XL Catlin Re Switzerland AG, Zurich, Switzerland (Chairman of the Governing Board) XL Group Ltd., Hamilton/Bermuda (Non-Executive Director) (until September 14, 2018) XL Europe Re SE, Dublin, Ireland (Non-Executive Director) XL Insurance Co. SE, London, UK (Non-Executive Director)
Tina Müller, Chief Executive Officer (CEO) at Douglas GmbH, Düsseldorf	–	–
Matthias Lautenschläger, Heidelberg (since June 14, 2018) Managing Partner at USC Heidelberg Spielbetrieb GmbH, Heidelberg	<ul style="list-style-type: none"> MLP Banking AG, Wiesloch (until May 8, 2018) 	–
Burkhard Schlingermann, Dusseldorf Employees' representative Employees of MLP Finanzberatung SE, Wiesloch Works council member at MLP SE and MLP Finanzberatung SE, Wiesloch	<ul style="list-style-type: none"> MLP Finanzberatung SE, Wiesloch (employees' representative, Vice Chairman) 	–
Alexander Beer, Karlsruhe Employees' representative Employee of MLP Banking AG, Wiesloch	<ul style="list-style-type: none"> MLP Banking AG, Wiesloch (Employees' representative) (from January 19, 2018 until May 8, 2018) 	–
Dr. h.c. Manfred Lautenschläger, Gaiberg Vice Chairman (until June 14, 2018) Formerly Chairman of the Executive Board	–	<ul style="list-style-type: none"> University Hospital Heidelberg, Heidelberg (Supervisory Board)

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 € 989 thsd (previous year: € 1,306 thsd). The legal transactions were completed under standard market or employee conditions.

As of the reporting date of December 31, 2018, members of the Executive Bodies had current account credit lines and surety loans totalling € 573 thsd (previous year: € 548 thsd). Surety loans are charged an interest rate of 1.0% (previous year: 2.0%) and the current account debits 6.25% to 8.50% (previous year: 6.25% to 8.50%).

The total compensation for members of the Executive Board active on the reporting date is € 3,102 thsd (previous year: € 2,569 thsd), of which € 1,347 thsd (previous year: € 1,345 thsd) is attributable to the fixed portion of compensation and € 1,755 thsd (previous year: € 1,223 thsd) is attributable to the variable portion of compensation. In the financial year, expenses of € 290 thsd (previous year: € 290 thsd) were accrued for occupational pension provision. As of December 31, 2018, pension provisions of € 17,095 thsd were in place for former members of the Executive Board (previous year: € 16,897 thsd).

Variable portions of compensation comprise long-term compensation components.

The members of the Supervisory Board received non-performance-related compensation of € 500 thsd for their activities in 2018 (previous year: € 500 thsd). In addition, € 20 thsd (previous year: € 18 thsd) was paid as compensation for expenses and training measures.

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

Related companies

Alongside the consolidated subsidiaries, MLP SE comes into direct and indirect contact with, 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, and 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. Payments to related companies for services performed essentially concern wealth management and consulting, 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 2018

All figures in €'000	Receivables	Liabilities	Income	Expenses
MLP Consult GmbH, Wiesloch	-	2,054	8	-
MLP Hyp GmbH, Wiesloch (associate)	273	4	11,985	120
Uniwunder GmbH, Dresden	235	500	199	3,824
FERI (Schweiz) AG (formerly Michel & Cortesi Assetmanagement AG), Zurich	707	78	62	292
FPE Private Equity Beteiligungs-Treuhand GmbH, Munich	2	-	72	-
FPE Private Equity Koordinations GmbH, Munich	-	-	48	-
FERI Private Equity GmbH & Co. KG, Munich	-	-	-	6
FERI Private Equity Nr. 2 GmbH & Co. KG, Munich	-	-	-	5
DIEASS GmbH, Kiel	-	17	14	17
innoAssekuranz GmbH (Portus Assekuranz Vermittlungsgesellschaft mbH), Kiel	-	29	21	29
Walther GmbH Versicherungsmakler, Hamburg	-	212	359	242
Total	1,216	2,894	12,767	4,535

Related companies 2017

All figures in €'000	Receivables	Liabilities	Income	Expenses
MLP Consult GmbH, Wiesloch	-	2,067	8	-
MLP Hyp GmbH, Wiesloch (associate)	63	-	9,620	49
Michel & Cortesi Assetmanagement AG, Zurich	428	74	164	287
FPE Private Equity Beteiligungs-Treuhand GmbH, Munich	-	-	50	-
FPE Private Equity Koordinations GmbH, Munich	-	-	50	-
DIEASS GmbH, Kiel	-	11	9	11
Portus Assekuranz Vermittlungsgesellschaft mbH, Kiel	-	16	14	16
Walther GmbH Versicherungsmakler, Hamburg	-	34	151	34
Total	492	2,202	10,066	397

39 Number of employees

The average number of staff employed increased from 1,686 in 2017 to 1,722 in 2018.

	2018			2017		
		of which executive employees	of which marginal part-time employees		of which executive employees	of which marginal part-time employees
Financial consulting/banking *)	1,233	35	28	1,202	32	29
FERI	223	7	34	224	7	47
DOMCURA	260	9	15	254	9	15
Holding	6	1	-	6	1	-
Total	1,722	52	77	1,686	48	90

*) To offer better comparability, the Financial Consulting and Banking segments have been combined. For detailed information, please refer to the chapter entitled → "Employees and self-employed client consultants" in the management report.

An average of 85 people (previous year: 97) underwent vocational training in the financial year.

40 Auditor's fees

The total fees for services performed by the auditing firm KPMG AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main in financial year 2018 (including expenses, but excluding statutory value added tax) are as follows:

All figures in €'000	2018	2017
Audit services	790	719
Other audit-related services	191	478
Tax advisory services	-	2
Other services	39	14
Total	1,020	1,214

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 SE and its subsidiaries.

41 Disclosures on equity/capital control

A primary objective of equity control is to ensure that the legal solvency regulations for banking and financial services businesses, which prescribe a minimum capital adequacy, are fulfilled and that the quantitative and qualitative equity base is strengthened. At MLP, the examinations for the purpose of complying with the solvency regulations, which came into force on January 1, 2014, as well as Article 7 and Article 11 et seq. of EU Directive No. 575/2013 of the European Parliament and Council from June 26, 2013 regarding the supervisory requirements of financial institutions and investment firms, are performed on a consolidated basis (Group). Since January 1, 2017, we have been drafting an independent IFRS consolidation on the supervisory scope of consolidation. The disclosures are based on the legal foundations in place and valid on the reporting date.

As per Article 11 of the CRR, the relevant Group includes MLP SE, Wiesloch, MLP Banking AG, Wiesloch, FERI AG, Bad Homburg v. d. Höhe, FERI Trust GmbH, Bad Homburg v. d. Höhe, FEREAL AG, Bad Homburg v. d. Höhe, FERI Trust (Luxembourg) S. A., Luxembourg.

As the deposit-taking bank, MLP Banking AG, Wiesloch, is the controlling company in the MLP Financial Holding Group as per Article 11 of the Capital Requirements Regulation (CRR).

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

Pursuant to Article 92 et seq. of the CRR, MLP is obliged to back its capital adequacy requirements for both counterparty default risks and the operational risk at Group level with at least 9.875 % eligible own funds (equity ratio) (previous year: 9.250%).

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

As in the previous year, the backing of risk assets with eligible own funds for Tier 1 capital generally requires a minimum ratio of 4.5 % throughout. As per Article 25 et seq. of the CRR, the Group's Tier 1 capital includes the following equity items of IFRS capital: share capital, capital reserves, statutory reserve and retained earnings. Among other factors, the following serve to reduce Tier 1 capital: intangible assets, treasury stock and goodwill.

As in the previous year, MLP has fulfilled all legal requirements relating to the minimum core capital backing during financial year 2018. The relationship between core capital requirement and core capital as of the balance sheet date is illustrated below.

All figures in €'000	2018	2017
Tier 1 common capital	288,857	291,003
Tier 1 additional capital	-	-
Tier 2 capital	-	-
Eligible own funds	288,857	291,003
Capital adequacy requirements for counterparty default risks	77,582	73,840
Capital adequacy requirements for operational risk	40,087	42,443
Equity ratio (at least 9.875 %) (at least 8 % + 1.875 % (previous year 1.25 %) capital conservation buffer)	19.64	20.02
Tier 1 common capital ratio (at least 4.5 %)	19.64	20.02

42 Events after the balance sheet date

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

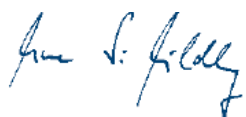
43 Release of consolidated financial statements

The Executive Board prepared the consolidated financial statements on March 1, 2019 and will present them to the Supervisory Board on March 13, 2019 for publication.

Wiesloch, March 1, 2019

MLP SE

Executive Board



Dr. Uwe Schroeder-Wildberg



Manfred Bauer



Reinhard Loose