MLP

Annual Report 2018

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MLP key figures – multi year overview

All figures in € million	2018	2017	2016	2015	2014	2013[1]	2012[1]	2011[1]
Continuing operations								
Total revenue	666.0	628.2	610.4	554.3	531.1	499.0	563.6	545.5
Revenue	642.1	608.7	590.6	535.7	509.7	480.5	538.1	526.7
Other revenue	23.8	19.4	19.8	18.7	21.4	18.5	25.5	18.8
Pro forma earnings before interest and tax (Pro forma EBIT) (before acquisitions)	46.4	37.6	19.7	32.5	39.0	30.7	70.5	17.3
Operating Earnings before interest and tax (Operating EBIT) (before one-off exceptional costs)	46.4	46.7	35.1	30.7	39.0	30.7	70.5	50.7
Earnings before interest and tax (EBIT)	46.4	37.6	19.7	30.7	39.0	30.7	70.5	17.3
EBIT margin (in %) [4]	7.0%	6.0%	3.2%	5.5%	7.3%	6.2%	12.5%	3.2%
MLP Group								
Net profit (total)	34.5	27.8	14.7	19.8	29.0	23.9	50.5	11.5
Earnings per share (diluted/undiluted) (in €)	0.32	0.25	0.13	0.18	0.27	0.22	0.47	0.11
Dividend per share in €	0.20 [2]	0.20	0.08	0.12	0.17	0.16	0.32	0.60
Cash flow from operating activities	141.2	115.5	144.7	58.8	32.3	67.6	22.4	53.8
Capital expenditure	26.6	7.3	18.4	12.8	15.4	22.5	14.5	7.8
Total shareholders' equity	424.8	404.9	383.6	385.8	376.8	370.5	381.7	399.6
Equity ratio (in %)	17.5%	18.7%	19.7%	22.0%	23.2%	24.2%	25.6%	26.8%
Balance sheet total	2,421.0	2,169.5	1,944.1	1,752.7	1,624.7	1,533.6	1,491.3	1,489.8
Clients [3]	–	–	–	858,700	847,600	830,300	816,200	794,500
Private clients (Family) [5]	541,150	529,100	517,400	510,200	–	–	–	–
Corporate and institutional clients [5]	20,892	19,800	19,200	18,200	–	–	–	–
Consultants [3]	1,928	1,909	1,940	1,943	1,952	1,998	2,081	2,132
Branch offices [3]	131	145	146	156	162	169	174	178
University teams	77	58	–	–	–	–	–	–
Employees	1,722	1,686	1,768	1,802	1,542	1,559	1,524	1,584
Brokered new business [3]								
Old-age provision (premium sum in € billion)	3.6	3.4	3.7	3.5	4.1	3.6	4.8	5.2
Loans and mortgages	1,806.0	1,728.4	1,709.7	1,798.0	1,415.0	1,513.0	1,301.0	1,327.0
Assets under management (in € billion)	34.5	33.9	31.5	29.0	27.5	24.5	21.2	20.2

[1] Values adjusted.
[2] Subject to the consent of the Annual General Meeting on May 29, 2019.
[3] Continuing operations.
[4] EBIT in relation to total revenue.
[5] Client counting method adjusted in Q1 2016

THE EXECUTIVE BOARD

Dr. Uwe Schroeder-Wildberg
Chairman and CEO MLP SE

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

Appointed until December 31, 2022

Manfred Bauer
Member of the Executive Board of MLP SE

Product Management

Appointed until April 30, 2020

Reinhard Loose
Member of the Executive Board of MLP SE

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

Appointed until January 31, 2024

LETTER TO SHAREHOLDERS

Dear Shareholders,

MLP can look back on an important and a very good year. In 2016 we concentrated on our efficiency drive, in 2017 on the separation of our banking and brokerage business and the realignment of our university segment – and 2018 was the year in which we embarked on the next stage of our continuing development. We met our financial targets, while at the same time investing heavily in future growth. Given the market in which we operate, our success in accomplishing both is a great achievement. My sincere thanks are due to all MLP consultants and employees.

We are now in the position that we were targeting when we set off on our new path back in 2005. MLP is a different company today, a new MLP. Our objective was to establish the Company on a significantly broader and more stable basis. The past twelve months have demonstrated that this was the right approach, confirming the proof of concept for our strategy of systematically diversifying our revenue base and making MLP less dependent on short-term market influences. A key indicator of this is the fact that we recorded growth in every single field of consulting and all parts of the Group in 2018.

As a strong group of companies, MLP

- has in the last few years developed new fields of consulting in occupational pension provision and real estate brokerage, as well as new client groups with FERI and DOMCURA.
- has recorded average growth of 12% per year since 2005 in the consulting fields outside the old-age provision area
- today has a very broad revenue base and a greater proportion of recurring revenue than ever before.

We have therefore made the ability to adapt one of our core competencies and realigned MLP. Complemented by our financial strength, this makes us very attractive to consultants in the market. In other words we have come through the last few years, which were admittedly not easy for the industry, as a relative winner.

MLP increased all its key ratios in 2018. Total revenue rose by 6% to € 666.0 million, which is the highest level in the Group structure since the sale of our own insurers.

Once again we succeeded in making our revenue base more balanced. The real estate business, which we have been strengthening since 2014, displayed the strongest growth for the second year in succession, with revenue up 44% to € 20.1 million. Revenue in the non-life insurance area rose by 10%. The MLP Group benefited from gains in private client business and the successful development of its DOMCURA subsidiary. In the wealth management area MLP saw growth for the ninth year in succession, with year-on-year growth of 6%. Together with strong MLP private client business, positive developments in all three core business fields at FERI – investment management, investment consulting and investment research – also contributed to this.

Moderate year-on-year growth was achieved in the loans and mortgages area with an increase of 5%, health insurance (4%) and the old-age provision (2%). In the old-age provision and health insurance areas we therefore performed very well – better than others in what remains a challenging market environment.

At € 46.4 million our EBIT is at the level of the previous year's operating EBIT, and thus well within the target corridor forecast at the start of 2018. The comparative figure, i.e. the operating result from the previous year, does not include one-off expenses of € 9.1 million incurred in connection with separating the banking and brokerage business. Group net profit rose to € 34.5 million in 2018.

The Executive and Supervisory Boards of MLP SE are proposing a dividend of 20 cents per share, the same as the previous year's total figure. In 2017 we paid out 16 cents of our disclosed Group net profit to our shareholders, plus an extra 4 cents as compensation for one-off expenses accrued in connection with separating our banking and brokerage business. At 63%, our pay-out ratio is within the corridor we announced. We are thus maintaining our consistent dividend policy for you, our valued shareholders.

But MLP has not only achieved growth in the here and now: we are investing heavily in our future. We did so in the past financial year, and we are doing so now. Expansion of our university segment represents a key growth lever in MLP's private client business. We are thereby strengthening two central value drivers in our business model: the acquisition of young consultants, and the acquisition of young clients. We invested around € 7 million in this area in the last financial year alone. Although taking these steps has limited our short-term earnings growth, it will allow us to tap significantly greater potential in the medium to long term.

Our investments are already leading to increasing consultant numbers. Indeed, the net increase of 19 consultants represents the first year-on-year growth since 2007. This is qualitative growth, as we are recruiting young consultants who fit in with our culture and our service commitment.

2019 will bring the initial benefits from another development that we initiated in the last few months, namely increasing the numbers of experienced consultants joining MLP. The increase in consultant numbers is a key component of organic growth, which itself is also right at the top of our management agenda in 2019.

Further important drivers include the continuous diversification of our revenue base and the ongoing process of digitalisation.

In the last few years we have taken some major steps in the field of digitalisation. In addition to digital facilities for prospects, clients and consultants, process improvements represent a significant focus in the ongoing process of digitalisation. This will help us make our infrastructure significantly more modular, thus making us more flexible for the future. The underlying objective of all these measures is to achieve an intelligent combination of face-to-face consulting and supplementary online services.

We have also taken major steps to diversify our revenue base, and we are continuing resolutely along this path. Key growth drivers in this regard will be real estate brokerage, non-life insurance and wealth management.

Together with organic growth, acquisitions also remain on the agenda. On March 19, 2019, we announced that we successfully concluded a purchase agreement via our subsidiary MLP Finanzberatung SE, in order to acquire a capital stake of 75.1 percent in DEUTSCHLAND.Immobilien Group in Hanover. MLP is thus strategically expanding its real estate business and adding real estate project development and management to the MLP Group's business areas. In terms of cost management, which represents the third focus of our management agenda, we have employed strict cost-control discipline over the past few years. We will continue along this path in the years to come, keeping regular costs on a tight rein – as this gives us the freedom to make important investments in the future.

All this – organic growth with a clear quality strategy, acquisitions and ongoing cost management – will help us to make MLP even more robust and resistant to market influences.

So what concrete expectations do we have for the financial year 2019? Following the increase recorded in the past year, we expect to see stable development in the old-age provision area, where occupational pension provision is likely to provide the greatest positive stimulus. The next stage of the legislation on strengthening occupational pension provision in Germany has come into force, requiring employers to pass on to their employees some of the savings they make from reduced social security contributions. Secondly, with our new employer portal we have established a service that represents a genuine USP, especially for small and medium-sized companies. We anticipate stable revenue in the health insurance area, and moderate growth in both wealth management and non-life insurance. Real estate brokerage is expected to deliver strong growth. Despite the significant gains made in the last two years, in absolute terms we are still at a low level in this young business segment – and client demand remains high because of the interest-rate situation.

Based on this revenue forecast and the anticipated development of costs, we expect to continue the trend recorded in recent years – generating another moderate increase in EBIT for 2019. It is important to remember, though, that we will be investing a further € 8 million in our new university segment in 2019. Although this may well limit our profit growth this year, it will lay a sound foundation for strong growth in the future.

We fervently hope that our shareholders will continue to accompany us on this journey. On behalf of the entire Executive Board I would like to thank you once again for the trust you have placed in us this year.

Yours sincerely,

Dr. Uwe Schroeder-Wildberg

THE SUPERVISORY BOARD

Dr. Peter Lütke-Bornefeld
Chairman
Elected until 2023

Dr. Claus-Michael Dill
Vice Chairman
Elected until 2023

Alexander Beer
Employees' Representative
Elected until 2023

Matthias Lautenschläger
Elected until 2023

Tina Müller
Elected until 2023

Burkhard Schlingermann
Employees' Representative
Elected until 2023

Dr. h. c. Manfred Lautenschläger
Vice Chairman
Until June 2018

REPORT BY THE SUPERVISORY BOARD

In the financial year 2018, the Supervisory Board reviewed the development of the Company in depth and performed its supervisory duties to the full. It regularly advised and monitored the Executive Board in running the business of the Company.

During the course of the last financial year, the Supervisory Board paid particular attention to the economic development, financial situation, prospects and further strategy of the Company, and advised the Executive Board on these areas. Its work in the financial year 2018 focused in particular on supporting the Executive Board in the strategic development of the Company and of the MLP Group, implementing further measures to increase efficiency and both assessing and monitoring the opportunity and risk position of the Company and the Group. The Supervisory Board gave the Executive Board particularly detailed advice on potential M&A transactions.

The Supervisory and Executive Boards met regularly in the reporting year for discussions and joint consultations regarding business development, strategy and key events within the Company. The Supervisory Board was directly involved in all decisions of fundamental importance to the Company. The Executive Board regularly provided the Supervisory Board with written and oral reports in a timely and comprehensive manner on all relevant issues related to corporate planning, strategic development, the business situation and the position and overall development of the Group as a whole, including the risk situation, risk management, risk-bearing ability and compliance. The Supervisory Board was able to confirm the correctness of the corporate governance by the Executive Board. In 2018, the Executive Board also reported to and advised the Supervisory Board on the content and anticipated effects of legislative or regulatory proposals at national and EU level, such as the legislator's evaluation and planned amendments to the Life Insurance Reform Act.

The election of new Supervisory Board members was held at the Regular Annual General Meeting in the last financial year. The newly formed Supervisory Board of MLP SE now comprises Dr. Peter Lütke-Bornefeld, Dr. Claus-Michael Dill, Ms. Tina Müller, Mr. Matthias Lautenschläger, as well as the employee representatives Mr. Burkhard Schlingermann and Mr. Alexander Beer. In a constitutive Supervisory Board meeting, Dr. Lütke-Bornefeld was appointed as Chairman and Dr. Dill as Vice Chairman of the Supervisory Board. No personnel changes to the Company's Executive Board were made in the last financial year.

The Supervisory Board held five regular meetings and one extraordinary meeting in the financial year 2018. With the exception of Ms. Müller, who attended two and therefore less than half of the meetings, all members of the Supervisory Board took part in the meetings either in person or via teleconference. In addition to this, the Supervisory Board of MLP SE convened in one constitutive meeting following the Annual General Meeting. All members of the Supervisory Board took part in this meeting. The Executive Board also informed the Supervisory Board of particularly important or urgent projects outside of the regular meetings. Where necessary, resolutions can also take the form of circular resolutions.

Two meetings and one constitutive meeting of the Audit Committee were also held in the financial year 2018. All committee members took part in each of these meetings. The Personnel Committee convened twice in the last financial year and held one constitutive meeting. All committee members took part in each of these meetings. Only Ms. Müller took part in just one of two regular meetings of the Personnel Committee. To prepare for the election of new Supervisory Board members, a meeting of the Nomination Committee, in which all members took part, was also held in the run-up to the Annual General Meeting. Following the Annual General Meeting of MLP SE, a constitutive meeting of the Nomination Committee was also held.

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

Supervisory Board meetings and important resolutions

Following preparations in the meeting of the Audit Committee, the Supervisory Board meeting on March 14, 2018 focused on the audit and approval of the financial statements and the consolidated financial statements as of December 31, 2017. The auditors participated in the meeting and gave detailed reports on the course and outcome of their audit of the financial statements and the consolidated financial statements. Following in-depth discussion, the Supervisory Board approved both the financial statements and the consolidated financial statements as of December 31, 2017. The Supervisory Board also reviewed the appropriateness of the Executive Board – as required in accordance with the German Corporate Governance Code (GCGC) – as well as the variable compensation components of the Executive Board for the financial year 2017 and approved these. The proposed resolutions for the Company's Regular Annual General Meeting were another item on the agenda. In the meeting held on March 14, 2018, and on proposal by the Personnel Committee, the Supervisory Board also passed a resolution on extending the appointment of Mr. Reinhard Loose as a member of the Executive Board up to January 31, 2024.

The regular Supervisory Board meeting on May 14, 2018 focused primarily on discussing the results and business development from the first quarter of 2018.

The results of the second quarter, the business development in the first half of the year, reporting on the internal audit and risk controlling (including report on the notion of materiality, risk strategy and risk-bearing capacity concept) were all on the agenda of the regular Supervisory Board meeting on August 8, 2018.

The November meeting focused on the business results of the third quarter and the first nine months of the current financial year. This Supervisory Board meeting also focused on evaluating the leadership and performance of the members of the Executive Board. The discussion took place in a closed session without the members of the Executive Board being present. Compliance with the provisions of the German Corporate Governance Code (GCGC) was also a key topic of discussion in the MLP Group beside the resolution on the Declaration of Compliance pursuant to § 161 of the German Stock Corporation Act (AktG). Extensive reporting was provided on the corporate governance process and the current Declaration of Compliance.

In the meeting held on December 18, 2018, the Supervisory Board addressed in detail and approved the strategy and budget of both the Group and the Company for the financial year 2019.

Supervisory Board committees

The Supervisory Board was regularly informed of the work carried out by its committees in 2018. Within the scope of the election of new Supervisory Board members, the committees were also newly formed by the Annual General Meeting.

The members of the Audit Committee are Dr. Claus-Michael Dill, who is also Chairman of the Audit Committee, as well as Dr. Peter Lütke-Bornefeld, Mr. Matthias Lautenschläger and Mr. Alexander Beer. The Audit Committee held two regular meetings and one constitutive meeting in the financial year 2018. Representatives of the audit firm also took part in some of the meetings, providing the committee with detailed reports. In the presence of the auditors, the Chairman of the Executive Board and the Chief Financial Officer, the Audit Committee discussed the financial statements of MLP SE and the MLP Group as well as the proposed appropriation of earnings. Furthermore, the relationship to the auditor, proposals for selecting the auditor, auditor fees, audit assignment and monitoring of the auditor's independence were the subject of extensive discussions. The Audit Committee received regular reports on the work of the Internal Audit and of the Compliance and Risk Management department and was informed on legal and regulatory risks and risks to reputation.

The members of the Personnel Committee are Dr. Peter Lütke-Bornefeld, who is also Chairman of the Personnel Committee, as well as Ms. Tina Müller, Mr. Matthias Lautenschläger and Mr. Burkhard Schlingermann. The Personnel Committee convened for two regular meetings and one constitutive meeting, focussing in particular on checking the appropriateness of Executive Board remuneration, as well as determining the bonus pool for the MLP Group. The committee also discussed and recommended to the plenary meeting of the Supervisory Board that the appointment of Mr. Reinhard Loose as member of the Executive Board should be extended to January 31, 2024.

The members of the Nomination Committee are Dr. Peter Lütke-Bornefeld, who is also Chairman of the Nomination Committee, as well as Ms. Tina Müller, Dr. Claus-Michael Dill and Mr. Matthias Lautenschläger. The Nomination Committee held one regular and one constitutive meeting in the financial year 2018, in which a decision was taken on the proposals by the Supervisory Board to the Annual General Meeting on June 14, 2018 regarding the election of Supervisory Board. All committee members took part in each of these meetings.

Corporate governance

During the financial year, the Supervisory Board also addressed the application of the corporate governance principles.

Last year, the Supervisory Board once again dedicated its meeting on November 13, 2018 to detailed discussion of the requirements of the German Corporate Governance Code (GCGC) in the version dated February 7, 2017.

In the meeting held on November 13, 2018, the Supervisory Board reviewed the efficiency of its actions based on an evaluation form made available to the members of the Supervisory Board in good time prior to the meeting. The Supervisory Board also discussed procedures in the Supervisory Board, the information flow between the Committees and the Supervisory Board, and the timeliness and sufficient content of reporting by the Executive Board to the Supervisory Board on this occasion. Measures aimed at increasing efficiency were discussed and established.

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

In accordance with the German Corporate Governance Code government commission, we understand conflicts of interest to mean any special professional or private interests of any member of the Supervisory Board that could potentially pose a threat to or contradict the interests of the Company. Conflicts of interest in this sense do not include plurality or the existence of various streams of interest when these express diversity in terms of the Supervisory Board composition required by the legislator or the German Corporate Governance Code government commission. There were no conflicts of interest in this sense in the last financial year. A summary of corporate governance at MLP, including the Declaration of Compliance from November 13, 2018, can be found in the Executive and Supervisory Board's corporate governance report. All relevant information is also available on our website at www.mlp-se.com.

The members of the Supervisory Board independently participated in training measures to help them fulfil their responsibilities – as required by the Corporate Governance Code. In this endeavour, they are adequately supported by the Company. In addition to this, a further training event was held for the Supervisory Board on November 13, 2018 to help members maintain the necessary professional expertise. During this training, various topics were addressed, including the German implementation of the second European Markets in Financial Instruments Directive (MiFID II), implementation of the General Data Protection Regulation (GDPR) in the Group, as well as the planned new rulings associated with the Act on the Implementation of the Second Shareholders' Rights Directive (ARUG II).

Audit of the annual financial statements and consolidated financial statements for 2018

The financial statements and the joint management report of MLP SE as of December 31, 2018 have been compiled by the Executive Board pursuant to the German Commercial Code (HGB). The consolidated financial statements and the joint management report as of December 31, 2018 were drafted as per § 315e of the German Commercial Code (HGB) in line with international financial reporting standards (IFRS) as applied in the EU. As of December 31, 2018, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin audited the financial statements and the joint management report of MLP SE in accordance with the principles of commercial law, as well as the Group financial statements and the joint management report in accordance with the principles of IFRS, issuing an unqualified auditor's opinion in each case. The auditor performed the audit in compliance with the basic principles of sound auditing practices determined by the Institut der Wirtschaftsprüfer (German Institute of Auditors).

The financial statements, together with the joint management report, the auditor's reports and the Executive Board's proposal for use of the unappropriated profit were made available to all Supervisory Board members in good time. The Audit Committee of the Supervisory Board reviewed these documents in detail, reported to the Supervisory Board on its audit and explained its audit opinion. The auditor also reported on the key results of the audit and on the fact that there are no significant weaknesses in the internal monitoring system, the risk management system or in regard to compliance. The Audit Committee also reviewed the risk management system, the accounting processes and the effectiveness of the internal monitoring systems, risk management and auditing systems, as well as the relationship to the auditor, the proposals for selection of the auditor, the auditor's remuneration, the audit assignment and monitoring of the auditor's independence, as well as the additional services performed by the auditor. The Supervisory Board also checked and discussed the documentation and reports in detail. Within this scope, the Supervisory Board also addressed the key audit matters described in the audit opinion, including the audit procedures undertaken by the auditor. In the presence of KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, which reported on the key findings of its audit, the audit reports were reviewed in detail in the Supervisory Board meeting held on March 13, 2019. The auditor reported on the scope, the key focuses, as well as the significant results of the audit, going into particular detail regarding the key audit matters and the audit procedures employed. Particularly with regard to the annual financial statements of MLP SE, these key audit matters encompassed "the carrying amount of shares in affiliated companies" and with regard to the consolidated financial statements of MLP SE "the carrying amount of goodwill", as well as the commission income from the brokering of old-age provision products". At this meeting, the Executive Board also explained the financial statements of MLP SE and the MLP Group, the risk management system, the accounting processes and the effectiveness of the internal monitoring, risk management system, audit system and compliance, and gave detailed reports on the scope, focuses and costs of the audit.

The Supervisory Board concurred with the outcome of the auditor's audit. On the basis of the final outcome of the Audit Committee's audit and its own audit, the Supervisory Board found no grounds for raising an objection. Accordingly, at its meeting on March 13, 2019, the Supervisory Board approved the annual financial statements and the joint management report of MLP SE, as well as the consolidated financial statements and the joint management report prepared by the Executive Board in accordance with IFRS. The annual financial statements are therefore approved. The Executive Board is also required to submit a report on a non-financial declaration or a non-financial Group declaration as per § 289b, § 315b of the German Commercial Code (HGB). The Supervisory Board reviewed the non-financial report – prepared by a meeting of the Audit Committee - and did not raise any objections.

After performing its own reviews, the Supervisory Board agreed with the Executive Board's proposal to pay out a dividend of € 0.20 per share for the financial year 2018. In its deliberations, the Supervisory Board factored in the equity and liquidity situation, future regulatory requirements, the Company's budget, as well as the shareholders' interest in an appropriate dividend.

The Supervisory Board would like to thank the Executive Board, the management of the respective Group companies, as well as all employees and consultants of the MLP Group for their exemplary personal commitment and achievements in the financial year 2018.

Wiesloch, March 2019
The Supervisory Board

Dr. Peter Lütke-Bornefeld
Chairman

OUR GOALS AND STRATEGIES

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

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

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

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

INVESTOR RELATIONS

Stock market year 2018 – Development of the markets

Following an excellent year in 2017, the international stock markets initially continued their rally into the new year, delivering a successful start to 2018. The strength of the global economy and ongoing growth in corporate profits bolstered the stock markets and led to new record highs. However, interest rate fears put an abrupt end to the record rally in February and led to a wave of profit-taking. Investors feared a tightening of monetary policy by the designated Head of the US Federal Reserve, Jerome Powell. In addition to this, Company valuations had also risen to a high level, making shares susceptible to sale. Confidence in a stable global economic upswing helped prices to rise again over the course of the year. However, the recovery phases on the financial markets were repeatedly held back by troublesome tissues. These focused primarily on the trade dispute between the US and China, followed by political issues such as the crisis in Syria, the elections in Italy and the government crisis in Spain. The unilateral cancellation of the Iran nuclear deal by the US government also triggered a nervousness and led to caution among investors. The debate concerning the asylum policy also occasionally served to erode purchasing interest in Germany. Statements issued by the central banks were also a topic for discussion on the financial markets, although any actual effects on prices were mostly short-term. Comments made by ECB boss Mario Draghi about growth in Europe have already peaked had a negative effect on the euro. In addition to this, a surprisingly clear schedule for exiting the expansive monetary policy served to weaken the single currency. The economic data painted a generally mixed picture, with sentiment increasingly deteriorating toward the end of the year. A sense of disillusionment could be observed on the global stock markets in the last few trading months, leading to ongoing profit-taking.

At the end of the year, the downward trend once again accelerated and thereby finally destroyed any hopes of a year-end rally. Familiar issues, such as further tightening of the monetary policy at the major central banks, global deterioration of the sentiment indicators, as well as quarterly reports from companies with subdued outlooks served to unsettle investors. Although the parties in the Brexit negotiations between the UK and the EU were ultimately able to reach an agreement on the UK's withdrawal from the EU, British PM Theresa May lost a parliamentary vote at the last minute due to a lack of support from MPs on both sides of the house. A growing sense of economic scepticism among many market members, coupled with announcements made by the central bank, ultimately led to the interest rate signals from the Federal Reserve and the ECB for 2019 being called into question.

Hence, the overall performance of the major indices in 2018 produced a somewhat sobering picture. Right at the bottom of the performance list was the SDAX, which recorded a loss of 20.0%, closely followed by the leading index DAX with a loss of 18.3% and the MDAX with a loss of 17.6%. The highly praised technology stocks were unable to maintain their rally to the end of the year and ultimately also had to bow to the pessimistic mood prevailing on the stock markets. At minus 3.1%, the year-on-year performance of the TecDAX is also disappointing, especially since the index was still delivering double-digit growth rates mid-year.

MLP share

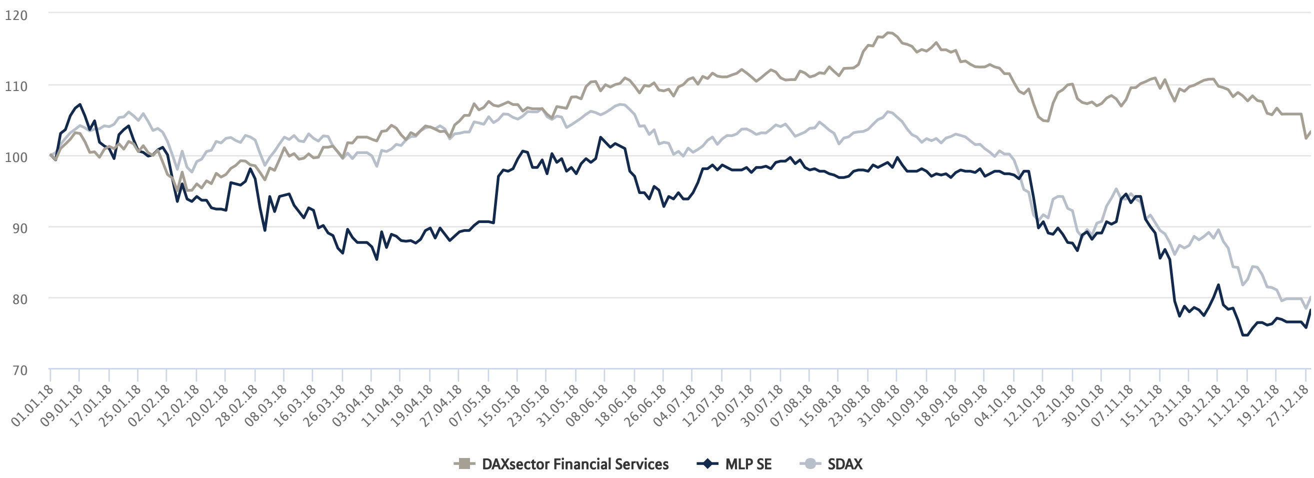
The MLP SE share displayed mixed development in 2018. Following a positive start to the new year it recorded significant gains in the first few weeks of trading. In fact, at a price of € 6.06 it already reached its highest level in the reporting period on January 9, which then led to some minor profit-taking. The stock market environment, which remained positive, was initially able to prevent any further losses. However, following the previous record highs, sentiment in the financial markets changed rapidly in February and also dragged the MLP share price with it. The Company's successful earnings trend could only stimulate a short-term upturn in the share price. The sense of uncertainty among investors was reflected in increased volatility and led to price fluctuations, some of which were quite severe. At the start of February, the share price declined to € 5.09 before being traded again at € 5.65 at the end of the month. The message regarding removal of the share from the SDAX in March then led to disappointment among investors and the share price declined again. At the start of April, it decreased further to € 4.74, its lowest price in the first half of the year, but was able to recover quickly and reach € 5.81 in the course of the year. Impressive quarterly figures stimulated purchasing interest in the share and drove the price up. However, the MLP share also lost ground when the stock market environment started to slow again mid-June. The share price went on to stabilise itself and no major fluctuations were observed initially. In the last quarter, the share had to battle deteriorating conditions on the financial markets. It was still able to maintain a level above € 5.45 until early October, before then having to accept significant losses in the maelstrom of the stock markets and ultimately declining to € 4.80 in mid-October. However, strong performance in the third quarter was only able to convince investors for a short time. Set in particular against the background of the general market situation, progress made in the recovery phase to € 5.40 was then reversed during November. The stock markets were characterised by a sell-out mood. This also affected the MLP share, which had to accept further losses. The downward trend continued into December, but was then interrupted by slight recovery tendencies at the end of the year. The share finished at € 4.40.

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

The MLP SE share exited the SDAX share index of the German Stock Exchange with effect from March 19, 2018. The causes behind the repeat exit from the SDAX were a decline in the share price, a reduced trading volume and a change of segment by several major companies in conjunction with several new issuances. MLP's objective is a swift return to the index, backed by ongoing successful business development.

Exit from the SDAX

MLP share, SDAX, DAXsector Financial Services 2018



Dividend

MLP will continue its consistent dividend policy for the financial year 2018. As announced, the proposed dividend for the financial year 2018 will continue to target a distribution rate of between 50% and 70%. In concrete terms, the Executive Board and Supervisory Board will propose a dividend of € 0.20 per share at the Annual General Meeting on May 29, 2019. This corresponds to a distribution rate of 63% of operating net profit. In the previous year, MLP had paid out 16 cents from the operating result plus 4 cents to compensate for one-off expenses.

Key figures compared to previous years

		2018	2017	2016	2015	2014
Shares in circulation at the end of the year	in units	109,334,686**	109,334,686	109,334,686	109,334,686	107,877,738
Share price at the beginning of the year	in €	5.59	4.11	3.67	3.71	5.29
Share price at the end of the year	in €	4.40	5.63	4.18	3.67	3.71
Share price high	in €	6.06	6.47	4.25	4.26	5.98
Share price low	in €	4.11	4.11	2.57	3.48	3.48
Market capitalisation at the end of the year	in € million	481.1	615.6	456.5	401.3	400.2
Average daily turnover of shares	in units	98,410	171,210	93,390	80,996	43,775
Dividend per share	in €	0.20*	0.20	0.08	0.12	0.17
Total dividend	in € million	21.9*	21.9	8.7	13.1	18.3
Return on dividend	in %	4.5*	3.6	1.9	3.3	4.6
Earnings per share	in €	0.32	0.25	0.13	0.17	0.27
Diluted earnings per share	in €	0.32	0.25	0.13	0.17	0.27

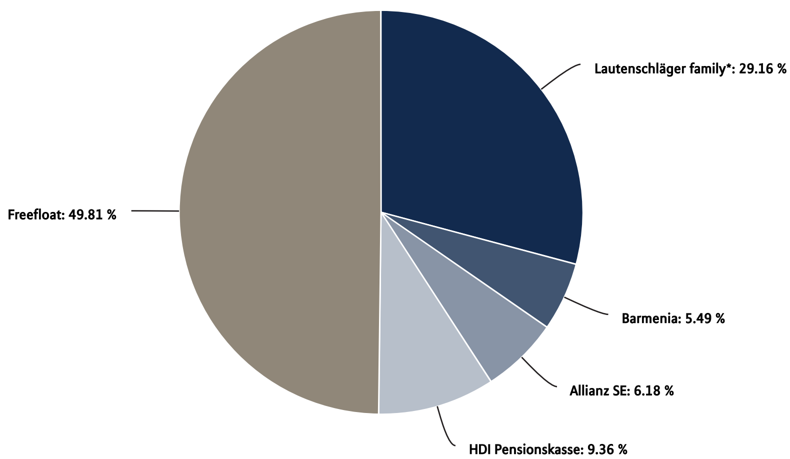
*Subject to the consent of the Annual General Meeting on May 29, 2019
**As of December 31, 2018 168,024 shares held in treasury stock

Changes to the shareholder structure

In the last financial year, HanseMerkur Krankenversicherung AG acquired a non-strategic stake of 3.02% of shares from MLP (notification from October 30, 2018). The share of voting rights held by other shareholders remained virtually unchanged on the reporting date. The Lautenschläger family remains the largest single shareholder with a 29.16% total share of the voting rights.

The free float at the end of 2018 was 49.81%, as defined by the German stock exchange. The following figure provides an overview of the largest shareholders in MLP (with a share of more than 5.0%):

MLP SE shareholder structure as of December 31, 2018



*You can find further information, in particular on the attribution of voting rights, on our website at www.mlp-se.com/investors/mlp-share/shareholder-structure/

Investor Relations activities

The goal of our investor relations activities is to establish a continuous and open dialogue with our shareholders, potential investors and the capital market. We are keen to establish and build on trust among investors and support the market in assessing the value potential of our Company. To this end, we provide continuous, timely and transparent information on relevant events and incorporate feedback received from capital market players. We engage in active exchange with both private and institutional investors at regular capital market events, such as roadshows, capital market conferences and our Annual General Meeting. Alongside direct contact, financial reporting is a key basis for our communication. The Annual Report plays a particularly important part here, as it provides comprehensive and transparent information on all aspects of the Company.

Investor Relations services

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

Key figures

In the following table, we provide you with an overview of a selection of important key figures.

Key figures for business valuation and statement of financial position analysis

		2018	2017
Equity ratio	in %	17.5	18.7
Return on equity	in %	8.5	7.3
Core capital ratio	in %	19.6	20.0
Net liquidity	in € million	225.0	215.0
Market capitalisation at the end of the year**	in € million	481.1	616.0
Total revenue	in € million	666.0	628.2
EBIT	in € million	46.4	37.6
Operating EBIT*	in € million	46.4	46.7

*before one-off expenses
**as of December 31, 2018

SUSTAINABILITY AT MLP

Performance and trust form the core of our corporate values and combine successful entrepreneurship with social commitment in our MLP promise.

The MLP Group is the partner for all financial matters – for private clients, companies and institutional investors. Going beyond our responsibility towards our clients, our sustainability report is testimony of our entrepreneurial and social responsibility towards all peer groups.

As part of our sustainability activities, we have identified eight key sustainability fields of action, which can be found below and in detail in our MLP Sustainability Report.

To ensure our sustainability activities have a comparable and transparent framework, we have aligned our reporting with the reporting standard of the German Sustainability Code (DNK, Deutscher Nachhaltigkeits Kodex).

MLP AS AN ATTRACTIVE EMPLOYER & PARTNER

MLP is a knowledge-based service company in which qualified and motivated employees and self-employed client consultants form the essential basis for sustainable corporate success. Against this background, "MLP as an attractive employer and partner" is a separate strategic field of action for our sustainability work in order to make work at and for MLP more attractive and develop it further.

Attractive partner for our self-employed client consultants

MLP client consultants act as entrepreneurs within the company and have numerous opportunities for further development - a high level of quality in the training offered is an indispensable prerequisite for this. The MLP Corporate University (CU), which is based at our HQ in Wiesloch is the centre for the development and the performance of training for consultants, office managers and the heads of university teams.

Attractive Employer

Personnel work is also of great importance for our employees. As a knowledge-based service company, we attach great importance to training and further education for our employees. For this purpose, extensive further training opportunities are available to our employees at Group headquarters and our office staff in the branch offices.

The Top Talents Programme has been held regularly since 2013 as a way of identifying talented junior staff from within the company, offering them targeted development opportunities and preparing them for future specialist or disciplinary management duties.

To train existing managers and convey skills relevant for their duties, as well as to support them in their role with personnel responsibility, we have been offering a modular "management programme" since 2015 which is attended by new managers every year and is also offered to all other employees in management roles as further training.

MLP offers its employees a large number of social and healthcare programmes that go beyond its statutory obligations:

Compatibility of career & family

- Flexible working time models and a works agreement on mobile working
- Childcare allowance for children up to school age
- Parent-child office at Group HQ to cover for last minute gaps in childcare for our employees
- Assumption of costs for offers associated with the "Generation Guide": This provides expert advice in the fields of childcare and upbringing, as well as counselling and support in the fields of homecare and eldercare

Healthcare offers

- Medical prevention programmes, such as flu shots, eye tests, etc.
- Ergonomic workplaces, as well as corresponding advice
- Support for both employees and managers, provided by B.A.D. Gesundheitsvorsorge und Sicherheitstechnik GmbH
- Prevention of and support for psychological stress and related issues
- Company sports programmes

With measures such as these, we support our employees in overcoming the challenges associated with combining career and family. Flexible working hours, as well as mobile working options at MLP also make it easier for employees to balance their work and family life more effectively. This is set to be further bolstered in 2019 with measures such as auditing on the basis of the strategic "berufundfamilie" work and family management instrument.

Further information on our sustainability aspects can be found in our Sustainability Report.

DIGITALISATION

Digitalisation is having an ever greater influence on the lives of citizens and also the further development of companies. More and more digital communication channels, such as social media platforms and web portals, are available to clients on a day-to-day basis.

Flexibility, speed, innovative capacity and optimisation of business processes are therefore becoming increasingly important factors in terms of the success of a company. The complexity of IT projects – also driven by regulation - is continually increasing as a result of this. The importance of information security, which the digital business models need to secure - in particular from cyber attacks - is therefore continuously increasing.

The "IT Mission 2022" programme was launched in the MLP Group in the current year. In a first significant step, an IT Mission 2022 was drawn up and approved. This mission is capable of meeting both current and future requirements of MLP's IT – in particular with regard to flexibility, integration capacity and agility. Suitable tools, IT services and applications are being made available to ensure an efficient performance of tasks. IT is aligned to deliver sustainable optimisation and the option to introduce new business processes. Alongside the IT Mission, MLP is also catering to the digital shift by establishing a digital culture, for which the Group already prepared the ground years ago. The digitalisation strategy and its ongoing implementation began with redesigning MLP's online presence for young people and their requirements under the heading of "MLP financify". In the course of this process, MLP established an innovation laboratory with the name "Finanz-WG" in 2014. The aim of this development was to manifest user orientation and agile work methods as elementary principles. The many successes established "Finanz-WG" as an innovation laboratory – as a hotbed for all of MLP's digital offers, an environment for cross-departmental collaboration, for living out processes of change, as well as a source of staff development and motivation. At the start of 2018, the Executive Board decided to anchor this development, which had started life under line management responsibility, as a programme throughout the Group and to establish it as a digital culture with dedicated digitalisation officers as a way of making the most of the opportunities presented in today's VUCA world (volatility, uncertainty, complexity and ambiguity).

Face-to-face consulting is always the key focus at all MLP companies. In the sense of "intelligent togetherness", we are increasingly networking these with our digital services for existing and potential customers. This approach is flanked by digital internal services for our consultants and employees. We are thereby able to create efficiency increases and process improvements in a wide range of areas. The needs of our respective internal and external clients represent the starting point for development of our digital services.

Digital offers for existing and prospective MLP clients

Web and social web – before logging in
Based on their requirements and interests, existing and prospective clients are offered useful information and dialogue opportunities, as well as online products and tools. These channels are also used to win prospects and new clients for MLP. The offer for young people comes together under the name MLP financify.

The MLP client portal – after logging in
The MLP client portal allows everyone to experience the benefits of MLP in the digital world around the clock. All personal finance topics, such as policies, accounts and overviews of in and outgoings are available in an app. Everything is shown in an easily comprehensible structure providing the user with overall context. In addition to this, clients receive news and optimisation proposals tailored to their needs. This always takes place with a direct link to the respective personal MLP consultant, our MLP client service or indeed both – depending on the client's wishes.

Further information on our sustainability aspects can be found in our Sustainability Report.

SUCCESSFUL BUSINESS MODEL

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

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

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

This business model provides the basis for long-term cooperation with all stakeholder groups.

Further information on our sustainability aspects can be found in our Sustainability Report.

TRUSTING CLIENT RELATIONS

The requirements of our clients have formed the key focus of our actions since MLP was founded and remain essential for the long-term success of our company. The core service within our consultancy activities lies in supporting and advising clients as the dialogue partner for all financial matters, thereby enabling them to take informed decisions. For this reason gaining a profound understanding of our clients and their life situation also represents a highly important part of our philosophy.

Alongside qualification and further training of our self-employed client consultants, the results of studies and questionnaires among our client groups, as well as direct customer feedback are constantly incorporated in the further development of our overall service package. This also helps us provide our clients with consistently high quality consulting and maintain trusting client relations. The ratings submitted by our clients on the independent WhoFinance portal serve to strongly confirm this. Indeed, the MLP consultants on this site score an average of 4.6 out of a possible 5 stars.

Further information on our sustainability aspects can be found in our Sustainability Report.

EDUCATION & CONSULTING QUALITY

Sustainably high consulting quality makes an important contribution to our added value. This is why we place great emphasis on training our self-employed client consultants at MLP. A high-quality range of training courses represent an indispensable prerequisite in achieving this.

The MLP Corporate University (CU), which is based at our HQ in Wiesloch is the centre for the development and provision of training for consultants, office managers and the heads of university teams. Perfectly tailored, modular modules fit in with the individual training needs of our consultants, and with a total of more than 24,000 training participant days, we continued to systematically develop our consultants in 2018.

As a knowledge-based service provider, great emphasis is placed on both training and development of our employees. To this end, comprehensive further training opportunities are made available to our employees at Group HQ, as well as for back office staff at the branch offices.

The Top Talents Programme has been held regularly since 2013 as a way of identifying talented junior staff from within the company, offering them targeted development opportunities and preparing them for future specialist or disciplinary management duties.

Further information on our sustainability aspects can be found in our Sustainability Report.

PRODUCTS

When selecting partners and products, we therefore employ high quality standards and place great emphasis on objective and transparent criteria. An analysis and quality check of the providers in the market, as well as their respective products, is performed on the basis of our clients' needs. Our product selection process is subject to continuous further development and we regularly review the providers and products/concepts in our portfolio.

In this vein, we pay attention to the sustainability of our partners primarily by focusing our assessment efforts on the financial strength and service quality of the product partners – particularly in the case of long-term saving and insurance products.

During their consultations our self-employed client consultants are then able to provide clients with information and advice that is based on the results of the selection process and supports the clients' own decision-making process.

Further information on our sustainability aspects can be found in our Sustainability Report.

COMPLIANCE & DATA PROTECTION

We have a performance pledge to our clients: We are the partner for all financial matters – for private clients, companies and institutional investors.

Alongside compliance with relevant legal regulations, we have also further optimised our Group-wide guidelines and formulated them as an MLP Code of Business Conduct and Ethics. The Code defines general standards of good conduct and principles for the companies in the MLP Group. It promotes awareness among the members of the Executive Bodies, employees and self-employed client consultants for responsible, sustainable, fair and professional business practices with one another, as well as towards customers, business partners and shareholders. It also provides support in harmonising business activities with the legal provisions and internal stipulations relevant for MLP. This also includes appropriate and conscious handling of opportunities and risks within the scope of the corporate and risk culture in place at MLP.

Further information on our sustainability aspects can be found in our Sustainability Report.

EFFICIENT ENVIRONMENTAL & RESOURCE MANAGEMENT

As a financial services provider, the influence of our business activities on resource consumption is low and insignificant in terms of the company's activities. Yet despite this, it is our firm commitment to use resources responsibly.

Efficient environmental and resource management is anchored in our sustainability management activities at MLP. Based on our materiality analysis, it is a dedicated strategic sustainability action area and is therefore incorporated in our sustainability strategy and the corresponding internal processes with the involvement of corporate management. To keep our use of resources appropriate, as well as price and ecology conscious, our infrastructure management unit focuses on continuously improving our energy efficiency.

Further information on our sustainability aspects can be found in our Sustainability Report.

JOINT MANAGEMENT REPORT

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

The values disclosed in the following have been rounded to one decimal place. As a result, differences to reported total amounts may arise when adding up the individual values. The previous year's figures are given in brackets.

FUNDAMENTAL PRINCIPLES OF THE GROUP

Business model

The MLP Group – The partner for all financial matters

Broad range of services

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

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

Client requirements in focus

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

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

Transparent partner and product selection process

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

Further training of key importance

Qualifications and further training of our employees and clients play an important part in our Company's ability to ensure sustainably high-quality consulting services. You can find more detailed information on this in the chapter entitled → "Employees and self-employed client consultants".

MLP Banking AG

MLP Banking AG combines the features of a direct bank with consulting services, which are provided by our consultants. It offers typical banking services to both private and business clients – including everything from accounts, cards and loans to wealth management. MLP Banking AG role within the MLP Group entails:

- Combining direct bank services with face-to-face consulting
- Offering part of a comprehensive financial consulting service provided by MLP consultants
- Providing regular account and securities account models, as well as other banking services
- Providing special expertise in the areas of wealth management and loans and mortgages

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

MLP Finanzberatung SE

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

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

DOMCURA – The non-life insurance specialist

As an underwriting agency, DOMCURA AG provides extensive coverage products for private and commercial clients in the non-life insurance area. DOMCURA offers special expertise in the development and administration of residential building concepts. Its products are currently used by approximately 5,000 insurance brokers and insurance sales agents.

nordias – Focussing on commercial and industrial insurance products

nordias GmbH Versicherungsmakler is home to specialist brokers for commercial and industrial insurance products.

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

FERI – Wealth management with independent research

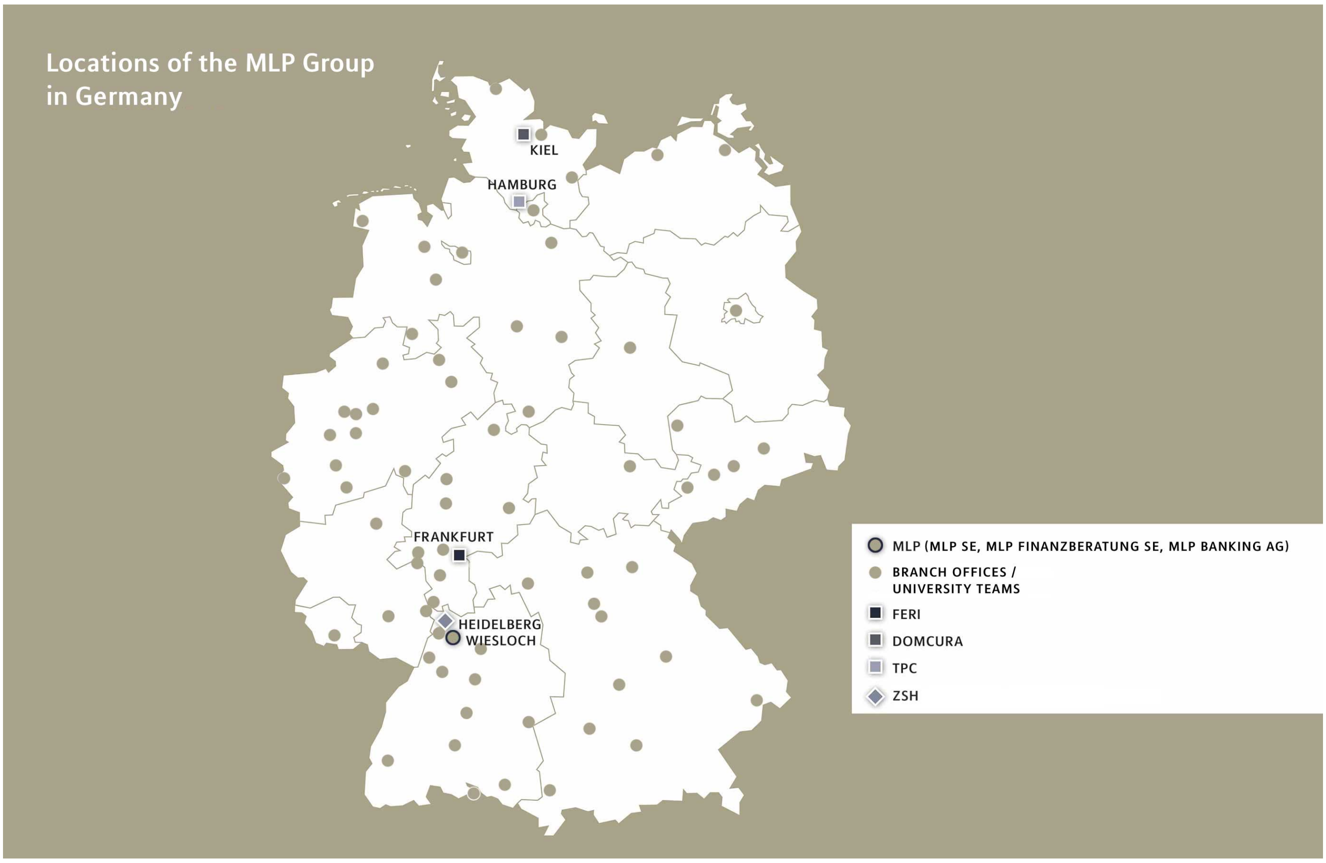
In the Investment Management business area, FERI Trust GmbH offers a broad spectrum of wealth management services in all asset classes. These services range from the development and implementation of individual investment strategies, right through to quantitative risk spreading and control. Investment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

As a specialist in occupational old-age provision management, TPC GmbH (TPC) offers companies and associations consultancy services covering all issues relating to occupational pension provision and remuneration – from requirements analysis, individual concept development and implementation, to continuous review of existing company old-age provision systems. The key focus here is on providing consulting services to small and medium-sized companies from various sectors, as well as employer consulting services to tax advisers, auditors, solicitors, physicians and architects. In addition to this, a digital service is set to be established in 2019 in the form of the TPC Portal, which employers can then use to provide information on their entire portfolio and also advise clients with the support of MLP. Employees will also have dedicated access to their contracts via this portal.

TPC – Sector concepts for occupational pension provision management

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

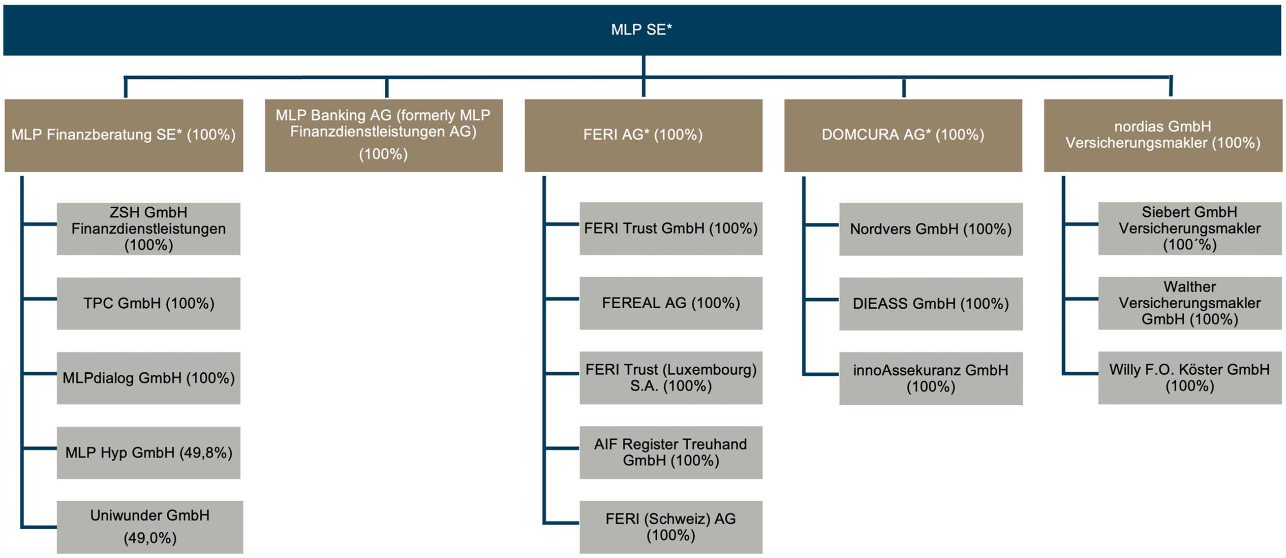
Represented throughout Germany



Legal corporate structure and executive bodies

MLP is organised as a holding company, in which central management duties are performed by the Group's parent company, MLP SE. The five subsidiaries MLP Finanzberatung SE, MLP Banking AG, FERI AG, DOMCURA AG and nordias GmbH are arranged below this (see chart). The business divisions each carry end-to-end accountability for results. This organisation reflects the Group's strategic goals and client requirements.

Current Group structure of operating companies



* Plus further direct and indirect subsidiaries

MLP Finanzberatung SE is registered as an insurance broker for the brokerage of insurance products. MLP Finanzberatung SE includes TPC GmbH in Hamburg, ZSH GmbH Finanzdienstleistungen (ZSH) in Heidelberg, MLPdialog GmbH in Wiesloch. Another holding is MLP Hyp GmbH, Wiesloch, which we operate together with the mortgage lending broker Interhyp AG in Munich.

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

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

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

Changes in corporate structure

There were no changes to the corporate structure and the scope of consolidation in the reporting period.

Factors affecting business development

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

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

Organisation and administration

The Executive Board at MLP SE comprises three members. The positions on the Board continue to be held by Dr. Uwe Schroeder-Wildberg (Chairman of the Executive Board), Manfred Bauer (Products and Services) and Reinhard Loose (Finance). In the last year, the Supervisory Board at MLP SE unanimously voted to extend the contract of Chief Financial Officer Reinhard Loose, which expired on January 31, 2019, by five more years to 2024. The Chief Financial Officer at MLP SE is responsible for Compliance, Controlling, Purchasing, IT, Human Resources, Accounting, and Legal and Risk Management. In his role, he also holds a position on the Executive Board at the two subsidiaries MLP Finanzberatung SE and MLP Banking AG.

The Supervisory Board, which is required to monitor the Executive Board under German law, comprises six members. Maximilian Lautenschläger, second son of Company founder Manfred Lautenschläger, joined the Group's supervisory bodies in 2018. He has been a member of the Supervisory Board at MLP Finanzberatung SE since March 2018. Matthias Lautenschläger had already been a member of the Supervisory Board at the former MLP Finanzdienstleistungen AG since August 2015. This office ended in May 2018. He was elected to the Supervisory Board of MLP SE at the Annual General Meeting held on June 14, 2018. The other members of the Supervisory Board at MLP SE were also re-elected or appointed by the employees of the MLP Group during the Annual General Meeting. The Supervisory Board at MLP SE therefore comprises the following members: Dr. Peter Lütke-Bornefeld (Chairman), Dr. Claus-Michael Dill, Matthias Lautenschläger and Tina Müller as representatives of the shareholders, as well as Alexander Beer and Burkhard Schlingermann as employee representatives. In addition to this, the Supervisory Board at MLP SE appointed Company founder Manfred Lautenschläger as its Honorary Chairman.

Carsten Hermann became a member of the Executive Board at FEREAL AG, which is part of the FERI Group, on January 1, 2018. His predecessor, Marcel Renné, joined the Supervisory Board at the start of H2 2018. At the same time, Arnd Thorn stepped down from the Supervisory Board at FEREAL AG.

Control system

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

Corporate management

EBIT and revenue as the most crucial key performance indicators

The Executive Board at MLP SE assesses the performance of the various business segments and makes decisions regarding resource allocation on this basis. Earnings before interest and taxes (EBIT) and total revenue (sales revenue) are the central benchmark at MLP for overall business development in the individual business segments. The Executive Board also receives regular information on the macroeconomic, political and legislative factors that influence developments in the individual consulting fields. Analysis of the old-age provision, wealth management, non-life insurance, health insurance, loans and mortgages and real estate brokerage consulting fields is carried out with the objective of explaining the performance of the business segments in the past, anticipating changes in the environment and exerting targeted influence on the future development of the segments. In line with MLP's comprehensive consulting approach, which focuses on the client's views and expectations, the Executive Board manages the Group – however not on the basis of the contribution margin of the individual consulting fields.

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

	Financial consulting	Banking	FERI	DOMCURA
Old-age provision	x			
Wealth management		x	x	
Non-life insurance	x			x
Health insurance	x			
Loans and mortgages	x			
Real estate brokerage	x			

In addition to the revenues from wealth management, interest income also plays an important part in the banking segment.

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

Beside the important key performance indicators of EBIT and revenue, other KPIs include administration costs (defined as the sum of personnel expenses, other operating expenses, as well as depreciation and impairments), the return on equity, assets under management, brokered new business in the old-age provision area, the existing non-life insurance policy portfolio and the number and turnover rate of consultants.

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

Risk management: Important management and control element

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

Key figures and early indicators used by corporate controlling

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

Keeping consultant turnover low

Our objective is not only to win over the best consultants in the industry to our business model, but also to ensure their long-term loyalty to the Company. We therefore continually monitor our employee turnover rate and aim for an annual turnover rate for self-employed consultants of around 10%.

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

Research and development

Since our consulting firm is a service provider, we are not engaged in any research or development in the classic sense. We also make other resources available, for example to develop our own software or refine acquired software. The FERI Cognitive Finance Institute also operates as a strategic research centre and creative think tank within the FERI Group, with a clear focus on long-term aspects of economic and capital market research, as well as asset protection.

ECONOMIC REPORT

Overall economic climate

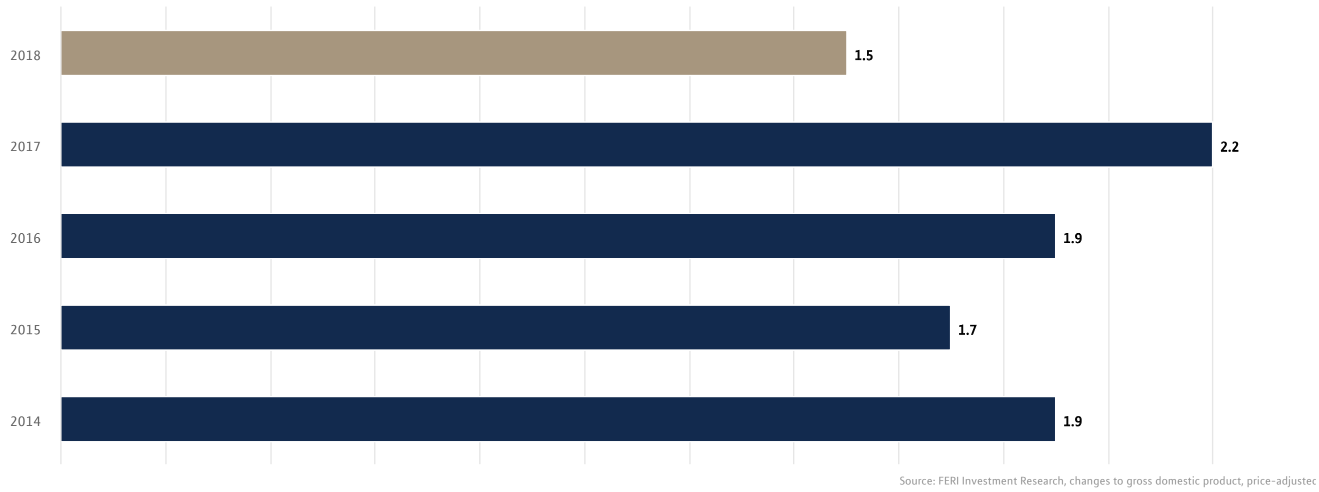
Overall economic situation

The economy in the eurozone displayed weaker growth in the reporting year. In particular, the unfavourable external environment had a negative impact on dynamics. The ongoing international trade disputes with the US and the risk of a disorderly Brexit were perhaps the most important disruptive factors in this regard. According to estimates provided by FERI Investment Research, economic growth for the eurozone was 1.9% (2017: 2.3%).

German economic growth slowing down

The German economy also lost some of its growth dynamics in 2018. Just like the rest of the eurozone, Germany's economy was negatively impacted by the unfavourable framework conditions for foreign trade, while domestic demand remained robust. This was primarily bolstered by positive employment market developments, which led to notable increases in wages and salaries. According to calculations performed by FERI, inflation-adjusted gross domestic product (GDP) in Germany was only 1.5% in 2018.

Economic growth in Germany (in %)



Consumer sentiment of German citizens dampened slightly

Towards the end of the reporting year, the weak economic phase also affected consumer sentiment in Germany. As a result of this, the Consumer Sentiment Index of the German Consumer Research Association (GfK) declined slightly to 10.4 points in December 2018 – descending from its soaring level (previous year: 10.7 points). The sentiment among German company bosses also displayed similar development. The ifo Business Climate Index declined to 102.0 points in November 2018 – from a level of 105.1 points in January 2018. It continued to fall to a level of 101.0 points in December.

Ongoing recovery on the employment market

The upward trend in the German employment market continued. According to data published by Germany's Federal Employment Agency, the annual average number of registered jobseekers fell by 193,000 year-on-year to approximately 2.24 million in 2018. This corresponds to an unemployment rate of 5.2% (2017: 5.7%), which marks the lowest level since German reunification.

According to estimates provided by the Institute for Employment Research of the German Federal Employment Agency (IAB), the number of those in gainful employment displayed a year-on-year average increase of 600,000 in 2018 – to just under 45 million. This increase is primarily based on an increase in jobs subject to compulsory social security contributions.

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

Increasing salaries and wages

The economic situation of private households in Germany remained good. According to data published by the Working Group on Tax Revenue Projection, gross wages and salaries increased by 4.7% in the reporting year, while the disposable income of private households increased by 3.6% according to the 2019 Financial Report of the German government. The savings rate in Germany increased slightly in the last financial year, reaching 10.3% (2017: 9.9%).

ECONOMIC REPORT

Industry situation and competitive environment

Traditionally, the vast majority of MLP's total revenue is generated from the following four core fields of consultancy: old-age provision, wealth management, non-life insurance and health insurance. In the financial year 2018, they made up 93% of total revenue. Revenues in the fields of old-age provision and health insurance are generated in the financial consulting segment. Wealth management revenue is generated in the FERI and banking segments. Alongside the DOMCURA segment, revenue in non-life insurance is also generated at MLP Finanzberatung SE.

The main factors that had a particular influence on the market environment and the results of operations in the aforementioned consulting fields in 2018 are described below.

Old-age provision

In the past year, the market environment in the old-age provision business continued to indicate low interest rates, ongoing reservations on the part of consumers to sign up for long-term policies, as well as the ongoing political discussion regarding reforms to the old-age provision system. In addition to this, there was still a pronounced lack of transparency in terms of the anticipated total pay-outs from statutory and supplementary pension schemes.

Low saving rates and lack of trust

According to the ERGO Risk Report, only one in five Germans know exactly how much pension they will actually receive in retirement. Just under 70% of respondents expect the pension level to decline further in the next ten years. One in two Germans believe that they will need to live a more restricted life following retirement. According to the survey, some 42% of Germans are saving nothing or less than € 50 per month towards their old-age.

Low interest rates

The ongoing period of low interest rates is having a negative impact on German savers. According to the Wealth Barometer 2018 of the Deutscher Sparkassen- und Giroverband Financial Group, one in three Germans (32%) list the European Central Bank's monetary policy as their primary source of concern when saving.

The product landscape in the old-age provision area has undergone radical change as a result of the low interest rate environment. According to data published by the German Insurance Association (GDV e.V.), half of all newly signed old-age provision products are now policies with alternative guarantee solutions. Ratings agency Assekurata expects classic life and pension insurance policies to continue their decline and only account for one quarter of all new business in 2018.

Product landscape undergoing change

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

Difficult framework conditions discernible in all three tiers

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

- Basic provision: Statutory pension and basic pension
- Supplementary pension provision: Riester pension and occupational pension provision
- Additional private pension provision: Pension and life insurances, capital market products

Alongside the statutory pension, basic provision (1st tier) also includes the basic pension, the premiums for which can be offset against income tax. Apart from employees, the basic pension is primarily aimed at self-employed persons and freelancers that are not obliged to pay into the statutory pension insurance fund. The maximum tax-deductible amount in 2018 was € 23,712 for single persons (€ 47,424 for married couples). In 2018, taxpayers were able to offset 86% of the capital they paid in as special expenses for basic provision.

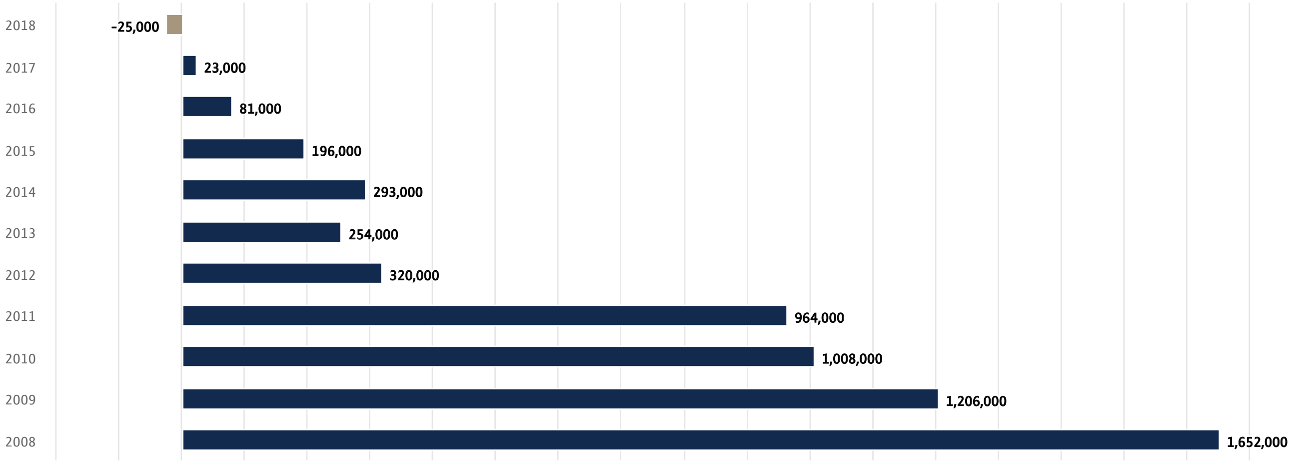
Improved incentives for basic pension not having any impact

Despite this significant tax incentive, data published by the German Insurance Association (GDV) indicates that only 76,200 new basic annuity contracts had been concluded throughout the market by the reporting date on December 31, 2018 (2017: 81,000). This corresponds to a decline of 6.2%.

The supplementary pension provision (2nd tier) essentially comprises the Riester pension and occupational pension provision. The legislation on strengthening occupational pension provision in Germany (BRSG), which came into force on January 1, 2018, sets a higher basic allowance of € 175 per year for the Riester pension (previously: € 154). Despite this improved support, which makes the Riester pension more attractive than ever as an option for supplementary old-age provision, the number of new contracts actually declined in the reporting year. According to the German Federal Ministry of Labour and Social Affairs, the total number of Riester contracts in place at the end of the Q3 2018 was 16.57 million – which represents 25,000 fewer contracts than on December 31, 2017. As had already been the case in previous years, there was a clear focus on "Wohn-Riester" home annuity policies and investment fund policies among new contract signings. The number of insurance policies, on the other hand, displayed a pronounced downward trend.

Growth only in investment funds and "Wohn-Riester" (home annuity policies)

Development Riester pension contracts (2008 to 2018)



Date: September 30, 2018, Source: German Federal Ministry of Labour and Social Affairs

Occupational pension provision: Greater support by law

As a result of the legislation to strengthen occupational pension provision in Germany (BSRG), which came into force on January 1, 2018, there is now greater focus on occupational pension provision among both employers and policyholders. According to a survey carried out by consultancy company Willis Towers Watson, three quarters (74%) of employees would like their employer to assume a leading role in the field of old-age provision. A survey undertaken by Generali Versicherungen AG also indicates that one in four (24%) small and medium-sized companies in Germany is currently keen to extend its occupational pension provision to take advantage of the options provided by the BRSG legislation. Just under half of all small and medium-sized companies (49%) are still undecided as to how they should proceed.

The Forecast section provides further information on the improved state subsidies/allowances that apply from 2019 onwards on the basis of the legislation on strengthening occupational pension provision in Germany (BSRG).

Life and pension insurance policies less in demand

The 3rd tier is continuing to display rather stifled development, above all in terms of classic life and pension insurance policies. According to the German Insurance Association (GDV e.V.), the number of new contracts was below the previous year's level (-19.2%).

Total market showed slightly positive developments

Despite the difficult market environment described and ongoing public reservations in regard to signing long-term contracts, provisional figures provided by the German Insurance Association (GDV e.V.) indicate that the brokered premium sum of new business in the reporting year was € 149.9 billion, which is only slightly above the previous year's low figure in the mid-term comparison (€ 144.2 billion).

Wealth management

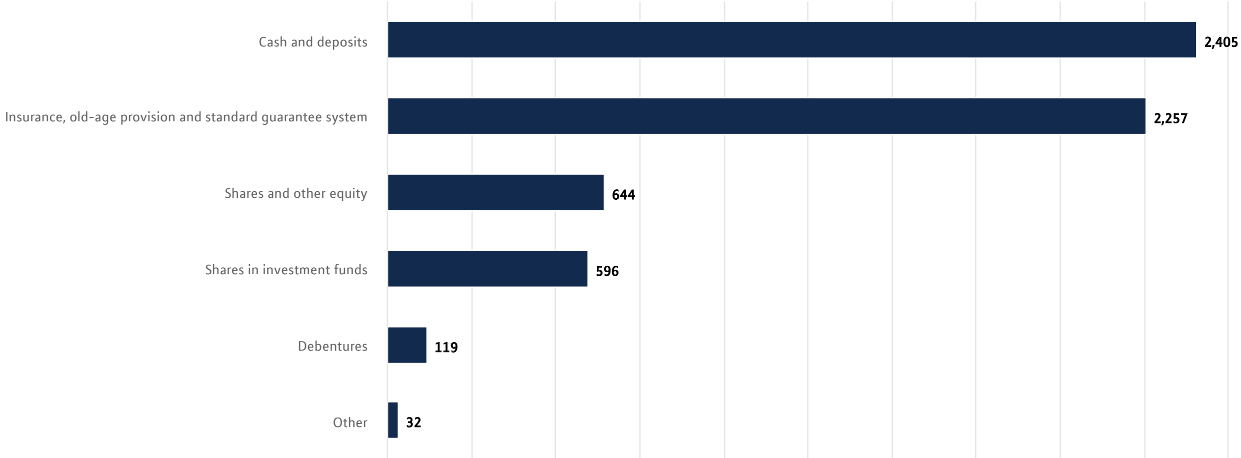
In the reporting year, the market environment in the wealth management area was characterised by the ongoing period of low interest rates and at times high volatility on the stock markets. Having displayed very positive development in the last ten years, the period of continuous upward movement in the stock markets came to an end in the reporting period. This was due to the global slowdown in economic growth, a retreat from the expansive monetary policy by numerous central banks, the impending escalation in the trade disputes between the US and China, geopolitical conflicts, as well as increasing tensions in the eurozone.

According to the Global Wealth Report 2018 of the Boston Consulting Group, global private financial assets rose by 7.1% in 2017 on a currency-adjusted basis. In Germany, private assets displayed significantly lower growth of just 4.3% in the same time period.

According to data published by the Deutsche Bundesbank, the monetary assets of private households in Germany surpassed the € 6 trillion mark for the first time. Indeed, the figure rose to € 6.053 billion in the third quarter of 2018. Despite pronounced inflows into shares and investment fund shares, private households therefore still prefer liquid investments or those regarded as low-risk.

Private households wealthier than ever before

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

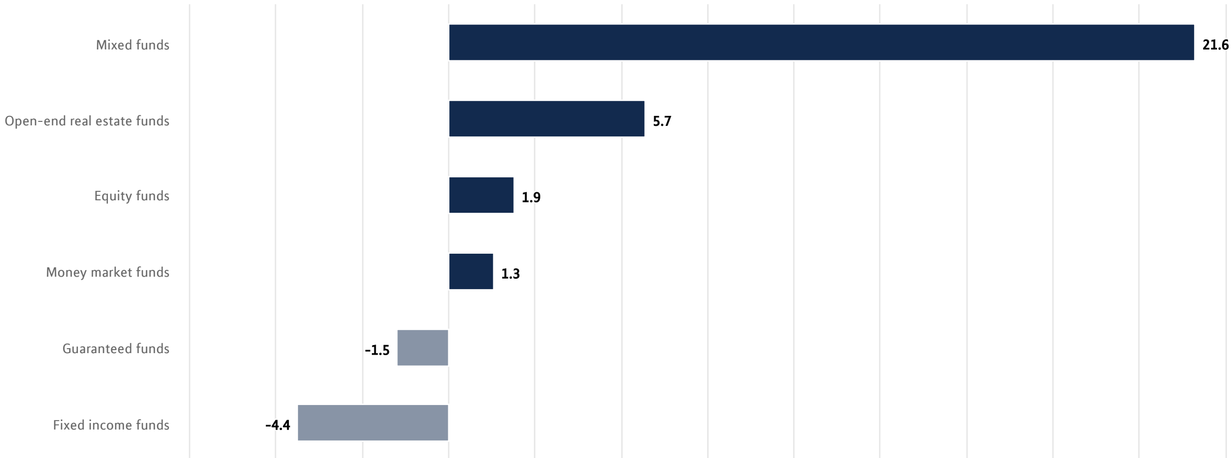


Source: Deutsche Bundesbank as at September 30, 2018

A net total of € 100.7 billion flowed into the German fund industry by the end of November 2018. The sales list of open mutual funds is headed by mixed funds at a volume of € 21.6 billion. With new inflows of € 5.7 billion, asset-based funds take second place, followed by mutual equity funds at € 1.9 billion. Investors withdrew a total of € 4.4 billion from fixed income funds. The fund industry in Germany manages total assets in excess of € 3 trillion.

Mixed funds head the sales list

Cash inflows and outflows of various types of mutual funds in Germany from January to November 2018 (in € billion)



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

According to the Wealth Barometer 2018 of the DSGV (German Savings Bank Association), Germans are more satisfied than ever with their financial situation. Based on this, almost two thirds of respondents rate their own financial situation as "good" or even "very good". Only 8% stated that they are "unhappy" or "very unhappy“ with their financial situation. The findings of the survey suggest that Germans are becoming increasingly carefree when it comes to saving. Despite the ongoing period of low interest rates, a growing percentage – now almost 40% – are not worried about saving (previous year: 25%).

Germans are satisfied with their financial situation

The market for providing consulting and asset management services to high net-worth individuals, in which the MLP Group is active through FERI, has become more complex and fiercely contested since the financial and economic crisis. The competitive environment indicates ongoing consolidation in wealth management and in private banking in particular. At the same time, the continuing low interest rate environment in the market is also leading to keener price awareness among clients.

Ongoing consolidation in private banking and wealth management

As a result of the ongoing low interest rate environment and the rising risks on the stock markets, institutional investors are showing increasing interest in alternative investments, an area in which FERI has extensive expertise. A survey conducted by the German Association of Alternative Investments (BAI) indicates that the majority of institutional investors increased their activities in regard to alternative investments in the reporting period. In most cases, the intention was to further diversify portfolio holdings. Yet the desire for greater returns also played a part. In terms of alternative investments, institutional investors focused primarily on real estate, infrastructure and private equity according to the German Association of Alternative Investments (BAI).

Institutional investors show increased commitment to alternative investments

Non-life insurance

The non-life insurance business has become more important for independent brokers in the last few years. According to a survey conducted by AssCompact, in 2018 three quarters (75%) of brokers surveyed assigned high or very high importance to the private non-life insurance business. In 2015, this figure was just 40%. From a brokerage perspective, the non-life insurance business makes a key overall contribution to securing and expanding the portfolio base. Almost a third of respondents stated the revised broker's commission in the life insurance business as a key reason for this development.

In particular, household contents and liability insurance policies continue to be reliable sources of revenue in the private client business thanks to legacy portfolios. The topic of smart homes is becoming increasingly important in the household contents and residential building segment.

Based on estimates provided by Assekurata, providers are also increasingly focusing on the commercial insurance segment. Indeed, they are currently developing numerous new product strategies to reposition themselves in the commercial market and benefit from the existing growth potential. The portfolio of industry solutions is therefore growing accordingly. Assekurata is currently observing two key trends in the commercial market. The first is a focus on the target group of small and medium-sized companies (SMES), while the second revolves around greater digital support for brokers.

Commercial insurance policies coming into focus among providers

Germans continue to display a high degree of willingness to switch car insurers. According to the latest survey conducted by market research institute YouGov, more than one in five motor vehicle policyholders (20.8%) in Germany has already considered switching car insurance providers. This corresponds to some 9.15 million motor vehicle policyholders willing to make the switch.

High degree of willingness to switch vehicle insurance policies

Natural hazards, such as storms, hail, flooding and heavy rain, caused damage with a total value of € 2.9 billion in the non-life and vehicle insurance segments in 2017. The German Insurance Association (GDV e.V.) is anticipating a similar development for 2018. According to the "Natural Hazards Report 2018", the damage to residential buildings due to storms, hail and heavy rain amounted to € 1.3 billion in the first six months of 2018, a level normally expected for the year as a whole.

Costly damage caused by forces of nature

The costs associated with flood damage to residential buildings and their contents are only covered by insurance companies when an extended insurance policy covering natural hazards or elemental damage is in place. According to the German Insurance Association (GDV e.V.), however, only 41% of buildings throughout Germany are currently insured against such damage.

Based on provisional figures of the German Insurance Association (GDV), growth in the property and casualty insurance segment remained stable in the reporting year. For 2018, the GDV is anticipating an increase in premium income of 3.3%.

Non-life insurance business continues along its positive growth path

Health insurance

Health insurance continued to face a difficult market environment in the financial year 2018 – particularly in the case of comprehensive private insurance. According to data published by the Association of Private Health Insurers (PKV), the number of persons holding comprehensive health insurance policies has been in decline since 2011. Based on provisional figures as at December 31, 2018, the number of policyholders (8,74 million) was down by around 13,000 (-0.15%) compared to the previous year. Notwithstanding this, according to the "Continentale Survey 2018" around 89% of those with private insurance are satisfied with the performance of their current provider and 75% are satisfied with the price of their current provider.

Fewer holders of comprehensive health insurance policies in Germany

The average premium rate for statutory health insurance was 15.6% in 2018. Alongside the statutory contribution rate of 14.6%, the healthcare funds add an average additional premium of 1.0%, which until now always had to be paid in full by the employees. However, this will change in the coming year. You can read more on this in the Health Insurance Forecast.

Out-of-pocket payments and co-payments for individual healthcare services have long since been standard for those with statutory health insurance. According to the latest report of the Medical Service of the Health Funds (MDK), half of all policyholders are offered individual healthcare services that they must finance themselves when visiting the doctor. Indeed, statutory insurance policyholders together pay around € 1 billion every year at German medical practices for services of this kind.

Statutory health insurance policyholders pay extra

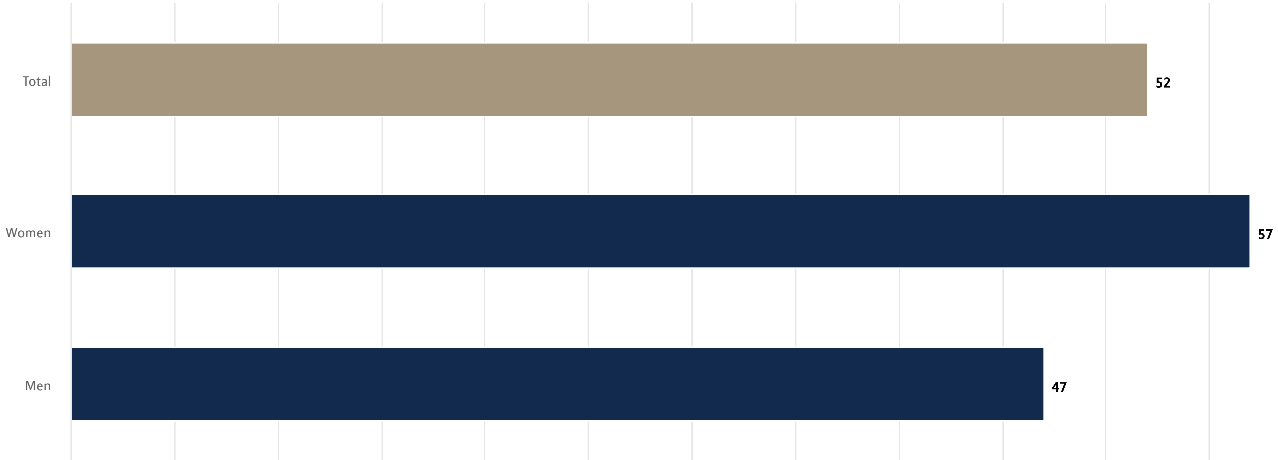
More and more policyholders are continuing to take out private supplementary insurance policies as a way of topping up the scope of services covered by the statutory health insurance system. According to provisional figures provided by the Association of Private Health Insurers (PKV-Verband), the number of policies rose to 25.82 million in 2018. This corresponds to a growth rate of 1.18% relative to 2017. With just under 15.7 million policies in place at the end of 2017, dental plans are by far the most popular supplementary insurance policies brokered. The number of these policies increased by 1.9% in 2017.

Supplementary insurance policies on the rise

Supplementary long-term care insurance was another growth driver in the sector. However, the net increase in terms of both state-supported ("Pflege-Bahr“ private long term-care insurance with daily cash benefits) and unsubsidised supplementary long-term care insurance policies was approximately halved in 2017. According to estimates provided by Assekurata, one reason for this could be that many providers did not increase their premiums as part of the Second Act to Strengthen Long-term Care. The number of tax-privileged policies increased by 56,800 in 2017 (7.3 %) to around 834,000 contracts. The number of unsubsidised supplementary long-term care insurance policies rose by 56,100 (2.1 %) to 2.73 million. A recent survey undertaken by R+V-Versicherung shows that the topic of care is an important issue. Based on this survey, half of all German citizens are worried about needing long-term care in their old age.

Increase in private long-term care insurance policies

The percentage of Germans stating that they are very worried about needing long-term care in their old age



Source: Study of R+V Versicherung survey, 2018

Real estate

The real estate market in Germany enjoyed very positive growth, primarily due to the ongoing period of low interest rates observed in the last few years. Real estate became increasingly important both as an investment and for owner-use. According to the Wealth Barometer 2018, almost a third (31%) of German citizens believe that real estate is the most suitable form of capital accumulation.

Rising property prices

The price level of real estate presents a challenge. According to data published by the Association of German Pfandbrief Banks (vdp), the prices for freehold apartments have seen double-digit percentage rises, especially in the big cities. The survey indicates that Berlin heads the list, as apartments have increased by an average of 15.6%, followed by Frankfurt am Main (12.5%) and Hamburg (11.4%). Taking the average throughout Germany, purchasers would have had to pay around 7% more for freehold apartments at the end of 2017 than was the case one year previously.

High demand for micro-apartments in major cities

The rents for micro-apartments, such as those used by students, have increased by up to 67% over the last eight years, as highlighted in a recent survey by the German Institute for Economic Research (DIW). The increase was particularly pronounced in major cities such as Munich, Berlin, Heidelberg, Cologne and Frankfurt. The survey goes on to state that this can be attributed to the general influx into the cities and the resultant scramble for living space among students, young professionals, commuters and senior citizens.

Apartment construction remains on growth trajectory

The growing demand for apartments saw construction work increase in Germany in the reporting year. According to data published by the German Federal Statistical Office, around 233,100 new-build apartments were approved throughout Germany in the first nine months of 2018. This represented 3.2% or 7,200 apartments more than in the same period of the previous year. Above all, building licences for apartments in blocks saw an increase (+8.3%).

According to experts from the German Institute for Economic Research (DIW), however, the overall economic risks of the current property boom are still fairly low, as German banks are very risk-conscious in their lending policies, financing of property purchases is solid and private debt is low in Germany. Please refer to the chapter entitled → "Economic report on loans and mortgages" for further information on this.

Loans and mortgages

The mortgage lending rates in the last three years are the lowest seen for forty years. This is because the European Central Bank (ECB) has held the prime rate steady at 0% since March 2016, despite announcing an exit from the quantitative easing programme in the reporting period. Although the interest rates for 10-year property loans have risen slightly since their historic low in the autumn of 2016, they remain at a very low level.

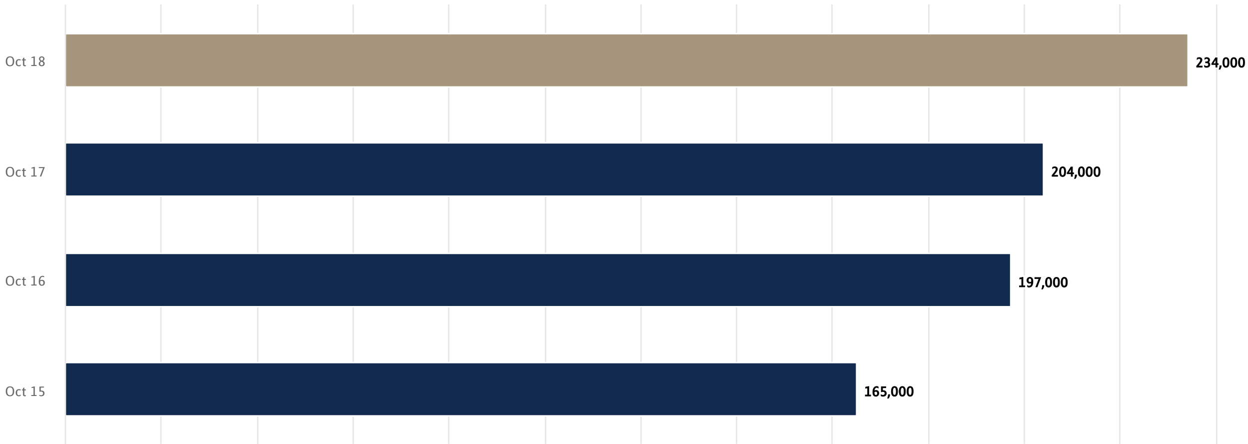
The loans issued to companies and self-employed persons in Germany increased significantly in the third quarter of 2018. According to data provided by the experts at Deutsche Bank Research, the lending business increased by € 15.2 billion or 1.2% between July and September 2018. Compared with the corresponding basis from the previous year, the increase was 5.4%. This kind of dynamic lending growth was last seen almost 20 years ago.

Level of property financing enjoys sharp increase

As a result of the low interest rates and increased property prices in Germany, the average amount borrowed by property purchasers to finance their own home or their investment rose sharply. According to data provided within the scope of the Dr Klein Trend Indicator for Mortgage Lending (DTB), the average mortgage in October 2018 was € 234,000 – and therefore € 30,000 or 14.7% higher than in the previous year. It has actually increased by around 42% overall in the last three years (see chart).

Mortgage amounts at record level

Average mortgage amount in €



Source: Dr. Klein Trend Indicator for Mortgage Lending (DTB

Average age of mortgage applicants lower

Borrowers taking on their first mortgage are becoming younger and younger. Indeed, the average age throughout Germany fell from 48 to 39 in the last ten years, as shown by research undertaken by Dr. Klein Privatkunden AG.

Family housing grant ("Baukindergeld") for home buyers

The German government introduced the "Baukindergeld" family housing grant scheme on September 18, 2018. The objective here is to help young families purchase or build their own home. Families whose total income is below the € 90,000 per year threshold and have one child qualify for this new scheme. This threshold is increased by € 15,000 per child. The state pays an annual grant of € 1,200 per child over a period of up to 10 years.

You can find more detailed information on this in the "Loans and mortgages" forecast.

Competition and regulation

The competitive situation in the German market for financial services did not change significantly for the MLP Group in 2018 compared to the previous year. The sector remains very heterogeneous and is characterised by consolidation trends. The providers include numerous financial service providers, single agents, banks, insurance companies and free finance brokers. However, the quality of consulting provided by these companies can vary quite markedly.

Start-up dynamics starting to wane at fintechs

In addition to this, competitive pressure is growing throughout the entire sector as a result of direct sales and fintechs. However, the start-up dynamics have waned significantly according to the "Comdirect FinTech Survey 2018". In 2018, only 42 newly founded companies had been established by the end of the 3rd quarter, compared with 96 in the entire previous year. The highest number recorded was 160 in 2015. Many German fintechs have now entered into cooperations with companies from the banking or insurance sectors. Based on a survey undertaken by PricewaterhouseCoopers (PwC), there are currently more than 850 such cooperations in place.

Regulatory requirements have increased

Over the last few years the legislator has exerted major influence on the market for financial services and therefore also on MLP's market by imposing regulations such as the Financial Instruments Directive II (MiFID II), the Insurance Distribution Directive (IDD), the 4th EU Money Laundering Directive, the Investor Protection Act, the Financial Investment Broker Act, the Fee-Based Investment Advice Act, the Life Insurance Reform Act (LVRG) and the EU Mortgage Credit Directive. The legislator's objective is to protect consumer interests and prevent both money laundering and financing of terrorist activities. Among other things, it sets out comprehensive further training, documentation, qualification and transparency requirements for brokers of financial products. These measures mean that the provision of consulting services takes longer, which in turn puts pressure on product margins. Regulations in the field of product development and selection (product governance), the introduction of product information sheets for packaged investment products, as well as further information, clarification and record-keeping requirements are increasing the complexity of the consultancy and brokerage business. Implementation of uniform and efficient consultancy, application and documentation processes now represents an important competitive factor in the sector.

Effects of the Life Insurance Reform Act (LVRG) on the test bench

Changes relevant for MLP already came into force in 2015 with the Life Insurance Reform Act (LVRG). The effects of these could also be felt in the reporting year. The paramount objective of the Life Insurance Reform Act (LVRG) was to secure stable and fair benefits for life insurance policyholders. This was checked by the Federal Ministry of Finance (BMF) within the scope of a regular evaluation as of January 1, 2018. The initial conclusions in the evaluation report are positive. However, the BMF still sees a need for further improvement with regard to the level of acquisition costs, determination of the actual costs, as well as profit and loss transfer agreements. Life insurers are still being expected to make further efforts to reduce their costs, despite the fact that the BMF is stipulating a reduction in acquisition commission and measures already implemented such as the extended cancellation liability periods have not yet taken full effect. Capping of acquisition commission is listed as a suitable action in the evaluation report – albeit without giving any specific details. The political discussion on this is ongoing. A draft bill of the German Federal Ministry of Finance (BMF) is anticipated around the spring of 2019 and will then be subjected to the parliamentary process. However, official introduction of any potential legislation is not expected before 2020. You can find more detailed information on this in the section → "Forecast on regulation".

MLP actually welcomes the requirement to disclose effective costs, as well as the fact that no flat-rate cap has yet been introduced for acquisition commissions. A drop in acquisition commissions was already observed throughout the market in both 2015 and 2016, indicating that margin pressure is increasing overall. This continues to primarily affect small providers and those with little focus on quality. MLP benefits from high-quality consulting in the target group which, among other things, leads to lower cancellation rates. Margin pressure can also be felt at MLP, albeit to a lesser extent thanks to the high-quality consulting on offer.

In June 2017, the German Bundestag passed the legislation on strengthening occupational pension provision in Germany (BRSG), which could provide positive stimulus for this segment. The BSRG legislation has also made occupational pension provision more attractive for small and medium-sized employers, as well as their employees. The key aspects of the legislation focus on a compulsory employer's contribution to new deferred compensation from January 1, 2019, as well as increasing the tax subsidy base from 4% to 8% of the income threshold and a direct state subsidy contribution for low earners. You can find more detailed information on this in the → "Forecast" section under regulation.

Legislation to strengthen occupational pension provision in Germany (BSRG) is having the desired effect

The Markets in Financial Instruments Directive II (MiFID II) was introduced on January 3, 2018. Alongside direct application of numerous new European provisions, this also harmonised existing national provisions with European law. The amendments of the MiFID II regulations have fundamental effects on the business model of securities service enterprises.

Greater transparency and better investor protection in focus

Existing processes were therefore reviewed in the reporting year and adapted to the new requirements, which proved quite costly in certain areas. This was particularly true of consultancy and product structures. In some cases, products had to be formally redeveloped and IT processes implemented to comply with the new provisions. This has led to and will continue to lead to significant implementation costs for MLP. Thanks to its position and the preparatory work undertaken, MLP was able to comply with the key requirements very effectively.

The German Bundesrat already formally approved transposition of the IDD into German law in 2017. The legislation then came into effect on February 23, 2018. It provides new rules for greater transparency and improved consumer protection in insurance sales. Implementation of the IDD also requires insurance brokers to attend 15 hours of further training each year. No major effects on MLP's business model are to be anticipated, as continuous further training of consultants has always been a key aspect of operations at MLP. Yet despite this, MLP – just like all other market members – had to implement comprehensive, process-based adjustments to comply with the IDD provisions.

New Insurance Distribution Directive (IDD) has come into force

As of August 1, 2018, the new law for introduction of a professional licencing scheme for commercial estate agents and residential property managers came into force on August 1, 2018. This will be the first time that property managers have had to comply with such professional licencing requirements. In addition to the existing licencing requirement already in place, estate agents must now also comply with a duty to attend further training. Starting in the reporting year, property managers and brokers must be able to prove that they have attended 20 hours of further training within the last three years.

Duty to attend further training for estate agents

The Investment Tax Reform Act (InvStRefG) came into force on January 1, 2018. Alongside the provisions under European law on equal treatment of domestic and foreign investment funds, its objective is primarily to simplify the taxation of mutual funds at investor level. This took effect for the first time at the start of 2019.

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

Stricter banking regulations in Europe

The second phase of transposing the 4th EU Money Laundering Directive into national legislation led to further key regulatory requirements for MLP in 2018.

As of May 25, 2018, the regulations for processing personal data have been harmonised throughout the EU and the data protection requirements for both private companies and public sector institutions significantly extended with the introduction of the General Data Protection Regulation (GDPR). This has led to a wide range of new requirements for MLP with regard to reporting processes, statements of accounts, protective measures, information disclosure requirements, process documentation, as well as a significantly extended sanctions regime in the event of infringements. The implementation costs, in particular those relating to IT, will also continue in 2019.

Regulatory environment remains challenging

The regulatory developments certainly represent a challenge overall. After all, the aforementioned combination of generally declining commission income per contract and increasing unit and administration costs – together with increased price sensitivity among clients – can also negatively impact the profitability of MLP's business model. Irrespective of this, MLP is very well-positioned in relative comparison with other market actors.

Demand for independent consulting services remains high

According to the latest sales channel survey conducted by corporate consultant Towers Watson, independent brokers were the second most important consulting sector in the industry in terms of life insurance policy sales. Their market share of brokered new business was 29.3%. Tied agents, which represent just one company, took 1st place with 32.5%, while the banks came in third with 28.4%.

The latest figures from Towers Watson indicate that independent consultants such as MLP also continue to play a key role in the brokerage of private health insurance policies. With a market share of 37%, they are the second most important consultant group after the tied agents (49%).

Business performance

The MLP Group ended the financial year 2018 on a successful note and met its targets. Total revenue increased by 6.0% over the previous year. We were also able to increase sales revenues in all fields of consulting.

We have expanded the wealth management area into a key revenue pillar of the MLP Group over the last few years. FERI continued its successful course of the last few years in the reporting period and reinforced its position as a leading independent investment company. Despite operating in volatile markets, FERI recorded generic growth in all core business areas for the fifth year in succession. FERI was able to win new mandates and expand existing business relations among both private and institutional clients. The consulting and service portfolio was consistently expanded, above all in the areas of investment management, alternative assets and real assets (for example private equity and real estate). FERI also strengthened its presence in Switzerland in the reporting period. The subsidiary Michel & Cortesi Asset Management AG in Zurich was renamed FERI (Switzerland) AG with this objective in mind.

Total revenue generated by FERI in the wealth management area was above the previous year's level. We also recorded a significant increase in revenue in the wealth management area in MLP's private client business. The total assets under management throughout the Group are above the previous year's level.

In the old-age provision area, the ongoing period of low interest rates and critical media reports on life insurers were the principal factors that continued to lead to pronounced reservations in regard to signing long-term contracts. MLP was quick to adapt to the growing importance of new guarantee products, which clients are requesting increasingly often as alternatives to conventional products. Indeed, these guarantee products already accounted for 76% of all newly concluded contracts at MLP in the past financial year. The occupational pension provision business also provided positive stimulus here, primarily due to the new legislation on strengthening occupational pension provision in Germany (BRSG). You can also find further information on the legal amendments in the chapter entitled "Regulation".

Contrary to the trend in the industry, the total revenue generated in the old-age provision area in the financial year 2018 was actually above the previous year's level. This sub-proportional revenue development in comparison with new business can essentially be attributed to effects resulting from the new IFRS 15 accounting standard, which has been in force since January 1, 2018. Although the initial adoption effect to be recognised in shareholders' equity actually led to an increase in shareholders' equity, the new standard had a negative impact on revenue, particularly in the first half of the year.

As anticipated, we were able to increase revenue in the non-life insurance area in 2018 over the previous year following successful completion of the DOMCURA integration. Among other things, positive stimulus was provided here by our already established product bundles, which we further optimised and adapted to market conditions in the reporting year, as well as a new building insurance policy for single-family homes offered by DOMUCRA. In addition to this, DOMCURA successfully launched an innovative insurance product on the basis of blockchain technology in the form of "digital luggage insurance". We went on promoting the integration and interaction between MLP and DOMCURA in 2018. At the same time, the business of DOMCURA with other market actors continued to develop positively.

In the health insurance area, we continued to encounter reservations throughout the market in terms of signing new comprehensive private insurance policies. Factors such as premium increases in the segment and critical media coverage contributed to this development. Private supplementary insurance policies, on the other hand, performed very well, in particular supplemental dental and care policies. Despite the difficult framework conditions, our revenue in the health insurance segment was above the previous year's level.

As anticipated, we were able to increase our revenue in the real estate brokerage area significantly in 2018 compared to the previous year. The main reasons for this positive development were the systematic expansion and ongoing diversification of our real estate portfolio. Alongside the listed buildings sector, we also significantly extended our portfolio of new buildings, as well as existing and concept-driven properties (microliving, properties with nursing care) in the financial year 2018.

In the property financing area, we were able to increase our revenue once again over the already high level recorded in the previous year – primarily as a result of the low interest rate environment.

Diversification of revenue streams is progressing

In the course of diversifying our business model and integrating the DOMCURA Group, we have been able to expand the wealth management and the non-life insurance business into key revenue pillars in the last few years. We also made significant progress in the real estate brokerage and loans and mortgages.

Number of clients showing pleasing development

New client acquisition developed very positively in the reporting year. MLP was able to acquire 18,266 new family clients in 2018 (19,800). Around 29% of these new clients were acquired online. As of December 31, 2018, the MLP Group served 541,150 family clients (529,100) and 20,892 corporate and institutional clients (19,800).

Establishing a digital culture

Digitalisation of all divisions in the MLP Group is making good progress and will also play an important strategic role over the course of the next few years. The needs of clients, as well as consultants and employees are crucial for developing our digital offering. To promote digital workflows throughout the MLP Group and gradually establish a digital culture, we launched a Digital Board with a Digital Officer and a Digital Task Force in the reporting year. An IT mission was also drawn up for the year 2022 in the last financial year. Above all, this includes provision of innovative IT products and services for clients, as well as consultants and employees at the Company HQ. You can find further information on this in the section entitled → "Anticipated business development".

New client acquisition via the web

Within the scope of its digitalisation strategy, MLP continued to expand and intensify its presence on the web and social media platforms such as Facebook, Instagram, YouTube und Twitter in 2018. To further strengthen its online acquisition activities, MLP intensified its cooperation with Uniwunder GmbH in the reporting year and increased its holding in the start-up to 49%. Uniwunder has a great deal of expertise in the field of performance marketing and helps ensure that our seminar offers reach the right target group. Indeed, thanks largely to this, MLP was able to attract around 29% of its new clients online in 2018.

Digital support for consultants

In terms of client acquisition via online channels, consultants receive comprehensive support from a lead management tool that we also launched in 2018. This is used to record seminars and contacts directly and organise the scheduling of further appointments. Central and partially automated management of contacts helps lighten the load on consultants.

In addition to this, we set up a new telephone system in 2018, with which our client consultants can also be contacted via an app or smartphone. We also simplified important workflows for our consultants, for example via further digitalisation of brokerage post, expansion of electronic signatures to include securities orders, as well as portfolio transfers via app.

Online client portal being extended in stages

We gradually extended our online client portal, which was redesigned in April 2017, throughout the last financial year. The portal offers clients all financial information at a glance and provides them with a clearly structured overview of their income and expenditure, for example in a personal budget book. A further step-by-step expansion of the functionality is planned for the next few years. You can find further information on this in the section entitled → "Anticipated business development".

Realignment of the university segment

Recruiting new consultants was a key priority in 2018. The focus on the university segment, which was established in 2017, provided positive dynamics for recruiting new consultants. In 2018, MLP recorded net growth in consultant numbers for the first time in more than ten years. Thanks to measures designed to accompany and support this, such as a modular training programme or increased online recruitment, we were able to recruit additional young consultants and new clients in this field. You can find further information on this in the section entitled → "Employees and self-employed client consultants".

Consistent efficiency management programme supports growth strategy

Since 2016, MLP has implemented comprehensive efficiency measures to reduce the cost base significantly. We consider the level that has now been reached to provide the basis in the coming years for a consistent cost management.

Results of operations

Development of total revenue

Despite the tough market conditions already described, the MLP Group was able to increase total revenue in the last financial year by 6.0% to € 666.0 million (€ 628.2 million). Total revenue therefore reached its highest level in the Group structure since we sold our own insurers. MLP benefited from the significant diversification of its revenue basis over the course of the last few years and recorded gains in all consulting segments. This growth was primarily driven by the increase in commission income from € 589.9 million to € 624.8 million. As a result of the ongoing low interest rate environment, revenue from the interest rate business remained below the previous year's figure at € 17.3 million (€ 18.9 million).

Total revenue increased

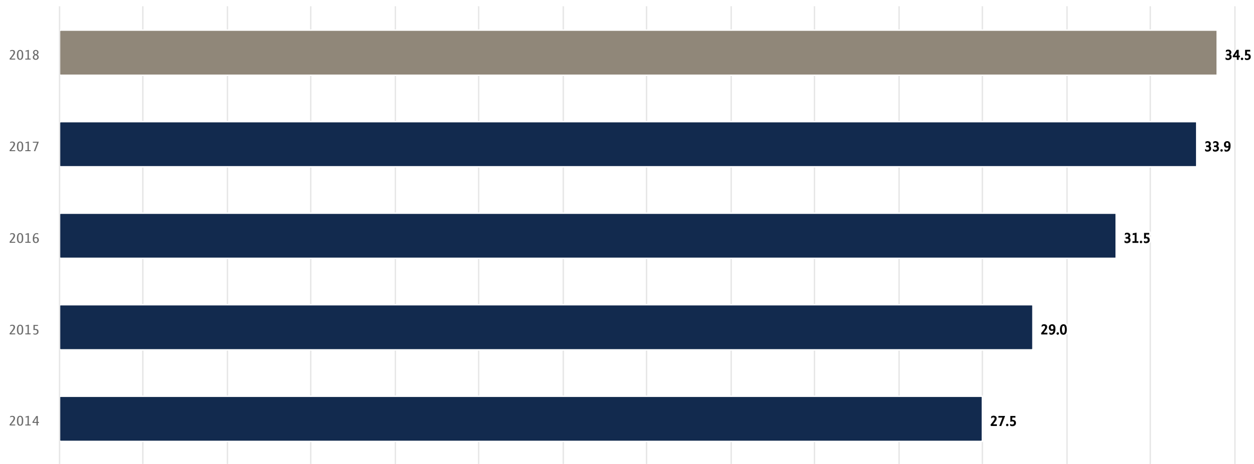
Despite market conditions that remain challenging, we were able to increase revenue in the old-age provision area by 2.0% to € 212.3 million (€ 208.1 million). This increase can be attributed to growing new business, whose premium sum rose by 6.0% from € 3,408.8 million to € 3,614.1 million. Occupational pension provision enjoyed positive proportional development, representing 15.4% (15.0%) of the premium sum at the end of the year. MLP is continuing to play a pioneering role in the transition to new guarantees. Pension insurance policies with classic guaranteed interest rates now account for just 4.0% of newly brokered contracts at MLP. The proportion of new guarantees was 76.0%, while purely unit-linked contracts accounted for 20.0%.

Growth once again recorded in the old-age provision area

The MLP Group was once again able to record gains in the wealth management area, with revenue rising by 6.0% to € 202.0 million (€ 190.6 million). Assets under management rose to € 34.5 billion (€ 33.9 billion). This reflects gains both at our subsidiary FERI and in MLP's private client business, despite operating in weak markets.

Wealth management sets new record

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



Revenue in the non-life insurance area increased again in the last financial year. It rose by 9.5% to € 120.3 million (€ 109.9 million). The portfolio of non-life insurance policies enjoyed positive growth. The premium volume received through the MLP Group rose to € 385.6 million (€ 360.1 million).

Non-life insurance enjoys continued growth

Revenue in the health insurance area increased to € 47.7 million (€ 45.9 million), which represents an increase of 3.9% compared to the previous year. MLP therefore enjoyed positive growth, despite widespread reservations in the market about taking out fully comprehensive private health insurance policies.

Health insurance above previous year

We were also able to record significant growth in the real estate brokerage area, which we have been expanding since 2014. Revenue increased by 43.6% to € 20.1 million (€ 14.0 million) in this area.

Real estate brokerage displaying strong growth

We also reached a new record level in the brokerage of loans and mortgages. Revenue here improved to € 17.8 million (€ 17.0 million). At € 1,806.0 million, the brokered financing volume reached a new record level (€ 1,728.4 million).

Loans and mortgages remain positive

Despite ongoing capital expenditure to further strengthen our university segment, and thereby to boost future sales revenue and earnings potential, our EBIT was € 46.4 million (€ 37.6 million). This means that we have reached our target of stable development relative to previous year's operating EBIT (€ 46.7 million). The previous year's figure also included one-off expenses of € 9.1 million in connection with further optimisation of the Group structure.

Forecast met

Analysis of the revenue performance

Sales revenue increased to € 642.1 million (€ 608.7 million) in the reporting period. Commission income, which rose from € 589.9 million to € 624.8 million, played a key part in this. This increase was supported by all consulting fields, but in particular by real estate brokerage, non-life insurance and wealth management. Other revenue increased to € 23.8 million (€ 19.4 million). The increase can essentially be attributed to one-off higher income from VAT refunds that were accrued in the banking segment. This is offset by an item in other operating expenses in the Holding segment. This is essentially due to subsequent recognition of the VAT unity within the MLP Group. Total revenue rose to € 666.0 million (€ 628.2 million).

Development of total revenue (all figures in € million)

Interest income declined to € 17.3 million in the last financial year due to the ongoing period of low interest rates (€ 18.9 million). The old-age provision area continued to make the greatest contribution in terms of commission income. In light of the successful diversification of the revenue basis, this was still 34.0% (35.3%), closely followed by the wealth management area at 32.3% (32.3%) and non-life insurance at 19.3% (18.6%). The following table provides a detailed overview.

Real estate brokerage displaying significant growth

Breakdown of revenue

All figures in € million	Share in %	2018	Share in %	2017	Change in %
Old-age provision	34%	212.3	35%	208.1	2.0%
Wealth management	32%	202.0	32%	190.6	6.0%
Non-life insurance	19%	120.3	19%	109.9	9.5%
Health insurance	8%	47.7	8%	45.9	3.9%
Real estate brokerage	3%	20.1	2%	14.0	43.6%
Loans and mortgages	3%	17.8	3%	17.0	4.7%
Other commission and fees	1%	4.6	1%	4.4	4.5%
Total commission income		**624.8**		**589.9**	**5.9%**
Interest income		17.3		18.9	-8.5%
Total		**642.1**		**608.7**	**5.5%**

Analysis of expenses

Commission income above the previous year

Commission expenses primarily comprise performance-linked commission payments to our MLP consultants. They represent the largest item under expenses. This item also includes the commissions paid in the DOMCURA segment. The variable expenses result from the compensation of brokerage services in the non-life insurance business. Added to these are the commissions paid in the FERI segment, which in particular result from the activities in the field of fund administration. In this business area, they are primarily accrued due to compensation of the depository bank and fund sales. Against a backdrop of increased commission income, commissions paid were slightly above the previous year at € 332.5 million (€ 309.3 million). Net commission income therefore rose to € 292.3 million (€ 280.6 million).

Interest expenses fell to € 0.6 million (€ 1.1 million) due to the ongoing low interest rate environment. Net interest was € 16.7 million (€ 17.8 million) in total.

Gross profit (defined as total revenue less commission expenses and interest expenses) improved to € 332.9 million (€ 317.8 million).

Administration costs marginally increased

Administrative expenses (defined as the sum of personnel expenses, depreciation/amortisation and impairment, as well as other operating expenses) were at € 289.5 million in the reporting period (€ 282.1 million). This figure includes expenses for VAT back-payments that were accrued in the Holding segment. It is also important to note that the previous year's figure included one-off expenses of € 9.1 million.

Personnel expenses increased to € 128.0 million (€ 123.2 million), largely influenced by the announced strengthening of the university segment and a slightly higher overall number of employees. Personnel expenses include, for example, € 110.4 million for salaries and wages (€ 106.7 million), € 14.7 million for social security contributions (€ 14.0 million) and employer-based old-age provision allowances of € 2.9 million (€ 2.6 million). Depreciation/amortisation and impairment totalled € 16.0 million (€ 15.3 million) and therefore remained at a stable level. At € 145.5 million, other operating expenses also remained at virtually the same level as in the previous year (€ 143.6 million). As mentioned above, this figure included VAT back-payments of € 5.2 million.

Breakdown of expenses

All figures in € million	2018	in % of total expenses	2017	in % of total expenses	Change in %
Commission expenses	332.5	53.4%	309.3	52.2%	7.5%
Interest expenses	0.6	0.1%	1.1	0.2%	-45.5%
Personnel expenses	128.0	20.5%	123.2	20.8%	3.9%
Depreciation and impairment	16.0	2.6%	15.3	2.6%	4.6%
Other operating expenses	145.5	23.4%	143.6	24.2%	1.3%
Total	**622.6**	**100.0%**	**592.5**	**100.0%**	**5.1%**

MLP Hyp GmbH once again recorded a very pleasing business performance in the financial year. We hold a 49.8% stake in this company, which is operated as a joint venture together with mortgage lending broker Interhyp. The earnings allocated to us from this company remained at the previous year's positive level of € 2.5 million (€ 2.5 million). This is reflected in the income statement under the item "Earnings from investments accounted for using the equity method".

Significant increase in EBIT

The EBIT of the MLP Group rose by 23.4% to € 46.4 million in the last financial year (€ 37.6 million). The previous year's figure included one-off expenses of € 9.1 million. In comparison with the previous year's operating EBIT (€ 46.7 million) – excluding one-off expenses – we met our target of stable development.

The finance cost increased to € -0.6 million (€ -1.2 million) in the last financial year.

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

All figures in € million	2018	2017	Change in %
Total revenue	666.0	628.2	6.0%
Gross profit [1]	332.9	317.8	4.7%
Gross profit margin (%)	50.0%	50.6%	—
EBIT	46.4	37.6	23.4%
EBIT margin (%)	7.0%	6.0%	—
Operating EBIT [2]	46.4	46.7	-0.6%
Operating EBIT margin (%)	7.0%	7.4%	—
Finance cost	-0.6	-1.2	-50.0%
EBT	45.8	36.4	25.8%
EBT margin (%)	6.9%	5.8%	—
Income taxes	-11.3	-8.6	31.4%
Net profit	34.5	27.8	24.1%
Net margin (%)	5.2%	4.4%	—

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

Group net profit increased by 24.1% overall to € 34.5 million (€ 27.8 million). This was essentially due to higher commission income in the reporting period, as well as one-off expenses that impacted the previous year's earnings.

Earnings per share increased significantly

Net profit

All figures in € million	2018	2017	Change in %
Continuing operations	34.5	27.8	24.1%
GROUP	**34.5**	**27.8**	**24.1%**
Earnings per share in € (basic)	0.32	0.25	28.0%
Earnings per share in € (diluted)	0.32	0.25	28.0%
Number of shares in millions (basic)	109.2	109.3	—
Number of shares in millions (diluted)	109.3	109.3	—

Appropriation of profits

Our dividend policy is to pay 50% to 70% of Group net profit to our shareholders in the form of dividends. MLP paid out a dividend of 20 cents per share for the financial year 2017. 16 cents of this are attributable to Group net profit. In addition to this, MLP compensated the one-off expenses accrued in the course of separating the banking and brokerage activities for its shareholders with 4 cents per share. The total dividend paid was therefore € 21.9 million.

We have announced that we will be continuing our dividend policy for the financial year 2018. On this basis, the Executive Board and Supervisory Board will propose a dividend of € 0.20 per share at the Annual General Meeting on May 29, 2019. This corresponds to a distribution rate of around 63% of operating net profit.

Financial position

Aims of financial management

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

No liabilities or receivables in foreign currencies

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

Financing analysis

Equity ratio at 17.5%

The Group's equity capital backing and liquidity remain good. As of the balance sheet date, shareholders' equity amounted to € 424.8 million and was therefore above the previous year's level (€ 404.9 million). The Group net profit of € 34.5 million for the financial year 2018 had a significant effect on this. However, this was counteracted by the dividend payment of € 21.9 million for the financial year 2017. Due to the higher balance sheet total, the equity ratio declined from 18.7% to 17.5%. The regulatory core capital ratio was 19.6% (20.0%) on the balance sheet date. Even with today's group structure, MLP still expects increased capital requirements for the next few years in order to meet the revised definition of equity and stricter requirements of Basel III.

At present, we are not using any borrowed funds to finance the Group. Our non-current assets are financed in part by non-current liabilities. Current liabilities due to clients and banks in the banking business represent further refinancing funds that are generally available to us in the long term. Total liabilities due to clients and financial institutions in the banking business of € 1,720.5 million (€ 1,501.2 million) essentially comprise client deposits, which have no financing function for the Group. These liabilities are offset on the assets side of the balance sheet by € 1,455.2 million (€ 1,336.2 million) in receivables from clients and financial institutions in the banking business.

Since provisions only account for 3.9% (4.1%) of the balance sheet total, they have no significant financing function for the Group. Other liabilities increased to € 165.8 million (€ 154.9 million) on the balance sheet date, while current liabilities reduced to € 141.9 million (€ 149.1 million). These are essentially liabilities from operating activities. Current liabilities are offset on the assets side by cash and cash equivalents of € 385.9 million (€ 301.0 million), which are attributable to higher deposits at the Deutsche Bundesbank, and financial investments of € 165.3 million (€ 158.5 million), as well as other current assets of € 112.1 million (€ 111.1 million).

On the balance sheet date of December 31, 2018, there were financial commitments from rental and leasing agreements amounting to € 14.0 million (€ 13.7 million). These mainly constitute liabilities from the renting of our branch offices, as well as leasing of motor vehicles and office equipment. They can result in potential total liabilities of € 62.3 million (€ 67.6 million) by the year 2024.

Liquidity analysis

Cash flow from operating activities increased to € 141.2 compared to € 115.5 million in the same period of the previous year. Here, significant cash flows result from the deposit business with our clients and from the investment of these funds.

Cash flow from investing activities changed from € -2.6 million to € -34.5 million. Compared to the same period of the previous year, investments in intangible assets and property plant and equipment were higher.

Condensed cash flow statement

All figures in € million	2018	2017
Cash and cash equivalents at beginning of period	**301.0**	**184.8**
Cash flow from operating activities	141.2	115.5
Cash flow from investing activities	-34.5	-2.6
Cash flow from financing activities	-21.9	-8.7
Change in cash and cash equivalents	**84.9**	**104.2**
Adjustments from demerger operations	**–**	**12.0**
Cash and cash equivalents at end of period	**385.9**	**301.0**

As of the balance sheet date, December 31, 2018, the MLP Group has access to cash holdings of around € 436 million. A good level of liquid funds therefore remains available. There are sufficient cash reserves available to the MLP Group. Alongside cash holdings, free lines of credit are also in place.

Capital expenditure analysis

MLP generally finances capital expenditures from cash flow. The total investment volume in intangible assets, as well as property, plant and equipment in the past financial year rose to € 26.6 million. The vast majority of investments were made in property, plant and equipment. Investments in operating and office equipment, as well as software and IT represented another focus. By increasing our free equity capital in 2017 within the scope of further optimising the corporate structure, we also significantly extended our entrepreneurial and economic room for manoeuvre - for example to make investments.

Capital expenditure

All figures in € million	2018	2017	2016	2015	2014
Intangible assets	**4.4**	**3.4**	**13.7**	**7.9**	**8.9**
Goodwill	—	—	—	—	—
Software (developed in house)	0.2	0.2	0.3	0.4	0.4
Software (purchased)	0.9	1.0	2.5	0.4	1.1
Other intangible assets	—	—	—	—	—
Payments on account and assets under construction	3.3	2.1	11.0	7.1	7.4
Property, plant and equipment	**22.2**	**3.9**	**4.7**	**4.8**	**6.6**
Land, leasehold rights and buildings	16.2	0.3	0.5	0.7	0.4
Other fixtures, fittings and office equipment	3.4	2.6	3.0	3.1	4.2
Payments on account and assets under construction	2.6	1.0	1.2	1.0	2.0
Total capital expenditures	**26.6**	**7.3**	**18.4**	**12.8**	**15.4**

At € 15.4 million, the vast majority of investments were made in the FERI segment. This significant increase is attributable to the purchase of the previously rented business premises by FERI AG in the third quarter of 2018. Investments in operating & office equipment, as well as IT systems to support sales represented another focus in the financial consulting segment. We invested a total of € 8.1 million in the financial consulting segment. This investment contributes to the continuous improvement of consulting support and client service. Alongside these capitalisable investments, we also use other intensive resources for these projects which are recognised as expenses in the income statement. The investment volume in the banking segment was € 0.7 million. Software and IT were the primary focuses of investment here. Investments in the DOMCURA segment amounted to € 1.1 million, with a focus on investments in operating & office equipment.

Capital expenditures by segment

	Total capital expenditures		Change in %
All figures in € million	2018	2017	
Financial consulting	8.1	1.3	>100%
Banking	0.7	3.7	–81.1%
FERI	15.4	0.5	>100%
DOMCURA	1.1	1.5	–26.7%
Holding	1.3	0.3	>100%
Total	**26.6**	**7.3**	**>100%**

Net assets

Further increase in balance sheet total

The balance sheet total of the MLP Group increased to € 2,421.0 million as of December 31, 2018 (€ 2,169.5 million).

Intangible assets – essentially including the client base, brand and goodwill – decreased to € 155.9 million (€ 161.8 million) as of the balance sheet date. This decline can essentially be attributed to amortisation of software. Property, plant and equipment increased to € 78.3 million as a result of acquiring the business premises of FERI (€ 61.9 million).

Receivables from clients in the banking business increased to € 761.0 million (€ 702.0 million). This can essentially be attributed to the increase in promissory note bonds and own-resource loans, as well as a higher investment volume in promotional loans directly passed on to our clients. Receivables from banks in the banking business also increased to € 694.2 million (€ 634.2 million) as a result of higher investments in fixed-term deposits, as well as higher promissory note bonds. Around 51% of receivables from banks and clients have a remaining term of less than one year.

At € 165.3 million, financial investments were slightly a below the previous year's level (€ 158.5 million). Tax refund claims amounted to € 12.8 million and therefore also remained at the previous year’s level (€ 12.3 million).

Other receivables and assets increased to € 158.1 million (€ 125.7 million). This item essentially comprises commission receivables from insurers resulting from the brokerage of insurance products. In the course of initial adoption of the new IFRS 15 accounting standard, there were additional effects that served to increase this item.

Cash and cash equivalents rose to € 385.9 million (€ 301.0 million). This increase can be attributed to a greater deposit volume at the Deutsche Bundesbank. At the same time, the profit transfers of FERI AG, DOMCURA AG and MLP Banking AG added to the increase. Among other factors, the dividend payment to our shareholders had the opposite effect. You can find detailed information on the change in cash and cash equivalents in the chapter entitled → "Financial position".

Significant increase in return on equity

The equity capital backing of the MLP Group remains good. As of December 31, 2018, shareholders' equity was € 424.8 million (€ 404.9 million). Due to the higher balance sheet total, the equity ratio was 17.5% (18.7%). Based on Group net profit of €34.5 million (€ 27.8 million), we therefore achieved a return on equity of 8.5% (7.3%).

Provisions of € 94.5 million (€ 88.7 million) were slightly above the previous year's level. This slight rise is essentially due to increased allocations to provisions for bonus schemes.

The deposits of our clients, which are recorded under "Liabilities due to clients in the banking business" increased to € 1,638.9 million (€ 1,439.8 million) at the end of the reporting period. This increase is primarily attributable to short-term deposits held in bank accounts and instant access savings accounts. Liabilities due to banks in the banking business rose to € 81.6 million (€ 61.4 million). This increase can mainly be attributed to a higher volume of promotional loans being passed on to our clients. This item includes the refinancing funds from funding institutions.

Despite a significant improvement in earnings, tax liabilities declined to € 5.2 million (€ 10.2 million). This was essentially due to higher VAT receivables than in the previous year. Other liabilities amounted to € 165.8 million (€ 154.9 million). This item essentially comprises current liabilities due to our consultants and office managers in connection with open commission claims (please also refer to the section entitled → "Financial position").

General statement on the economic situation

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

Comparison of actual and forecast development of business

At the start of the financial year, we expected EBIT to be significantly higher in 2018 than in 2017 and operating EBIT to be at the same level as recorded in 2017, in the light of the successful implementation of efficiency measures and the elimination of one-off expenses.

At the start of the year, we also issued a qualitative estimate regarding revenue development, which we then defined more closely in the report for the first nine months of 2018.

We expected revenues to increase slightly in the old-age provision area. With growth of 2.0%, we were within the corridor of our specified expectations at the end of the reporting year. With slightly increased revenue, the wealth management area developed as anticipated after nine months. The non-life insurance area also enjoyed a minor increase and was therefore in line with our expectations. As anticipated, revenue in the health insurance area remained stable. The real estate brokerage business saw a significant increase in the last financial year and surpassed our expectations both at the beginning of the year and after publishing a refined forecast after the first nine months. In the loans and mortgages business, our expectation that revenue would remain stable also proved accurate.

We expected stable development in terms of administration costs. Including ongoing investments in the future - in particular for recruiting young consultants within the scope of strengthening the university statement, for which we spent € 6.7 million in the last financial year - and the described VAT back payment, developments were within the scope of our expectations with an increase of 2.6%.

With EBIT of € 46.4 million, we significantly surpassed the previous year's EBIT Level and remained at around the same level in terms of operating EBIT. We therefore reached our targets for the year.

Segment report

In the reporting period of the previous year, the brokerage branch of activity was spun off from MLP Banking AG with retroactive effect from October 1, 2017. With this step, all regulated banking activities, including investment advisory services, were bundled at MLP Banking AG, while all other consulting services are now provided by the new MLP Finanzberatung SE. The results recorded by these segments therefore offer only limited or indeed no comparability with the results from previous years. You can find further details on this in the chapter → "Fundamental principles of the Group".

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

The FERI segment primarily generates revenue from the wealth management field of consulting, while the DOMCURA segment generates most of its revenue from the non-life insurance business. The industry situation for the Group described in the individual fields of consulting applies accordingly to the segments.

The Holding segment does not have active operations.

Financial consulting segment

When examining the figures provided from the previous year, it is important to note that they only represent the 4th quarter of the previous year, which is traditionally the most important in the brokerage business. Total revenue in the reporting period was € 367.4 million (€ 133.2 million). This figure is essentially made up of commission income from the consulting fields of old-age provision, health insurance, non-life insurance, loans and mortgages, real estate brokerage, as well as other commission and fees. They have developed in line with the general development of the Group. Revenue amounted to € 347.2 million (€ 126.8 million). Other revenue totalled € 20.3 million (€ 6.4 million).

Commission expenses amounted to € 171.7 million (€ 58.5 million). Personnel expenses totalled to € 66.1 million (€ 21.5 million). Depreciation/amortisation and impairment were € 11.7 million (€ 3.7 million). Other operating expenses were € 103.3 million (€ 27.2 million).

Earnings before interest and taxes (EBIT) amounted to € 17.9 million in the reporting year (€ 24.9 million). With finance cost of € -0.2 million (€ -0.2 million), earnings before taxes (EBT) stood at € 17.7 million (€ 24.7 million).

Banking segment

When examining the figures provided from the previous year, it is important to note that these include the spun-off brokerage business generated in the period from January 1, 2017 to September 30, 2017, while in the period from October 1, 2017 to December 31, 2017 earnings do not include those of the spun-off brokerage business. Revenue is primarily generated in this segment from the wealth management field of consulting. Interest income represents another revenue source.

Total revenue in the reporting period was € 88.5 million (€ 290.0 million). Sales revenue was € 75.8 million (€ 278.3 million) and other revenue stood at € 12.8 million (€ 11.6 million). As a result of the ongoing low interest rate level, revenue from the interest rate business remained below the previous year's figure at € 17.5 million (€ 20.1 million).

Commission expenses amounted to € 31.0 million (€ 129.0 million). In the light of continuingly low interest rates, interest expenses of € 0.6 million were generated (€ 1.1 million).

Personnel expenses stood at € 10.8 million (€ 53.2 million). Depreciation/amortisation and impairment were € 0.1 million (€ 7.5 million). Other operating expenses were € 33.9 million (€ 103.3 million).

Earnings before interest and taxes (EBIT) totalled € 12.5 million (€ -4.6 million). The finance cost rose to € 2.5 million (€ -0.5 million). This figure in particular includes interest on reimbursements from VAT refunds. Accordingly, earnings before taxes (EBT) rose to € 15.1 million (€ -5.0 million).

FERI segment

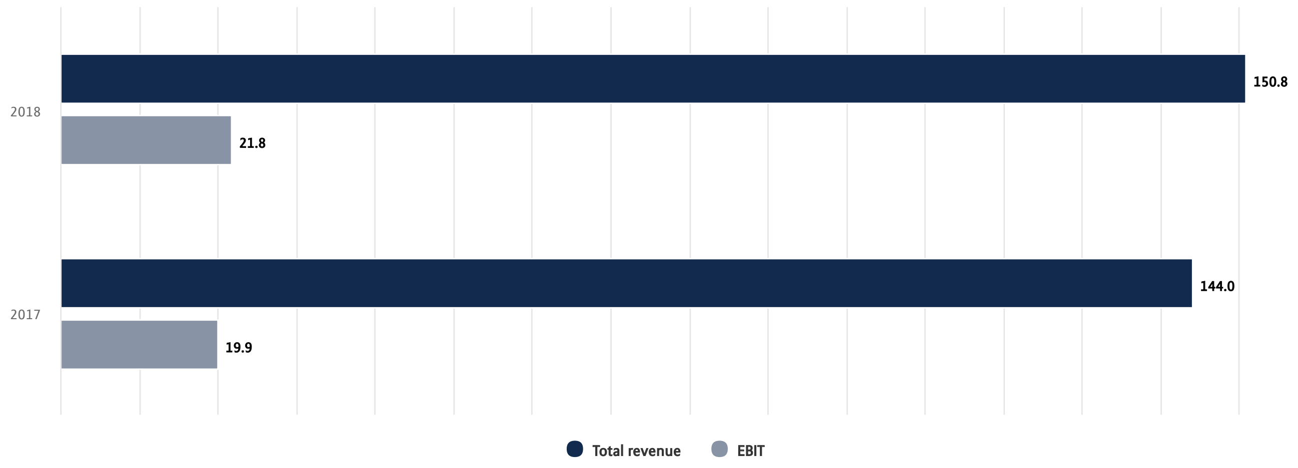
The FERI segment represents the activities of the FERI Group. Revenue is primarily generated in this segment from the wealth management field of consulting.

Total revenue rose by 4.7% to a new record level of € 150.8 million (€ 144.0 million), although higher performance fees were collected in the same period of the previous year than in the reporting period. Revenue rose to € 146.2 million (€ 139.7 million). Other revenue amounted to € 4.7 million (€ 4.3 million).

As a result of higher revenue, commission expenses also rose to € 85.3 million (€ 81.8 million). Personnel expenses rose to € 32.2 million (€ 30.5 million). This was essentially due to an increased number of employees and also redundancy payments. At € 1.3 million, depreciation/amortisation and impairment remained at the previous year's level (€ 1.2 million). Other operating expenses decreased to € 9.8 million (€ 10.6 million).

As a result of higher revenue, EBIT rose to € 21.8 million (€ 19.9 million). The EBIT margin improved to 14.5% (13.8%). The finance cost amounted to € -0.4 million (€ -0.2 million). EBT therefore reached € 21.4 million (€ 19.7 million).

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



DOMCURA segment

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

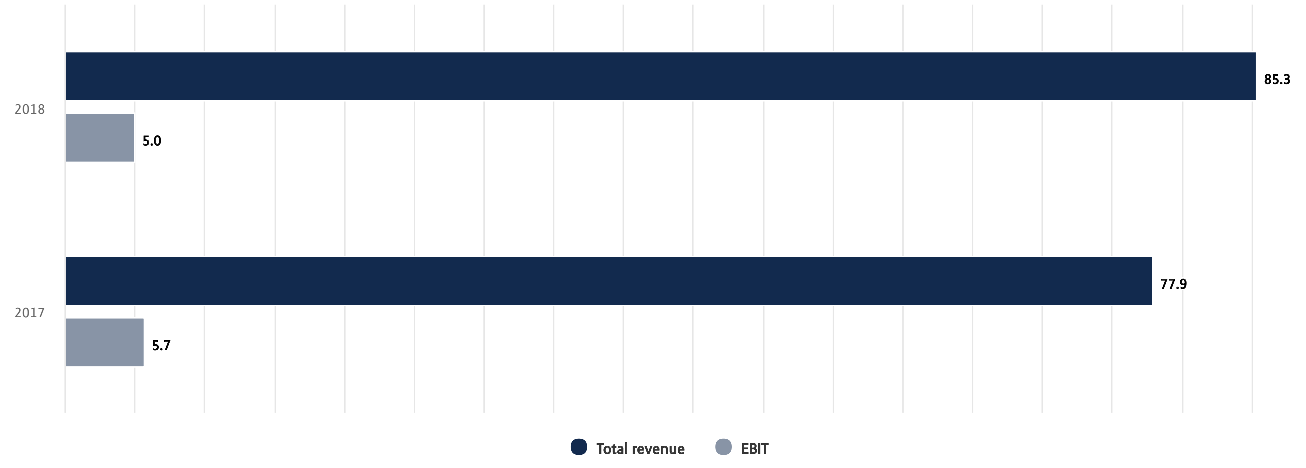
DOMCURA generated revenue of € 83.4 million in the reporting year (€ 73.3 million). Other revenue was € 1.9 million (€ 4.6 million). The previous year's higher figure was essentially due to the settlement of expiring contracts with insurers for which virtually no expenses were incurred. Accordingly, total revenue was € 85.3 million (€ 77.9 million).

Commission expenses increased to € 54.6 million (€ 48.3 million), largely as a result of higher sales revenue. These are essentially accrued as variable compensation for brokerage services.

Administration costs were € 25.6 million (€ 23.9 million), of which € 14.9 million (€ 14.3 million) were attributable to personnel expenses. At € 1.3 million (€ 1.3 million), depreciation/amortisation and impairment remained unchanged. As illustrated, other operating expenses rose to € 9.4 million (€ 8.3 million).

EBIT was € 5.0 million (€ 5.7 million). With finance cost of € 0.0 million (€ 0.0 million), EBT was € 5.0 million (€ 5.7 million).

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



Holding segment

The Holding segment does not have active operations. At € 9.2 million, administrative expenses remained virtually unchanged (€ 9.6 million).

Personnel expenses totalled € 4.1 million (€ 3.8 million). Depreciation/amortisation and impairment amounted to € 1.6 million (€ 1.7 million). Other operating expenses rose to € 14.1 million (€ 12.6 million). This increase can essentially be attributed to VAT back-payments for previous years.

EBIT declined to € -10.6 million (€ -8.4 million). The finance cost fell to € -2.8 million (€ -0.4 million). This drop is largely due to the interest payments associated with VAT back-payments. EBT was therefore € -13.4 million (€ -8.8 million).

Employees and self-employed client consultants

As MLP is a knowledge-based service provider, qualified and motivated employees and self-employed client consultants represent the most important foundation for sustainable company success. Continuous development and refinement of personnel work for employees, as well as the recruitment and training of new consultants therefore remained key focuses in 2018.

Low staff turnover rate

The number of employees in the MLP Group increased slightly in the last financial year. An average of 1,722 employees worked for MLP in the reporting year 2018. This increase is essentially the result of new recruitments, as well as staff returning to work following parental leave. At 7.2%, the staff turnover rate within the Group remained at a low level in 2018 (2017: HQ: 6.4%). The average age of the employees is currently 43.

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

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

Segment	2018	2017	2016	2015	2014
Financial services [1]	–	1,198	1,275	1,300	1,303
Financial consulting [2] [3]	1,055	1,047	–	–	–
Banking [2]	179	163	–	–	–
FERI	223	224	223	232	232
DOMCURA	260	254	264	261	–
Holding	6	6	7	7	7
Total	**1,722**	**1,686**	**1,768**	**1,802**	**1,542**

Date: December 31, 2018
[1] This segment existed until September 30, 2017
[2] The average values stated for 2017 refer solely to the fourth quarter of 2017
[3] including TPC, ZSH and MLPdialog

Development programmes for junior staff and managers

MLP offers development opportunities for employees at all levels. In 2019, a new group of participants will begin our well-established "Top Talents" programme for junior staff. The objective of this programme is to systematically identify talented junior staff from within our ranks and then provide these with targeted and sustainable development opportunities for future specialist and management duties within the MLP Group. Participation in our modular management programme has been compulsory for all new managers since 2018. Young managers are trained in relevant areas and receive guidance and support in their new role.

New works agreements introduced

Several new works agreements were reached in the reporting year. These include regulations regarding occupational pension provision, mobile working, as well as an extension of the compensation system. Within the scope of the 2018 salary review, we introduced a shopping card for our employees on January 1, 2019. This is regularly topped up by the employer with tax-free and social security-free salary components. Employees can then use the card to pay for items at partner companies.

We also initiated a comprehensive employee and consultant survey in the reporting year. We will use the results to derive and implement concrete measures in 2019.

Digitalisation of personnel work successfully continued

The ongoing digitalisation of personnel work remained a focus of activity in 2018. The digital personnel file has now been rolled out for all employees. The payroll digitalisation process has also been completed. In the course of this process, we have established a new and transparent compensation system that we will continue to refine. We have also been holding online-based assessment and feedback meetings with employees since 2018.

Recruitment of new consultants further expedited

As in previous years, recruiting new consultants remained a key topic in 2018. The strengthening of the university segment, which was started in 2017, was successfully advanced in the reporting year.

The objective here is to be even more present at universities and thereby win over more new clients and young consultants. As of December 2018, we had 77 university team leaders in place. We are keen to continue and expand these activities further in 2019. Our goal is to achieve significant net growth in consultants.

We have developed some very attractive models which, for example, recognise previously acquired qualifications and offer additional financial incentives. The purpose of this is also make it increasingly easy for experienced consultants to join the MLP Group.

Internship programme and dual-study programme established

74 school-leavers and students took the opportunity to attend our internship programme in the reporting year in order to learn about the everyday working life of an MLP consultant. Our "Sales" dual-study course, which helps students at the field offices prepare for a career as consultants, represents another successful recruiting instrument. We are currently further developing the curriculum contents to cater for the requirements of the newly established university segment. At the end of 2018, 9 dual-study students and 22 trainees were active at the branch offices (previous year: 14 and 26), while 13 dual-study course students and 18 trainees were working at the Company HQ (previous year: 18 and 17).

We were awarded the "Best Training Company in Germany" award by business magazine Capital in the reporting year for our commitment to training junior staff.

Consultant turnover at a low level

As of December 31, 2018, MLP operated 131 representative branch offices with a total of 1,928 consultants (2017: 1,909), who work as self-employed commercial agents. In addition to this, the reporting year saw the establishment of 77 new university teams. The average age of consultants is currently 44. The loyalty displayed by existing consultants remains very high, as underlined by our employee turnover rate. This figure was 8.0% in 2018 – and thereby well below the target figure of around 10%.

Comprehensive range of training offers are the key to success

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

A high-quality range of training courses provide the necessary basis for achieving this. At the heart of the development of the training programme for consultants, office managers and the heads of university teams lies the MLP Corporate University (CU) which is based in Wiesloch. The CU has already been accredited by the Financial Planning Standards Board Deutschland e.V. (FPSB Deutschland) for training to the Certified Financial Planner (CFP) standard since 2012. Since then, more than 150 consultants have successfully gained their CFP certification and further consultants are already preparing for this.

In 2018, the CU went through a recertification procedure at the Foundation for International Business Administration Accreditation (FIBAA) and received positive feedback in February 2019. The training offered by the CU therefore complies with the international requirements of the European Credit Transfer and Accumulation System (ECTS), which simplifies cooperation with state universities.

Training offer extended and modularised

In 2018, around 25,000 individual events (including online seminars) were held at the CU. Not only did we significantly extend and modularise our training provision in the reporting period, we also introduced a points system for further training. By taking this step, we are implementing the regulatory requirements of the IDD with regard to the required documentation of further training measures, while at the same time further systematising our training on offer. With an average of 70 further training points per consultant, which correspond to 70 hours of further training, we are going far beyond the legally stipulated requirements and what is customary in the industry.

Large sections of the training offered at the CU also count towards the extra-occupational "Master of Financial Planning and Management (M.Sc.)" programme that MLP consultants can complete at the Steinbeis School of Management and Innovation (SMI). The extra-occupational master's course is aimed both at experienced MLP consultants and those working for MLP after completing their bachelor's degree. It therefore represents a valuable recruiting instrument and offers our consultants an additional opportunity to gain further qualifications.

Within the scope of the "Financial Planning Power Days", consultants had the opportunity to learn more about current specialist and consulting topics in various modules in the summer of 2018. The event was also open to external participants.

In the course of realigning the university segment, the CU also significantly further optimised its offers, thereby creating greater flexibility for new consultants.

Total expenditure for our comprehensive qualification and training programme amounted to € 7.5 million in the last financial year and was therefore above the previous year's level.

Thanks to all MLP staff

The Executive Board would like to take this opportunity to express its sincere thanks to all employees and consultants for the trust, cooperation and excellent commitment they showed in the past financial year. We would also like to thank the works council for its constructive collaboration which, among other things, is documented by the signing of four works agreements. The key now is to maintain this open and responsible dialogue as effectively as possible in future for the benefit of all employees. The Executive Board would also like to thank the numerous consultants, office managers and university team leaders for their commitment in a large number of forums and workgroups.

Compensation report

Compensation policy

The Supervisory Board of MLP SE has approved the following compensation policy for members of the MLP SE Executive Board.

The compensation for the Executive Board at MLP SE should include both fixed and variable components.

The fixed component comprises a basic salary, a company car that can also be used privately and occupational pension provision. The variable component takes the form of an EBIT-based profit-sharing payment.

The ratio between fixed and variable compensation should be set in such a way that members of the Executive Board are not significantly dependent on the variable compensation component, but that this component still offers an effective incentive.

The ratio between fixed and variable compensation on the reporting date of December 31, 2018 is shown in the table below:

Executive Board member	Proportion of fixed component	Proportion of variable component
Dr. Uwe Schroeder-Wildberg	55.16%	44.84%
Manfred Bauer	55.05%	44.95%
Reinhard Loose	54.56%	45.55%

Please refer to the compensation report in the Annual Report for details.

The key strategic objective is to bring about profitable growth. Profitability, which essentially results from the correlation of revenue and expenses, is reflected in EBIT – and EBIT-based variable compensation is therefore a suitable measure for supporting this strategy. Splitting the variable compensation into immediate and deferred payments gives variable compensation a multi-year basis for assessment. This ensures that the focus is not only on short-term success, but also on the Company's long-term performance.

Since the profit-sharing payment is exclusively EBIT-based, it is fundamentally independent of the individual performance of individual members of the Executive Board. The Supervisory Board, however, still has the contractual option to adjust the variable compensation both upwards and downwards at its discretion on the basis of the individual performance of a member of the Executive Board, as well as in light of any general market influences on the operating results that cannot be attributed to the members of the Executive Board within a contractually stipulated framework.

A contractual arrangement on recovering variable portions of compensation already paid out that goes beyond the legal regulations is not considered necessary, and is therefore also not currently agreed with the members of the Executive Board.

When specifying compensation for the Executive Board or a member of the Executive Board, the Supervisory Board takes into account the ratio relative to average compensation of the upper management level within the MLP Group, as well as the ratio relative to average compensation among the remaining workforce. This applies both to the average compensation within a year and to the development of compensation over multiple years. Care is taken to ensure that the compensation of Executive Board members is at an appropriate level relative to the compensation of the workforce.

The compensation policy is specified by the Supervisory Board and endorsed by the Annual General Meeting. The Supervisory Board reviews the compensation policy annually, and puts any significant revisions to the Annual General Meeting for its endorsement.

Principles of Executive Board compensation

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

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

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

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

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

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

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

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

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

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

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

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

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

Allocation	Dr. Uwe Schroeder-Wildberg		Reinhard Loose		Manfred Bauer		Muhyddin Suleiman	
	Chief Executive Officer		Chief Financial Officer		Member of the Board for Products and Services		Member of the Board for Sales	
	since Jan 1, 2003		since Feb 1, 2011		since May 1, 2010		until March 31, 2014	
All figures in €'000	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**
Fixed compensation	550	550	360	360	360	360	0	0
Fringe benefits	31	33	17	17	27	27	0	0
Total fixed compensation	**581**	**583**	**377**	**377**	**387**	**387**	**0**	**0**
One-year variable compensation	130	243	86	162	86	162	0	0
Multi-year variable compensation	229	231	134	152	153	154	153	0
2013 bonus (2013-2016)	229	0	134	0	153	0	153	0
2014 bonus (2014-2017)	0	231	0	152	0	154	0	0
Other	0	0	0	0	0	0	0	0
Total fixed and variable compensation	**940**	**1,057**	**597**	**692**	**626**	**703**	**153**	**0**
Pension benefits	266	261	140	140	150	150	0	0
Total compensation (in accordance with the German Corporate Governance Code (DCGK))	**1,206**	**1,318**	**737**	**832**	**776**	**853**	**153**	**0**

Granted benefits

Benefits granted	Dr. Uwe Schroeder-Wildberg				Reinhard Loose			
	Chief Executive Officer				Chief Financial Officer			
	since Jan 1, 2003				since Feb 1, 2011			
All figures in €'000	**2017**	**2018**	**2018 (min.)**	**2018 (max.)**	**2017**	**2018**	**2018 (min.)**	**2018 (max.)**
Fixed compensation	550	550	550	550	360	360	360	360
Fringe benefits	31	33	33	33	17	17	17	17
Total fixed compensation	**581**	**583**	**583**	**583**	**377**	**377**	**377**	**377**
One-year variable compensation	244	296	207	384	163	197	138	256
Multi-year variable compensation	367	421	0	990	244	281	0	660
2017 bonus (2017-2020)	367	0	0	0	244	0	0	0
2018 bonus (2018-2021)	0	421	0	990	0	281	0	660
Total fixed and variable compensation	**1,192**	**1,299**	**790**	**1,957**	**784**	**855**	**515**	**1,293**
Pension benefits	266	261	261	261	140	140	140	140
Total compensation (in accordance with the German Corporate Governance Code (DCGK))	**1,458**	**1,560**	**1,051**	**2,218**	**924**	**995**	**655**	**1,433**

Benefits granted	Manfred Bauer			
	Member of the Board for Products and Services			
	since May 1, 2010			
All figures in €'000	**2017**	**2018**	**2018 (min.)**	**2018 (max.)**
Fixed compensation	360	360	360	360
Fringe benefits	27	27	27	27
Total fixed compensation	**387**	**387**	**387**	**387**
One-year variable compensation	163	197	138	256
Multi-year variable compensation	244	281	0	660
Bonus 2017 (2017-2020)	244	0	0	0
Bonus 2018 (2018-2021)	0	281	0	660
Total fixed and variable compensation	**794**	**865**	**525**	**1,303**
Pension benefits	150	150	150	150
Total compensation (in accordance with the German Corporate Governance Code (DCGK))	**944**	**1,015**	**675**	**1,453**

As of December 31, 2018 pension provisions of € 17.1 million (€ 16.9 million) were in place for former members of the Executive Board.

Compensation of the members of the Supervisory Board

In addition to compensation for their expenses for the financial year, members of the Supervisory Board receive fixed annual compensation of € 40,000 in accordance with the Articles of Association. The Chairman of the Supervisory Board receives twice this amount, his deputy one-and-a-half times. Special additional compensation is paid for work on the Audit Committee and the Personnel Committee: € 25,000 for the Audit Committee and € 15,000 for the Personnel Committee. The chairmen of the committees receive twice the stated level of compensation. The fixed portion of compensation is paid after the end of the financial year. No member of the Supervisory Board receives any variable or share-based compensation components.

Individualised Supervisory Board compensation

All figures in €'000 (without tax)	Compensation 2018	Compensation 2017 (I)**	Compensation 2017 (II)*
Dr. Peter Lütke-Bornefeld (Chairman)	135	98	37
Dr. h. c. Manfred Lautenschläger***	45	72	28
Dr. Claus-Michael Dill (Vice Chairman****)	101	65	25
Tina Müller	55	40	15
Matthias Lautenschläger*****	44	-	-
Burkhard Schlingermann	55	40	15
Alexander Beer	65	47	18
Total	**500**	**362**	**138**

*until September 21, 2017 for MLP AG
**from September 21, 2017 for MLP SE (see details below)
*** until June 14, 2018, until which time also Vice Chairman
****as of June 14, 2018 Vice Chairman
*****as of June 14, 2018

The term of office of the members of the Supervisory Board of MLP AG ended when the change in corporate form from MLP AG to MLP SE came into force on September 21, 2017. The term of office of all members of the first Supervisory Board of MLP SE ended with the conclusion of the Annual General Meeting on June 14, 2018. Pursuant to § 113 (2) of the German Stock Corporation Act (AktG) the compensation for members of the first Supervisory Board can only be approved by the Annual General Meeting. The resolution could only be passed in the Annual General Meeting that formally ratifies the actions of the members of the first Supervisory Board. This was the Annual General Meeting on June 14, 2018.

In the financial year 2018 € 20 thousand (previous year: € 18 thousand) was paid as compensation for expenses.

RISK AND OPPORTUNITY REPORT

Risk report

Risk management system

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

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

Group-wide risk management

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

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

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

*accounted for using the equity method

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

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

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

Risk policies

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

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

The Executive Board is responsible for the proper organisation of the business and its further development:

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

The Executive Board bears responsibility for the risk strategy:

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

MLP promotes a strong awareness of risks and a pronounced risk culture:

An appropriate risk culture is critical for effective risk management. MLP sees its risk culture as the way in which employees handle risks within the performance of their duties. The objective of our risk culture is to promote the identification and conscious handling of risks, while ensuring that decision-making processes lead to results that are also balanced in terms of risk criteria. Our risk culture is characterised by the clear commitment of the Executive Board to risk-appropriate conduct, strict observance by all employees of the risk appetite communicated by the Executive Board, and the facilitation and promotion of transparent and open dialogue on risk-relevant questions within the Group. A strong awareness of risks across all divisions that goes beyond each employee's own area of responsibility and a corresponding risk culture are encouraged through appropriate organisational and incentive structures. The appropriateness of the risk management and controlling system is continuously monitored, and any adjustments that become necessary are implemented as quickly as possible. Appropriate quality standards are established and subjected to continuous checks.

MLP pursues a strategy of comprehensive risk communication and risk reporting:

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

Objective

Entrepreneurial activity invariably involves taking risks. For the MLP Financial Holding Group, “risk” means the danger of possible losses or lost profits. This danger can be attributable to internal or external factors. Since it will not be possible to eliminate all risks, a risk that is commensurate with the expected return must be targeted. The aim is to identify risks as early as possible in order to react to them quickly and appropriately.

Appropriate identification, assessment, control, monitoring and communication of the key risks is guaranteed with the help of and on the basis of Group-wide risk management at MLP. Risk management is a key component of the value-driven management and planning system in the MLP Financial Holding Group. Moreover the Group's risk culture is continuously consolidated, and efforts are made to communicate information relevant to risk across all business segments.

Risk capital management, liquidity management and stress tests

Risk capital management – risk-bearing ability

Risk capital management is an integral part of the Group management system in the MLP Financial Holding Group. Active control to provide sufficient financial capital, in compliance with supervisory requirements, ensures that risk-taking is always in line with capital backing.

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

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

The key risk types of counterparty default, market price, liquidity and operational risks are in particular quantified within the scope of the Group's risk-bearing ability. General business and reputation risks (other risks) also represent significant risk types, although they are currently not quantified. Amongst other things, these are taken into account in calculating risk-bearing ability in the form of additional buffers.

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

Pursuant to the minimum risk management requirements of the German Federal Financial Supervisory Authority ("MaRisk"), we primarily pursue the objective of safeguarding the continued existence of the MLP Financial Holding Group in the normal scenario (going-concern approach) in our internal process for securing our Risk-bearing ability. In addition the protection of the providers of debt capital and its owners is examined from an economic perspective within the scope of the liquidation approach. Among other things this is applied in the form of stress scenarios.

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

At 41.0%, the Banking segment accounts for the largest portion of the risk coverage fund in the MLP Financial Holding Group. This is because of the risk inherent to the banking business.

Liquidity capacity

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

Stress tests

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

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

Organisation

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

Functional separation

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

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

Group Risk Manager

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

Risk controlling function

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

Risk management and controlling processes

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

The Risk Controlling unit in particular is responsible for the identification and assessment of risks, as well as for monitoring defined limits. It reports risks to the Executive Board and the business units that control the risks. Suitable early detection systems support risk monitoring, identify potential problems at an early stage and thereby permit the prompt planning of measures.

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

The methods used at the MLP Financial Holding Group to assess risks are in line with the current level of knowledge, and are aligned with practices in the banking sector as well as recommendations of the Federal Financial Supervisory Authority. The results determined through the risk models for controlling risks and the underlying quantification methods are subject to regular reviews by risk controlling, as well as internal and external audits. Despite careful model development and regular checks, however, it is conceivable for circumstances to occur that lead to greater losses than those predicted by the risk models.

Controlling monitors earnings trends

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

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

Internal controlling system in the accounting process

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

MLP’s organisational, corporate and control structures are outstandingly clear. All units involved in the accounting process comply with their respective quantitative and qualitative requirements. The employees tasked with conducting the accounting process receive regular training. Group Accounting is the central point of contact for all questions in connection with accounting issues.

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

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

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

The bank's separate financial statements and the consolidated financial statements are generally prepared using standard software. Group Accounting ensures the completeness and accuracy of the relevant disclosures on the basis of the information provided.

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

Compliance function

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

Internal audits

The main duty of the internal audit department at MLP Banking AG is to assess the effectiveness and appropriateness of risk management in general and of the internal control system in particular. Audit tasks are conducted throughout the Group on the basis of service level agreements and outsourcing contracts with key Group companies, as well as the function of MLP Banking AG as a controlling company pursuant to § 10a (2) of the German Banking Act (KWG). The focus is on compliance with legislative requirements, supervisory requirements, guidelines, regulations and internal provisions for business processes. To this end, audit procedures are conducted using a systematic and targeted approach on the basis of the COSO model to assess the effectiveness and appropriateness of risk management, the controls and the management and monitoring processes. Risk-oriented audits are conducted at regular intervals and the results are reported. The internal audit department monitors the rectification of any issues detected. In addition, it provides independent advisory services with a view to creating added value and improving business processes.

The minimum requirements for risk management governing the internal audit function are complied with throughout the Group. The internal audit department operates in an independent capacity throughout the Group on behalf of the Executive Board.

Risk reporting

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

Risk reports are submitted to the controlling units, the Executive Board and the Supervisory Board. Prompt and comprehensive information is provided on any changes to relevant influential factors.

Statement of risks

The MLP Financial Holding Group is exposed to various financial risks, especially counterparty default risk, market price risk and liquidity risks. As well as financial risks there are also operational and other risks, such as general business risks and reputation risks. The risks are mitigated by risk-reducing measures such as insurance policies.

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

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

Counterparty default risks

The counterparty default risk is the risk of a loss due to the defaulting of or deterioration in creditworthiness of a business partner. As well as credit risk, the counterparty default risk encompasses the contracting party risk (re-covering risk, as well as performance and counterparty settlement risk), issuer risk, investment risk and risks relating to specific countries, although the latter are only of secondary importance to the MLP Financial Holding Group.

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

Concentration of risk

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

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

In the private client business, potential concentrations in ratings classes with high failure rates should be avoided. This is achieved by focusing on retail products of credit cards and accounts in connection with the targeted client segments. In addition, the minimisation of large individual risks with a low credit rating is a further central component of the credit policy in place at the MLP Financial Holding Group. Focusing on specific professional groups enables an attractive earnings margin to be achieved thanks to relatively low default risks.

Credit management

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

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

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

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

In addition to these risks in the client credit business there is an issuer risk from the bonds, debentures and other financial instruments acquired. We reduce the risk of default among issuers whose securities we have acquired within the scope of capital investment management through the specified creditworthiness requirements of our capital investment directive. Where available, the MLP Financial Holding Group also bases its decisions in the field of financial investments on external ratings.

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

Market price risks

The MLP Financial Holding Group understands market price risks as the uncertainty regarding changes in market prices and rates (including interest rates, share prices, exchange rates and raw material prices), the correlations between them and their volatility. Besides interest rate and share price risks, there are also spread risks on proprietary investments. There are currently only very minor open risk items in foreign currency and commodities. There was no speculative use of financial instruments with a view to making profits in the short term in the year under review, nor is it envisaged for the future. MLP Banking AG continues to hold the status of a non-trading book institution. The subcategory of market price risk, which is important for us, represents the general interest risk.

Interest rate risks

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

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

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

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

Interest rate risks of the MLP Financial Holding Group

Amount in € million	Interest rate shock/parallel shift			
	Change in value + 200 BP		Change in value - 200 BP	
	2018	2017	2018	2017
Total	–0.1	–3.5	–0.4	0.8

Liquidity risks

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

The fundamental principles of liquidity control and planning are defined in the internal guidelines. We employ two different approaches to control liquidity risk: discretionary and structural.

Operational liquidity control

Within the scope of strategic or short-term liquidity control at Group level, the liquidity risk is assessed and controlled in particular using the KPI from the Liquidity Directive and the Liquidity Coverage Ratio (LCR). The LCR represents a stress scenario from the supervisory perspective with a review period of 30 days, during which the interbank market no longer functions. In addition, the volume of daily net cash inflows and outflows is observed and incorporated into the risk assessment based on the liquidity at risk (LaR) within the scope of liquidity control. The LaR describes the anticipated cash payment surplus (net funding requirement) which will not be exceeded at a defined level of probability within a given period of time. Additionally an expected shortfall is monitored for the assessment of any outliers. Sufficient funds were available to cover short-term liquidity requirements at any time.

Structural liquidity control

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

The liquidity value at risk (LVaR), which indicates the additional refinancing costs required to close open liquidity items, represents a key instrument of structural liquidity control and is also used in risk capital management. When determining the LVaR as of December 31, 2018, net cash inflows for the year were in line with forecasts and no additional refinancing costs are thus expected to occur.

If, contrary to expectations, net cash outflows should occur, sufficient cash reserves are available. The liquidity risk in the MLP Financial Holding Group results primarily from MLP Banking AG as the deposit-taking bank. The refinancing structure is based largely on client deposits. Appropriate short- and medium-term credit lines have also been agreed to safeguard against a possible short-term liquidity shortfall.

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

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

Operational risks

The management of operational risks is based on the definition of Article 4 of the Capital Requirements Regulation (CRR). As such, operational risk is the risk of losses caused by the inadequacy or failure of internal procedures and systems, people or by external events. This definition includes legal risks.

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

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

In addition, any loss/damage occurring at the MLP Financial Holding Group is continuously recorded and analysed. By collecting damage data, loss events can be detected and analysed in order to identify trends and any concentration of operational risks. The results are collated and checked for feasibility by risk controlling, and then made available to the Executive Board and the controlling units.

Risks from internal procedures

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

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

Within the scope of defined adjustment processes in the event of changes to operational processes or structures, acquisitions and mergers, as well as the process for introducing new products – or rather when expanding activities to include new markets or via new sales channels – safeguards are in place to ensure that all affected staff at MLP are involved, potential key risks are identified and a corresponding concept is drawn up prior to the implementation of planned measures.

Risks from human errors and employee availability

The MLP Financial Holding Group places great value on having qualified employees and managers. Nevertheless, human error cannot be completely ruled out. In this context we employ an open culture of constructive criticism with the objective of detecting mistakes at an early stage, continuously improving our processes and strengthening our innovative capacity. Staff resources and necessary qualification/training of employees are secured by the responsible specialist departments. We reduce the risk of staff shortages through appropriate personnel allocation measures.

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

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

IT risks

The MLP Financial Holding Group operates a comprehensive information security management system for the effective management of IT-related risks.

In terms of our software strategy we typically rely on sector-specific standard software from well-known providers, though we bring in qualified specialists for business-specific proprietary IT applications. Prior to commissioning, new IT systems and software components are checked to ensure their correct functioning. The availability and consistency of the data is secured by distributing data processing operations across multiple locations, backup and recovery processes and a business continuity management system. In addition we use leading service providers to operate our systems. We protect our IT systems from unauthorised access through a system of authorisation management, comprehensive malware protection and security measures at network level in order to secure the confidentiality, authenticity and integrity of our data.

Risks from external events

Companies operating in the financial services sector focus on their core competencies, i.e. financial services products, support and information services, specialist consulting and sales expertise. In this market environment, the MLP Financial Holding Group makes use of external partners for activities that are not part of its core business. Based on Germany's "MaRisk" minimum risk management requirements, key outsourcing activities are incorporated into risk management within the standard scope of risk controlling and management processes with continuous risk identification, assessment, control and reporting (outsourcing analysis).

The MLP Financial Holding Group operates a central system of outsourcing management. Responsibilities for outsourced processes are clearly defined. This ensures that any potential organisational, structural or process-based risks that may occur because of outsourced business activities are closely controlled.

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

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

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

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

Legal risks

Our legal department controls legal risks. In addition to consulting on corporate decisions and designing business processes, its tasks include following and assessing current legal disputes. Possible legal risks are detected at an early stage and possible solutions for minimising, limiting or preventing such risks are proposed. The legal department coordinates the commissioning and integration of external lawyers. Within the scope of risk mitigation the legal department, in cooperation with product management, checks and monitors the existing insurance coverage for economic loss and initiates any necessary adjustments. According to our review, the pending or threatening legal proceedings against the MLP Financial Holding Group do not represent risks which could endanger the Group's continued existence.

Taxation risks

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

Capital charge according to the basic indicator approach

The MLP Financial Holding Group currently uses the basic indicator approach in line with sections 315 and 316 of the Capital Requirements Regulation (CRR). On this basis the capital charge is 15% of the average gross proceeds of the last three financial years, whereby only positive gross proceeds are taken into account.

Other risks

Other risks include reputation risks and general business risks (including strategic risks). These also include potential step-in risks for a non-consolidated company, insofar as support is provided without contractual obligation.

Reputation risks

Reputation is defined as the reputation of MLP as a whole or of individual Group companies in terms of expertise, integrity and trustworthiness that results from the perception of different stakeholder groups. Examples of stakeholders are clients, employees, consultants and office managers, shareholders and creditors, other institutions, ratings agencies, the press and the world of politics. Reputation risk is understood to mean an existing or future risk regarding income, equity or liquidity as a result of reputation damage.

The management of reputation risks in the MLP Financial Holding Group is always conducted decentrally within the scope of a defined regulatory cycle following the principle of managing operational risks. Besides reactive control directly after the occurrence of a damage event, preventive risk management is particularly important here.

The potential risk of mistakes made while providing consulting services to our clients also impacting our reputation is minimised by ensuring that consulting is of consistently high quality. The instruments used to secure this high level of consulting include IT-based consulting tools, and consultations with clients are comprehensively documented.

General business risks

General business risks arise as a result of altered framework conditions. These include, for example, the market environment, client behaviour, sustainability risks and technical progress. Achieving the planned results can potentially be jeopardised as a result of the inadequate alignment of the Company to a business environment that may have changed abruptly. Risks of this kind can in particular occur as a result of an inadequate strategic decision-making process, unforeseeable discontinuities in the market, products that have not been properly matched to the market or poor implementation of the chosen strategy.

General business risks are predominantly controlled by the Controlling department. Within the scope of environmental analyses, regular checks are also conducted to detect and analyse all changes to economic factors or the industry and competitive situation. This results in impulses for the strategic alignment of the MLP Financial Holding Group.

The ongoing period of low interest rates and the potential effects of amendments to the Life Insurance Reform Act (LVRG) are leading to a degree of uncertainty. In addition, the continuing expansion of supervisory requirements presents a challenge to profitability in the banking and financial services sectors overall. We are still observing a great deal of competitive pressure in the German market for financial services, also from new and digitally oriented market players (fintechs).

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

No quantification of other risks is currently conducted within the scope of internal risk management. To cater for the risks resulting from this, a corresponding buffer is maintained in the risk-bearing ability. This is regularly validated within the scope of backtesting and adjusted as and when necessary.

Results of the analysis of risk-bearing ability

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

In 2018 the Executive Board made a risk coverage fund available based on the risk coverage potential (sum of free supervisory equity and plan EBT) up to an upper threshold of € 100 million to cover the following risk types that MLP categorises as significant: counterparty default risk, market price risk, liquidity risk, operational and other risks.

With shares of 53.9% and 37.8% respectively, counterparty default risks and operational risks account for most of the risk coverage fund available.

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

Risk-bearing ability of the MLP Financial Holding Group

Risk bearing ability	2018 Utilisation (in %)	2017 Utilisation (in %)
Risk and capital commitment	74.6	76.0
thereof:		
Counterparty default risk	73.4	79.0
Market price risk	53.4	60.9
Operational risk	83.4	78.0
Liquidity risk	0.0	0.0

The backing of risk assets with eligible own funds for tier 1 capital generally requires a minimum ratio of 4.5%. As in the previous year, these requirements have not changed during the financial year 2018.

Capital adequacy requirements under banking supervisory law

As per Article 25 et seq. of the CRR, the Group's Tier 1 capital includes the following equity items of IFRS capital: share capital, capital reserves, statutory reserve and retained earnings. Among other factors, intangible assets, treasury stock and goodwill reduce Tier 1 capital.

As was also the case in the previous year, the MLP Financial Holding Group fulfilled all legal requirements relating to minimum capital adequacy throughout the financial year 2018. The relationship between risk assets and equity capital on the balance sheet date is illustrated below.

Supervisory KPIs

Shareholders' equity (in € million)	2018	2017
Tier 1 common capital	288.9	291.0
Tier 1 additional capital	–	–
Tier 2 capital	–	–
Eligible own funds	288.9	291.0
Capital adequacy requirements for counterparty default risks	77.6	73.8
Capital adequacy requirements for operational risk	40.1	42.4
Core capital ratio (in %)	19.64	20.02
Tier 1 common capital ratio (in %)	19.64	20.02

Summary

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

Both the MLP Financial Holding Group as a whole and the business segments always acted within the scope of their financial risk-bearing ability in 2018.

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

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

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

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

Opportunity report

Opportunity management

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

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

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

Opportunities

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

Opportunities from changing framework conditions

Economic forecasts for the year 2019 suggest only limited opportunities for MLP. Economic experts are still predicting that Germany will enjoy further growth, albeit with significantly waning dynamics. The aforementioned reservations on the part of clients when it comes to signing long-term savings contracts will hinder progress. In the medium to long term, however, the greater need for private and also occupational pension provision is likely to increase demand for these two products significantly again – particularly among MLP's target groups. Should the German economy enjoy better development than assumed in our forecast, this will only have an indirect influence on short-term operating developments.

The ever-stricter regulation of the financial services sector in Germany, with the objective of stabilising the financial system and increasing investor protection, presents both challenges and opportunities for MLP. Stricter regulatory requirements will initially lead to additional costs and reduced productivity, as administrative costs increase and processes in the Company have to be adapted. However, regulation also tightens the quality standards required of market players. This will accelerate the consolidation of the market, as individual brokers will not be able to comply with the stricter requirements. The overall number of providers is likely to reduce. At the same time, this development could lead to qualified brokers from other market players displaying a stronger desire to work for MLP. With our consulting approach, which focuses on clients and their financial affairs, we are able to clearly differentiate ourselves in the marketplace. In addition, we were quick to align our operations to the new framework conditions over the last few years, which will enable us to benefit from this development in the medium term.

Corporate strategy opportunities

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

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

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

Business performance opportunities

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

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

More targeted penetration of our client base, particularly in the wealth management and non-life insurance areas, will also help us to achieve further growth. Since our clients are generally highly qualified and therefore have excellent income prospects, they also have a continuous need for sound financial advice and hold corresponding revenue potential.

The private client business is not the only area in which we see opportunities for winning and supporting new clients. There is also a high demand for independent, professional consulting in the business with corporate and institutional clients, which we have now bundled at our FERI subsidiary. Particularly for institutional investors and high net-worth families, the need for consulting services is on the rise, above all in the field of alternative investments. DOMCURA is the service provider for agents and other brokers in the non-life insurance area, providing comprehensive solutions for both private and commercial business – in part with a high degree of individualisation.

Over the last few years we have implemented various measures to increase the productivity of our consultants. These include the further development of our consulting applications, even greater support for our consultants – for example in product selection – and even more effective service from the back office in Wiesloch. Furthermore, the ongoing development of the training programme offered at our Corporate University to our self-employed client consultants, which thanks to its perfectly tailored modules fulfils the individual training requirements of the consultants even more effectively, as well as the realignment of the university segment with a clear focus on the recruitment of young consultants, also contribute to this. Should we be more successful in recruiting new consultants than anticipated in our current planning, this could also lead to additional potential. The service centre of our subsidiary MLPdialog also plays a key part. As an underwriting agency, the DOMCURA Group has also extended the added value chain of the MLP Group for standard products in the non-life insurance business with its processes and expertise, and it will continue to do so in future. The goal of these measures is to allow our consultants to focus even more on their core task, namely advising and supporting their clients. This provides important revenue potential for the future.

Opportunities from the development of asset and risk positions

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

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

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

Summary

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

FORECAST

Future overall economic development

The economy in the eurozone is likely to enjoy moderate growth in 2019. This development will primarily be supported by solid domestic demand, which in turn is being driven by falling unemployment figures and an expansive fiscal policy. Trade disputes and the anticipated downturn in the US economy could have negative effects. FERI Investment Research is therefore anticipating growth of only 1.6% in the eurozone for 2019.

Economy set to cool off further in 2019

The German economy will continue to lose momentum in 2019 as a result of foreign trade issues. Germany is significantly more dependent on exports to the US and China than other countries in the eurozone. Potentially weaker demand in those countries could hit exports. However, domestic demand is likely to remain the key driving force for the German economy. In particular the sustained boom in the building sector and the healthy situation in most service sectors are having a stabilising effect. FERI Investment Research is forecasting economic growth of 1.2% for Germany in 2019.

Employment market prospects remain favourable

Based on estimates of the Institute for Employment Research of the German Federal Employment Agency (IAB), the employment market in Germany is likely to continue its good development. With regard to the annual average for 2019, unemployment is expected to drop by a further 120,000 to 2.23 million people. In terms of gainful employment, the experts from the IAB are forecasting a slight increase of 220,000 people. However, the growth in gainful employment will in future be limited by demographic developments.

The employment market is also likely to remain dynamic in the long term, especially for specialists. Basel-based research institute Prognos estimates that the shortfall of skilled workers, engineers, researchers and healthcare professionals could reach 3 million by 2030 and 3.3 million by 2040.

Increasing salaries and wages to be anticipated

The healthy situation on the employment market and the significant increase in gross wages and salaries are contributing to the ongoing increase in disposable incomes of private households in Germany. The Working Group on Tax Revenue Projection is forecasting a 4.2% increase in gross salaries and wages for 2019. FERI Investment Research is anticipating a savings rate of 10.4% in Germany for 2019 (2018: 10.3%).

Future industry situation and competitive environment

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

Old-age provision

With the exception of occupational pension provision, the old-age provision sector will continue to operate in a difficult market environment, in which reluctance to sign long-term contracts is likely to continue – despite state subsidies/allowances for both private and occupational pension provision, the falling pension level and increasing life expectancy. The market potential remains promising, however, in particular among MLP's clientele, because of the growing pension shortfall.

In future, private and occupational pension provision is likely to assume an increasingly important role in Germany. In its 2018 Pension Insurance Report, the German government stressed that the decline in the level of the statutory pension can only be compensated through supplementary provision and use of state subsidies/allowances.

German citizens are not saving enough

Yet despite this, as stated in the ERGO Risk Report 2018, most German citizens are saving too little for their retirement. According to data provided in the report, some 42% of Germans are saving nothing or less than € 50 per month towards their old-age provision. As such, half of all Germans believe that they will need to live a more restricted lifestyle after retiring. One in four is even fearful of poverty in old age.

Statutory pension only to be strengthened up to 2025

According to the latest Pension Insurance Report published by the German government, the standard pension level is currently only 48%. Within the scope of the German government's pension package, which came into force on January 1, 2019, it is to be maintained at that current level of 48% up to 2025. The premiums are also set to be kept below 20% of gross income until that time. However, the package of reforms contains no commitments for the time after 2025. Based on the current legal situation, the pension level may decline to 43% by 2030, while the premium rate may increase to up to 22%.

You can read more about this in the Forecast section under → “Competition and Regulation”.

Gap in provision likely to increase

Over the course of the next few years, the gap in provision for the aged in Germany is likely to increase dramatically. According to the Institute for Old-Age Provision and Financial Planning (IVFP), the gap could reach around 40% by 2040, and it is likely to be even higher among the self-employed and freelancers. Based on a survey conducted by the German Institute for Economic Research (DIW Berlin), more than half of those in gainful employment aged between 55 and 65 would not be able to cover their consumption solely from their entitlements to statutory or occupational pension provision payments. On average they would have a gap in provision of around € 700 per month.

The results of the latest Provision Atlas Germany by Union Investment also indicate that the young generation in particular must take action if it wishes to maintain its standard of living when reaching retirement age. According to the survey, those who are aged between 20 and 34 today will on average require an additional € 800 per month for their retirement. The gap in provision is even greater among higher earners.

The state supports supplementary old-age provision in Germany. In 2019, the maximum tax-deductible amount in Tier 1 is to increase from € 23,712 to € 24,305 for single persons. At the same time the percentage of premiums paid that is taken into account by the tax authorities is set to increase from 86% to 88%. These figures are doubled for married couples.

Greater support for basic and Riester pension from 2019 onwards

The legislation on strengthening occupational pension provision in Germany (BRSG), which came into force on January 1, 2018, encompasses a comprehensive package of measures aimed at achieving greater market penetration for occupational pension provision. A compulsory employer's contribution was introduced on January 1, 2019 for new contracts within the scope of the legislation on strengthening occupational pension provision in Germany (BSRG). If employees pay part of their salary into a pension fund, a pension scheme or a direct insurance policy, the employer is then obliged to pay a further 15% of the converted premium to the occupational pension provision as an employer's contribution if they themselves then pay less in social security contributions as a result of the deferred compensation. You can find further information on this in the forecast section under → "Competition and regulation".

Attractiveness of occupational pension provision growing

A survey undertaken by Deloitte also indicates that there is still a significant need to catch up in the field of occupational pension provision. Based on the survey, 45% of employees do not receive any occupational pension provision financed by their employer. This figure increases even further to 60% among young employees aged 25 and under. Yet the importance of occupational pension provision has increased in terms of acquiring and motivating employees, as well as keeping them loyal to their employer. Indeed, some 55% of employees pay close attention to the occupational pension provision on offer when switching jobs and rate this as extremely important.

According to a survey conducted by Mercer, two thirds of companies would like to establish a digital information platform for their employees that presents their provision status as well as supplementary benefits in a clear and logical structure as a way of reducing the amount of administration associated with occupational pension provision. The importance of the occupational pension provision business is also growing from the perspective of brokers. According to the "2018 AssCompact Market Survey of Occupational Pension Provision", around two thirds of brokers (68%) are currently expecting occupational pension provision to become very important in the brokerage business in the next five years.

Digital employer portals in demand for occupational pension provision

Assekurata takes the view that the ongoing low-interest-rate environment is leading to a situation in which the importance of classic life and pension insurance policies offering what has now become a very low guaranteed interest rate will continue to decline – and that their market volume will therefore fall further by 2020. The importance of unit-linked policies, on the other hand, is set to increase.

Sector facing major challenges

For 2019 the Insurance Markets Commission at the German Insurance Association (GDV e.V.) is anticipating an overall growth corridor of between -1.1% and +1.5% for the life insurance business.

Wealth management

FERI is of the opinion that the market environment in the wealth management area is in the middle of a pronounced cyclical change, which can potentially present serious challenges for the financial markets. Accordingly the future scenario is likely to be characterised by a weaker economic environment, a rather more restrictive overall monetary policy and geopolitical risks. According to FERI, world trade is set to virtually stagnate in 2019. The likelihood of politically motivated earnings risks is also set to increase further, which could lead to erratic market movements. In Europe the ultimate outcome of Brexit remains unclear, while the potential threat posed by Italy to the EU, EMU and the euro currency is an uncertainty that needs to be taken seriously. However, FERI also expects the basic scenario for asset allocation to present opportunities – above all if stock markets and other risk investments adapt to the new scenario relatively quickly.

The need for high-quality wealth management services is set to increase in the long term because of the constantly growing number of high-net-worth individuals. According to the Global Wealth Report published by Credit Suisse, worldwide wealth is likely to increase by just under 26% to US$ 399 trillion by 2023. The number of millionaires is also set to increase quite significantly in the next five years, reaching a record number of 55 million.

Increasing demand

A survey undertaken by the German Institute for Economic Research (DIW) indicates that the actual value of inherited wealth is likely to be higher than previously anticipated over the course of the next few years. According to information provided by the survey authors, this is because previous estimates were based solely on assets and did not take into account factors such as regular savings or potential increases in value. According to figures from the German Institute for Economic Research (DIW), total inherited wealth in Germany is therefore likely to reach a level of just under € 400 billion per year by 2024.

Inherited wealth rises to € 400 billion per year

Despite the ongoing low-interest-rate environment, German citizens are still putting a large proportion of their savings in short-term investments that deliver scarcely any return. According to a survey conducted by the "Aktion pro Aktie" initiative, this could be due to unrealistic return expectations: those who put their money into savings accounts or overnight deposits still expect to receive a better return than is actually achievable in many cases. German investors expect to receive an average annual return of 3.5% from investment funds on the stock exchange. Yet despite this, only one in five has invested in these investment products.

Investment behaviour characterised by unrealistic return expectations

The trend towards alternative investments is continuing among institutional investors. According to the Alternative Investor Survey 2018 of the German Association of Alternative Investments (BAI), the investors surveyed are keen to expand their commitments in the fields of private debt, infrastructure, real estate and private equity within the next three to five years – i.e. precisely those areas in which they have already invested heavily in the past according to the survey.

Institutional investors keen to expand their commitment to alternative investments

In light of a weaker economic environment, low interest rates and geopolitical risks, the capital market environment is likely to be characterised by pronounced volatility and remain challenging in the financial year 2019. In view of the above, we still expect to see an increased need for consulting services in the professional wealth management area among all of the Group's target client groups in the long-term.

Non-life insurance

Non-life insurance will play an increasingly important part in the market in future. Independent brokers in particular are also expecting the growth trend observed in the last few years to continue. According to a survey among insurance brokers conducted by AssCompact, 80% of respondents believe that the private non-life insurance business will be highly relevant in the next five years. They expect the greatest positive revenue trend in the field of residential building and legal expenses insurance policies. The areas of liability, accident and household contents insurance are also predicted to enjoy positive development.

Alongside the established private non-life insurance business, many brokers are increasingly expanding their focus to include the commercial arena. According to the AssCompact survey "Commercial Damage/Accident Business 2018", just under 60% of independent brokers consider commercial business to be very important and are expecting further forward momentum here in future. Above all, brokers see great growth potential in cyber insurance policies. Indeed, 87% expect to see better or much better revenue development here in the next one to three years.

Commercial non-life insurance business holds potential

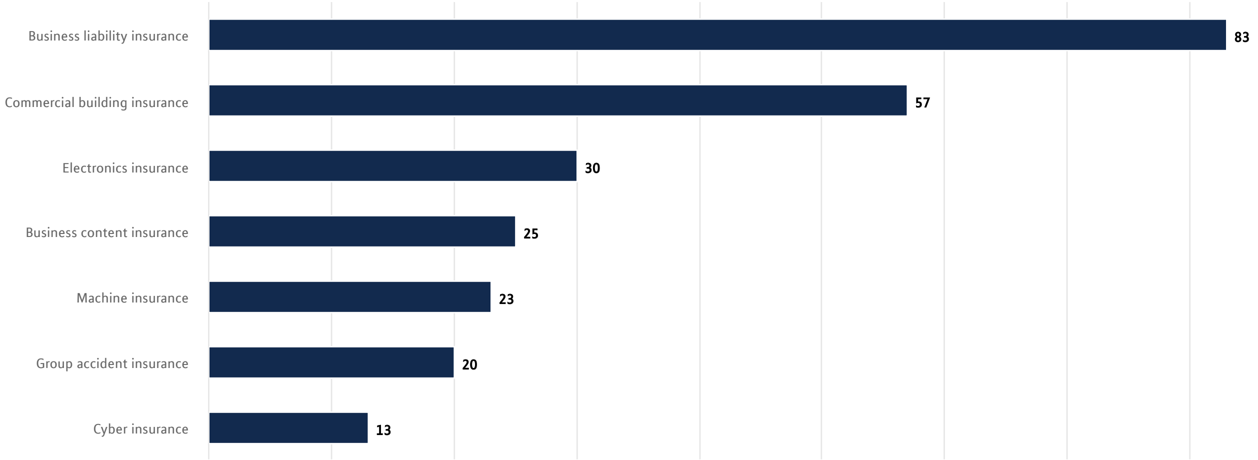
Based on estimates by ratings agency Assekurata, the focus in the commercial non-life insurance business is likely to shift towards the target group of small and medium-sized enterprises (SMEs) in future. Based on its size alone, this target group offers great growth potential. According to data published by the German Federal Statistical Office, there are around 2.4 million SMEs in Germany – representing 99.3% of all companies in the country.

SMEs with large backlog

In addition there is an enormous backlog demand for insurance cover from SMEs, as underlined by a survey conducted by Gothaer. Based on this, 45% of companies only have up to three insurance policies, while a further third has fewer than six policies in place. More than half of the companies (58%) fail to review their own insurance cover on an annual basis.

In terms of the type of insurance, business liability insurance is the dominant area with 83% of all policies. However, there is still considerable potential for all other commercial insurance policies. According to the Gothaer's "SME Survey 2018", only around half (57%) of companies have commercial buildings insurance and just under a third (30%) have taken out electronics insurance policies.

The insurance policies currently in place at SMEs (in %):



Source: Gothaer SME Survey 2018

Increasing digital networking is also placing an ever-greater focus on the topic of cyber insurance among German damage insurers. Based on estimates provided by Assekurata, SMEs in particular have a lot of catching up to do in this area. As per the Gothaer SME Survey 2018, 40% of SMEs in Germany consider cyber risks, such as hacker attacks or data theft, as one of the greatest hazards to their operations. This figure was considerably lower one year previously at just 32%. However, only 13% of respondents to the survey currently have a cyber insurance policy in place.

Growth market of cyber insurance

The market potential for online insurance policy sales is great. Indeed, every second German citizen (57%) would have no problem signing up for an insurance policy online. The favourites in terms of online sales are basic insurance policies such as vehicle, liability and household contents insurance. These were the results of the "Digital Insurance 2018" survey conducted by software producer Adcubum.

Online policy sales in demand, particularly for basic products

For commercial insurance policies, on the other hand, classic sales channels are maintaining their dominance. Face-to-face consulting remains the top priority for commercial clients, as underlined by the survey entitled "Commercial Insurance 2018 – What Clients Really Want". Although digital channels are indeed playing an increasingly important part in terms of research and information procurement, commercial clients still consider a trusting relationship with their broker a particularly important criterion when taking out new policies.

Strong demand for face-to-face consulting still present for commercial insurance policies

Ratings agency Assekurata still expects stable, positive results of operations overall for the non-life insurance business. However, insurers are facing the challenge of being seen as "replaceable" risk bearers by clients, while at the same time maintaining close client relationships in order to achieve long-term client loyalty.

Overall, the German Insurance Association (GDV e.V.) anticipates a further increase in premium income of between 2.0% and 3.5% for 2019 in the property and casualty insurance business.

Health insurance

Further reforms are to be expected in the German healthcare system over the course of the next few years. The industry is currently focusing much of its attention on the Statutory Health Insurance Contribution Relief Act (GKV-VEG). This legislation states that the premiums for statutory health insurance are once again to be shared absolutely equally by employers and employees as of January 1, 2019. In future, self-employed persons with a low income can also expect to pay lower premiums if they willingly sign up to a statutory health insurance fund. You can find further information on this in the forecast section under → "Competition and regulation".

Statutory Health Insurance Contribution Relief Act (GKV-VEG) weakening the competitive position of comprehensive insurance

Based on estimates provided by the experts at ratings agency Assekurata, the competitive position of comprehensive private insurance providers is likely to be further compromised in 2019 as a result of this legislation – primarily because the minimum premium for the statutory health insurance system is set to be halved for self-employed persons and freelancers. This will make the statutory health insurance system significantly more affordable for this target group as of January 1, 2019 and thereby make it more attractive for them to remain in the statutory system. The planned return to equal premium sharing could also reduce the desire of employees voluntarily paying into statutory insurance policies to change over to private insurance. Nevertheless, for many in this group the better benefits offered by private health insurance policies could still represent a powerful argument in favour of making the switch.

Access to private health insurance will also be further restricted in 2019 as a result of the increase in the statutory insurance limit from € 59,400 to € 60,750 per year. Only employees with incomes above this threshold will have the opportunity to switch over to private insurance. Anyone earning less than the threshold is subject to compulsory insurance in the statutory health insurance system.

Statutory health insurance funds: premiums will increase

Even if, as the German Health Ministry has reported, the average additional premium is reduced by 0.1 percentage points to 0.9% in 2019 because of the good current revenue situation of the statutory health insurance funds, statutory health insurance policy holders must still expect significant increases to premiums in the long term. Based on calculations conducted by the German Association of Actuaries (DAV), the premium rate in the statutory health insurance system could rise to 25% and in long-term care insurance to 8.5% by 2060. The main reason behind this is the demographic shift in Germany.

Trust in private health provision remains solid

As highlighted by the "Continentale Survey 2018", the vast majority of those paying into statutory funds are worried about the future of the healthcare system in Germany. Indeed, 80% are worried that good health provision is costing or will in future cost a lot of money on top of the statutory health insurance premiums. Many consider private provision to be the right solution here. Three quarters of respondents that pay into the statutory health insurance system (73%) believe that good cover will only be possible with private provision.

Statutory long-term care insurance not sufficient

A recent YouGov survey indicated the vast majority of German citizens feel as though they are poorly prepared from a financial perspective should they require long-term care. According to the survey, more than three quarters (77%) are worried that the benefits of statutory long-term care insurance will not be sufficient to cover their needs. Yet despite this, only a small number (15%) have actually concluded a private care policy. Those surveyed stated budgetary issues are the main reason for their lack of cover. Indeed, just under two thirds (63%) of respondents stated that they simply could not afford private long-term care insurance at the present time, while 20% believe that they do not know enough about what makes good insurance cover to be able to reach a well-founded decision.

A survey conducted by AssCompact therefore rates the future of private supplementary and long-term care insurance policies as positive. Some 60% of brokers believe that these insurance areas will be very important in the next five years. Ratings agency Assekurata sees enormous sales potential, above all in the supplementary long-term care insurance business, as only one third of those with supplementary long-term care insurance are younger than 40.

The occupational health insurance area is making slow progress in Germany. According to the Association of Private Health Insurers, some 672,500 people had occupational health insurance provision in place as at December 31, 2017 (+10.8%). The number of employers offering occupational health insurance increased by 23.8% over the previous year to 6,057. A survey conducted by the German Consumer Research Association (GfK) highlighted just how much potential there is here. According to the survey, 91% of companies in Germany are still not offering anything in this field. The survey goes on to state that this kind of coverage represents an ideal way of both acquiring the right staff and keeping them loyal to the Company. In fact, 70% of employees with occupational health insurance consider this a special kind of appreciation by their boss and some 92% of employees are so impressed by their occupational health insurance that they tell their friends about it.

Occupational health insurance still offers great potential

Depending on the level of premium adjustments and development of net new business in the comprehensive insurance area, the Insurance Markets Commission of the Economics Committee at the German Insurance Association (GDV e.V.) is anticipating an increase in premiums of between 2% and 4% for 2019 in the market for health and long-term care insurance.

Real estate

According to the "Wealth Barometer 2018", one third of all 20- to 50-year-olds are planning to purchase property in future. In 2017 this figure was just 23%. This applies in particular to young people, as the group of 20- to 29-year-olds represent 55%, which is significantly above the average. In 2017 only 38% of people in this age group were looking to purchase property. Purchasing an owner-occupied home is particularly popular: almost half (46%) of potential purchasers aged between 20 and 50 are keen to purchase an owner-occupied property, while 22% are looking for a buy-to-let investment and 30% plan to purchase both a buy-to-let and an owner-occupied property.

Young people in particular are planning a property purchase

Properties with nursing care are becoming increasingly popular as an investment. The need for compact dwellings with nursing care will increase in future as a result of the demographic shift. Indeed, the number of people requiring nursing care in Germany is set to rise within 20 years from around 2.9 million in 2015 to 3.8 million by 2035. Around a third of these will require a place in a nursing home. These are the results of the "Nursing Home Atlas Germany 2018" survey conducted by real estate consulting firm Wüest Partner Germany. The survey forecasts that around 230,000 new inpatient nursing care places will be required by 2035, most of them in Berlin (10,400) and Hamburg (3,600).

Nursing care properties as an investment

Demographic developments in Germany could lead to a significant increase in demand for micro-apartments, thereby also increasing the value of this type of property. According to estimates provided by the German Federal Statistical Office, the trend towards smaller households is set to continue in future. Indeed, the proportion of single-person and two-person households in Germany will rise to 80% by 2035. Around four out of every five households in Germany will be home to just one or two people in future. The proportion of small households is particularly high in the cities of Berlin, Hamburg and Bremen, where the proportion of single-person households is set to increase to an average of 55.5%.

Demand for micro-apartments set to rise

The boom currently being experienced in the cities is reinforcing this trend. Based on a survey undertaken by the Institute of the German Economy (IW), more than 4 million people will be living in Berlin by 2035, while Munich will be home to 1.66 million people and Frankfurt/Main will have 813,000 residents.

Cities are booming

Although property prices have already seen pronounced rises in many areas over the last few years, further increases are to be expected. This is the conclusion of the Postbank "Residential Atlas 2018" survey. In more than half (55%) of German administrative districts and cities, property owners can expect their house or apartment to increase in value until at least 2030. The prices for real estate are set to keep rising – primarily in urban centres, yet also in popular rural regions.

Prices continuing to rise in urban centres

Investors are therefore taking a rather optimistic overall view of the German real estate market. According to a survey undertaken by auditing firm PwC, two thirds (68%) of investors surveyed expect to see rising returns in the next five years.

Loans and mortgages

Based on information provided in the "Wealth Barometer 2018" of the Deutsche Sparkassen- und Giroverband (DSGV), some 82% of potential property purchasers aged between 20 and 50 would be willing to take on debt in order to finance their own homes. The WB also states that 43% would be willing to sign up for a mortgage to finance as much as 60% of the purchase price, while 28% would even finance up to 80% of the purchase price through borrowing.

High degree of willingness to take on debt

Based on information provided in a survey, additional impetus should also be expected from the "Baukindergeld" family housing grant scheme introduced in 2018. According to a model calculation of Berlin-based property research institute Empirica, the "Baukindergeld" scheme will help an additional 58,000 young families purchase their own home. The number of young tenant households with children that qualify for home ownership on the basis of their income and equity situation will thereby increase by 32% from 181,000 to 239,000 households.

Impetus through "Baukindergeld" family housing grant scheme

According to the "Consumer Credit Index 2018/2019" of the Professional Banking Association (Bankenfachverband e.V.), demand for consumer lending remains stable. The willingness to sign up for loans is therefore likely to increase slightly, although according to forecasts this effect will be equalised by consumer purchase planning remaining at around the same level.

Consumer lending remains stable

FERI does not expect to see any increase to the prime rate by the European Central Bank until the second half of 2019 at the earliest. The prime rate has been stagnating at zero since March 2016.

Ongoing low-interest-rate environment

Further growth is anticipated overall in the loans and mortgages area, primarily driven by property loans.

Competition and regulation

The market for financial services and the insurance sector is facing consolidation. Germany is considered to be the market with the greatest potential in Europe, in which both national and international service providers are competing. Because of stricter regulations, pressure is in particular mounting on low-level providers, which will lead to a further reduction in the number of market players. According to current figures provided by the Association of German Chambers of Industry and Commerce (DIHK), the number of registered insurance brokers declined by around 19,200 to some 201,600 in the period from January to December 2018 alone. Accordingly, there are now almost a quarter fewer registered insurance intermediaries than in 2011.

Consolidation of intermediaries ongoing

In 2018 the German Federal Ministry of Finance (BMF) published an evaluation report on the Life Insurance Reform Act (LVRG). Although its conclusions are largely positive, the capping of acquisition commission is listed as a potential measure in the report – albeit without any further details to date. The political discussion on this is ongoing. A draft bill is expected from the German Federal Ministry of Finance (BMF) around spring 2019, and it will then be subjected to the parliamentary process. No direct effects on the operating business of MLP in the old-age provision area are therefore to be expected for 2019.

Long-term effects of the Life Insurance Reform Act (LVRG) still unclear

Should the German Federal Ministry of Finance (BMF) introduce a commission cap, a survey conducted by AssCompact suggests that many free intermediaries and brokers should be worried about their future. Indeed, around 70% of brokers surveyed feel certain that any form of commission capping would have negative effects on their brokerage business. If the commission cap is applied to all life insurance products (including biometric products), the brokers estimate that up to 50% of free intermediaries could struggle to survive.

Commission cap depressing the overall mood

As of 2019 a compulsory employer's contribution was introduced in the occupational pension provision area within the scope of the legislation on strengthening occupational pension provision in Germany (BRSG), which came into force in 2018. If employees pay part of their salary into a pension fund, a pension scheme or a direct insurance policy, as of January 2019 the employer is then obliged to pay a further 15% of the converted premium into the occupational pension provision as an employer's contribution if they themselves then pay less in social security contributions as a result of the deferred compensation. This applies to all deferred compensation agreements concluded from 2019 onwards. For those deferred compensation agreements already concluded or in place before this time, the allowance will only be paid as of 2022.

Legislation to strengthen occupational pension provision in Germany (BSRG) is having the desired effect

The legislation designed to improve service and stabilise the statutory pension came into force on January 1, 2019. In future the pension level before taxes should be at least 48%, while the premium rate is set to rise to a maximum of 20%. However, this "belt and braces" approach will only apply provisionally up to 2025. The legislature has not yet given any information as to what may happen after 2025. Experts are already issuing warnings about the heavy costs associated with the new legislation.

Statutory pension level set to be stabilised

The new Statutory Health Insurance Contribution Relief Act (GKV-VEG) came into force on January 1, 2019. This stipulates that the premiums paid into statutory health insurance are once again to be split completely equally between employers and employees from 2019 onwards. Unlike in the past, this now applies not only to the general premium rate but also to the individual additional premium that each healthcare fund determines itself. In future, self-employed persons with a low income can also expect to pay lower premiums if they willingly sign up to a statutory health insurance fund.

Changes to statutory health insurance

Over the next few years regulatory bodies are likely to continue work on ways to make the costs associated with financial products more comparable for clients, while clients themselves are likely to become more conscious of costs and consulting quality overall. Issues that could also contribute to this include the fact that the legislature has already taken action with binding stipulation of an effective cost ratio both in Germany in the form of the Old-Age Provision Product Contact Point (PiA) and at European level with the Key Information Documents (KIDs) for Packaged Retail and Insurance-Based Investment Products (PRIIPS), which have been stipulated since January 1, 2018, as well as the new PRIIP-KIDs for UCITS funds which apply from January 1, 2019 onwards. However, even these most recent regulatory steps have not even come close to securing sufficient comparability of the products or their costs. In addition, clients are becoming increasingly aware of the differences between the various groups of consultants (brokers, etc.).

Further regulation to be anticipated

It is in principle true that the world of politics continues to pursue a strategy aimed at strengthening the field of fee-based consulting. Yet the Fee-Based Investment Advisory Service Act (HAnlBG) which came into force in 2014 – referring solely to the field of investment consulting – has not delivered any appreciable effects to date because of regulations affecting existing contracts that prove to be out of step with the market. Should any further market potential actually materialise, however, MLP is well prepared to handle it, as new business in the wealth management area is already remunerated on a fee-like basis at MLP.

Fee-based consulting remains a topic of discussion in the world of politics

The draft of the IDD Implementation Act initially presented by the German government also stipulated that insurance brokers could only have their work remunerated by insurance companies. With a de facto commission ruling, the German legislature clearly opposed the possibility of fee-based consulting or mixed models provided in Article 19 of the IDD. Following severe criticism, this legal text was amended again so that private clients can continue to receive fee-based consulting.

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

Well equipped to handle new regulatory requirements

Anticipated business development

Over the course of the next few years, we generally expect to see an increased need for consulting services in the field of professional wealth management among all the Group's target client groups. More and more clients of MLP Banking AG are approaching the age at which financial investments become significantly more important to them, not least because of their increasing personal wealth. Above all we see significant growth opportunities through the massive potential of this consulting field among our client base at MLP. FERI continues to benefit from its comprehensive expertise in alternative forms of investment. In light of low interest rates, a weaker economic environment and an overall rather restrictive monetary policy, however, the capital market environment is likely to be characterised by pronounced volatility and remain challenging in the financial year 2019. It is therefore safe to assume that both private and institutional investors will continue to display risk-averse behaviour. Volume-based and performance-based compensation could also decline. The MLP Group anticipates a slight overall increase in revenue in this consulting field.

In the old-age provision area MLP expects the reluctance to sign long-term provision contracts to continue throughout the market, primarily because of the ongoing period of low interest rates. The product landscape in the old-age provision area is continuing to change as a result of this. Alternative guarantee concepts are enjoying ever-increasing demand and gaining ground throughout the market. MLP has already assumed a pioneering role in the brokerage of these concepts, and we are increasingly benefiting from this. Exactly what concrete actions the German government is likely to take in future because of the evaluation report of the Life Insurance Reform Act (LVRG) currently remains unclear, leading to uncertainty in the life insurance sector. However we are not yet anticipating any direct effects of a potential commission cap in the life insurance sector in 2019.

On the other hand, the legislation to strengthen occupational pension provision in Germany, which came into force in 2018, is likely to continue providing positive stimulus for the occupational pension provision sector. To this end, MLP is planning to introduce a digital occupational pension provision portal for small and medium-sized companies in 2019. The objective here is to make it easier for employers to manage their occupational pension provision contracts, while providing employees with clearly structured and compact information on their company's occupational pension provision offers.

We are anticipating overall new business in the old-age provision area to be slightly above the previous year's level in the financial year 2019. Following the increase in 2018, we expect revenue to be at the same level as the previous year for the anticipated revenue mix.

In the non-life insurance area, we continue to see growth potential both on the concept side (DOMCURA) and from a sales perspective (MLP Finanzberatung). Following the successful introduction of product bundles in the private client arena by DOMCURA and the introduction of luggage insurance on the basis of blockchain technology, further target group concepts (e.g. product bundles for students and young employees and medical malpractice insurance) are planned for 2019. There is also further growth potential in MLP's customer base in terms of catering even more comprehensively for existing requirements in the non-life insurance area. Overall we therefore expect a slight increase in revenue in the non-life insurance area for 2019.

Market conditions in the field of health insurance are unlikely to display any significant improvement in the short term. The Statutory Health Insurance Contribution Relief Act (GKV-VEG), which came into force on January 1, 2019, will not improve the competitive position of comprehensive private insurance providers. The supplementary insurance area holds growth potential. We also believe that the occupational health insurance business has a promising future. Overall we expect revenues in the field of health insurance in 2019 to be at the previous year's level.

Within the scope of the holistic investment strategy and in light of the low interest rates, we currently see real estate as one of the most popular investment opportunities for our target group. Indeed, we see particularly great growth potential in the brokerage of new buildings and concept-driven properties (microliving, property with nursing care). We are therefore expecting to broker significantly more real estate in 2019 than in the previous year and accordingly anticipate sales revenue to increase quite strongly. In addition, we are expecting a strong increase in revenue in the loans and mortgages business.

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

Revenue estimates: 2019 (in comparison with the previous year)

2019	
Revenue from old-age provision	Unchanged
Revenue from wealth management	Slight increase
Revenue from non-life insurance	Slight increase
Revenue from health insurance	Unchanged
Revenue from real estate	Strong increase
Revenue from loans and mortgages	Strong increase

Continuation of the growth initiatives

In order to maintain this earnings level in spite of the ongoing difficult market conditions in the old-age provision area, MLP will continue to drive forward the strategic further development of the previous years. Growth activities already successfully initiated will be continued to this end.

Greater focus on physicians

For 2019 we are planning to focus our activities even more keenly on the physician market, among other things by developing the target group area of entrepreneurial physicians, through diversification of activities in the field of classic practices, expansion of association work and cooperations, as well as the intensification of the qualification measures for MLP consultants.

Further acquisitions possible

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

Driving forward digitalisation, establishing a digital culture

MLP also strives to be the dialogue partner for all financial matters on the web and on social media. We are keen to anchor these principles as a programme in order to promote digital workflows throughout the MLP Group and gradually establish a digital culture. To this end, we launched a Digital Board with a Digital Officer and a Digital Task Force in 2018. Its primary task is to record central topics in all areas and promote digital working throughout the Group.

Future digital MLP Group projects will be broken down into three clusters: digital services for existing and potential customers (e.g. mlp.de, mlp-financify.de, MLP client portal), digital services for consultants (e.g. lead management system, MLP PolicyScan) and internal process improvements within the MLP Group.

The digitalisation strategy is closely linked to the new IT strategy and the new IT mission which was launched in 2018. This will lead to numerous measures over the course of the next few years, which in turn will lead to closer cooperation in cross-functional teams and be promoted through agile working models and project methodologies. For example we are planning to supplement our current IT world, which is based on operating our own data centres, with a cloud-based IT infrastructure and generally optimise our IT structures and processes. We will employ various approaches to achieve this in 2019, including the gradual introduction of new IT architecture and new working models. We will also start work on adapting existing consultant applications to the new requirements.

IT strategy as the basis for innovations

The MLP online client portal is to be extended in 2019, among other things to include an overview of all insurance policies. There are also plans for a mailbox offering secure communication between clients and consultants. Both facilities were previously already available to our clients via a separate module, but they will now be integrated into the client portal. In addition we are keen to apply the e-signature to all securities applications in the wealth management area with a view to making it possible for all business processes in the wealth management area to go paperless by the end of the year.

Online client portal being extended

Other focuses for MLP in 2019 include the continuous further development of its online presence and e-mail marketing and the expansion of the lead management system. By taking these steps we are keen to further improve the conversion rate of leads to actual clients. We have already established an app for policy scans in 2018 which, above all, makes portfolio transfers easier in the non-life insurance business. We will develop this further in 2019.

The continuous increase in the number of people with academic qualifications in gainful employment offers encouraging potential for MLP. This trend is likely to continue over the course of the next few years in light of the increasing numbers of students and graduates, as the unemployment rate among graduates is at a very low level. However, this also presents a challenge in terms of recruiting new consultants for MLP. The competition for graduates has intensified in the last few years, and good graduates typically have a choice between several attractive entry-level career offers. However, the realignment of our university segment in 2017 has placed our focus on the recruitment of new consultants, and we were already able to record the first positive results in the past year. We will consistently maintain and continue to drive forward this focus in 2019.

Number of prospective clients constantly on the rise

Recruiting new consultants therefore remains a focus topic in 2019. By pooling all of MLP's cross-location activities in the university segment we have established the necessary prerequisites to be successful here. The young consultants have successful and experienced consultants at their side in the form of regional managers and "university team leaders". In addition, we have optimised the training and qualification offers for this group of consultants. The process for joining MLP has also been significantly optimised for consultants with professional experience, making it even easier to make the switch to MLP. With these greater investments, we will create the basis for stronger future growth in terms of consultants, revenue and income.

Realignment of the university segment at MLP

To this end, we will strengthen our recruiting activities via our online presence (including expanding active sourcing activities). We are anticipating a net increase in the number of our consultants for 2019. Our overall assessment is based on the assumption that annual employee turnover will not exceed the target limit of around 10%.

We believe that the high quality of our basic and further training programme will continue to be the key to success. Indeed, we offer our consultants a programme that far surpasses the legally stipulated level. Modularising and expanding our training facilities should help us to slightly increase the number of central training days (including online seminars) at our Corporate University compared with the last financial year. This also applies to the total budget for qualifications and further training. We are anticipating expenses of around € 9.7 million for this in 2019.

We see the cost level that has currently been achieved as the basis for the next few years. Expenses will primarily be accrued within the scope of investments in the future, such as the recruitment of young consultants in the course of strengthening the university segment, as well as in IT for the ongoing implementation of our digitalisation strategy.

Consistent efficiency management programme supports growth strategy

Forecast

A consistent cost management approach is one of the pillars for continuously growing profitability. Despite additional investments in our own future, above all in the university segment, administration costs remained at a low level in 2018. The efficiency measures implemented in the past are bearing fruit.

Administration costs largely stable

We will continue to develop and optimise MLP in 2019. The forecast administration costs therefore still include expenses for investments in the future, in particular for recruiting young consultants within the scope of strengthening the university segment. Expenses incurred in this connection in 2018 were around € 6.7 million. On the basis of the successes already achieved in 2018 we will continue along this path, and further intensify our investments in strengthening the university segment in 2019. We are also anticipating additional expenses of around € 8 million for this in 2019. Although this may limit our growth in earnings in the short term, it will significantly increase our future profit potential in the long term. Added to this are further investments, in particular in IT, which are necessary for further implementation of our digitalisation strategy.

Alongside administration expenses, the costs of sales (primarily commission expenses) are also relevant for our cost structure. Since 2015, MLP has been offering a training allowance for new consultants to support them in their start to self-employment. These costs are also recognised under commissions paid. In 2019, we expect to record a comparable overall ratio of commission income to commissions paid as in the reporting year.

Following loan loss provisions of € +0.5 million in the reporting year 2018, we expect to maintain the previous year's level in the coming year.

Based on our estimates regarding revenue and costs, we are expecting a slight increase in EBIT for the financial year 2019 compared to the previous year – despite markets that remain challenging and substantial investments, mainly in our university segment but also in the ongoing implementation of our digitalisation strategy. This forecast is based on the assumption that the framework conditions in our core markets will not become significantly worse.

Forecast: slight increase in EBIT anticipated

As in the previous year, we once again expect the finance cost to be slightly negative. The tax rate in 2018 was 24.7%. For 2019 we are anticipating a slightly higher tax rate.

MLP's objective is to enable our shareholders to participate fairly in the Company's success, as well as to pay an attractive and reliable dividend corresponding to our dividend policy, determined by the Company's financial and earnings position and its future liquidity requirements. Since MLP employs a comparatively non-capital-intensive business model, we intend to maintain an attractive and consistent dividend policy for the future. At the same time, we will retain some profit to further strengthen the business model. We have been paying out between 50% and 70% of Group net profit as dividends since the financial year 2014.

Dividends of € 0.20 per share

Group net profit increased significantly in the last financial year. In comparison with the previous year's Group operating profit (assessment basis for the 2017 dividends) – i.e. earnings before one-off expenses for further development of the corporate structure – the development was stable.

On this basis, the Executive and Supervisory Boards will propose a dividend of € 0.20 per share at the Annual General Meeting on May 29, 2019, representing around 63% of Group net profit. We are keen to continue paying out between 50% and 70% of Group net profit in future.

Planned financing activities and investments

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

Our investment volume in the last financial year was € 26.6 million, which was above the level originally anticipated. This increase can be attributed to the acquisition of the business premises of FERI AG in Bad Homburg. In addition, IT remained the primary focus of investments. You can find more detailed information on this in the chapter entitled → "Economic report – Business performance". We will continue to make investments in future, above all in our IT systems. These essentially focus on the continuing implementation of our digitalisation strategy, in which we invested around € 4.4 million in the last financial year – and we estimate an additional investment volume of around € 25 million over the next two years. This means that we are anticipating a significantly lower overall investment volume for 2019 than in the previous year. Excluding investments for acquisition of the aforementioned business premises, we expect an investment volume above the previous year's level as measures for the implementation of our digital strategy are rolled out and/or intensified. Within our projects we use further funds that will flow directly into our income statement as expenses. We expect to be able to finance all investments from cash flow.

Return on equity increased from 7.3% to 8.5% in the financial year 2018. Assuming unchanged shareholders' equity, we are anticipating a slight increase in return on equity for 2019.

Slight increase in return on equity anticipated

The Group's liquidity rose from € 354 million to around € 436 million in the financial year 2018, and the overall liquidity situation remains good. Liquidity will be reduced by the intended dividend payment of € 21.9 million for the financial year 2018. It will increase again in the second half of 2019 thanks to the typical year-end business. Acquisitions which we finance with cash holdings would also have a negative effect on the Group's liquidity and capital adequacy. We are not anticipating any liquidity squeezes for the coming financial year.

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

MLP anticipates that the challenging market conditions will continue throughout the financial year 2019. In terms of EBIT, we are anticipating a slight increase over the 2018 figure. We therefore expect to see a positive overall development within the Group. We enjoy a sound financial standing, which we are keen to use to further extend our strong market position.

Prognoses

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

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

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

SUPPLEMENTARY DATA FOR MLP SE (DISCLOSURES BASED ON HGB)

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

Business and general conditions

General company situation

MLP SE is the holding company for the MLP Group. The Company's primary role is to manage the Corporate Group. It defines strategic goals and ensures coordinated and aligned corporate policy within the Group. MLP SE is not actively involved in operations. Any revenue generated at MLP SE is essentially a result of letting buildings to affiliated companies.

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

Business performance at MLP SE

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

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

Results of operations

At € 5.3 million, sales revenues remained at the previous year's level (€ 5.6 million). Revenue essentially comprises rental income from affiliated companies. At € 3.8 million, other operating income remained at the previous year's level (€ 4.0 million).

Personnel expenses rose to € 6.3 million in the last financial year (€ 5.0 million), largely as a result of greater allocations to pension provisions. Amortisation of intangible assets remained virtually unchanged at € 2.5 million (€ 2.6 million). Other operating expenses decreased significantly to € 14.0 million (€ 28.8 million). The previous year's higher figure was essentially due to a merger loss resulting from the merger of SFH Schwarzer Familienholding GmbH (SFH) with MLP SE, as well as one-off expenses within the scope of further refining the corporate structure. At the same time, this item was negatively impacted in the reporting year by VAT expenses from previous years. These extra expenses can essentially be attributed to 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. The tax allowances granted to the Company in 2016 as a result of this circumstance have now been imposed again. Earnings before interest and taxes were € -13.6 million (€ -26.8 million) and were therefore significantly above the previous year's level.

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

The finance cost increased significantly in the reporting year to € 32.6 million (€ 18.0 million). This was primarily due to a sharp increase in income from profit/loss transfer agreements to € 35.7 million (€ 22.1 million). Higher interest and other expenses, which rose from € 0.8 million to € 2.9 million, served to offset this effect. The increase can be attributed to interest on arrears incurred because of VAT backpayments for previous years. Following the deduction of income taxes of € 3.5 million (€ +0.5 million), this resulted in net profit of € 15.4 million (€ -8.4 million). Unappropriated profit was € 21.9 million (€ 21.9 million).

Net assets

The balance sheet total of MLP SE was € 397.6 million (€ 401.1 million) on December 31, 2018.

On the assets side of the balance sheet, "Property, plant and equipment" declined slightly to € 32.8 million (€ 34.0 million). This was essentially due to depreciation and amortisation expenses. Financial assets remained unchanged at € 242.3 million (€ 242.3 million). Receivables and other assets increased to € 44.2 million (€ 34.9 million). This is essentially due to an increase in receivables from affiliated companies to € 33.4 million (€ 22.1 million). This increase is primarily attributable to receivables due from subsidiaries of MLP SE, resulting from profit/loss transfer agreements in place with these companies. Other assets fell slightly to € 10.7 million (€ 12.8 million).

"Cash on hand and on deposit with the Deutsche Bundesbank, bank deposits and cheques" reduced to € 76.9 million (€ 87.1 million). The decline can essentially be attributed to the payment of dividends to our shareholders and the VAT backpayments for previous years. This was offset by profit transfers from subsidiaries.

On the liabilities side of the balance sheet, shareholders' equity declined slightly to € 369.1 million (€ 375.6 million). The share capital and capital reserves remained unaltered at € 109.3 million (€ 109.3 million) and € 139.1 million (€ 139.1 million) respectively. Retained earnings also remained at the previous year's level of € 105.3 million (€ 105.3 million). Unappropriated profit was € 21.9 million, following € 21.9 million in the previous year.

Provisions increased to € 21.5 million (€ 17.8 million), with pension provisions and similar obligations rising slightly to € 12.1 million (€ 11.3 million). Provisions for taxes rose to € 4.4 million (€ 2.6 million). Other provisions increased to € 5.0 million (€ 3.9 million). Liabilities decreased to € 6.9 million (€ 7.7 million), largely owing to a decline in liabilities due to affiliated companies to € 2.2 million (€ 6.6 million). Other liabilities increased to € 4.2 million (€ 0.7 million), essentially because of tax liabilities that rose to € 3.4 million (€ 0.1 million). This increase can essentially be attributed to VAT liabilities from previous years.

Financial position and dividends

As of the balance sheet date, December 31, 2018, MLP SE had cash holdings (cash on hand and on deposit with the Deutsche Bundesbank, bank deposits and cheques) of € 76.9 million (€ 87.1 million). This item was reduced by the dividend payout to our shareholders at € 0.20 per share and a total volume of € 21.9 million. The profit transfers of our subsidiaries had a positive effect, while VAT backpayments for previous years had the opposite effect.

At 92.8% (93.6%), the equity ratio remained virtually constant. MLP SE therefore continues to enjoy good equity capital backing.

The liabilities of MLP SE decreased to € 6.9 million (€ 7.7 million), largely as a result of a drop from € 6.6 million to € 2.2 million in liabilities due to affiliated companies from the assumption of losses. These were offset by higher other liabilities of € 4.2 million (€ 0.7 million). The liabilities at MLP SE are all current liabilities. Cash and cash equivalents therefore exceed current liabilities several times over.

The dividend payments of MLP SE are made in accordance with the financial and profit situation and future liquidity requirements. As announced, the distribution rate for the financial year will be between 50% and 70% of the MLP Group’s net operating profit. The Executive and Supervisory Boards will propose a dividend of € 0.20 per share at the Annual General Meeting on May 29, 2019. This corresponds to a distribution rate of 63% of the Group's operating net profit.

Comparison of actual and forecast development of business

Business performance at MLP SE is essentially dependent on the business performance of the MLP Group. We therefore refer to the comparison with the forecast business performance of the MLP Group. We also refer to the withdrawal from other retained earnings conducted in the previous year. As such, the development of MLP SE deviates from the development of the MLP Group.

Despite market conditions that generally remained difficult for its subsidiaries in 2018, MLP SE was overall able to meet its own objectives and expectations – without taking into account the divergent withdrawal from other retained earnings.

Research and development

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

Employees

As was the case the previous year, MLP SE had an average of 6 employees in the last financial year.

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

Compensation report of MLP SE

The basic structure and design of the compensation system at MLP SE are the same as those of the MLP Group. We therefore refer to the compensation report of the MLP Group.

Risks and opportunities at MLP SE

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

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

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

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

Forecast for MLP SE

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

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

The explanatory report on acquisition-relevant disclosures applies equally to MLP SE and the MLP Group. Therefore, reference is made to the MLP Group's explanatory report on the disclosures pursuant to § 176 (1) of the German Stock Corporation Act (AktG), § 289a (1) and § 315a (1) of the German Commercial Code (HGB).

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

The declaration on corporate governance applies equally to MLP SE and the MLP Group. We therefore refer to the MLP Group's declaration on corporate governance.

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

Composition of capital

As of December 31, 2018, the Company's share capital amounts to € 109,334,686 and is divided into 109,334,686 ordinary bearer shares with a nominal value of € 1 per share.

Restrictions on voting rights or on the transfer of shares

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

Capital stakes

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

	Number of shares*	Shareholding*
Dr. h. c. Manfred Lautenschläger, Gaiberg[1]	298,833,731[1]	27.33%[1]
Angelika Lautenschläger, Gaiberg[2]	318,833,732[2]	29.16%[2]
Angelika Lautenschläger Beteiligungen Verwaltungs GmbH, Gaiberg	22,796,771	20.85%

* Status known to MLP SE as of December 31, 2018

[1] Based on information provided by Dr. h.c. Manfred Lautenschläger there is a voting trust and pooling agreement as per § 34 (2) of the German Securities Trading Act (WpHG) between Dr. h. c. Manfred Lautenschläger (2.37% of voting rights), the company controlled by him, Angelika Lautenschläger Beteiligungen Verwaltungs GmbH (20.85% of voting rights) and Manfred Lautenschläger Stiftung GmbH (4.11% of voting rights, controlled by his wife Angelika Lautenschläger). Of the 27.33% of voting rights, Mr Lautenschläger is therefore attributed the voting rights of Manfred Lautenschläger Stiftung GmbH and Angelika Lautenschläger Beteiligungen Verwaltungs GmbH as per § 34 (2) of the German Securities Trading Act (WpHG).

[2] As per § 34 (1) No. 1 of the German Securities Trading Act (WpHG) and according to information provided by Ms Lautenschläger herself, of the 29.16% of voting rights, Ms Lautenschläger is attributed 0.05% of the voting rights held by M.L. Stiftung gemeinnützige GmbH, which in turn are attributed 4.11% of the voting rights of Manfred Lautenschläger Stiftung GmbH as per § 34 (1) No. 1 of the German Securities Trading Act (WpHG). Based on information provided by Angelika Lautenschläger there is a voting trust and pooling agreement as per § 34 (2) of the German Securities Trading Act (WpHG) between Manfred Lautenschläger Stiftung GmbH (4.11% of voting rights), the husband of Angelika Lautenschläger, Dr. h. c. Manfred Lautenschläger (2.37% of voting rights) and Angelika Lautenschläger Beteiligungen Verwaltungs GmbH, controlled by him (20.85% of voting rights). The voting rights of Dr. Manfred Lautenschläger and those of Angelika Lautenschläger Beteiligungen Verwaltungs GmbH that are attributable to Manfred Lautenschläger Stiftung GmbH as per § 34 (2) are therefore attributed to Ms Angelika Lautenschläger.

Shares with special control rights

No shares conferring special control rights have been issued.

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

Where MLP SE has in the past issued shares to employees as part of its employee participation programme, these shares were transferred to the employees directly. These employees can or could then exercise the control rights granted by the shares issued directly in line with the legal requirements and the Company's Articles of Association.

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

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

Amendments to the Company's Articles of Association

Pursuant to Art. 59 of the SE Regulation in conjunction with § 179 (1) and (2) p. 1 of the German Stock Corporation Act (AktG), any amendment to the Company's Articles of Association requires a resolution of the Annual General Meeting with a majority of at least three quarters of the valid votes cast. When making amendments to the Company's Articles of Association for which only a simple majority is required for stock corporations incorporated under German law (AG), § 19 (4) of the Company's Articles of Association, notwithstanding § 179 (2) Sentence 1 of the German Stock Corporation Act (AktG), provides that resolutions seeking to amend the Company's Articles of Association by the Annual General Meeting can be passed with a simple majority of the share capital votes entitled to vote on the resolution, unless mandatory legal provisions require a greater majority, provided that at least half of the share capital is represented, otherwise a majority of two thirds of the votes cast. The Supervisory Board is authorised pursuant to § 23 of the Company's Articles of Association, however, to make amendments to the Company's Articles of Association that relate to their formulation.

Authority of the Executive Board to issue or buy back shares

A resolution passed by the Annual General Meeting on June 14, 2018 authorised the Executive Board to increase the Company's share capital by up to € 21.5 million by issuing new ordinary bearer shares in exchange for cash or non-cash contributions, and with the Supervisory Board's approval to exclude shareholders' rights to subscribe for shares in exchange for non-cash contributions on one or more occasions until June 13, 2023.

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

As per the resolution of the Annual General Meeting from June 29, 2017, the Company is also authorised, pursuant to § 71 (1) No. 8 of the German Stock Corporation Act (AktG), to purchase up to € 10,933,468 – i.e. slightly less than 10% of the share capital – during the authorisation period up to June 28, 2022. Based on this authorisation, MLP Finanzberatung SE – a wholly-owned subsidiary of MLP SE – acquired 382,000 shares up to February 28, 2018 following authorisation by the Annual General Meeting on the basis of an Executive Board resolution and with the consent of the Supervisory Board of MLP SE. It then issued 377,876 of these shares to commercial agents working for MLP Finanzberatung SE as part of a participation programme. On the basis of this Annual General Meeting, MLP Finanzberatung SE then acquired a further 163,900 shares in December 2018 in accordance with the Executive Board resolution and with the consent of the Supervisory Board of MLP SE. MLP Finanzberatung SE held 168,024 shares on the reporting date of December 31, 2018. These shares and further bought-back shares are now to be issued to the commercial agents working for MLP Finanzberatung SE as part of a participation programme. This is likely to take place in the second quarter of 2019.

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

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

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

The contracts of employment between the Company and the Chairman of the Board, Dr. Uwe Schroeder-Wildberg, and Executive Board members Manfred Bauer and Reinhard Loose contain a clause stating that these members are entitled to terminate their contracts with a notice period of one month in the event that a third party who had a share in MLP of less than 10% at the time at which the contracts were concluded acquires a share of at least 50% of the voting rights. If any of these Executive Board members chooses to exercise this right to terminate, MLP is obliged to pay the member compensation corresponding to four times (4x) fixed annual salary if the contract has not been terminated as a result of the change in control, provided that the contract is terminated more than two years before it reaches its normal termination date. For all members of the Executive Board the compensation to be paid in the event of a "change of control" corresponds to no more than twice the average compensation, based on the total compensation of the last full financial year prior to termination of their contract and the total anticipated compensation for the year still in progress when their contract is terminated. The service contract of Dr. Schroeder-Wildberg is set to run until December 31, 2022, that of Mr. Bauer is set to run until April 30, 2020 and that of Mr. Reinhard Loose is set to run until January 31, 2024. In the event of contract termination within two years of the scheduled termination date, the severance payment will only be paid pro rata temporis.

Report on compensation transparency – appendix to the management report

You can find detailed information in our report on compensation transparency for 2017. We therefore refer to the statements in the 2017 Annual Report. Within the scope of legal requirements in line with the stipulations of § 22 of the Transparency of Pay Act, we will update this report in the annual report for 2020.

NON-FINANCIAL ASPECTS OF BUSINESS ACTIVITIES

Within the scope of our 2018 Sustainability Report we report on the non-financial aspects of our business activities. The focuses of our sustainability reporting in terms of content result from the materiality analysis performed in 2017, on the basis of which we identified the key aspects for our company. These remain valid.

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

Corporate governance report – Declaration on corporate governance

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

Compliance with the Corporate Governance Code

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

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

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

Section 4.1.5 (compliance with diversity at management level)

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

In the current financial year the Executive Board has intensified its efforts with respect to diversity when filling managerial positions, and in particular strives to achieve appropriate consideration of women at managerial levels in the Company. In the past the Executive Board of MLP SE has taken measures directed at reconciling working life and family life. In the financial year 2018 the Executive Board again reviewed the effectiveness of these measures, having adopted an overall concept in November 2013. If appropriate it will undertake modifications as necessary or initiate further measures in order to achieve appropriate consideration of female candidates at managerial levels in the Company, taking into account the Company's specific situation. This concept also includes guidelines for diversity-compliant promotion, which will, however, still require final elaboration. Thus no specifications for concrete selection decisions with respect to filling positions have yet been established. Nevertheless, the Executive Board of MLP SE has only decided upon a percentage of female members amounting to 0 percent at the first management level below the Executive Board as MLP SE is a holding company that has only a very limited number of staff with just a few managers. MLP SE does not have a second level of management below the Executive Board.

The measures are therefore not yet fully compliant with the requirements of Section 4.1.5 of the Code. As was also the case in the financial year 2018, MLP therefore declares it will continue to deviate from this recommendation in 2019.

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

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

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

The Supervisory Board is therefore of the opinion that the implementation progress made to date is not yet sufficient to fulfil the requirements of Section 4.2.3 Sentence 11 of the Code in full. As was also the case in the financial year 2018, MLP therefore declares that it will not follow this recommendation in the financial year 2019.

Section 4.2.3 Sentence 12 to 14 (severance payment cap)

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

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

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

As was also the case in 2018, MLP will therefore not comply with this recommendation in 2019.

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

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

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

The Supervisory Board is of the opinion that the implementation progress made to date is not yet sufficient to fulfil the requirements of Section 5.1.2 Sentence 2 of the Code in full. As was also the case in the financial year 2018, MLP therefore declares that it will not follow this recommendation in the financial year 2019.

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

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

MLP did not follow this recommendation in 2017. There is no set age limit for members of the Executive Board of MLP. The appointment of members of the Executive Board should be based solely on their knowledge, skills and specialist experience. As was the case in 2018, MLP will therefore not comply with this recommendation in 2019.

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

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

No age limit or standard limit for the length of service is specified for members of the Supervisory Board. In light of the knowledge, expertise and specialist experience stipulated in Section 5.4.1 Sentence 1 of the Code, it seems inappropriate to specify an age limit and standard length of service for members of the Supervisory Board. As was the case in 2018, MLP will therefore not comply with this recommendation in 2019.

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

MLP did not follow this recommendation in the current financial year. In its meetings over the last few financial years and again in 2018, the Supervisory Board of MLP AG, and since September 21, 2017 the Supervisory Board of MLP SE, has addressed the topic of setting a concrete target for the composition of the Supervisory Board, paying particular attention to diversity, and approved an expertise profile. The Supervisory Board has set itself the target that given candidates of equal professional and personal suitability, it would seek to fill at least 16.5 percent of the Supervisory Board positions with suitable female members. However, largely because of the low number of members that sit on the Supervisory Board as per the Company's Articles of Association, the Supervisory Board does not currently consider it prudent to specify a concrete timetable for implementing this objective. Therefore it is also not currently possible to report on any concrete measures for the achievement of objectives in the corporate governance report. Nonetheless the Supervisory Board once again presented a resolution proposal to shareholders at the Annual General Meeting in 2018 to approve the appointment of a woman to the Supervisory Board. The resolution was subsequently adopted and the target figure was therefore achieved.

At the same time, in the financial year 2019 – as in 2018 – MLP will thus deviate from this recommendation as the Supervisory Board has not set any concrete target figures but rather sees a subsequent appointment against the background of the candidate’s qualifications.

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

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

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

As was the case in the financial year 2018, MLP therefore declares that it will deviate from this recommendation in future, and consequently also in the financial year 2019.

Wiesloch, November 2018

MLP SE

The Executive Board The Supervisory Board"

In November 2018 the Executive and Supervisory Boards issued the above Declaration of Compliance pursuant to § 161 of the German Stock Corporation Act (AktG) and made it permanently available to shareholders via the Company's website. The Declaration of Compliance in the version of November 13, 2018 can also be viewed online at ↗ www.mlp-se.com.

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

Corporate governance

Responsible and value adding management

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

Management and control structure

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

Executive Board

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

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

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

Supervisory Board

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

Resolutions of the Supervisory Board are made during meetings convened by the Chairman of the Supervisory Board or on his behalf and require a majority vote. The Supervisory Board is informed of particularly important or urgent projects outside of the regular meetings.

Resolutions can take the form of circular resolutions or be passed via telephone where necessary. A transcript of each meeting is drafted.

Supervisory Board composition

MLP SE's Articles of Association provide for a Supervisory Board that comprises six members, two of whom are employee representatives. Both the size and the tripartite composition of the Supervisory Board are thereby stipulated in MLP SE's Articles of Association. The members of the Supervisory Board of an SE with a dual structure are generally appointed by the Annual General Meeting (Art. 40 (2) of the SE Regulation). MLP deviates from this with regard to the employees' representatives. The appointment of employee representatives to the Supervisory Board is based on a participation agreement that has been agreed between the Company and a negotiation committee established for this purpose. Employee representatives are accordingly directly elected. The members of the Supervisory Board are currently Ms. Tina Müller, Dr. Peter Lütke-Bornefeld (Chairman), Dr. Claus-Michael Dill, Mr. Matthias Lautenschläger, Mr. Burkhard Schlingermann (employee representative) and Mr. Alexander Beer (employee representative).

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

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

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

As per the new revisions to § 100 (5) of the German Stock Corporation Act (AktG) that became effective in 2016, members of the Supervisory Board no longer need to meet the personal independence prerequisites because of legal obligations. Instead the Supervisory Board should comprise what it deems to be an appropriate number of independent members as per Section 5.4.2 of the German Corporate Governance Code (GCGC). Pursuant to § 5.4.1 (4) Sentence 3 of the German Corporate Governance Code (GCGC), however, this Corporate Governance report should also provide information on what the Supervisory Board deems to be an appropriate number of shareholders as independent members of the Supervisory Board and the names of these members. For this reason the Supervisory Board continues to adhere to the requirement for independence. The Supervisory Board considers itself as already consisting of a suitable number of independent members who have no business or personal relationship with the Company or members of the Executive Board that could form grounds for a conflict of interest. At its meeting on November 13, 2018 the Supervisory Board accordingly confirmed that Ms. Tina Müller, Dr. Peter Lütke-Bornefeld and Dr. Claus-Michael Dill are shareholders' representatives on the Supervisory Board. Based on the determinations of the Supervisory Board Mr. Matthias Lautenschläger, who maintains personal relations with the Company or major shareholders – i.e. those shareholders that either directly or indirectly hold more than 10% of voting shares in MLP SE – is therefore not an independent member of the Supervisory Board within the meaning of this standard. In terms of independence the Supervisory Board works to a strict standard to eliminate any doubt regarding its judgement.

The Supervisory Board has also set itself the additional goal of filling at least 16.5% of Supervisory Board member positions with suitable female members, given candidates of equal professional and personal suitability. However, largely because of the low number of members that sit on the Supervisory Board as per the Company's Articles of Association, the Supervisory Board does not currently consider it prudent to specify a concrete timetable for implementing this objective. Nevertheless this quota was already reached over the course of the year 2015 with the election of Ms. Müller to the Company's Supervisory Board. The Supervisory Board also reviewed the knowledge and experience required of the Supervisory Board members and of the Chairman of the Audit Committee under the German Corporate Governance Code with regard to reporting and internal control procedures. The Chairman of the MLP SE Audit Committee fully complies with these requirements.

Efficiency of the Supervisory Board

In 2018 the Supervisory Board also reviewed the efficiency of its own activities. Particular attention was paid to the efficiency of the procedures in the Supervisory Board, the information flow between the committees and the Supervisory Board and the timeliness and sufficient content of reporting by the Executive Board to the Supervisory Board. Further measures aimed at increasing efficiency were drafted in the course of intensive discussions.

Supervisory Board committees

The Supervisory Board of MLP SE has set up committees to improve the effectiveness of its work. The Personnel Committee prepares resolutions on HR issues concerning Executive Board members with the Company. The Audit Committee is responsible for auditing accounting processes, risk management issues and the auditing system itself, as well as ensuring the independence of the auditors, awarding the audit contract and determining the focal points of the audits and agreements on fees. The Committee also discusses the annual financial statements, the consolidated financial statements and the management reports of MLP SE and the MLP Group, and submits a recommended resolution to the Supervisory Board. The Supervisory Board has also formed a Nomination Committee, composed exclusively of shareholder representatives, that proposes suitable Supervisory Board candidates for recommendation to the Annual General Meeting and addresses the requirements that these candidates must meet. The members of the Personnel Committee are Ms. Tina Müller, Dr. Peter Lütke-Bornefeld (Chairman), Mr. Matthias Lautenschläger and Mr. Burkhard Schlingermann. The Audit Committee comprises Dr. Claus-Michael Dill (Chairman), Mr. Matthias Lautenschläger, Dr. Peter Lütke-Bornefeld and Mr. Alexander Beer. The Nomination Committee comprises Ms. Tina Müller, Dr. Peter Lütke-Bornefeld (Chairman), Mr. Matthias Lautenschläger and Dr. Claus-Michael Dill.

Corporate governance in the Supervisory Board

In 2018 the Executive and Supervisory Boards of MLP SE again dealt intensively with the German Corporate Governance Code and further new legislation significant to the work performed by the Supervisory Board and its committees. The Code, and its amendments passed on February 7, 2017, were the object of intensive discussions by the Supervisory Board. Stipulations were analysed and corresponding adjustments to the internal regulations and procedures followed by the Supervisory Board were either proposed or submitted for verification.

Cooperation between Executive Board and Supervisory Board

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

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

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

Transparency

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

On December 31, 2018, the shares held by the members of the Company's Executive and Supervisory Boards were distributed as follows:

Supervisory Board member	Number of shares as of Dec. 31, 2018	Number of shares as of Dec. 31, 2017
Dr. Peter Lütke-Bornefeld	200,000	190,000
Matthias Lautenschläger	9,386	not relevant
Tina Müller	1,000	–
Dr. Claus-Michael Dill	–	–
Burkhard Schlingermann	55	55
Alexander Beer	–	–

Executive Board member	Number of shares as of Dec. 31, 2018	Number of shares as of Dec. 31, 2017
Dr. Uwe Schroeder-Wildberg	–	–
Manfred Bauer	11,254	11,254
Reinhard Loose	10,000	10,000

Directors' Dealings

Directors' Dealings

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

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

One transaction pursuant to Art. 19 of the Market Abuse Regulation (MAR) was reported to us in the financial year 2018. Reported transactions from previous years can be viewed on our website at ↗ www.mlp-se.com.

Compliance

Compliance regulations

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

The basic principles of adherence to laws, integrity and economically successful business practices are firmly anchored in our Code of Business Conduct and Ethics. Our compliance activities are based on a Group-wide compliance strategy, which in particular employs preventive measures to avoid the occurrence of risks due to non-compliance with applicable legislation, internal standards and processes. The focus here is on compliance with legal provisions and corporate policies with regard to the provision of (ancillary) securities services, consumer and data protection, as well as the prevention of money laundering, financing terrorist activities and all other criminal conduct. In the interests of our clients, shareholders and employees the Compliance department supports and advises the Executive Board in establishing uniform standards for all Group companies. Taking into account the constantly changing regulatory requirements and market conditions, Compliance steers the continuous further development of our internal behavioural standards and monitors the observance of all applicable requirements.

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

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

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

Corporate governance practices

Defined company values

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

MLP managers:

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

The personnel strategy and its vision represent another part of corporate management practices. MLP is an attractive employer and is also perceived as such.

Derived from the vision and associated framework conditions, this results in diverse fields of action in HR. This exemplifies the positioning of the employer brand or the increase in employer attractiveness, in particular for women – among other things also through the active expansion and optimisation of the family-friendly framework conditions associated with working at MLP. Another action area revolves around actively working towards greater participation by women at all management levels within the Company;

In accordance with the recommendation of the Corporate Governance Code in Section 4.1.5 the Executive Board has further reinforced its efforts to secure diversity when filling management positions. It will also continue to test the effectiveness of the adopted measures in the financial year 2019 and either make any changes deemed necessary or implement additional measures to ensure that women are given appropriate consideration at the management levels of the Company, taking the Company's specific situation into account.

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

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

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

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

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

MLP SE has met this quota on the shareholder side of the Supervisory Board. This leads to a quota of 16.66% for the Supervisory Board. Apart from the three-member Executive Board and one first level manager, MLP SE – as a holding company – does not employ any other managers, and currently no woman holds any of these positions. MLP will continue to consistently pursue the goal of increasing the number of women in management positions with measures such as auditing by the "berufundfamilie" strategic management instrument, the Top Talents Programme for the targeted development of junior staff, as well as strengthening the role of the equal opportunities officer.

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

The Transparency of Pay Act (EntgTranspG) came into force on July 6, 2017 to counteract wage differences between women and men doing the same or equivalent work. The legislation promotes disclosure of company compensation systems and prescribes an individual right to information regarding in-house pay structures for staff at enterprises with more than 200 employees.

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

A report on current status and the provisions for establishing equal pay and equality will be included with the management report as an appendix and also published in the Federal Gazette (Bundesanzeiger).

Information

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

Provision of information to all target groups

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

Accounting and audit

Group accounting is conducted in accordance with the International Financial Reporting Standards (IFRS). KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, was appointed as auditor by the Annual General Meeting and has audited the 2018 consolidated financial statements. The Supervisory Board gave its assurance that the relations existing between the auditors and MLP or its governing bodies give no cause for doubting the independence of the auditor. The Supervisory Board of MLP SE also discusses the annual and consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

Income statement and statement of comprehensive income

Income statement for the period from January 1 to December 31, 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 frome 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 mehtod	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**
Eanings 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 whho 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**	

All figures in €'000							Dec. 31, 2017
	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 • administration costs • expected return on equity	The estimated fair value would increase (decrease) if: • the credit and default risk were to rise (fall) • the admin costs were to fall (rise) • the expected return on equity were to fall (rise).

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

All figures in €'000	2018 (IFRS 9)	2017 (IAS 39)
Loans and receiveables	-	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	• FERI AG, Bad Homburg v.d.H. (Chairman)	–
Reinhard Loose, Berlin Responsible for Compliance, Controlling, IT, Group Accounting, Risk Management, Internal Audit, Legal, Human Resources	• DOMCURA AG, Kiel	–
Manfred Bauer, Leimen Responsible for Product management	• DOMCURA AG, Kiel (Chairman)	• MLP Hyp GmbH, Wiesloch (Supervisory Board)

Supervisory Board	Mandates in other statutory Supervisory Boards of companies based in Germany	Memberships in comparable domestic and foreign control bodies of commercial enterprises
Dr. Peter Lütke-Bornefeld, Everswinkel Chairman Formerly Chairman of the Executive Board of General Reinsurance AG, Cologne	• VHV Vereinigte Hannoversche Versicherung a. G., 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)	• 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	• 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)	• 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, Irland (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	• 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	• MLP Finanzberatung SE, Wiesloch (employees' representative, Vice Chairman)	–
Alexander Beer, Karlsruhe Employees' representative Employee of MLP Banking AG, Wiesloch	• 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	–	• 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

Independent Auditor’s report

To MLP SE, Wiesloch

Report on the audit of the consolidated financial statements and of the joint management report

Opinions

We have audited the consolidated financial statements of MLP SE and its subsidiaries (the Group), which comprise the balance sheet as of December 31, 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated cash flow statement for the financial year from January 1 to December 31, 2018 as well as the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the joint management report of MLP SE for the financial year from January 1 to December 31, 2018. In accordance with the German legal requirements we have not audited the content of the non-financial Group declaration and the corporate governance statement which are included in the section "Non-financial aspects of business activities" and "Declaration on corporate governance" of the joint management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Section 315e (1) of the German Commercial Code (HGB), and in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as of December 31, 2018, and of its financial performance for the financial year from January 1 to December 31, 2018, and
- the accompanying joint management report as a whole provides an appropriate view of the Group’s position. In all material respects, this joint management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the joint management report does not cover the content of the non-financial Group declaration and the corporate governance statement mentioned above.

Pursuant to Section 322 (3) Sentence 1 of the German Commercial Code (HGB), we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the joint management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the joint management report in accordance with Section 317 of the German Commercial Code (HGB) and the EU Audit Regulation (No. 537/2014; referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer, IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the joint management report" section of our auditor's report. We are independent of the Group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the joint management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Recoverability of goodwill

For information on the accounting principles applied, please refer to Note 6 "Accounting policies“ and Note 20 "Intangible assets" to the consolidated financial statements.

FINANCIAL STATEMENT RISK

As of December 31, 2018, the consolidated financial statements of MLP SE recognise goodwill of € 95.0 million under intangible assets. At € 53.2 million, the majority of this goodwill can be attributed to the cash-generating unit of FERI Asset management.

Goodwill has to be tested for impairment annually and whenever there is an indication that goodwill may be impaired. The impairment test, where the recoverable amount as the benchmark for impairment is determined on the basis of the discounted cash flow method, is complex and highly dependent on the legal representatives' appraisal of future cash inflows and the discount factor used and is therefore associated with considerable uncertainties.

The impairment test carried out on goodwill did not result in the need for any impairment.

There is a risk that the discretion in the impairment test may not be adequately exercised and an impairment expense is to be recognised as at the balance sheet date or an existing impairment is not recorded at an appropriate level. In addition, there is a risk that the disclosures made in the notes in this connection may not be appropriate.

OUR AUDIT APPROACH

Based on our risk assessment, as well as assessment of the risks of errors, we founded our audit opinion on both control-based audit procedures and statement-based audit procedures. For this reason our audit procedures as regards impairment testing of goodwill included:

On the basis of the corporate planning approved by the Supervisory Board, also incorporating market data and publicly available information, we obtained assurance of the appropriateness of the forecast cash inflows used when calculating goodwill, based on the expectations regarding the future development of income.

In order to assess the reasonableness of the assumptions used for preparing the corporate planning we have gained the required understanding of the planning procedure in discussions, amongst others, with legal representatives, from the divisions and the controlling department, and we have discussed the anticipated cash flows and expected long-term growth rates with those responsible for the planning. In addition to this, we acknowledged the appropriateness of the valuation model together with our valuation experts and, using the calculation of dedicated scenarios based on the DCF process of MLP SE, assessed the appropriateness of the planning assumptions. We obtained assurance of the forecasting quality of the planning undertaken by the company by comparing planning figures from previous financial years with the results actually recorded.

Working together with our valuation experts we also compared the assumptions and parameters - such as and in particular the risk-free interest rate, the market risk premium and the beta factor - underlying the capitalisation interest rate with our own assumptions and publicly available data.

Ultimately, we made an assessment as to whether the disclosures in the notes regarding the recoverability of goodwill are appropriate.

OUR OBSERVATIONS

The procedure underlying the impairment test of goodwill is appropriate and in line with the valuation principles to be applied. The discretionary decisions with regard to the measurement assumptions underlying the impairment test of goodwill were exercised appropriately. The disclosures made in the notes in this context are appropriate.

Commission income from the brokering of old-age provision products

For information on the accounting principles applied, please refer to Note 6 "Accounting policies" and Note 8 "Revenue" to the consolidated financial statements.

FINANCIAL STATEMENT RISK

The consolidated financial statements of MLP SE recognise revenue of EUR 642.1 million for the period from January 1 to December 31, 2018. This figure contains commission income of € 212.3 million from the brokering of old-age provision products that was generated by MLP Finanzberatung SE The portfolio and level of commission income is heavily dependent on the reports or statements of account of the numerous insurance partners.

Due to the materiality of the commission income from old-age provision products for the consolidated financial statements, as well as the complexity of the process, we placed special emphasis on this issue within the scope of our audit of the consolidated financial statements of MLP SE. The risk for the financial statements in particular lies in the fact that the commission income disclosed in the statements was not realised.

OUR AUDIT APPROACH

Based on our risk assessment, as well as assessment of the risks of errors, we founded our audit opinion on both control-based audit procedures and statement-based audit procedures. Accordingly, we undertook various audit procedures with regard to the generation of commission income from the brokering of old-age provision products. These included the following:

In an initial step, we used a basic audit to gain comprehensive insight into the processes and the internal monitoring system with regard to securing the right portfolio and determining the level of commission income and assessed the appropriateness checks in this regard. To this end, we analysed the process documentation and contracts, and also performed employee surveys.

After completing this basic audit, we used performance tests to assess the effectiveness of the checks put in place with regard to recording and securing the right level of commission income.

In addition to this, we understood the development of commission income over time on the basis of analytical audit procedures within the scope of the statement-based audit procedures. For this, we established an anticipated value for commission income, specified an acceptable deviation and performed a comparison to determine whether the recognised commission income of the financial year is within acceptable band-widths - in particular on the basis of the previous year's figures, the development in terms of the number of contracts, as well as the ratio of commissions paid to commissions received. We also reconciled the cash receipts from insurance companies with the underlying invoicing data for a conscious selection that was made on the basis of size criteria.

OUR OBSERVATIONS

The process used to determine the commission income from the brokering of old-age provision products is appropriate. Our audit did not result in any significant findings with regard to the level of commission income from the brokering of old-age provision products that is disclosed in the financial statements.

Other information

The legal representatives are responsible for the other information. The other information comprises:

- the non-financial Group declaration and the corporate governance statement and
- the remaining parts of the annual report, with the exception of the audited consolidated financial statements and the joint management report and our auditor's report.

Our opinions on the consolidated financial statements and on the joint management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the joint management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the legal representatives and of the Supervisory Board for the consolidated financial statements and the joint management report

The legal representatives are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Section 315e (1) of the German Commercial Code (HGB) and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the legal representatives are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the legal representatives are responsible for the preparation of the joint management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the legal representatives are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a joint management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the joint management report.

Auditor’s Responsibilities for the Audit of the consolidated financial statements and of the joint management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and whether the joint management report as a whole provides an appropriate view of the Group’s position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, whether it complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor’s report that includes our opinions on the consolidated financial statements and on the joint management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 of the German Commercial Code (HGB) and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this joint management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the joint management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresen-tations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the joint management report in order to design audit procedures that are appropriate in the circumstances, but not for the pur-pose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the legal representatives and the reasonableness of estimates made by the legal representatives and related disclosures.
- Conclude on the appropriateness of the legal representatives use of the going concern basis of account-ing and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor’s report to the related disclosures in the consolidated financial statements and in the joint management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Section 315e (1) of the German Commercial Code (HGB).
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the joint management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the joint management report with the consolidated financial statements, its conformity with law, and the view of the Group’s position it provides.

- Perform audit procedures on the prospective information presented by the legal representatives in the joint management report. On the basis of sufficient appropriate audit evidence we evaluate, in particu-lar, the significant assumptions used by the legal representatives as a basis for the prospective infor-mation, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance, inter alia regarding the planned scope and timing of the audit and significant audit findings, including any deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current reporting period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on June 14, 2018. We were engaged by the Chairman of the Supervisory Board on June 15, 2018. We have been the group auditor of MLP SE without interruption since the financial year 2011.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

We performed the following services in addition to the audit of the annual and consolidated financial statements, as well as audit of the joint management report for the audited company or the companies controlled by this:

- Audit of MLP Banking AG in accordance with Section 89 (1) of the German Securities Trading Act (WpHG)
- Audit of FERI Trust GmbH in accordance with Section 36 (1) of the German Securities Trading Act (WpHG)
- Audit of the listing of the amounts recognised as deductible items in connection with the cost allocation obligation of MLP Banking AG as per Section 16j (2) Sentence 2 of the Financial Services Supervision Act (FinDAG)
- Audit pursuant to the General Terms of Business of Deutsche Bundesbank in conjunction with the use of loan receivables to collaterise central bank lending (credit submission process) at MLP Banking AG,
- Assuring the quality of the disclosure report as per Section 26a of the German Banking Act (KWG) drafted by MLP Banking AG.
- Preparation of the files in connection with the disclosure requirements of DOMCURA AG and Nordvers GmbH
- Acquisition of a specimen recovery plan for mid-sized institutes, as well as a guideline for completing a specimen recovery plan for mid-sized institutes by MLP Banking AG, based on the project of the Associ-ation of German Banks (BdB e.V.) and
- Legal advisory services in the context of support for the requirements of MiFiD II with regard to the expertise and competence of employees at FERI Trust GmbH

German public auditor responsible for the engagement

The German public auditor responsible for the engagement is Iris Helke.

Frankfurt am Main, March 4, 2019

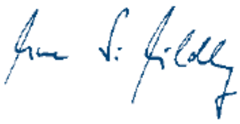
KPMG AG
Wirtschaftsprüfungsgesellschaft

Helke	Hahn
Auditor	Auditor

Responsibility statement

"To the best of our knowledge and in accordance with the applicable reporting principles, the consolidated annual financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the joint management report gives a fair view of the performance of the business including business results and the overall position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group."

Wiesloch, March 1, 2019



Dr. Uwe Schroeder-Wildberg Manfred Bauer Reinhard Loose

Financial calendar

FEBRUARY

February 28, 2019

Publication of the results for the financial year 2018
Annual Press and Analyst Conference in Wiesloch.

MARCH

March 28, 2019

Publication of the Annual Report for the financial year 2018.

MAY

May 15, 2019

Publication of the results for the first quarter 2019.

May 29, 2019

Annual General Meeting (AGM) of MLP SE in Wiesloch.
MLP SE holds its AGM at the Palatin Congress Center in Wiesloch.

AUGUST

August 8, 2019

Publication of the results for the first half-year and the second quarter 2019.

NOVEMBER

November 14, 2019

Publication of the results for the first nine months and the third quarter 2019.

More information at ↗ www.mlp-se.com, Investors, Financial calendar

Any questions?

MLP SE

MLP Investor Relations Team

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Imprint

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Board of Directors

- Dr. Uwe Schroeder-Wildberg (Chief Executive Officer)
- Manfred Bauer
- Reinhard Loose

Chairman of the Supervisory Board
Dr. Peter Lütke-Bornefeld

Commercial Register
Registergericht Mannheim HRB 728672

Value Added Tax Identification Number
DE 143449956

Concept, design and production
heureka GmbH – einfach kommunizieren., Essen

Appropriate regulatory authority

Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin) [1]
Graurheindorfer Str. 108
D-53117 Bonn
Marie-Curie-Str. 24-28
D-60439 Frankfurt am Main
www.bafin.de

[1] Appropriate regulatory authority according German Banking Act (Kreditwesengesetz, KWG)

European Central Bank [2]
Sonnemannstraße 20
D-60314 Frankfurt am Main
www.ecb.europa.eu

[2] Appropriate regulatory authority according CRR