CONSOLIDATED FINANCIAL STATEMENTS

Income statement and statement of comprehensive income

Income statement for the period from January 1 to December 31, 2019

All figures in €'000	Notes	2019	2018
Revenue	→ (9)	689,561	642,137
Other revenue	→ (10)	19,199	23,821
Total revenue		**708,760**	**665,958**
Inventory changes	→ (11)	3,940	-
Commission expenses	→ (12)	-369,925	-332,533
Interest expenses	→ (13)	-615	-556
Valuation result/loan loss provisions	→ (14)	-896	500
Personnel expenses	→ (15)	-135,717	-128,039
Depreciation and impairments	→ (16)	-26,371	-15,96
Other operating expenses	→ (17)	-135,071	-145,528
Earnings from investments accounted for using the equity method	→ (18)	2,998	2,547
Earnings before interest and tax (EBIT)		**47,104**	**46,388**
Other interest and similar income		767	3161
Other interest and similar expenses		-3,145	-3,689
Valuation result not relating to operating activities		43	-52
Finance cost	**→ (19)**	**-2,335**	**-580**
Earnings before tax (EBT)		**44,770**	**45,808**
Income taxes	→ (20)	-7,844	-11,314
Net profit		**36,925**	**34,494**
Of which attributable to			
owners of the parent company		37,327	34,494
minority interests		-402	-
Earnings per share in €	**→ (21)**		
basic/diluted		0.34	0.32

Statement of comprehensive income for the period from January 1 to December 31, 2019

All figures in €'000	Notes	2019	2018
Net profit		**36,925**	**34,494**
Gains/losses due to the revaluation of defined benefit obligations	→ (31)	-7,038	-574
Deferred taxes on non-reclassifiable gains/losses	→ (20)	2,008	240
Non-reclassifiable gains/losses		**-5,030**	**-333**
Other comprehensive income		**-5,030**	**-333**
Total comprehensive income		**31,895**	**34,160**
Of which attributable to			
owners of the parent company		32,297	34,160
minority interests		-402	-

Statement of financial position

Assets as of December 31, 2019

All figures in €'000	Notes	Dec 31, 2019	Dec 31, 2018
Intangible assets	→ (22)	183,070	155,892
Property, plant and equipment	→ (23)	130,914	78,270
Investments accounted for using the equity method	→ (18)	5,138	4,186
Deferred tax assets	→ (20)	7,254	5,368
Receivables from clients in the banking business	→ (24)	872,175	761,027
Receivables from banks in the banking business	→ (25)	728,085	694,210
Financial assets	→ (26)	178,584	165,279
Inventories	→ (27)	10,533	-
Tax refund claims	→ (27)	4,493	12,758
Other receivables and assets	→ (28)	168,587	158,123
Cash and cash equivalents	→ (29)	510,778	385,926
Total		**2,799,611**	**2,421,038**

Liabilities and shareholders' equity as of December 31, 2019

All figures in €'000	Notes	Dec. 31, 2019	Dec. 31, 2018
Equity attributable to MLP SE shareholders		436,605	424,826
Minority interests		787	-
Total shareholders' equity	→ (30)	437,392	424,826
Provisions	→ (31)	101,596	94,485
Deferred tax liabilities	→ (20)	10,690	10,245
Liabilities due to clients in the banking business	→ (32)	1,894,843	1,638,892
Liabilities due to banks in the banking business	→ (33)	98,409	81,625
Tax liabilities	→ (34)	6,113	5,197
Other liabilities	→ (34)	250,568	165,768
Total		**2,799,611**	**2,421,038**

Statement of cash flow

Statement of cash flow for the period from January 1 to December 31, 2019

All figures in €'000	2019	2018
Net profit (total)	**36,925**	**34,494**
Income taxes paid/reimbursed	1,199	-12,337
Interest received	16,791	20,249
Interest paid	-512	-237
Earnings from investments accounted for using the equity method	-2,998	-2,547
Dividends received from investments accounted for using the equity method	2,567	2,493
Depreciation/impairments/write-ups of intangible assets and property, plant and equipment	15,012	15,960
Depreciation/impairments/write-ups of financial assets	60	1,140
Allowances for bad debts	1,538	1,216
Earnings from the disposal of intangible assets and property, plant and equipment	199	21
Earnings from the disposal of financial assets	-9	15
Adjustments from income taxes, interest and other non-cash transactions	-43,755	3,006
Changes in operating assets and liabilities		
Receivables from banks in the banking business	-33,875	-60,060
Liabilities due to banks in the banking business	16,784	20,242
Receivables from clients in the banking business	-112,686	-60,268
Liabilities due to clients in the banking business	255,950	199,087
Rights of use as per IFRS 16	-53,275	-
Inventories	-10,533	-
Other assets	-2,198	-32,794
Other liabilities	97,301	5,809
Provisions	7,111	5,747
Cash flow from operating activities	**191,597**	**141,238**
Purchase of intangible assets and property, plant and equipment	-9,300	-26,629
Proceeds from disposal of intangible assets and property, plant and equipment	152	185
Repayment of /investment in other investments (fixed and time deposits)	-5,000	5,000
Repayment of/investment in fixed income securities	-5,467	-13,252
Payments/proceeds from purchase/disposal of other financial assets	-1,729	237
Payments for the acquisition of the DI Group	-11,950	-
Cash flow from investing activities	**-33,293**	**-34,459**
Dividends paid to shareholders of MLP SE	-21,867	-21,866
Principal payments of leasing liabilities	-11,584	-
Cash flow from financing activities	**-33,451**	**-21,866**
Change in cash and cash equivalents	124,853	84,913
Cash and cash equivalents at beginning of period	385,926	301,013
Cash and cash equivalents at end of period	**510,778**	**385,926**
Composition of cash and cash equivalents		
Cash and cash equivalents	510,778	385,926
Cash and cash equivalents at end of period	**510,778**	**385,926**

The notes on the statement of cash flow appear in → Note 34.

Statement of changes in equity

Statement of changes in equity for the period from January 1 to December 31, 2019

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 secureties*	Revaluation gains/losses related to defined benefit obligations after taxes	Retained earnings	Total	Minority interests	Total shareholders' equity
As of January 1, 2018	**109,335**	**148,754**	**959**	**–12,184**	**158,072**	**404,935**	**–**	**404,935**
Effects from the first-time adoption of IFRS 9/IFRS 15	–	–	–959	–	8,807	7,848	–	7,848
As of January 1, 2018	109,335	148,754	–	–12,184	166,880	412,783	–	412,783
Treasury stock	**–168**	**–**	**–**	**–**	**–556**	**–724**	**–**	**–724**
Share-based payment	–	473	–	–	–	473	–	473
Dividend	–	–	–	–	–21,866	–21,866	–	–21,866
Transactions with owners	**–168**	**473**	**–**	**–**	**–22,422**	**–22,117**	**–**	**–22,117**
Net profit	–	–	–	–	34,494	34,494	–	34,494
Other comprehensive income	–	–	–	–333	–	–333	–	–333
Total comprehensive income	**–**	**–**	**–**	**–333**	**34,494**	**34,160**	**–**	**34,160**
As of Dec. 31, 2018	**109,167**	**149,227**	**–**	**–12,518**	**178,951**	**424,826**	**–**	**424,826**
As of January 1, 2019	**109,167**	**149,227**	**–**	**–12,518**	**178,951**	**424,826**	**–**	**424,826**
Acquisition of treasury stock	168	–	–	–	555	722	–	722
Share-based payment	–	626	–	–	–	626	–	626
Dividend	–	–	–	–	–21,867	–21,867	–	–21,867
Transactions with owners	**168**	**626**	**–**	**–**	**–21,312**	**–20,518**	**–**	**–20,518**
Net profit	–	–	–	–	37,327	37,327	–402	36,925
Other comprehensive income	–	–	–	–5,030	–	–5,030	–	–5,030
Total comprehensive income	**–**	**–**	**–**	**–5,030**	**37,327**	**32,297**	**–402**	**31,895**
Changes to the scope of consolidation (acquisition of the DI Group)	–	–	–	–	–	–	1,189	1,189
As of Dec. 31, 2019	**109,334**	**149,853**	**–**	**–17,547**	**194,966**	**436,605**	**787**	**437,392**

* Reclassifiable gains/losses.

The notes on the statement of changes in equity appear in → Note 30.

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. With the acquisition of the DI Deutschland.Immobilien AG (DI Group) in the last financial year, MLP's activities now also encompass development and management of real estate.

2 Principles governing the preparation of the financial statements

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

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

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

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

The 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 financial year 2019, the following new or amended accounting principles from the IFRS standards are to be used for MLP for the first time:

- IFRS 16 Leases
- Amendments to IAS 19: Plan amendments, curtailments, settlements
- Amendments to IAS 28 and IFRS: Long-term investments in associates and joint ventures
- Revisions to the IFRS 2015-2017
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 "Financial Instruments" prepayment feature with negative compensation

IFRS 16

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 2019. Early adoption is also possible. The transition to IFRS 16 was performed in line with the modified retrospective approach as of January 1, 2019. Comparative figures from the respective periods of previous years were not adjusted.

For lessees, IFRS 16 introduces a uniform approach for the accounting of leases, based on which right-of-use assets and liabilities for payment obligations are to be recognised for all leases in the balance sheet.

MLP utilises the simplified application rules for short-term and low-value leases. Lease payments made within the scope of these agreements continue to be recognised on a straight line basis over the term of the lease as other operating expenses.

The option to capitalise non-lease components (service) as per IFRS 16.15 is not applied. Non-leasing components are not taken into account in the recognised right-of-use asset.

With the initial adoption of IFRS 16, the Group recorded leasing liabilities for leases previously treated as operating leases in line with IAS 17 . Among other things, the liability includes fixed payments minus any leasing incentives granted, as well as variable lease payments that are linked to an index. These liabilities are rated at the present value of the lease payments still outstanding as at January 1, 2019, discounted using the lessee's incremental borrowing rate of interest. This was 1.0% p. a. as of January 1, 2019. Since interest rates for amortising loans are not readily observable for MLP, alternatively an interest rate on the basis of the final maturity loans is assumed.

The entire Group works with interest scales, differentiated according to maturity bands across all object types (IFRS 16.C10a).

Provisions in place for onerous lease contracts at the time of initial adoption are offset against the capitalised right of use.

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

Effects on the consolidated balance sheet

All figures in €'000	Dec. 31, 2018	IFRS 16 effects	Jan. 1, 2019
Assets			
Intangible assets	155,892		155,892
Property, plant and equipment	78,270	54,418	132,688
Investments accounted for using the equity method	4,186		4,186
Deferred tax assets	5,368		5,368
Receivables from clients in the banking business	761,027		761,027
Receivables from banks in the banking business	694,210		694,210
Financial assets	165,279		165,279
Tax refund claims	12,758		12,758
Other receivables and assets	158,123		158,123
Cash and cash equivalents	385,926		385,926
Total	**2,421,038**	**54,418**	**2,475,456**
Liabilities and shareholders' equity			
Shareholders' equity	424,826		424,826
Provisions	94,485		94,485
Deferred tax liabilities	10,245		10,245
Liabilities due to clients in the banking business	1,638,892		1,638,892
Liabilities due to banks in the banking business	81,625		81,625
Tax liabilities	5,197		5,197
Other liabilities	165,768	54,418	220,186
Total	**2,421,038**	**54,418**	**2,475,456**

No effects on retained earnings in shareholders' equity occur at the time of initial adoption as a result of recognising the rights of use at the level of the corresponding leasing liabilities.

Of the rights of use from operating leases included under "property, plant and equipment" as of January 1, 2019, € 52,804 thsd are attributable to rented buildings and € 1,614 thsd to vehicle leasing.

In connection with the initial adoption of IFRS 16, the repayment portions of leasing liabilities are now contained in the cashflow from financing activities.

Measurement of leasing liabilities

All figures in €'000	
Stated obligations from operating leases as of Dec. 31, 2018	**62,312**
Discounted using the lessor's incremental borrowing rate at the time of initial adoption of IFRS 16	-2,251
Short-term leases, which are recorded as expenses on a straight-line basis	-125
Leases for low-value assets, which are recorded as expenses on a straight-line basis	-4
Other adjustments	-5,514
Leasing liability recognised in the balance sheet on Jan. 1, 2019	**54,418**

Other adjustments essentially comprise service rates and reassessments of contractual periods.

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

Adoption of the following new or revised standards and interpretations was not yet compulsory for the financial year commencing on January 1, 2019. They were not adopted early.

IFRS 17	Insurance Contracts[2, 3]
Amendments to IFRS 3	Definition of a Business[1, 3]
Amendments to IAS 1 and IAS 8	Changes in Definition of Material[1]
Changes to the framework	Changes to references made to the accounting framework[1]
Amendments to IFRS 9, IAS 39 and IFRS 7	Elimination of uncertainties in the context of the IBOR reform[1]

[1] To be applied for financial years beginning on or after January 1, 2020.
[2] To be applied for financial years beginning on or after January 1, 2021.
[3] EU endorsement still pending.

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, 36 (previous year: 13) fully consolidated domestic subsidiaries, and as was already the case in the previous year, one fully consolidated foreign subsidiary and two (previous year: one) fully consolidated associated companies were incorporated in the consolidated financial statements as of December 31, 2019. Please see → Note 5 regarding changes to the scope of consolidation.

With the resolution dated March 1, 2019 DOMCURA AG, as a shareholder in Nordvers GmbH, approved an exemption pursuant to § 264 (3) of the German Commercial Code (HGB) from the need to draft a management report as per § 289 of the German Commercial Code (HGB) for the financial year 2019. The company is included in the 2019 consolidated financial statements of MLP SE with its registered office in Wiesloch. The consolidated financial statements are published in the Federal Gazette (Bundesanzeiger) within the legal deadlines. A single-entity relationship is in place between the company and MLP SE which obliges MLP SE to the assumption of losses as per § 302 of the German Stock Corporation Act (AktG), as well as to the assumption of liability.

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

As of Dec. 31, 2019	Share of capital in %	Shareholders' equity (€'000)	Net profit in €'000
Fully consolidated subsidiaries			
MLP Finanzberatung SE, Wiesloch	100.00	43,484	12,907
MLP Banking AG, Wiesloch [1)]	100.00	108,998	3,752
TPC GmbH, Hamburg [1)] (Wholly-owned subsidiary of MLP Finanzberatung SE)	100.00	314	518
ZSH GmbH Finanzdienstleistungen, Heidelberg [1)] (Wholly-owned subsidiary of MLP Finanzberatung SE)	100.00	1,190	1,443
FERI AG, Bad Homburg v.d. Höhe [1)]	100.00	19,862	18,699
FERI Trust GmbH, Bad Homburg v.d. Höhe [1)] (Wholly-owned subsidiary of FERI AG)	100.00	10,386	8,646
FEREAL AG, Bad Homburg v.d. Höhe [1)] (Wholly-owned subsidiary of FERI AG)	100.00	1,949	55
FERI Trust (Luxembourg) S.A., Luxemburg (Wholly-owned subsidiary of FERI AG)	100.00	26,325	15,521
DOMCURA AG, Kiel [1)]	100.00	2,380	8,665
nordias GmbH Versicherungsmakler, Kiel [1)]	100.00	435	1,144
Nordvers GmbH, Kiel [1)] (Wholly-owned subsidiary of DOMCURA AG)	100.00	26	-396
Siebert GmbH Versicherungsmakler, Arnstadt [1)] (Wholly-owned subsidiary of nordias GmbH Versicherungsmakler)	100.00	26	-122
MLPdialog GmbH, Wiesloch (Wholly-owned subsidiary of MLP Finanzberatung SE)	100.00	1,262	936
DI Deutschland.Immobilien AG, Hannover (75,1% subsidiary of MLP Finanzberatung SE)	75.10	511	-359
Vertrieb Deutschland.Immobilien GmbH, Hannover (Wholly-owned subsidiary of DI Deutschland.Immobilien AG)	100.00	401	-429
Web Deutschland.Immobilien GmbH, Hannover (Wholly-owned subsidiary of DI Deutschland.Immobilien AG)	100.00	89	0
IT Deutschland.Immobilien GmbH, Hannover (Wholly-owned subsidiary of DI Deutschland.Immobilien AG)	100.00	-25	-80
Projekte Deutschland.Immobilien GmbH, Hannover (Wholly-owned subsidiary of DI Deutschland.Immobilien AG)	100.00	-469	-781
Pflegeprojekt Haus Netzschkau GmbH, Hannover (Wholly-owned subsidiary of Projekte Deutschland.Immobilien GmbH)	100.00	-15	-26
Projekte Deutschland.Immobilien Bad Münder GmbH, Hannover (Wholly-owned subsidiary of Projekte Deutschland.Immobilien GmbH)	100.00	-99	-97
Pflegeprojekt Rosenberg UG, Minden (94% subsidiary of Projekte Deutschland.Immobilien GmbH)	94.00	353	15
Sechste Projekte Deutschland.Immobilien UG Hannover (Wholly-owned subsidiary of Projekte Deutschland.Immobilien GmbH)	100.00	-11	-8
31. Projekte Deutschland.Immobilien GmbH, Hannover (Wholly-owned subsidiary of Projekte Deutschland.Immobilien GmbH)	100.00	-13	-37
32. Projekte Deutschland.Immobilien GmbH, Hannover (Wholly-owned subsidiary of Projekte Deutschland.Immobilien GmbH)	100.00	11	-13
33. Projekte Deutschland.Immobilien GmbH, Hannover (80% subsidiary of Projekte Deutschland.Immobilien GmbH)	80.00	-144	-167
40. Projekte Deutschland.Immobilien UG, Hannover (Wholly-owned subsidiary of Projekte Deutschland.Immobilien GmbH)	100.00	0	-2
41. Projekte Deutschland.Immobilien GmbH, Hannover (Wholly-owned subsidiary of Projekte Deutschland.Immobilien GmbH)	100.00	24	-1
53. Projekte Deutschland.Immobilien GmbH, Hannover (Wholly-owned subsidiary of Projekte Deutschland.Immobilien GmbH)	100.00	23	-2
54. Projekte Deutschland.Immobilien GmbH, Hannover (80%ige Tochter der Projekte Deutschland.Immobilien GmbH)	80.00	15	-10
60. Projekte Deutschland.Immobilien GmbH, Hannover (Wholly-owned subsidiary of Projekte Deutschland.Immobilien GmbH)	100.00	9	-16
61. Projekte Deutschland.Immobilien GmbH, Hannover (Wholly-owned subsidiary of Projekte Deutschland.Immobilien GmbH)	100.00	23	-2

62. Projekte Deutschland.Immobilien GmbH, Hannover (Wholly-owned subsidiary of Projekte Deutschland.Immobilien GmbH)	100.00	22	-3
63. Projekte Deutschland.Immobilien GmbH, Hannover (Wholly-owned subsidiary of Projekte Deutschland.Immobilien GmbH)	100.00	23	-2
Projekte Deutschland.Immobilien Balingen GmbH & Co. KG, Hannover (Wholly-owned subsidiary of Projekte Deutschland.Immobilien GmbH)	100.00	3	-23
Projekte Deutschland.Immobilien Waldmössingen GmbH & Co. KG, Hannover (Wholly-owned subsidiary of Projekte Deutschland.Immobilien GmbH)	100.00	-32	-24
Zehnte Projekte 2 Deutschland.Immobilien GmbH, Hannover (75% subsidiary of Projekte Deutschland.Immobilien GmbH)	75.00	11	-5
Projekte 2 Deutschland.Immobilien Lauben GmbH, Hannover (75% subsidiary of Projekte Deutschland.Immobilien GmbH)	75.00	10	-9
Associates consolidated at equity			
MLP Hyp GmbH, Wiesloch (49,8% stake held by MLP Finanzberatung SE)	49.80	7,438	4,438
Projekte 2 Deutschland.Immobilien GmbH (50% stake held by DI Deutschland.Immobilien AG)	50.00	1,016	317
Companies not consolidated due to immateriality			
MLP Consult GmbH, Wiesloch	100.00	2,291	-9
Uniwunder GmbH, Dresden [2] (49% stake held by MLP Finanzberatung SE)	49.00	740	582
FERI (Schweiz) AG , Zurich (Switzerland) [2] [3] (Wholly-owned subsidiary of FERI AG)	100.00	282 CHF	-249 CHF
FPE Private Equity Beteiligungs-Treuhand GmbH, Munich [2] (Wholly-owned subsidiary of FERI Trust GmbH)	100.00	231	99
FPE Private Equity Koordinations GmbH, Munich [2] (Wholly-owned subsidiary of FERI Trust GmbH)	100.00	69	44
FPE Direct Coordination GmbH , Munich [2] (Wholly-owned subsidiary of FERI Trust GmbH)	100.00	7	1
Feri Private Equity GmbH & Co. KG, Munich [2] (Wholly-owned subsidiary of FERI Trust GmbH)	100.00	34	23
Feri Private Equity Nr. 2 GmbH & Co. KG, Munich [2] (Wholly-owned subsidiary of FERI Trust GmbH)	100.00	3	0
AIF Komplementär GmbH, Munich [2] (25% stake held by FERI AG)	25.00	38	12
AIF Register-Treuhand GmbH, Bad Homburg v.d. Höhe [2] (Wholly-owned subsidiary of FERI AG)	100.00	13	-26
DIEASS GmbH, Kiel [1] (Wholly-owned subsidiary of DOMCURA AG)	100.00	26	-14
innoAssekuranz GmbH, Kiel [1] (Wholly-owned subsidiary of DOMCURA AG)	100.00	25	-554
DIFA Research GmbH, Berlin [4] (49% stake held by MLP Finanzberatung SE)	49.00	25	-
WiD Wohnungen in Deutschland GmbH & Co. KG, Mainz (50% stake held by Projekte Deutschland.Immobilien GmbH)	50.00	235	237
Projekt Deutschland.Immobilien Tengen GmbH, Saarbrücken (50% stake held by Projekte Deutschland.Immobilien GmbH)	50.00	-199	1,533
Convivo Wohnparks Deutschland.Immobilien Wittmund GmbH & Co. KG, Hannover (50% stake held by Projekte Deutschland.Immobilien GmbH)	50.00	-729	-718
Projekte Deutschland.Immobilien Bad Goegging GmbH, Neustadt an der Donau (50% stake held by Projekte Deutschland.Immobilien GmbH)	50.00	11	-10
30. Projekte Deutschland.Immobilien GmbH, Hannover (50% stake held by Projekte Deutschland.Immobilien GmbH)	50.00	-91	-114
Achte Projekte 2 Deutschland.Immobilien GmbH, Hannover (Wholly-owned subsidiary of Projekte 2 Deutschland.Immobilien GmbH)	50.00	218	2,003
Neunte Projekte 2 Deutschland.Immobilien GmbH, Hannover (Wholly-owned subsidiary of Projekte 2 Deutschland.Immobilien GmbH)	50.00	10	-2
Zwölfte Projekte 2 Deutschland.Immobilien GmbH, Hannover (Wholly-owned subsidiary of Projekte 2 Deutschland.Immobilien GmbH)	50.00	8	-3
Care Beteiligungs GmbH, Gießen (50% stake held by Projekte 2 Deutschland.Immobilien GmbH)	25.00	42	9
Seniorenresidenz „Dr-Unruh-Str. Wismar“ Immobilien GmbH & Co.KG, Gießen (41% stake held by Projekte 2 Deutschland.Immobilien GmbH)	20.50	-134	-80
Seniorenresidenz Velten GmbH & Co. KG, Gießen (41% stake held by Projekte 2 Deutschland.Immobilien GmbH)	20.50	-2,245	-2,216
Convivo Wohnparks Deutschland Immobilien GmbH, Hannover (50% stake held by DI Deutschland.Immobilien AG)	50.00	15	-1
WD Wohnungsverwaltung Deutschland GmbH, Hannover (Wholly-owned subsidiary of DI Deutschland.Immobilien AG)	100.00	-59	-56

[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 2018.
[3] Currency conversion rate as at the balance sheet date: € 1 = CHF 1.08743.
[4] Founded in 2019. Statement of initial capital. Financial statements are not available yet.

Disclosures on non-consolidated structured entities

Structured entities are companies for 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 activities of the companies focus on establishing, maintaining and managing a portfolio of passive investments (target companies), in particular by acquiring shareholdings. The investments primarily comprise shareholdings and are regularly financed by shareholders' equity. The business model prescribes utilisation of potential returns for equity suppliers through investments in shareholdings via an umbrella fund concept. The objective is to generate income for the equity suppliers 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 € 103 thsd as of December 31, 2019 (previous year: € 171 thsd). In the financial year 2019, MLP SE recorded an income of € 2,298 thsd from non-consolidated structured entities (previous year: € 1,595 thsd).

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

5 Business combinations

In order to facilitate the strategic expansion of the real estate business, MLP acquired 75.1% of the shares in the DI Group on September 2, 2019 in a share deal.

The company is a marketplace for investment properties and collaborates with around 6,000 sales partners. The comprehensive online platform comprises both third-party real estate projects and, in selected areas, also real estate projects developed in-house - above all in the field of senior-citizen housing and nursing care. The company will continue to pursue and further strengthen this business model. There is also additional synergy potential in the existing business with MLP's private clients and in the MLP Group overall.

The total purchase price comprises an initial purchase price of € 13,000 thsd and a performance-linked purchase price component, to be paid in two tranches, which is linked to business performance of the DI-Group from 2019 to 2021. The amount of the performance-linked purchase price component is not limited. Taking into account the planned earnings development of the DI Group, MLP applied an amount of € 18,077 thsd for the remaining purchase price components upon first time recognition at the closing date. MLP has agreed a right of first refusal for the outstanding shares that currently remain with the management of the company.

The following section presents the method for determining goodwill on the basis of the provisional purchase price allocation:

Net assets of DI-Group acquired

All figures in €'000	Carrying amount before purchase	Adjustment	Fair value
Intangible assets	18	4,391	4,409
Property, plant and equipment	144	–	144
Investments accounted for using the equity method	518	–	518
Deferred tax assets	166	–	166
Financial assets	97	–	97
Inventories	6,341	–	6,341
Tax refund claims	419	–	419
Other receivables and assets	9,043	–	9,043
Cash and cash equivalents	1,050	–	1,050
Assets	17,798	4,391	22,189
Provisions	-481	–	-481
Liabilities	-15,516	–	-15,516
Deferred tax liabilities	-11	-1,449	-1,460
Debts	**-16,009**	**-1,449**	**-17,458**
Net assets	**1,789**	**2,942**	**4,731**
of which pro rata share of net assets MLP			3,539
of which minorities			1,192
Acquired goodwill			27,538
Purchase price			
2nd and 3rd tranche of the purchase price discounted			**18,077**
Cash outflow from the acquisition			13,000

Goodwill essentially comprises anticipated synergies from the business combination and the staff base of the DI-Group. None of the goodwill recognised is to be deductible for tax purposes.

As of December 31, 2019, the DI-Group contributed to Group net profit with its net profit of € -1,576 thsd and revenue of € 1,908 thsd. If the company acquisition had been performed at the start of the year and based on a significantly simplified assumption this would have resulted in Group net profit of € 36,464 thsd as of December 31, 2019 and revenue for 12 months of € 693,691 thsd.

6 Significant discretionary decisions, estimates and changes in estimates

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

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

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

- → Note 4 – aggregation principles for structured entities
- → Note 7 – recognition of revenue at a point in time or over time, as well as determination of the revenue level with variable transaction prices
- → Notes 7 and → 22 – impairment test (discounted cash flow forecasts and significant assumptions applied)
- → Notes 7, → 24 to 28 and → 37 – classification and measurement of financial instruments, as well as fair value disclosures.
- → Notes 7, → 24, → 28 and → 31 – allowances for bad debts
- → Notes 7, → 31 and → 36 – provisions and corresponding refund claims as well as contingent assets and liabilities
- → Notes 7 and → 31 – measurement of defined benefit obligations
- → Notes 7 – Measurement of leasing liabilities
- → Note 20 – recognition of tax receivables/tax reserves
- → Note 29 – cash and cash equivalents – composition of cash and cash equivalents

7 Accounting policies

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 or real estate objects 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. **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 these cases, MLP recognises revenue at the level of the fixed and performance-linked compensation for the services performed for clients in the period.

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. Commission income from unit-linked old-age provision products that is paid on a pro rata basis is recognised at a specific point in time, taking into account a probable percentage 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 consulting field, MLP receives commission payments pertaining to the management of contracts for ongoing support of the policyholder. The service is performed over a period of time, which leads to a situation in which respective revenue is to be recognised over time. The contractual conditions stipulate payment within around three months.

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**. MLP estimates the transaction price on the basis of statistical empirical values for the risk of termination and mortality. Revenue is recorded to the extent that it is highly probable that there will be no significant cancellations in a future period.

The contractual assets, as well as the liabilities to MLP consultants and branch office managers associated with these, are disclosed at the face value of the commission still to be anticipated.

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 result from research services. Revenue is recognised over time, in particular, for services performed in the fields of fund management and investment consulting. Alongside fixed compensation, MLP also records variable payments in these fields of business, the level of which is based on the performance achieved in the respective accounting period. The agreed term of payment is set at an average of 30 days.

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. In the case of real estate development, revenue is recognised on the basis of construction progress and the anticipated revenue or accrued costs over time.

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 business start-ups.

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.

You can find further information on the assumptions made when determining fair values in → Note 37.

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. The indefinite-lived intangible assets are subjected to an impairment test once a year or when there are indications of an impairment. These tests are either performed individually or at the level of a cash-generating unit. At MLP, this in particular affects the brands acquired within the scope of business combinations.

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

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

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

Property, plant and equipment

Items of property, plant and equipment are measured at cost and, if applicable, less straight-line depreciation and impairment losses. MLP does not apply the revaluation method. For further details, please refer to → Note 16.

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

Impairment test

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

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

Inventories

Inventories essentially comprise developed and undeveloped land that is held for resale, as well as finished goods in the form of apartments that have not yet been sold. Land held for resale is recognised in the balance sheet at the lower value of either the acquisition costs or the net sale value. Finished goods are recognised in the balance sheet at the lower value of either the acquisition/manufacturing costs or the net sale value.

Leasing

The Group rents office buildings and vehicles. The rental agreements for office buildings are typically concluded for up to 10 years, while the rental agreements for vehicles have an average term of between 3 and 4 years. To maintain operational flexibility with regard to the portfolio of agreements, MLP incorporates extension and termination options as a contractual strategy element.

For lessees, IFRS 16 introduces a uniform approach for the accounting of leases, based on which right-of-use assets and liabilities for payment obligations are to be recognised 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. The option to capitalise non-lease components (service) as per IFRS 16.15 is not 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.

When recognised for the first time, assets and liabilities from leases are recorded at present value. The leasing liabilities include the present value of following lease payments:

- Fixed payments, including in-substance fixed payments, minus any lease incentives
- Variable lease payments, which are linked to an index or interest rate, initially valued using the index interest (rate) for the provision period.
- Anticipated payments of the Group from the use of residual value guarantees
- The exercise price of an option to buy, whose exercising by the Group is reasonably certain.
- Penalties in the context of terminating a lease, provided the term takes into account that the Group will exercise the termination option.

When measuring leasing liabilities, lease payments for extension periods are also taken into account, provided the exercise of the extension option is deemed sufficiently certain. Lease payments are discounted at the underlying implied interest rate, provided it can be readily determined. Otherwise – and this is generally the case in the Group – discounting is performed at the Group-wide uniform lessee's incremental borrowing rate on the basis of Group-wide uniform maturity bands, i.e. the interest rate that the respective lessee would have to pay if he needed to borrow funds in order to acquire a comparable value for a comparable term with comparable security under comparable conditions. For further details, please refer to → Notes 3 and → 19.

The Group is exposed to potential future increases in variable lease payments that can result from a change to an index or an interest rate. These potential changes in leasing rates are not taken into account in the leasing liability until they come into effect. As soon as changes to an index or interest rate have an effect on the leasing rates, the leasing liability is adjusted to the right of use. Leasing rates are split into principal and interest payments.

Rights of use are measured at acquisition costs, which have the following structure:

- The initial measured value of the leasing liability
- All lease payments made on or before provision, minus all leasing incentives received
- All initial direct costs accrued by the lessee
- Estimated costs accrued by the lessee during removal and disposal of the underlying asset, during restoration of the location in which it is located or when returning the underlying asset to the condition stipulated in the leasing agreement

Rights of use are amortised on a straight-line basis over the shorter of the two time periods of the term of use and the term of the underlying leasing agreement. If exercising an option to buy is reasonably certain from the perspective of the Group, the underlying asset is amortised over its useful life.

MLP sublet a small amount of office space in the financial year. For further details, please refer to → Note 23.

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 18.

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 therefore represent a violation of the cash flow criterion. However, those 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 to the end of the term, as well as rare/irregular divestments or divestments of insignificant levels would not present any risk for the assignment to the "holding" business model. As there are no assets resulting from the business model "hold to collect and sell" or "sell", there are no assets 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, 2019.

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. Two debentures are structured debt instruments that do not fulfil the cash flow criterion and are also measured at fair value through profit or loss. 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 of December 31, 2019, the option is not 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 of December 31, 2019.

The **impairment model** under IFRS 9 incorporates expectations regarding the future and is based on the anticipated credit losses. 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 costs 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 on the basis of 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-month-forward rating and transfer to non-investment grade
- Intensive support

Stage 3: Contains financial assets that display objective indications of credit impairments or 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. 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 credit impairments, 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 (primarily GDP growth, 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, through-the-cycle PDs are derived from the existing supervisory models. 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 and 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, as well as 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 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 is recognised (modification). MLP is currently only making minor non-significant modifications on a small scale. The modifications performed are contractual period extensions, as well as 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 costs using the effective interest method. Profits or losses are recognised in the income statement on derecognition, as well as within the scope of amortisation charges. Subsequent to their initial recognition, **financial liabilities at fair value through profit 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 on the basis of the defined-benefit and defined contribution old-age provision plans.

In the **defined contribution plans**, MLP pays premiums to statutory or private pension insurance institutions based on legal or contractual provisions or on a voluntary basis. After payment of the premiums, MLP has no further benefit obligations.

Commitments to pay premiums into defined contribution schemes are recognised as expenses as soon as the related service has been rendered. Pre-paid premiums are recognised as assets insofar as a right to reimbursement or reduction of future payments arises.

In accordance with IAS 19 "Employee Benefits", the provisions for pension obligations from **defined benefit plans** are measured using the projected-unit credit method.

The benefit obligations are partly covered by reinsurance. Virtually all reinsurance policies fulfil the conditions of pension scheme assets. For this reason the claims from reinsurance policies are netted against corresponding pension provisions in the balance sheet as per IAS 19.

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

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

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

Further details of pension provisions can be found in → Note 31.

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 (participation programme for MLP consultants and office managers). The participation programme applies to the calendar year 2019, as well as to MLP consultants and MLP branch office managers whose contracts remained unterminated and in place on December 31, 2019. 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 2019 consolidated financial statements as an expense with a corresponding increase in shareholders' equity.

You can find further details on the share-based payments in → Note 35.

8 Reportable business segments

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

- Financial Consulting
- Banking
- FERI
- DOMCURA
- Holding and Others

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", "occupational pension provision" and "DI sales" business segments under the reportable **"Financial Consulting"** business segment in accordance with IFRS 8.12. The object of the reportable **Financial Consulting** business segment is the provision of consulting services for academics and other discerning clients, particularly with regard to insurance, investments including real estate, 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, Vertrieb Deutschland.Immobilien GmbH, Web Deutschland.Immobilien GmbH, IT Deutschland.Immobilien 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 a so-called underwriting agency. The segment also engages in brokerage activities. It is made up of DOMCURA AG, Nordvers GmbH, nordias GmbH insurance brokers, Willy F.O. Köster GmbH and Siebert GmbH insurance brokers.

The **Holding and Others** business segment includes significant internal services and activities of MLP SE and DI Deutschland.Immobilien AG, as well as the real estate development business of the DI Group. This comprises Projekte Deutschland.Immobilien GmbH and its subsidiaries, as well as Projekte 2 Deutschland.Immobilien GmbH. A list of subsidiaries is provided in → Note 4.

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

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

The Financial Consulting, Banking and DOMCURA segments perform their economic activities predominantly in Germany. The same applies to the real estate development business in the Holding and Others segment. The FERI segment conducts its business activities above all in Germany and in Luxembourg.

In the financial year, revenue of € 242,925 thsd was generated with two product partners in the business segments of Financial Consulting, Banking, FERI and DOMCURA. In the previous year, revenue of € 213,353 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 and Others		Consolidation		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Revenue	369,287	347,150	81,366	75,790	161,572	146,164	88,984	83,441	108	–	-11,757	-10,408	689,561	642,137
of which total inter-segment revenue	7,870	7,138	3,887	3,269	–	–	–	–	–	–	-11,757	-10,408	–	–
Other revenue	21,609	20,259	5,337	12,757	5,139	4,672	2,092	1,860	10,380	9,173	-25,358	-24,900	19,199	23,821
of which total inter-segment revenue	12,630	13,079	3,400	3,138	17	–	–	0	9,311	8,682	-25,358	-24,900	–	–
Total revenue	**390,896**	**367,409**	**86,703**	**88,547**	**166,711**	**150,836**	**91,077**	**85,300**	**10,487**	**9,173**	**-37,115**	**-35,307**	**708,760**	**665,958**
Inventory changes	–	–	–	–	–	–	–	–	3,940	–	–	–	3,940	–
Commission expenses	-186,474	-171,665	-33,568	-30,986	-99,052	-85,348	-57,812	-54,643	-3,980	–	10,962	10,109	-369,925	-332,533
Interest expenses	–	–	-540	-556	–	–	–	–	–	–	-75	–	-615	-556
Valuation result/loan loss provisions	-13	705	-802	259	-87	-423	15	-42	-9	–	–	–	-896	500
Personnel expenses	-69,566	-66,127	-11,877	-10,764	-32,842	-32,208	-15,974	-14,866	-5,457	-4,075	–	–	-135,717	-128,039
Depreciation and impairment	-19,719	-11,672	-281	-95	-2,371	-1,262	-2,159	-1,344	-1,840	-1,586	–	–	-26,371	-15,960
Other operating expenses	-98,626	-103,261	-34,296	-33,887	-9,082	-9,822	-8,822	-9,399	-9,737	-14,140	25,492	24,981	-135,071	-145,528
Earnings from investments accounted for using the equity method	3,011	2,547	–	–	–	–	–	–	-13	–	–	–	2,998	2,547
Segment earnings before interest and tax (EBIT)	**19,509**	**17,936**	**5,339**	**12,519**	**23,276**	**21,772**	**6,325**	**5,006**	**-6,609**	**-10,627**	**-735**	**-217**	**47,104**	**46,388**
Other interest and similar income	458	663	131	2,582	-7	7	-51	7	217	-81	19	-16	767	3,161
Other interest and similar expenses	-2,276	-864	-39	-51	-541	-341	-32	-9	-1,008	-2,706	750	282	-3,145	-3,689
Valuation result not relating to operating activities	23	-6	–	–	-3	-21	-1	-3	25	-23	–	–	43	-52
Finance cost	**-1,795**	**-207**	**92**	**2,531**	**-551**	**-356**	**-85**	**-5**	**-766**	**-2,809**	**770**	**266**	**-2,335**	**-580**
Earnings before tax (EBT)	**17,714**	**17,729**	**5,432**	**15,050**	**22,725**	**21,416**	**6,240**	**5,001**	**-7,375**	**-13,436**	**34**	**48**	**44,770**	**45,808**
Income taxes													-7,844	-11,314
Net profit													**36,925**	**34,494**
Of which attributable to														
owners of the parent company													**37,327**	**34,494**
Minority interests													**-402**	**–**
Investments accounted for using the equity method	**4,630**	**4,186**	**–**	**–**	**–**	**–**	**–**	**–**	**508**	**–**	**–**	**–**	**5,138**	**4,186**
Investments in intangible assets and property, plant and equipment	**4,630**	**8,105**	**682**	**685**	**1,459**	**15,420**	**1,281**	**1,145**	**1,247**	**1,273**	**–**	**–**	**9,300**	**26,629**
Major non-cash expenses:														
Impairments/reversal of impairments on receivables	13	-705	1,443	-976	87	423	-15	42	9	–	–	–	1,538	-1,216
Increase/decrease of provisions/accrued liabilities	48,922	44,859	3,111	3,240	495	11,187	-21	3,897	5,792	4,972	–	–	58,298	68,155

Notes to the income statement

9 Revenue

All figures in €'000	2019	2018
Old-age provision	225,825	212,251
Wealth management	223,515	202,026
Non-life insurance	126,569	120,272
Health insurance	48,308	47,707
Real estate brokerage	23,650	20,135
Loans and mortgages	20,782	17,785
Other commissions and fees	4,291	4,624
Total commission income	**672,941**	**624,801**
Interest income	**16,620**	**17,336**
Total	**689,561**	**642,137**

The commission income disclosed under revenue is recognised on a regular and point-in-time basis. Revenue recognised over time totalling € 260,845 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 (previous year: € 239,637 thsd). The revenue from the interest rate business includes negative interest from lending and money market transactions of € 2,352 thsd (previous year: € 1,818 thsd).

10 Other revenue

All figures in €'000	2019	2018
Cost transfer to MLP consultants and branch office managers	3,453	2,091
Income from investments	2,422	1,775
Income from the reversal of deferred obligations	2,204	1,969
Offset remuneration in kind	1,370	1,185
Income from the reversal of provisions	1,120	2,142
Compensation of management	1,111	648
Income from the sales tax adjustment	827	7,842
Rent	402	491
Own work capitalised	354	412
Income from currency translation	73	256
Income from the disposal of fixed assets	20	16
Sundry other income	5,843	4,993
Total	**19,199**	**23,821**

For more information on income from the reversal of provisions, please refer to → Note 31. 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 14 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.

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

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

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

11 Inventory changes

The income statement has been extended to include the "Inventory changes" item as a result of the acquisition of a majority stake in the DI Group. Inventory changes are € 3,940 thsd as of December 31, 2019 (previous year: € 0 thsd). These result from the change in inventories at DI-Group.

12 Commission expenses

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

13 Interest expenses

All figures in €'000	2019	2018
Interest and similar expenses IFRS 9		
Financial instruments measured at amortised cost	615	556
Liabilities due to clients from the banking business	234	252
Liabilities due to banks from banking business	381	305
Total	**615**	**556**

14 Valuation result/loan loss provisions

All figures in €'000	2019	2018
Provisions for risks from potential bad debts	-1,590	661
Provisions for risks from the lending business	53	555
Valuation result	642	-716
Total	**-896**	**500**

As of December 31, 2019, provisions for anticipated losses of € -1,538 thsd were recognised in accordance with IFRS 9 (previous year: € 1,216 thsd). This comprises the recognition of impairment losses for receivables of € -1,590 thsd (previous year: income from the reversal of impairment losses for receivables of € 661 thsd), as well as income from changes in provisions for anticipated losses from the lending business of € 53 thsd (previous year: € 555 thsd).

See Notes → 24 and → 31 for detailed explanations on the development of loan loss provisions.

Write-downs of financial instruments measured at fair value through profit or loss led to a valuation result of € 642 thsd. € -716 thsd).

15 Personnel expenses

All figures in €'000	2019	2018
Salaries and wages	116,847	110,444
Social security contributions	15,902	14,700
Expenses for old-age provisions and benefits	2,968	2,895
Total	**135,717**	**128,039**

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.

16 Depreciation and impairments

All figures in €'000	2019	2018
Depreciation		
Intangible assets	9,218	10,330
Property, plant and equipment	17,152	5,630
Total	**26,371**	**15,960**

In the financial year 2019 depreciation of property, plant and equipment included for the first time amortisation of rights of use as per IFRS 16 of € 11,358 thsd, € 10,296 thsd thereof are attributable to rights of use on real estate depreciation and € 1,062 thsd to rights of use on vehicle depreciation. This was reduced by amortisation of rights of use from leases of € 452 thsd in the financial year.

17 Other operating expenses

All figures in €'000	2019	2018
IT operations	48,547	48,461
Consultancy	16,019	14,353
Administration operations	10,323	10,807
Other external services	10,191	9,018
External services – banking business	8,965	8,220
Representation and advertising	5,879	5,776
Premiums and fees	4,767	5,112
Travel expenses	4,105	3,823
Insurance	3,307	2,587
Training and further education	2,979	3,090
Entertainment	2,905	3,204
Expenses for MLP consultants and branch office managers	2,819	3,830
Maintenance	2,812	1,603
Other employee-related expenses	2,508	1,542
Audit	1,491	1,270
Goodwill	1,139	431
Supervisory Board compensation	948	960
Rental and leasing	567	12,500
Sales tax expense	45	5,212
Sundry other operating expenses	4,756	3,730
Total	**135,071**	**145,528**

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.

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.

The rental and leasing expenses essentially comprise the service rate and other expenses that are not capitalised as per IFRS 16. This includes expenses for short-term leasing of € 15 thsd and expenses for low-value leases of € 4 thsd. In the last financial year, the expenses for variable lease payments, which were not included in the measurement of leasing liabilities (for example payments at the end of a vehicle leasing agreement) were € 31 thsd. The total outflow of cash and cash equivalents for leasing was € 11,584 thsd in 2019.

VAT expenses of the previous years are the 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 the years 2008 to 2012. VAT payments granted to MLP SE in 2016 as a result of this circumstance have now been imposed again.

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

18 Investments accounted for using the equity method

Earnings from investments accounted for using the equity method were € 2,998 thsd in the financial year (previous year: € 2,547 thsd) and are made up from the share of earnings in MLP Hyp GmbH of € 3,011 thsd and in Projekte 2 Deutschland.Immobilien GmbH of € -13 thsd. 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 and the 50 % stake in Projekte2 Deutschland.Immobilien GmbH, Hanover. MLP Hyp GmbH operates the joint mortgage financing business of MLP Finanzberatung SE, Wiesloch, and Interhyp AG, Munich. Projekte2 Deutschland.Immobilien GmbH is an intermediate holding company within the DI Group. It holds shares in project enterprises in which real estate developments are executed.

The shares of MLP Hyp developed as follows:

All figures in €'000	2019	2018
Share as of Jan. 1	**4,186**	**4,132**
Dividend payouts	-2,567	-2,493
Pro rata profit after tax	3,011	2,547
Share as of Dec, 31	**4,630**	**4,186**

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

All figures in €'000	Dec. 31, 2019	Dec. 31, 2018
Non-current assets	55	64
Current assets	11,486	10,857
Non-current liabilities	-	-
Current liabilities	4,103	4,128
Net assets (100 %)	7,438	6,793
of which MLP's share in net assets (49.8 %)	3,704	3,383
Incidental acquisition costs	**151**	**151**
Dividend payout	**-3,528**	**-2,849**
Cumulative disproportionate profit	**4,302**	**3,501**
Carrying amount of the investment	**4,630**	**4,186**
Revenue	23,542	21,172
Total comprehensive income (100 %)	4,438	3,793
of which MLP's share in total comprehensive income (49.8 %)	2,210	1,889
Disproportionate profit for the current financial year (67.2 % / previous year 66.7 %)	**801**	**658**
MLP's share in total comprehensive income	**3,011**	**2,547**

The shares of Projekte 2 Deutschland.Immobilien GmbH developed as follows as of September 1, 2019:

All figures in €'000	2019
Share as of Sep. 1	**520**
Dividend payouts	-
Pro rata profit after tax	-13
Share as of Dec, 31	**508**

The table below contains summarised financial information on Projekte 2 Deutschland.Immobilien GmbH:

All figures in €'000	Dec. 31, 2019
Non-current assets	76
Current assets	957
Non-current liabilities	-
Current liabilities	17
Net assets (100 %)	1,016
of which MLP's share in net assets (50 %)	508
Incidental acquisition costs	–
Dividend payout	–
Carrying amount of the investment	**508**
Revenue	0
Total comprehensive income (100 %)	-25
of which MLP's share in total comprehensive income (50 %)	-13
MLP's share in total comprehensive income	**-13**

19 Finance cost

All figures in €'000	2019	2018
Other interest and similar income	**767**	**3,161**
Interest expenses from financial instruments	-1,554	-531
Interest expenses from net obligations for defined benefit plans	-443	-423
Other interest costs	-1,148	-2,735
Other interest and similar expenses	**-3,145**	**-3,689**
Valuation result not relating to operating activities	**43**	**-52**
Finance cost	**-2,335**	**-580**

Other interest and similar income of € 0 thsd (previous year: € 1 thsd) relates to interest income from deposits with financial institutions that are not attributable to the banking business and € 23 thsd (previous year: € 21 thsd) relates to income from the discounting of provisions. In addition to this, other interest and similar income includes negative interest on bank deposits of € -211 thsd (previous year: € -214 thsd). Other interest and similar expenses include expenses from the accrued interest of other provisions totalling € 363 thsd (previous year: € 539 thsd).

In addition, the item comprises expenses from the accrued interest of leasing liabilities pursuant to IFRS 16 of € 587 thsd. For further details, please refer to → Note 3 and → 7.

20 Income taxes

All figures in €'000	2019	2018
Income taxes	7,844	11,314
of which current taxes on income and profit	8,571	11,199
of which deferred taxes	-727	116

The current taxes on income and profit include expenses of € -2.046 thsd (previous year: € 596 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 13.34 % (previous year: 13.45 %) and amounts to 29.19 % (previous year: 29.27 %).

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	2019	2018
Earnings before tax	**44,770**	**45,808**
Group income tax rate	29.19%	29.27%
Calculated income tax expenditure in the financial year	**13,068**	**13,408**
Tax-exempt earnings and permanent differences	-4,461	-2,756
Non-deductible expenses	1,103	1,137
Divergent trade taxation charge	184	264
Effects of other taxation rates applicable abroad	-743	-539
Income tax not relating to the period (current and deferred)	-1,699	-318
Unused losses	605	-
Other	-213	119
Income taxes	**7,844**	**11,314**

The effective income tax rate applicable to the earnings before tax is 17.52 % (previous year: 24.7 %).

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.

Legal or economic restrictions were in place for loss carryforwards of € 1,757 thsd (previous year: € 0 thsd) with regard to their usability. No deferred tax assets were therefore recognised. If full utilisation of the loss carryforwards had been possible, it would have theoretically been necessary to recognise deferred tax assets of € 573 thsd (previous year: € 0 thsd).

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

All figures in €'000	Deferred tax assets		Deferred tax liabilities	
	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018
Intangible assets	978	144	11,864	10,630
Property, plant and equipment	–	–	4,782	4,503
Financial assets	115	207	118	2
Other assets	1,175	2,201	3,450	4,485
Provisions	12,812	10,878	–	8
Liabilities	2,334	1,938	504	617
Deferred income	–	–	131	-
Gross value	**17,414**	**15,368**	**20,850**	**20,245**
Netting of deferred tax assets and liabilities	10,160	–10,000	10,160	–10,000
Total	**7,254**	**5,368**	**10,690**	**10,245**

The deferred tax income recognised under other comprehensive income outside the income statement is € 2,008 thsd (previous year: € 240 thsd).

Tax refund claims include € 3,189 thsd (previous year: € 8,158 thsd) of corporation tax and € 1,304 thsd (previous year: € 4,600 thsd) of trade tax. € 476 thsd thereof (previous year: € 8,494 thsd) relate to MLP SE and € 3,882 thsd (previous year: € 4,265 thsd) to MLP Finanzberatung SE.

Tax liabilities are made up of € 2,777 thsd (previous year: € 2,543 thsd) of corporation tax and € 3,336 thsd (previous year: € 2,654 thsd) of trade tax. € 5,603 thsd thereof (previous year: € 4,431 thsd) relate to MLP SE and € 308 thsd (previous year: € 541 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.

As at December 31, 2019, we had undistributed profits of subsidiaries of around € 75.4 million (previous year: € 59.8 million), for which no deferred tax liabilities were formed, as we are capable of controlling the timing of the reversal of the temporary difference and it is unlikely that the temporary difference will be reversed in the foreseeable future.

21 Earnings per share

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

All figures in €'000	2019	2018
Basis of the basic net profit per share	37,327	34,494

All figures in number of units	2019	2018
Weighted average number of shares for the basic net profit per share	109,220,014	109,222,778

The basic earnings per share is € 0.34 (previous year: € 0.32).

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

All figures in €'000	2019	2018
Basis of the diluted net profit per share	37,327	34,494

All figures in number of units	2019	2018
Weighted average number of shares for the diluted net profit per share	109,334,686	109,334,686

The diluted earnings per share is € 0.34 (previous year: € 0.32).

Notes to the statement of financial position

22 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, 2018	**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	–	–
As of Dec. 31, 2018	**94,964**	**13,493**	**100,523**	**1,405**	**57,255**	**267,640**
Additions	0	167	1,531	2,235	2	3,936
Addition to the scope of consolidation	27,538	3,188	45	–	1,737	32,508
Disposals	–	–	-537	-6	–	-543
Transfers	–	1,166	1,919	-3,085	–	–
As of Dec. 31, 2019	**122,502**	**18,014**	**103,481**	**549**	**58,995**	**303,541**
Depreciation and impairment						
As of Jan. 1, 2018	**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**
Depreciation	–	699	7,138	–	1,381	9,218
Addition to the scope of consolidation	–	–	41	–	–	41
Impairment	–	–	–	–	–	–
Disposals	–	–	-537	–	–	-537
As of Dec 31, 2019	**3**	**13,735**	**82,612**	**–**	**24,122**	**120,471**
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**
Carrying amount Jan. 1, 2019	94,962	457	24,553	1,405	34,515	155,892
Carrying amount Dec. 31, 2019	**122,500**	**4,279**	**20,869**	**549**	**34,873**	**183,070**

Intangible assets comprise definite-lived and indefinite-lived assets. Depreciation/amortisation and impairment on intangible assets are presented in → Note 16.

Useful lives of intangible assets

	Useful life as of Dec. 31, 2019	Useful life as of Dec. 31, 2018
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 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, 2019	Dec. 31, 2018
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**
DI (provisional)	**27,538**	-
Total	**122,500**	**94,962**

The goodwill resulting from the acquisition of the DI Group in the last financial year (see → Note 5) was not yet assigned to a cash-generating unit or subjected to any impairment test, as the purchase price allocation had not yet been finalised on the closing date, the time of acquisition is close to the closing date and no significant changes have occurred since this time.

As was already the case in the previous year, there was no need for an impairment of capitalised goodwill in the financial year 2019. The significant assumptions presented in the following were based on the impairment test performed.

Reportable financial consulting business segment

Financial Consulting		
Weighted average (in %)	2019	2018
Discount rate (before tax)	9.0	10.4
Growth rate of the terminal value	1.0	1.0
Planned EBT growth rate (relative average EBT increase per year)	10.0	28.3

Occupational pension provision		
Weighted average (in %)	2019	2018
Discount rate (before tax)	9.4	10.9
Growth rate of the terminal value	1.0	1.0
Planned EBT growth rate (relative average EBT increase per year)	3.1	3.6

ZSH		
Weighted average (in %)	2019	2018
Discount rate (before tax)	9.1	10.8
Growth rate of the terminal value	1.0	1.0
Planned EBT growth rate (relative average EBT increase per year)	12.9	14.3

Reportable FERI business segment

FERI Assetmanagement		
Weighted average (in %)	2019	2018
Discount rate (before tax)	12.6	14.6
Growth rate of the terminal value	1.0	1.0
Planned EBT growth rate (relative average EBT increase per year)	5.1	4.4

Reportable DOMCURA business segment

DOMCURA		
Weighted average (in %)	2019	2018
Discount rate (before tax)	9.2	10.9
Growth rate of the terminal value	1.0	1.0
Planned EBT growth rate (relative average EBT increase per year)	4.3	1.5

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 2 % (previous year: 4 %). 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 (inhouse), software (purchased), advance payments and developments in progress** contain own work performed within the context of developing and implementing software. In the financial year 2019, own services with a value of € 354 thsd were capitalised (previous year: € 412 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	2019	2018
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	2019	2018
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 € 771 thsd as of December 31, 2019 (previous year: € 355 thsd).

23 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, 2018	**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**
Additions	877	3,792	695	5,364
Addition to the scope of consolidation	0	200	6	207
Disposals	-203	-7,394	-24	-7,622
Transfers	63	87	-150	0
As of Dec. 31, 2019	**92,393**	**51,765**	**614**	**144,772**
Depreciation and impairment				
As of Jan. 1, 2018	**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**
Depreciation	2,297	3,497		5,794
Addition depreciation	-	62	-	50
Impairment	-	-	-	-
Disposals	-154	-7,123	-	-7,277
As of Dec. 31, 2019	**30,361**	**36,771**	**-**	**67,132**
Carrying amount Jan. 1, 2018	48,924	12,274	663	61,861
Carrying amount Dec. 31, 2018	**63,438**	**14,746**	**86**	**78,270**
Carrying amount Jan. 1, 2019	63,438	14,746	86	78,270
Carrying amount Dec. 31, 2019	**62,032**	**14,994**	**614**	**77,640**

Useful lives of property, plant and equipment

	Useful life/residual value Dec. 31, 2019	Useful life/residual value Dec. 31, 2018
Administration buildings	33 years to residual value (30 % of original cost)	33 years to residual value (30 % of original cost)
Land improvements	15-25 years	15-25 years
Leasehold improvements	10 years or duration or the respective tenancy agreement	10 years or duration or the respective tenancy agreement
Furniture and fittings	8-25 years	8-25 years
IT hardware, IT cabling	3-13 years	3-13 years
Office equipment, office machines	3-23 years	3-23 years
Cars	2-6 years	2-6 years
Works of art	15-20 years	15-20 years

Depreciation/amortisation and impairment of property, plant and equipment are disclosed in → Note 16.

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 € 348 thsd net as of December 31, 2019 (previous year: € 491 thsd).

Leases

Rights of use from leases are disclosed under the "property, plant and equipment" item. As of December 31, 2019, rights of use of € 53,275 thsd are in place, € 51,723 thsd thereof are attributable to rented buildings and € 1,551 thsd to vehicle leases. Rights of use of € 1,146 thsd were newly added in the financial year.

In the financial year, the acquisition costs of the rights of use from leases developed as follows. There were additions amounting to € 11,415 thsd and disposals of € 1,655 thsd. Essentially, the changes result from the leased buildings.

Some office space was sublet in 2019 and € 127 thsd was recognised for this.

The following table represents a maturity analysis of the leasing receivables and shows the undiscounted lease payments to be received after the balance sheet date.

All figures in €'000	Up to 1 year	1–5 years	>5 years	Total
Sublease agreements	148	79	-	227

Leases 2018

The Group has concluded **operating leases** 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.

The Group has been recognising rights of use for these leases since January 1, 2019, with the exception of short-term and low-value leases (see → Note 17).

The following future payment obligations (face values) due to irredeemable operating leases were in place as of December 31, 2018:

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**

24 Receivables from clients in the banking business

Receivables from clients in the banking business

All figures in €'000	Dec. 31, 2019	Dec. 31, 2018
Originated loan	483,069	432,114
Corporate bond debts	254,950	203,814
Receivables from credit cards	110,099	101,035
Receivables from current accounts	27,172	27,950
Receivables from wealth management	805	1,139
Other	3,753	3,998
Total, gross	**879,849**	**770,051**
Impairment	-7,674	-9,024
Total, net	**872,175**	**761,027**

As of December 31, 2019, receivables (net) with a term of more than one year remaining to maturity are € 674,139 thsd (previous year: € 643,219 thsd).

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

Reconciliation statement for 2019 gross carrying amounts of receivables from clients in the banking business

All figures in '000	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL - not credit impaired)	Stage 3 (lifetime ECL - impaired credits	Purchased or originated credit-impaired financial asset (Stage 4)	Total
As of Jan. 1, 2019	**713,391**	**44,746**	**11,867**	**46**	**770,051**
Transfer to Stage 1	16,500	-16,314	-186	-	0
Transfer to Stage 2	-26,646	27,912	-1,267	-	0
Transfer to Stage 3	-142	-46	189	-	0
Allocation	142,010	4,413	106	-	146,528
of which newly acquired or issued financial assets	122,587	4,413	-	-	127,000
of which existing business	19,422	-	106	-	19,528
Disposals	-27,217	-3,983	-5,528	-2	-36,730
of which financial assets derecognised in their entirety	-27,217	-2,142	-5,005	-2	-34,367
of which existing business	-	-1,841	-	-	-1,841
of which write-offs	-	-	-523	-	-523
As of Dec. 31, 2019	**817,896**	**56,728**	**5,181**	**44**	**879,849**

Reconciliation statement for 2018 gross carrying amounts of receivables from clients in the banking business

All figures in '000	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL – not credit 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 to Stage 1	28,151	-28,104	-46	–	0
Transfer to Stage 2	-14,478	14,808	-330	–	0
Transfer to Stage 3	-2,337	-2,655	4,992	–	0
Allocation	143,383	5,912	158	–	149,453
of which newly acquired or issued financial assets	114,162	5,912	–	–	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 which write-offs	–	–	-685	–	-685
As of Dec. 31, 2018	**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 costs 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 € 44 thsd (previous year: € 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 a credit impairment or a default status, the financial asset is recognised in Stage 3. See → Note 7 for further details on the impairment methods used and calculation of the impairment.

A modification to one contract (previous year: three contracts) was performed in the reporting year. This involved an adjustment to the originally agreed interest rate and thus only represents a slight modification. 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.

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

Reconciliation of expected losses 2019

All figures in €'000	Stage 1 (12-Months-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, 2019	**1,768**	**2,359**	**4,862**	**36**	**9,024**
Transfer to Stage 1	78	-76	-2	-	0
Transfer to Stage 2	-111	188	-78	-	0
Transfer to Stage 3	-2	-2	4	-	0
Allocation	683	2,037	2,002	-	4,721
of which newly acquired or issued financial assets	367	1,849	-	-	2,217
of which existing business	316	187	2,002	-	2,505
Disposals	-616	-1,273	-4,149	-33	-6,071
of which usage	-	-	-2,452	-	-2,452
of which reversal	-616	-1,273	-1,697	-33	-3,620
As of Dec. 31, 2019	**1,800**	**3,233**	**2,638**	**3**	**7,674**

Reconciliation of expected losses 2018

All figures in €'000	Stage 1 (12-Months-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	**2,233**	**3,216**	**5,638**	**40**	**11,126**
Transfer to Stage 1	161	-161	-	-	0
Transfer to Stage 2	-56	93	-37	-	0
Transfer to Stage 3	-3	-204	207	-	0
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	-187	-127	-2,019	-	-2,333
of which reversal	-1,064	-1,879	-655	-4	-3,602
As of Dec. 31, 2018	**1,768**	**2,359**	**4,862**	**36**	**9,024**

Loan loss provisions declined from € 9,024 thsd to € 7,674 thsd in the financial year. This can primarily be attributed to disposals of receivables from credit cards, current accounts, and own-resource loans in stage 3. The disposal of receivables results in a reduction in loan loss provisions of € 4,149 thsd (previous year: € 2,674 thsd). In the financial year, there were also reversals from Stage 1 of € 616 thsd (previous year: € 1,064 thsd), as well as from Stage 2 of € 1,273 thsd (previous year: € 1,879 thsd). The reversals from Stage 2 are primarily the result of credit enhancements of receivables and the transfer to Stage 1 associated with this. In contrast there are allocations in Stage 2 of € 2,037 thsd (previous year: € 1,422 thsd) and Stage 3 of € 2,002 thsd (previous year: € 1,728 thsd). The allocations in Stage 2 are essentially attributable to primarily the result of credit status deteriorations of receivables and the transfer from Stage 1 to Stage 2 associated with this.

Taking into account direct write-offs of € 523 thsd (previous year: € 684 thsd) as well as income recovered from written-off receivables of € 254 thsd (previous year: € 198 thsd) allocations of € 4,721 thsd (previous year: € 3,832 thsd) and reversals of € 3,620 (previous year: € 3,601 thsd) recognised in income resulted in a net loan loss provision of € 1,370 thsd in the reporting year (previous year: € 255 thsd).

Qualitative and quantitative information on contributions from anticipated losses 2019

All figures in '000	Max. default risk without taking into account collateral or other credit enhancement factors as of Dec. 31, 2019	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 in the banking business (AC)	872,175	8,363	355	–	–
Receivables from banks in the banking business (AC)	728,085	–	–	–	–
Financial assets (AC)	155,210	–	–	–	–
Other receivables (AC)	95,397	4,006	–		
Contingent liabilities	3,799	172			
Irrevocable credit commitments	54,631				
Total	**1,909,296**	**12,541**	**–**	**–**	**–**

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

Qualitative and quantitative information on contributions from anticipated losses 2018

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 in the banking business (AC)	761,027	15,844	1,559	–	–
Receivables from banks in the banking business (AC)	694,210	–	–	–	–
Financial assets (AC)	159,480	–	–	–	–
Other receivables (AC)	81,315	3,890	–		
Contingent liabilities	4,719	178			
Irrevocable credit commitments	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. Credit impaired or defaulted receivables disclosed in Stage 3 as of December 31, 2019 of € 8,363 thsd (previous year: € 15,844 thsd) are secured with customary banking collaterals of € 355 thsd (previous year: € 1,559 thsd). The maximum default risk of contingent liabilities and irrevocable credit commitments corresponds to the face value of € 58,430 thsd (previous year: € 59,386 thsd).

The Group holds forwarded loans of € 97,970 thsd (previous year: € 81,295 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 € 237 thsd (previous year: € 1,361 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 (37).

25 Receivables from banks in the banking business

All figures in €'000	Dec. 31, 2019	Dec. 31, 2018
Due on demand	121,330	108,839
Other receivables	606,755	585,371
Total	**728,085**	**694,210**

All receivables from banks in the banking business are due from domestic credit institutions. As of December 31, 2019, receivables with a term of more than one year remaining to maturity are € 131,182 thsd (previous year: € 103,161 thsd), The receivables are not collateralised. At the closing date there are no receivables from banks that are overdue. Receivables of € 4,000 thsd have a greater default risk and are therefore allocated to Stage 2. Other receivables from banks of € 724,085 thsd are disclosed in Stage 1 and an anticipated 12-month loss is determined. The anticipated losses on receivables from banks are € 203 thsd in the financial year (previous year: € 170 thsd). This leads to a net expense from loan loss provisions in the reporting year of € 32 thsd (previous year: net income from loan loss provisions: € 74 thsd).

Further information on receivables from financial institutions in the banking business is disclosed in → Note 37.

26 Financial assets

All figures in €'000	Dec. 31, 2019	Dec. 31, 2018
By public-sector issuers	14,951	19,989
By other issuers	85,358	76,155
Debenture and other fixed income securities	**100,309**	**96,144**
Shares and certificates	342	186
Investment fund shares	5,056	2,972
Shares and other variable yield securities	**5,398**	**3,157**
Other investments (fixed and time deposits)	**64,996**	**59,995**
Investments in non-consolidated subsidiaries	**7,751**	**5,799**
Investments	**131**	**184**
Total	**178,584**	**165,279**

As of December 31, 2019, MLP has portfolios amounting to € 83,800 thsd (previous year: € 79,583 thsd) that are due in more than twelve months.

As per the measurement categories for financial instruments defined in IFRS 9, the financial investment portfolio breaks down as follows:

All figures in €'000	Dec. 31, 2019	Dec. 31, 2018
AC	90,214	86,219
FVPL	10,095	9,925
Debenture and other fixed income securities	**100,309**	**96,144**
FVPL	5,398	3,157
Shares and other variable yield securities	**5,398**	**3,157**
Fixed and time deposits (loans and receivables)	**64,996**	**59,995**
Anteile an nicht konsolidierten Tochterunternehmen	**7,751**	**5,799**
Investments	**131**	**184**
Total	**178,584**	**165,279**

In the financial year 2019, shares and other variable yield securities of € 5,398 thsd (previous year: € 3,157 thsd) are measured at fair value through profit or loss. This leads to valuation differences from exchange losses of € 485 thsd (previous year: € 662 thsd), which are recognised in the valuation result.

In addition, debentures and other fixed income securities of € 10,095 thsd (previous year: € 9,925 thsd) are measured at fair value through profit or loss in the financial year 2019. This leads to valuation differences from exchange profits of € 170 thsd (previous year: € 54 thsd), which are also recognised in the valuation result.

Debentures and other fixed income securities of € 90,214 thsd (previous year: € 86,219 thsd) are measured at amortised costs.

The anticipated 12-month loss on debentures and other fixed income securities measured at amortised costs is € 40 thsd in the financial year (previous year: € 28 thsd).

The fair value changes to fixed income securities triggered by a change in creditworthiness are € 89 thsd (previous year: € -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 € 30,834 thsd (previous year: € 6,883 thsd) with a face value of € 32,700 thsd (previous year: € 7,000 thsd).

For further disclosures regarding financial assets, please refer to → Note 37.

27 Inventories

As a result of the acquisition of the DI Group, inventories are being disclosed for the first time. Inventories break down as follows:

All figures in €'000	2019
Inventories – land	7,339
Inventories – buildings	2,948
Inventories – finished goods	246
Total	**10,533**

28 Other receivables and assets

All figures in €'000	Dec. 31, 2019	Dec. 31, 2018
Trade accounts receivable	81,903	71,669
Contractual assets	39,845	41,643
Refund receivables from recourse claims	19,842	19,194
Receivables from MLP consultants	5,529	5,514
Receivables from underwriting business	7,413	6,468
Advance payments	1	0
Other assets	18,355	17,731
Total, gross	**172,888**	**162,219**
Impairment	-4,302	-4,096
Total, net	**168,587**	**158,123**

As of December 31, 2019, receivables (net) with a term of more than one year remaining to maturity are € 38,230 thsd (previous year: € 45,984 thsd).

The main items included in trade accounts receivable are commission receivables from insurance companies. They are generally non-interest-bearing and have an average term of payment of 30 days.

Refund receivables from recourse claims are due to MLP consultants and branch office managers, as well as 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	2019	2018
As of Jan. 1	**41,602**	**0**
Effekt aus der erstmaligen Anwendung		**41,513**
Additions from new contracts	8,239	7,567
Payments received	-9,996	-10,570
Change of transaction price	–	3,132
Impairment pursuant to IFRS 9	**-40**	**-41**
As of Dec. 31,	**39,805**	**41,602**

Corresponding revenue had to be recognised for additional payments of 27 thsd (previous year: € 752 thsd) received in relation to contractual assets amounting to a different total.

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 2019

All figures in €'000	Stage 2	Stage 3	Total
As of Jan. 1, 2019	**1,686**	**2,410**	**4,096**
Addition scope of consolidation*	499	23	523
Allocation	402	134	536
Disposals	-742	-111	-853
of which usage	–	-55	-55
of which reversal	-742	-56	-798
As of Dec. 31, 2019	**1,846**	**2,456**	**4,302**

* The change to the scope of consolidation affects value adjustments formed for the first time pursuant to IFRS 9 on financial assets of the newly acquired DI Group.

Development of impairments on other receivables and assets 2018

All figures in €'000	Stage 2	Stage 3	Total
As of Jan. 1, 2018	**1,525**	**3,557**	**5,083**
Allocation	684	200	884
Disposals	–524	–1,347	–1,871
of which usage	–	–78	–78
of which reversal	–524	–1,269	–1,793
As of Dec. 31, 2018	**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 credit impairments, 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 that are disputed and where legal action is pending.

Taking into account direct write-offs of € 271 thsd (previous year: € 505 thsd), allocations of € 536 thsd (previous year: € 884 thsd) as well as reversals of € 798 thsd (previous year: € 1,871 thsd) recognised in income resulted in a net loan loss provision of € 9 thsd in the reporting year (previous year: € 393 thsd).

As of December 31, 2019, the total volume of receivables recognised in Stage 2 is € 130,174 thsd (previous year: € 119,027 thsd). An impairment loss of € 1,846 thsd was recognised for this (previous year: € 1,686 thsd).

As of December 31, 2019, Stage 3 receivables amount to a total of € 4,006 thsd (previous year: € 3,889 thsd). There are objective indications of an impairment or default status for these receivables. An impairment loss of € 2,456 thsd was recognised for this (previous year: € 2,410 thsd).

Additional disclosures on other receivables and assets can be found in → Note 37.

29 Cash and cash equivalents

All figures in €'000	Dec. 31, 2019	Dec. 31, 2018
Bank deposits	107,876	81,490
Deposits at Deutsche Bundesbank	402,800	304,334
Cash on hand	103	102
Total	**510,778**	**385,926**

As was the case in previous years, cash and cash equivalents include deposits at the Deutsche Bundesbank. In the financial year 2019, 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 value adjustment pursuant to IFRS 9 is € 12 thsd (previous year: € 10 thsd), the holdings are assigned to Stage 1.

30 Shareholders' equity

All figures in €'000	Dec. 31, 2019	Dec. 31, 2018
Share capital	**109,334**	**109,167**
Treasury stock	–	168
Capital reserves	149,853	149,227
Retained earnings		
Statutory reserve	3,129	3,129
Other retained earnings and net profit	191,836	175,653
Revaluation reserve	–17,547	–12,518
Equity attributable to MLP SE shareholders	**436,605**	**424,826**
Non-controlling interest	**787**	**–**
Total shareholders' equity	**437,392**	**424,826**

Share capital

The share capital of MLP SE is made up of 109,334,300 shares (December 31, 2018: 109,166,662). 372,309 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

A resolution passed by the Annual General Meeting on June 14, 2018 authorised the Executive Board, with the consent of the Supervisory Board, to increase the company's share capital by up to € 21,500,000 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 2018. The share buyback for the participation programme 2019 starts in 2020. Please refer to → Note 35 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 § 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 35.

Other retained earnings and net profit

Other retained earnings comprise retained earnings of the MLP Group and a reserve for treasury shares of € 1 thsd (previous year: € 556 thsd).

Revaluation reserve

The provision includes losses from the revaluation of defined benefit obligations of € 24,842 thsd (previous year: € 17,804 thsd) and deferred taxes attributable to this of € 7,294 thsd (previous year: € 5,286 thsd).

Minority interests

Minority interests comprise equity interests subsidiaries of MLP SE.

Proposed Appropriation of profit

The Executive Board and Supervisory Board of MLP SE will propose a dividend of € 22,960 thsd (previous year: € 21,867 thsd) for the financial year 2019 at the Annual General Meeting. This corresponds to € 0.21 (previous year: € 0.20) per share.

31 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 that 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 € 23,469 thsd (previous year: € 19,236 thsd). Pension insurance policies are in place for all other pension obligations (defined benefit obligation of € 33,463 thsd; previous year: € 30,517 thsd).

The change in net liability from defined benefit plans is summarised in the following table:

All figures in €'000	Defined benefit obligation		Fair value of pension scheme assets		Net liability from defined benefit plans	
	2019	2018	2019	2018	2019	2018
As of Jan. 1	**49,753**	**49,140**	**–25,826**	**–25,590**	**23,927**	**23,550**
Current service cost	272	266	–	–	272	266
Interest expenses (+)/ income (-)	933	898	-491	-473	442	425
Recognised in profit or loss	**1,205**	**1,164**	**-491**	**-473**	**714**	**691**
Actuarial gains (-)/ losses (+) from:						
financial assumptions	7,257	522	–	–	7,257	522
demographic assumptions	–	461			–	461
experience adjustments	61	-306	–	–	61	-306
Gains (-)/ losses (+) from pension scheme assets without amounts recognized as interest income		–	-336	-104	-336	-104
Gains (-)/ losses (+) from revaluations*	**7,318**	**677**	**-336**	**-104**	**6,982**	**574**
Contributions paid by the employer		–	-147	-103	-147	-103
Payments made	-1,343	-1,229	567	444	-776	-785
Other	**-1,343**	**-1,229**	**419**	**341**	**-923**	**-888**
As of Dec. 31	**56,933**	**49,753**	**–26,234**	**–25,826**	**30,699**	**23,927**

*recognised in other comprehensive income

Net liabilities of € 1,941 thsd recognised in the balance sheet (previous year: € 992 thsd) are attributable to Executive Board members active at the end of the reporting period.

With regard to net pension provisions, payments of € 1,462 thsd are anticipated for 2020 (previous year: € 1,314 thsd). € 872 thsd thereof (previous year: € 770 thsd) is attributable to direct, anticipated company pension payments, while € 590 thsd (previous year: € 544 thsd) is attributable to anticipated reinsurance policy premiums.

Actuarial calculations incorporate the following assumptions:

	2019	2018
Assumed interest rate	1.10%	1.90%
Anticipated annual pension adjustment	1.7%/2.5%	1.7%/2.5%

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

On December 31, 2019, the weighted average term of defined benefit obligations was 18 years (previous year: 18 years).

Sensitivity analysis

If the other assumptions all remained the same, changes to one of the key actuarial assumptions which would have been realistically possible on the closing date would have influenced the defined benefit obligations by the following amounts:

All figures in €'000	Change of parameter	Reduction/ increase of defined obligation
	0.50%	-4,708
Assumed interest rate	-0.50%	5,367
	0.50%	-
Salary trend	-0.50%	-
	0.50%	4,485
Pension trend	-0.50%	-4,026
Mortality	80.00%	4,952

In order to define the sensitivity of mortality, all mortality rates stated in the mortality table were reduced to 80 %. By extending life expectancy, this leads to an increase in the scope of defined benefit obligations. Although the analysis does not take into account the full distribution of anticipated cash flow based on the plan, it does provide an approximation of the sensitivity of the assumptions presented.

Alongside defined benefit plans, defined contribution plans are also in place. With these types of plans the company pays premiums to state or private pension insurance institutions in line with legal or contractual regulations or on a voluntary basis. The regular premiums paid for employees are disclosed as personnel expenses. In the financial year 2019 they total € 11,158 thsd (previous year: € 10,510 thsd).

Other provisions are made up as follows:

All figures in €'000	Dec. 31, 2019			Dec. 31, 2018		
	Current	Non-current	Total	Current	Non-current	Total
Cancellation risks	12,974	20,315	33,289	12,448	18,928	31,376
Bonus schemes	25,424	-	25,424	21,520	-	21,520
Share-based payments	1,834	2,865	4,699	1,088	2,540	3,628
Litigation risks/ costs	1,207	53	1,260	1,098	71	1,169
Claim settlement contributions/ commission reductions	950	-	950	1,620	-	1,620
Provisions for expected credit losses	595	194	790	641	201	842
Anniversaries	184	399	583	174	386	560
Economic loss	488	-	488	1,148	-	1,148
Phased retirement	91	214	305	44	200	244
Rent	97	84	181	286	113	399
Obligations to longstanding branch office managers	-	-	-	5,239	1,130	6,368
Other	2,300	627	2,927	1,273	410	1,684
Total	**46,144**	**24,752**	**70,897**	**46,579**	**23,979**	**70,558**

Other provisions have changed as follows:

All figures in €'000	Jan. 1, 2019	Addition to the scope of consolidation	Utilisation	Reversal	Compounding / Discounting	Allocation	Dec. 31, 2019
Cancellation risks	31,376	–	-12,450	–	133	14,231	33,289
Bonus schemes	21,520	–	-21,514	-6	0	25,424	25,424
Share-based payments	3,628	–	-26	-70	–	1,167	4,699
Litigation risks/ costs	1,169	–	-357	-75	1	523	1,260
Claim settlement contributions/ commission reductions	1,620	–	-540	-584	–	454	950
Provisions for expected credit losses	842	–	–	-602	–	550	790
Anniversaries	560	–	-158	-6	4	182	583
Economic loss	1,148	–	-352	-492	–	184	488
Phased retirement	244	–	-44	–	7	99	305
Rent	399	–	-165	-54	2	–	181
Obligations to longstanding branch office managers	6,368	–	-6,366	-17	15	–	–
Other	1,684	485	-513	-216	-7	1,496	2,927
Total	**70,558**	**485**	**-42,496**	**-2,123**	**154**	**44,319**	**70,897**

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 € 435 thsd (previous year: € 970 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 36 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 32 years.

Provisions for expected losses from the lending 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)	Total
As of Jan. 1, 2019	**294**	**239**	**310**	**842**
Transfer to Stage 1	13	-12	-1	0
Transfer to Stage 2	-12	14	-2	0
Transfer to Stage 3	-1	-1	1	0
Allocation	108	188	225	521
of which newly acquired or issued financial assets	68	97	–	165
of which existing business	40	92	225	357
Disposals	-137	-169	-268	-574
of which usage/consumption	-56	-61	-60	-177
of which reversal	-81	-108	-208	-397
As of Dec. 31, 2019	**265**	**260**	**265**	**790**

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 to Stage 1	35	-35	–	0
Transfer to Stage 2	-12	15	-2	0
Transfer to Stage 3	-8	-45	54	0
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, 2018	**294**	**239**	**310**	**842**

32 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, 2019			Dec 31, 2018		
	Current	Non-current	Total	Current	Non-current	Total
Liabilities due to clients	1,888,676	6,166	1,894,843	1,632,922	5,970	1,638,892
Liabilities due to banks	2,901	95,507	98,409	2,523	79,102	81,625
Total	**1,891,578**	**101,674**	**1,993,251**	**1,635,445**	**85,073**	**1,720,517**

The change in liabilities due to banking business from € 1,720,517 thsd to € 1,993,251 thsd is essentially attributable to the increase in short-term client deposits in current accounts.

As of December 31, 2019, liabilities due to clients from savings deposits with an agreed notice period of three months amounted to € 19,758 thsd (previous year: € 18,059 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 37 and → 38.

33 Other liabilities

All figures in €'000			Dec 31, 2019			Dec 31, 2018
	Current	Non-current	Total	Current	Non-current	Total
Liabilities due to MLP consultants and branch office managers	48,485	19,273	67,758	42,761	21,503	64,263
Liabilities due to underwriting business	24,882	–	24,882	24,136	–	24,136
Trade accounts payable	28,173	–	28,173	26,539	–	26,539
Purchase price liabilities	–	18,279	18,279	–	–	–
Liabilities due to banks	31	1,500	1,531	3	–	3
Advance payments received	84	–	84	84	–	84
Liabilities due to other taxes	9,072	–	9,072	2,006	–	2,006
Liabilities due to social security contributions	15	–	15	1	–	1
Leasing liabilities	10,769	43,387	54,156	–	–	–
Other liabilities	44,061	2,558	46,619	46,321	2,413	48,734
Total	**165,571**	**84,997**	**250,568**	**141,852**	**23,915**	**165,768**

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. 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, 2019 they were € 26,515 thsd (previous year: € 27,630 thsd) of which long-term: € 19,273 thsd (previous year: € 21,503 thsd).

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

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

Leasing liabilities of € 54,156 thsd include liabilities for real estate of € 52,624 thsd and liabilities for vehicles of € 1,532 thsd.

Other liabilities comprise commissions withheld from MLP consultants due to cancellations amounting to € 2,291 thsd (previous year: € 2,248 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 € 168,961 thsd (previous year: € 116,148 thsd).

Further disclosures on other liabilities can be found in → Note 36 and → 37.

Notes to the statement of cash flow

34 Notes to the statement of cash flow

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

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

Cash flow from investing activities is essentially influenced by the 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. In connection with the initial adoption of IFRS 16, the repayment portions of leasing liabilities are now contained in the cashflow from financing activities.

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 that can be converted into cash at any time and that are only subject to minor value fluctuation risks.

Cash and cash equivalents

All figures in €'000	Dec. 31, 2019	Dec. 31, 2018
Cash and cash equivalents	510,778	385,926
Cash and cash equivalents	**510,778**	**385,926**

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

35 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, as well as for employees based on their position and gross annual income. The SARs of the 2008-2011 tranches were allocated in 2009-2012. The assessment period for determining the number of SARs allocated was the calendar year prior to the respective allocation. The total term of each tranche is 12 years and is broken down into 3 phases of 4 years each. The first year of phase 1 represents the assessment period, from which the number of phantom shares to be allocated is calculated. At the start of the second year, the phantom shares are then allocated. Payment of the phantom shares is made no earlier than at the end of the first phase, i.e. 3 years after allocation of the SARs. At the end of the first phase, employees can also choose not to receive payment for the SARs and instead continue to participate in phase 2 (turbo I phase). Only in this case will they receive additional bonus SARs. And anyone who is eligible but chooses not to receive payment at the end of phase 2, but rather continue to phase 3 (turbo II phase), will be granted further bonus SARs. All SARs are paid no later than at the end of phase 3. In the event of termination of employment, all entitlements granted up to this time expire, assuming they have not been vested beforehand. The SARs originally granted become vested at the end of the first phase, the bonus SARs of turbo I phase at the end of phase 2 and those of turbo II at the end of phase 3. Participation in the programme ends with termination of employment or disbursement of SARs.

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

If the contractual relationship with an eligible participant ends at a time before December 31 of the 12th year, he or she is only entitled to receive payment for vested phantom shares earned up to this time. Phantom shares allocated from vesting periods not yet completed are then forfeited.

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

In terms of eligibility, the 3 phases each represent completed vesting periods. Accordingly, the expenses due to the SARs originally granted are distributed over phase 1 (years 1 to 4), the expenses due to the bonus SARs of turbo I phase over years 5 to 8 and the expenses due to the bonus SARs of turbo II phase over years 9 to 12 (no front-loaded recognition of expenses).

	Tranche 2008	Tranche 2009	Tranche 2010	Tranche 2011	Total
Inventory on Jan. 1, 2019 (units)	**130,010**	**85,625**	**60,279**	**116,272**	**392,186**
SARs expired in 2019 (units)	-1,775	-840	-629	-1,325	-4,569
Paid out in 2019 (units)	–	–	–	-22,571	-22,571
Inventory on Dec. 31, 2019 (units)	**128,235**	**84,785**	**59,650**	**92,376**	**365,046**
Expenses recognised in 2019 (€'000)	521	250	281	114	1,167
Income recognised in 2019 (€'000)	-10	-5	-4	-52	-70
	512	**245**	**277**	**62**	**1,096**
Expenses recognised in 2018 (€'000)	–	–	–	12	12
Income recognised in 2018 (€'000)	-245	-58	-260	-83	-646
	-245	**-58**	**-260**	**-72**	**-634**
Provision as of Dec. 31, 2018 (€'000)	1,311	502	726	1,088	3,628
Provision as of Dec. 31, 2019 (€'000)	1,834	752	1,012	1,101	4,699

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 2019. 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 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, as well as various performance factors. The average closing price applicable for determining how many bonus shares to grant is based on the price of the MLP share in the month of February 2019. An average of 539,947 shares (previous year: 377,876) were issued in the last financial year. An expense of € 3,126 thsd (previous year: € 2,500 thsd) was recognised for the 2019 bonus amount in the consolidated financial statements with a reserve-increasing effect.

36 Contingent assets and liabilities, as well as other liabilities

As it is composed of companies from different business segments, MLP is exposed to a variety of legal risks. These include, in particular, risks in the fields of warranty, taxes and litigation. The outcome of currently pending or future legal actions cannot be forecast with any degree of certainty and it follows that 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 § 1 (1) Sentence 3 of the German Company Pension Law (BetrAVG). MLP does not currently anticipate any financial consequences as a result of this.

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

On the balance sheet date, there are € 3,799 thsd in contingent liabilities on account of sureties and warranties (face value of the obligation) (previous year: € 4,719 thsd) and irrevocable credit commitments (contingent liabilities) of € 54,631 thsd (previous year: € 54,667 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. Due to the project development activities of the DI Group, land-purchase obligations contracted under a condition precedent are being disclosed for the first time.

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	37,397	32,127	–	69,524
Licence contracts	18,408	15,595	71	34,074
Land-purchase contracts	14,765	–	–	14,765
Other obligation	5,866	3,385	152	9,403
Purchase commitment	3,969	–	–	3,969
Total	**80,405**	**51,107**	**223**	**131,735**

As of December 31, 2018, 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
Licence contracts	16,519	15,130	6	31,665
Purchase commitment	6,421	–	–	6,421
Other obligation	3,980	3,853	35	7,868
Total	**65,528**	**86,366**	**41**	**151,935**

Lease contracts concluded in the financial year 2019 which were not recorded in the leasing liability as of December 31, 2019, as the lease only commences in the following year, will lead to future outflows of cash and cash equivalents of € 200 thsd.

37 Additional information on financial instruments

Classifications and fair values

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

All figures in €'000	Dec. 31, 2019						
	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)	**15,624**	**131**	**5,398**	**10,095**	**–**	**15,624**	**7,751**
Financial assets (structured bonds)	10,095	–	–	10,095	–	10,095	
Financial assets (investment fund shares)	5,398	–	5,398	–	–	5,398	
Investments	131	131	–	–	–	131	7,751
Financial assets measured at amortised cost (AC)	**2,404,730**	**974,901**	**43,935**	**652,310**	**773,625**	**2,444,772**	**30,105**
Receivables from banking business – clients	872,175	139,310	–	–	773,625	912,934	
Receivables from banking business – banks	728,085	121,335	–	605,159	–	726,493	
Financial investments (fixed and time deposits)	54,997	54,997	–	–	–	54,997	
Financial investments (loans)	9,999	9,999	–	–	–	9,999	
Financial assets (bonds)	90,214	–	43,935	47,152	–	91,087	
Other receivables and assets	138,482	138,482	–	–	–	138,482	30,105
Cash and cash equivalents	510,778	510,778	–	–	–	510,778	
Financial liabilities measured at amortised cost	**2,183,603**	**2,059,708**	**–**	**123,676**	**–**	**2,183,384**	**60,217**
Liabilities due to banking business – clients	1,894,843	1,868,918	–	25,884	–	1,894,802	
Liabilities due to banking business – banks	98,409	439	–	97,791	–	98,230	
Other liabilities	190,351	190,351	–	–	–	190,351	60,217
Sureties and warranties*	**3,799**	**3,799**				**3,799**	
Irrevocable credit commitments*	**54,631**	**54,631**				**54,631**	

* off balance sheet items. Figures before loan loss provisions

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 assets (structured bonds)	9,925	–	–	9,925	–	9,925	
Financial assets (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**	

* off balance sheet items. Figures before loan loss provisions

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 valued pursuant to IFRS 9 in the form of sureties and warranties of € 3,649 thsd (previous year: € 4,569 thsd). These financial guarantees are measured on the basis of the impairment provisions defined in IFRS 9. Impairments of € 119 thsd (previous year: € 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 fall (rise) • the admin costs were to fall (rise) • the expected return on equitywere 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	2019	2018
Financial assets measured at amortised cost	15,122	18,612
Financial assets measured at fair value	2,227	542
Liabilities measured at amortised cost	-2,259	-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 € 16,708 thsd (previous year: € 17,485 thsd) and interest expenses of € 2,259 thsd (previous year: € 666 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.

38 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, 2019	Due on demand	Up to 1 year	1 to 5 years	More than 5 years	Total
Financial liabilities	**1,859,416**	**158,784**	**90,439**	**97,007**	**2,205,647**
Liabilities due to banking business – clients	1,858,977	25,940	–	–	1,884,917
Liabilities due to banking business – banks	439	-1,823	19,018	82,393	100,026
Other liabilities	–	123,330	40,532	–	163,862
Leasing liabilities	–	11,337	30,890	14,614	56,841
Financial guarantees and credit commitments	**58,430**				**58,430**
Sureties and warranties	3,799	–	–	–	3,799
Irrevocable credit commitments	54,631	–	–	–	54,631
Total	**1,917,846**	**158,784**	**90,439**	**97,007**	**2,264,077**

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	–	–	1,630,913
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**

39 Declaration of Compliance with the German Corporate Governance Code pursuant to § 161 of the German Stock Corporation Act (AktG)

The Executive and Supervisory Boards issued a declaration of compliance with the German Corporate Governance Code pursuant to § 161 of the German Stock Corporation Act (AktG) and made it permanently available to the shareholders via its website, www.mlp-se.de and in the corporate governance report of this Annual Report.

40 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, Private Clients as well as Corporate and Institutional Clients, Digitalisation, Marketing, Communication, Investor Relations & Sustainability	• FERI AG, Bad Homburg v.d.H. (Chairman)	–
Reinhard Loose, Berlin Responsible for Compliance, Controlling, Internal Audit, IT, Human Resources, Accounting, Legal, Risk Management	• DOMCURA AG, Kiel • DI Deutschland.Immobilien AG, Hannover (since 9/2019)	–
Manfred Bauer, Leimen Responsible for Product Purchasing and Product Management, Services	• DOMCURA AG, Kiel (Chairman) • DI Deutschland.Immobilien AG, Hannover (since 9/2019)	• 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)	-
Dr. Claus-Michael Dill, Murnau Vice Chairman Formerly Chairman of the Executive Board at AXA Konzern AG, Cologne	• HUK-COBURG Holding AG, Coburg • HUK-COBURG Haftpflicht-Unterstützungs-Kasse kraftfahrender Beamter Deutschlands a.G., Coburg • HUK-COBURG-Allgemeine Versicherung AG, Coburg • HUK-COBURG Lebensversicherung AG, Coburg • HUK-COBURG Krankenversicherung AG, Coburg	•XL Catlin Re Switzerland AG, Zurich, Switzerland (Chairman of the Governing Board) (until 3/2019) •XL Europe Re SE, Dublin, Ireland (Non-Executive Director) (until 3/2019) •XL Insurance Co. SE, London, UK (Non-Executive Director) (until 3/2019) •CONVEX Group Ltd., Hamilton, Bermuda (Independent Non-Executive Director) (since 4/2019) •CONVEX Re Ltd., Hamilton, Bermuda (Independent Non-Executive Director) (since 4/2019) •CONVEX Insurance UK Ltd, London, UK (Independent Non-Executive Director) (since 4/2019)
Tina Müller, Düsseldorf Chief Executive Officer (CEO) at Douglas GmbH, Düsseldorf	–	–
Matthias Lautenschläger, Heidelberg Managing Partner at USC Heidelberg Spielbetrieb GmbH, Heidelberg Managing Partner at LEC Capital GmbH, Heidelberg (since 5/2019)	• wob AG, Viernheim (since 7/2019)	–
Burkhard Schlingermann, Düsseldorf 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	-	–

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 are deposits received of € 5,310 thsd (previous year: € 989 thsd). The legal transactions were completed under standard market or employee conditions.

As of December 31, 2019, members of the Executive Bodies had current account credit lines and surety loans totalling € 572 thsd (previous year: € 573 thsd). Surety loans are charged an interest rate of 1.0 % (previous year: 1.0 %) and the current account debits 6.25 % to 8.5 % (previous year: 6.25 % to 8.50 %).

The total compensation for members of the Executive Board active on the reporting date is € 3,298 thsd (previous year: € 3,102 thsd), € 1,356 thsd thereof (previous year: € 1,347 thsd) is attributable to the fixed portion of compensation and € 1,942 thsd (previous year: € 1,755 thsd) is attributable to the variable portion of compensation. In the financial year, expenses of € 300 thsd (previous year: € 290 thsd) were accrued for occupational pension provision. As of December 31, 2019, pension provisions of € 20,334 thsd were in place for former members of the Executive Board (previous year: € 17,095 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 2019 (previous year: € 500 thsd). In addition, € 17 thsd (previous year: € 20 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 and has relations with a large number of companies within the scope of its ordinary business. This also includes subsidiaries, which are non-consolidated for reasons of materiality, as well as associates. All business dealings are concluded at conditions and terms customary in the industry and which as a matter of principle do not differ from delivery and service relationships with other companies. Payments to related companies for services performed essentially concern wealth management and consulting, as well as brokerage, sales and trailer commission.

Transactions were carried out with major related companies, which led to the following items in the consolidated financial statements:

Related companies 2019

All figures in €'000	Receivables	Liabilities	Income	Expenses
MLP Consult GmbH, Wiesloch	–	2,046	8	–
MLP Hyp GmbH, Wiesloch (associate)	2,022	14	15,238	204
Uniwunder GmbH, Dresden	–	429	–	4,889
FERI (Switzerland) AG, Zurich	–	203	57	591
FPE Private Equity Beteiligungs-Treuhand GmbH, Munich	–	–	81	–
FPE Private Equity Koordinations GmbH, Munich	–	–	44	–
FERI Private Equity GmbH & Co. KG, Munich	–	–	–	6
FERI Private Equity Nr. 2 GmbH & Co. KG, Munich	–	–	–	5
DIEASS GmbH, Kiel	–	14	11	14
innoAssekuranz GmbH, Kiel	–	253	641	554
DIFA Research GmbH, Berlin	–	1,035	7	–
Projekte 2 Deutschland.Immobilien GmbH, Hannover (associate)	–	159	–	–
WD Wohnungsverwaltung Deutschland GmbH, Hannover	82	–	37	–
WiD Wohnungen in Deutschland GmbH & Co. KG, Mainz	36	–	–	–
Projekt Deutschland.Immobilien Tengen GmbH, Saarbrücken	140	–	–	–
Convivo Wohnparks Deutschland.Immobilien Wittmund GmbH & Co. KG, Hannover	1,228	–	140	–
Projekte Deutschland.Immobilien Bad Goegging GmbH, Neustadt a.d. Donau	677	–	26	–
30. Projekte Deutschland.Immobilien GmbH, Hannover	1,677	–	64	–
Total	**5,861**	**4,153**	**16,353**	**6,264**

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 (Switzerland) 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**

41 Number of employees

The average number of staff employed increased from 1,722 in 2018 to 1,783 in 2019.

	2019			2018		
		of which executive employees	of which marginal part-time employees		of which executive employees	of which marginal part-time employees
Financial Consulting	1,071	28	26	1,055	29	25
Banking	187	6	3	179	6	3
FERI	236	8	42	223	7	34
DOMCURA	274	9	18	260	9	15
Holding and Others	16	1	-	6	1	-
Total	**1,783**	**52**	**90**	**1,722**	**52**	**77**

An average of 81 people (previous year: 85) underwent vocational training in the financial year.

42 Auditor's fees

The total fees for services performed by the auditing firm KPMG AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main in the financial year 2019 (including expenses, but excluding statutory value added tax) are as follows:

All figures in €'000	2019	2018
Audit services	734	790
Other audit-related services	186	191
Other services	14	39
Total	**934**	**1,020**

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.

43 Disclosures on equity/capital control

A primary objective of equity control is to ensure that the legal solvency regulations for banking and financial services businesses, which prescribe a minimum capital adequacy, are fulfilled and that the quantitative and qualitative equity base is strengthened. At MLP, the examinations performed for the purpose of complying with the Capital Requirements Regulation (CRR), which came into force on January 1, 2014, as well as Article 7 and Article 11 et seq. of EU Directive No. 575/2013 of the European Parliament and Council from June 26, 2013 regarding the supervisory requirements of financial institutions and investment firms, are performed on a consolidated basis (Group). 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 common 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 10.50 % eligible own funds (equity ratio) (previous year: 9.875 %).

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

As in the previous year, MLP has fulfilled all legal requirements relating to the minimum core capital backing during the financial year 2019. The relationship between core capital requirement and core capital as of the balance sheet date is illustrated below.

All figures in €'000	2019	2018
Tier 1 common capital	289,606	288,857
Tier 1 additional capital	–	–
Tier 2 capital	–	–
Eligible own funds	289,606	288,857
Capital adequacy requirements for counterparty default risks	89,487	77,582
Capital adequacy requirements for operational risk	31,147	40,087
Equity ratio (at least 10.5 %) (at least 8 % + 2.5 % (previous year 1.875 %) capital conservation buffer)	19.21	19.64
Tier 1 common capital ratio (at least 4.5 %)	19.21	19.64

44 Events after the balance sheet date

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

45 Release of consolidated financial statements

The Executive Board prepared the consolidated financial statements on March 5, 2020 and will present them to the Supervisory Board on March 18, 2020 for publication.

Wiesloch, March 5, 2020

MLP SE

Executive Board

Dr. Uwe Schroeder-Wildberg   Manfred Bauer   Reinhard Loose