JOINT MANAGEMENT REPORT

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

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

FUNDAMENTAL PRINCIPLES OF THE GROUP

Business model

The MLP Group – The partner for all financial matters

Broad range of services

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

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

Client requirements in focus

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

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

Transparent partner and product selection process

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

Further training of key importance

Qualifications and further training of our employees and clients play an important part in our company's ability to ensure sustainably high-quality consulting services. The qualifications and further training offered at the MLP Corporate University, the company's accredited in-house training facility, are considered a benchmark in the financial consulting sector. You can find more detailed information on this in the chapter entitled → "Employees and self-employed client consultants".

MLP Banking AG

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

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

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

MLP Finanzberatung SE

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

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

DOMCURA – The non-life insurance specialist

As an underwriting agency, DOMCURA AG provides extensive coverage concepts for private and commercial clients in the non-life insurance consulting fields. DOMCURA offers special expertise in the development and administration of residential building concepts. Approximately 5,000 insurance brokers and insurance sales agents currently use its products.

nordias – Focussing on commercial and industrial insurance products

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

FERI – Wealth management with independent research

As an investment house for institutional investors, high net-worth families and foundations, the FERI Group (FERI) offers services in the fields of investment research, investment management and investment consulting. FERI Cognitive Finance Institute, which was founded in 2016, acts as a strategic research centre and creative think tank within the FERI Group with a clear focus on innovative analyses and method development for long-term aspects of economic and capital market research. In the reporting period, FERI AG strengthened and extended its activities in the area of sustainable investments. The FERI SDG Office, which was newly established for this purpose, has since been coordinating all relevant activities at FERI in the area of sustainability and will work to drive forward development of special service concepts and investment solutions. The FERI SDG Office employs a focused approach, paying particular attention to the UN's 17 Sustainable Development Goals (SDGs).

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

TPC – Sector concepts for occupational pension provision management

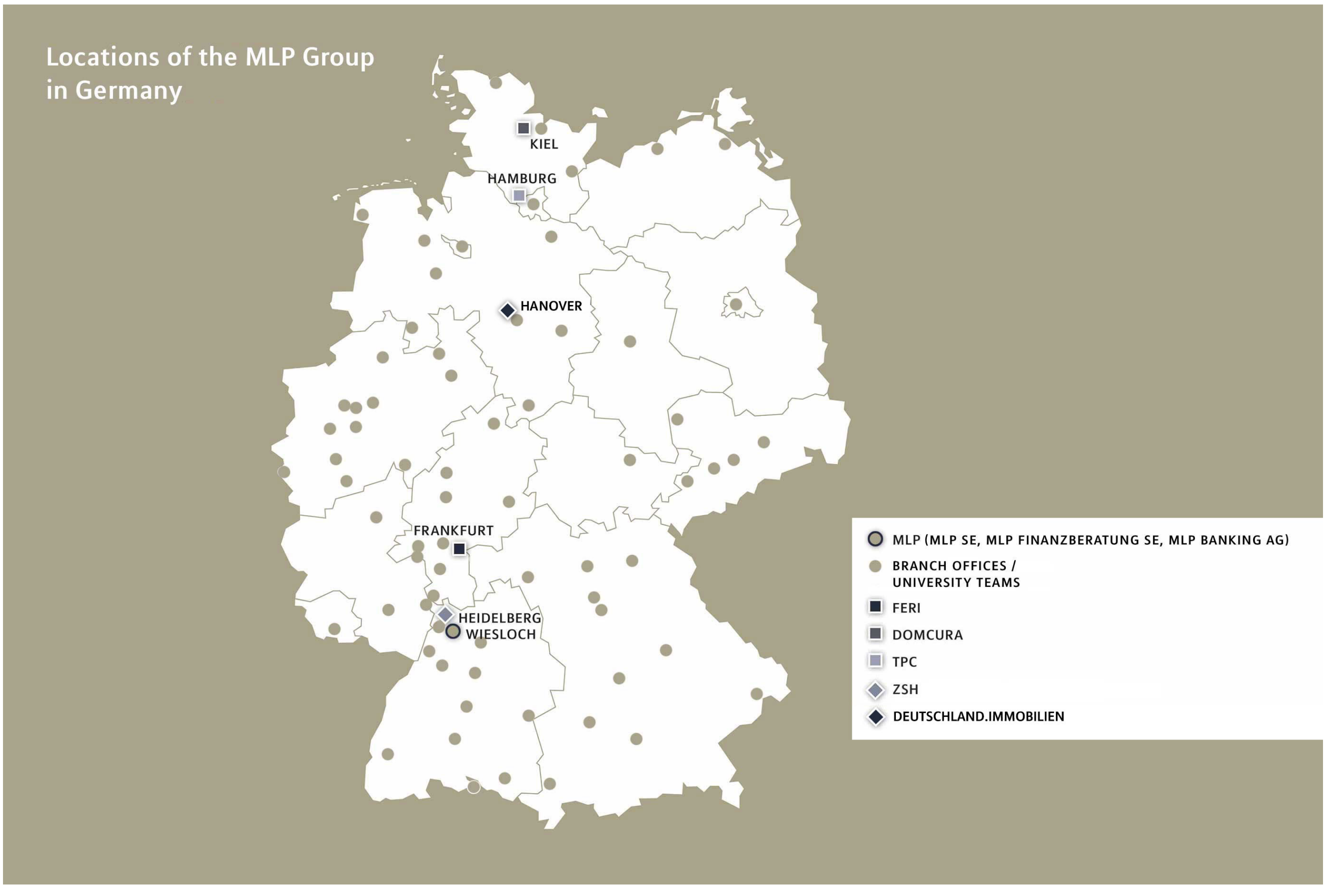
As a specialist in occupational old-age provision management, TPC GmbH (TPC) offers companies and associations consultancy services covering all issues relating to occupational pension provision and compensation – from requirements analysis, individual concept development and implementation all the way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

DEUTSCHLAND.Immobilien – Market place for investment properties

The majority stake in the DI DEUTSCHLAND.Immobilien AG (DEUTSCHLAND.Immobilien), which was acquired in 2019, has significantly extended both the expertise and the portfolio in the real estate sector. DEUTSCHLAND.Immobilien is an independent real estate platform for all classes of investment properties. In the area of senior citizen housing, the company is active as a real estate developer. Alongside direct brokering of real estate to clients, sales via external sales partners also play a key role at DEUTSCHLAND.Immobilien. Sales partners can use the real estate portal of DEUTSCHLAND.Immobilien to process all steps, from collecting information, producing estimates and making reservations right through to the actual sale and commission calculation. Work on integrating the new companies into the operations of the MLP Group was started directly after closing the transaction and will also continue in 2020.

Represented throughout Germany

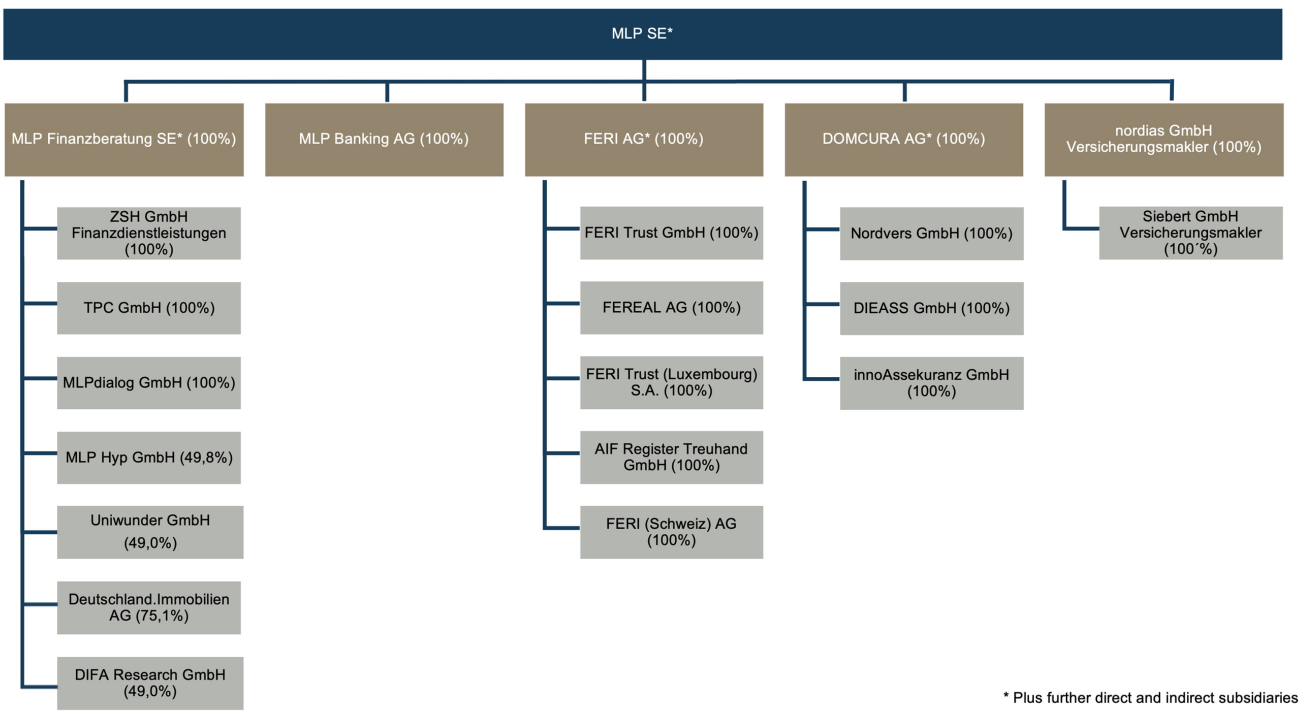
The registered office of MLP SE as the holding company, as well as MLP Finanzberatung SE and MLP Banking AG, is in Wiesloch, Germany, where all internal divisions are centralised. In addition to this, we are represented by our client consultants, branch offices and university teams in all German urban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



Legal corporate structure and executive bodies

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

Current Group structure of operating companies



MLP Finanzberatung SE is registered as an insurance broker for the brokerage of insurance products. MLP Finanzberatung SE includes TPC GmbH in Hamburg, ZSH GmbH Finanzdienstleistungen (ZSH) in Heidelberg, and MLPdialog GmbH in Wiesloch. Another holding is MLP Hyp GmbH, Wiesloch, which we operate together with the mortgage lending broker Interhyp AG in Munich. Following completion of the transaction on September 2, 2019, MLP Finanzberatung SE now holds a 75.1% stake in DEUTSCHLAND.Immobilien and its subsidiaries.

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

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

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

Changes in corporate structure

MLP Finanzberatung SE, a wholly owned subsidiary of MLP SE, signed a contract on March 19 to acquire 75.1% in DEUTSCHLAND.Immobilien. DEUTSCHLAND.Immobilien 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. Additional potential results from the interaction between existing business with MLP private clients and the MLP Group overall. The transaction was then concluded on September 2, 2019. Further information in this regard can be found in the → segment report.

In the reporting period, Willy F.O. Köster GmbH and Walther Versicherungsmakler GmbH were merged to form nordias GmbH with retroactive effect from January 1, 2019.

Factors affecting business development

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

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

Organisation and administration

The Executive Board at MLP SE comprises three members. The positions on the Board continue to be held by Dr. Uwe Schroeder-Wildberg (Chief Executive Officer), Manfred Bauer (Products and Services) and Reinhard Loose (Finance).

The Supervisory Board at MLP SE unanimously voted to extend the current contract of Manfred Bauer, which runs to April 30, 2020, by five more years to 2025. He is also a member of the Executive Board at the subsidiaries MLP Finanzberatung SE and MLP Banking AG.

The Supervisory Board of MLP SE, which is required to monitor the Executive Board under German law, comprises six members. Dr. Peter Lütke-Bornefeld (Chairman), Dr. Claus-Michael Dill, Matthias Lautenschläger and Tina Müller as representatives of the capital side, as well as Alexander Beer and Burkhard Schlingermann as employee representatives.

With effect from January 1, 2019, Oliver Liebermann was appointed as an additional member of the Executive Board at MLP Finanzberatung SE, where he is responsible for Sales. Responsibility for Sales at the holding company MLP SE, which encompasses the entire private and corporate client business of the MLP Group, will remain with the Chairman of the Board.

Marcel Renné has been Chairman of the Executive Board at FERI AG, which is part of the FERI Group, since April 1, 2019. At the same time his predecessor, Arnd Thorn, stepped down from the Supervisory Board at FERI AG. In addition, the Supervisory Board at FERI AG has extended the contract of Dr. Heinz-Werner Rapp as Chief Investment Officer to November 30, 2023. Rapp also continues to hold his post as Head of the FERI Cognitive Finance Institute. Marcel Renné has made the move from the Executive Board to the Supervisory Board at FERI Trust (Luxembourg) S.A. Marcus Storr, Head of Alternative Investments at FERI Trust GmbH, has taken his place on the Executive Board. Andreas Kuschmann resigned from his position as CEO at FERI Trust GmbH on August 31, 2019.

Following completion of the process to acquire a majority stake in DEUTSCHLAND.Immobilen, Marc-Philipp Unger, formerly Head of Real Estate at MLP Finanzberatung SE, has taken up a position on the Executive Board at DEUTSCHLAND.Immobilien AG. Further members of the Executive Board at the company are Patrick Holze and Sebastian Reccius.

Control system

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

Corporate management

EBIT and revenue as main control parameters

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

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

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

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

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

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

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

Risk management: Important management and control element

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

Key figures and early indicators used by corporate controlling

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

Keeping consultant turnover low

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

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

Research and development

Since our consulting firm is a service provider, we are not engaged in any research or development in the classic sense. We also make other resources available, for example to develop our own software or refine acquired software. In the financial year 2019, this took place particularly in the area of consultancy applications. The FERI Cognitive Finance Institute also operates as a strategic research centre and creative think tank within the FERI Group, with a clear focus on long-term aspects of economic and capital market research, as well as asset protection. In addition, the DOMCURA Group has also been active for years in the development of new products.

ECONOMIC REPORT

Overall economic climate

Overall economic situation

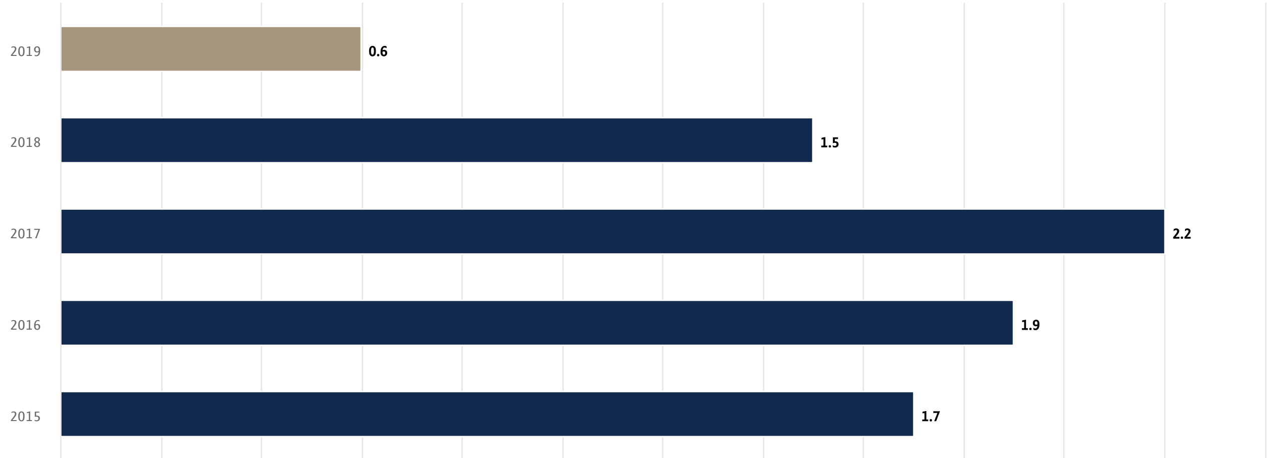
The economy in the eurozone continued to display weaker growth in the reporting year. Weaker exports in an unfavourable international economic environment were the main negative factor. According to estimates provided by FERI Investment Research, economic growth for the eurozone was 1.1% in 2019 (2018: 1.9%).

German economy experiencing a downturn

The German economy is suffering from foreign trade pressures and, moreover, is in a structural crisis. Alongside known risk factors, such as the weakness of the global economy, trade disputes and the uncertainties associated with Brexit, more and more reports on job cuts, for example in the automotive industry and the financial sector, started appearing in the second half of the reporting year.

However, domestic demand remained positive, largely thanks to the high level of employment and increasing incomes. The sustained boom in the building sector and the healthy situation in the service sectors also had a stabilising effect. The economy was bolstered by private consumption in the reporting year. According to calculations performed by FERI, inflation-adjusted gross domestic product (GDP) in Germany was only 0.6% above the previous year in 2019.

Economic growth in Germany (in %)



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

Consumer confidence in Germany coming under slight pressure

The mood among consumers in Germany darkened somewhat in the reporting year due to the aforementioned factors and crisis hotspots. The Consumer Sentiment Index of the German Consumer Research Association (GfK) was at 9.7 points in December 2019 – and thereby slightly below the previous year's high level (December 2018: 10.2 points).

Sentiment among German companies also began to deteriorate in the course of the reporting year. The ifo business climate index fell to just 95.0 points in November 2019 – having previously reached a level of 100.0 points in January 2019. Towards the end of the year, sentiment improved noticeably. In December 2019, the index rose to 96.3 points.

Economic headwind for the employment market

The rather stifled development of the German economy also weakened the positive employment market development in the last financial year. According to data published by Germany's Federal Employment Agency, however, the number of registered unemployed still fell by 73,000 to 2.27 million persons in 2019 compared to the previous year. This corresponds to an unemployment rate of 5.0% (2018: 5.2%).

According to estimates provided by the Institute for Employment Research of the German Federal Employment Agency (IAB), the number of those in gainful employment displayed a year-on-year average increase of 382,000 persons in 2019 to 45.2 million. This rise can primarily be attributed to an increase in employment subject to compulsory social security contributions, although this figure rose more slowly in the reporting year than in previous years.

The prospects for university graduates in the German employment market remain excellent. According to the latest data from Germany's Federal Employment Agency, the unemployment rate among university graduates was at its lowest value since German reunification at 2.2%. This indicates full employment.

Salaries and wages still rising

In 2019, private households in Germany benefited from a labour market situation that remained solid, as well as rising incomes. According to data published by the "Tax Estimates" workgroup, gross wages and salaries increased by 4.1% in the reporting year, while the disposable income of private households increased by 2.7% according to the 2020 Financial Report of the German government. The savings rate in Germany in the last financial year was 10.9% - which is almost exactly the same as the previous year's level (2018: 11.0%).

ECONOMIC REPORT

Industry situation and competitive environment

Old-age provision

In the past year, the market environment in the old-age provision business continued to be characterised by low interest rates and ongoing reservations on the part of consumers to sign up for long-term policies. Various political discussions on reforms to statutory, company and private old-age provision schemes served to stimulate additional uncertainty. In addition to this, consumers generally struggled to understand the anticipated total payouts from statutory and supplementary pension schemes.

Great uncertainty and low saving rates

According to the ERGO Risk Report 2019, more than one in three Germans (37%) are completely in the dark as to how much money they are likely to receive each month when they retire. Almost one in three (29%) also have absolutely no idea of the average level of statutory pension paid in Germany. Fewer than half (40%) of all German citizens believe that they will be able to maintain their standard of living in their old age. According to the survey, some 44% are saving nothing or less than € 50 per month towards their private old age provision.

Product landscape undergoing change

The product landscape in the old-age provision business field has undergone radical change as a result of the low interest rate environment. According to data published by the German Insurance Association (GDV e.V.), more than half (58%) of all newly signed old-age provision products are now policies with alternative guarantee concepts. Based on the most recent figures provided by the German Insurance Association (GDV e.V.), classic life and pension insurance policies with maximum technical interest rates represented just one third (33%) of all new contracts concluded.

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

Improved incentives for basic pension not having any impact

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

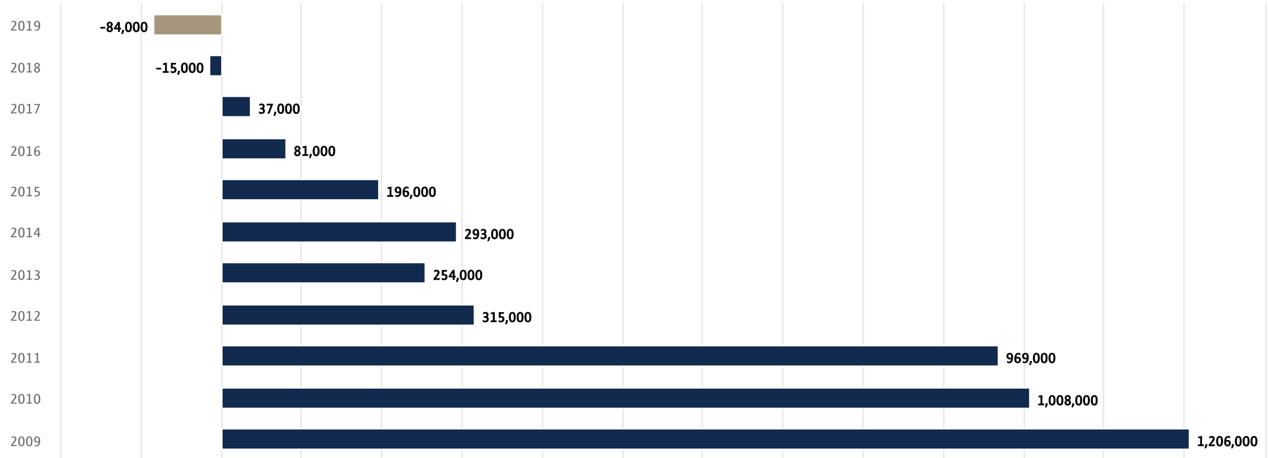
Alongside the statutory pension, basic provision (1st tier) also includes the basic pension, whose premiums can be offset against income tax. Apart from employees, the basic pension is primarily aimed at self-employed persons and freelancers that are not obliged to pay into the statutory pension insurance fund. The maximum tax-deductible amount in 2019 was € 24,305 for single persons (€ 48,610 for married couples). In 2019, taxpayers were able to offset 88% of the capital they paid in as special expenses for basic provision.

Despite this considerable tax incentive, data published by the German Insurance Association (GDV e.V.) indicates that only 82,700 new basic pension contracts were concluded throughout the market up to the reporting date on December 31, 2019 (2018: 76,200). This corresponds to a rise of 7.6%.

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

The supplementary pension provision (2nd tier) essentially comprises the Riester pension and occupational pension provision. Despite improved incentivisation of the Riester pension within the scope of the legislation to strengthen occupational pension provision in Germany (BRSG), which has been in place since 2018, the number of new contracts declined in the reporting year. According to the German Federal Ministry of Labour and Social Affairs, the total number of Riester contracts in place at the end of Q3 2019 was 16.51 million, which represents 84,000 fewer contracts than on December 31, 2018. As had already been the case in previous years, there was a clear focus on investment funds and "Wohn-Riester" home annuity policies among new contract signings. The number of insurance policies, on the other hand, displayed a pronounced downward trend (-55,000).

Development Riester pension contracts (2009 to 2019)



Source: German Federal Ministry of Labour and Social Affairs, Date: September 30, 2019

Occupational pension provision: Greater support by law

The legislation to strengthen occupational pension provision in Germany (BRSG), which has already been in place since January 1, 2018, motivated both employers and policy holders to focus more on occupational pension provision in the reporting year. At the start of 2019, a comprehensive package of measures was launched with the aim of increasing the market penetration of occupational pension provision. Among other things, a compulsory employer's contribution was introduced for new contracts.

Based on the estimates of ratings agency Assekurata, the positive effects associated with the BRSG legislation dominated the market for occupational pension provision, as they provided scope for addressing new target groups.

Market penetration of occupational pension provision still holds potential

Small and medium-sized companies in Germany already made greater use of the provisions of the BRSG legislation in the last financial year to make their own occupational pension provision offers more attractive for employees. This was the conclusion of a study undertaken by Generali Deutschland. Based on the information provided, almost half of all companies are already preparing for the new additional employer's contribution to occupational pension provision. However, the new law is not yet having any discernible impact in terms of market penetration in Germany. At 44.3%, this was only slightly above the previous year.

Employees have finally started to recognise the importance of occupational pension provision. Indeed, a recent survey undertaken by Deloitte indicated that 51% of employees would be willing to sacrifice salary increases in favour of occupational pension provision payments. As the survey also shows, however, there is still a great deal of potential for improvement in terms of both designing and communicating the offers. To date, only 42% of employees surveyed consider themselves to be adequately informed.

Full-service providers in demand

According to a current survey performed by Mercer, two thirds of companies would like to establish a digital information platform for their employees that presents their respective provision status as well as supplementary benefits in a clear and logical structure as a way of reducing the amount of admin associated with occupational pension provision. Around half of the companies surveyed are planning to invest more heavily in digitalisation and automation of occupational pension provision management processes in future. Slightly fewer than half of all companies have already outsourced the management of occupational pension provision either fully or at least in part. According to the Mercer study, 83% of enterprises are of the opinion that cooperation with a full-service provider is easier than working with multiple partners.

Private pension insurance policies: scarcely any products still offering classic guaranteed interest rates

The 3rd tier is displaying varying developments. Although scarcely any classic life or pension insurance policies are now being offered to or requested by clients, largely due to the significant reduction in guaranteed interest rates observed in the last few years, purely unit-linked products and those with so-called new guarantees are still in demand. According to the German Insurance Association (GDV e.V.), their share of brokered new business was 60% and thus above the previous year’s level (57%).

Market slightly up as a whole

Despite the reservations still being displayed among the population when it comes to signing long-term contracts, ratings agency Assekurata sees an increase of 11.1% in posted gross premiums in the reporting year on the basis of preliminary figures from the GDV industry association. This overall increase can primarily be attributed to single premiums (+36.0%), whereas the life insurance market based on regular premiums only displayed stable development (+0.2%).

Wealth management

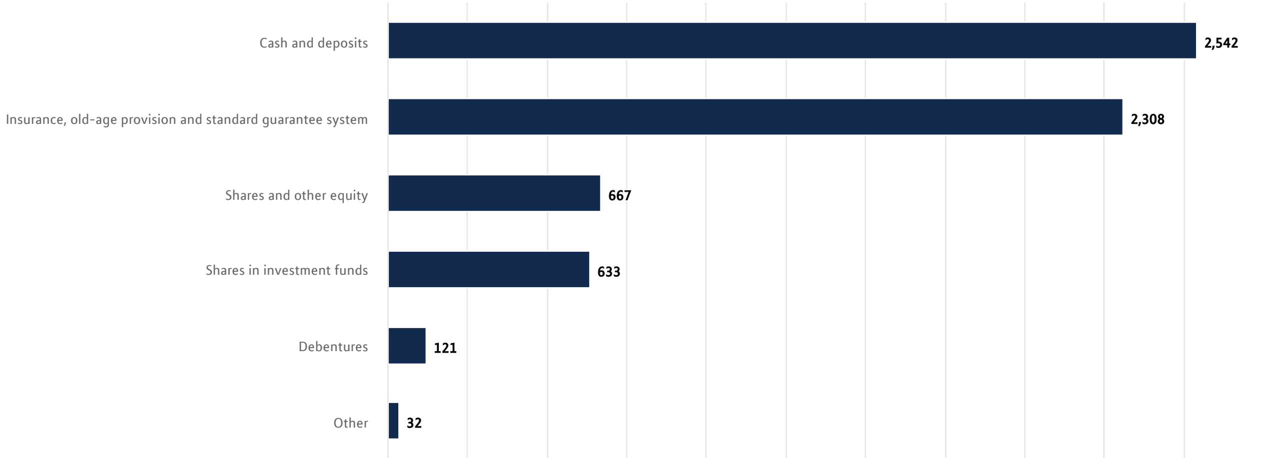
The market environment in wealth management was characterised by the ongoing low interest rate environment, as well as positive yet also volatile developments on the stock markets in the reporting period. In addition, positive geopolitical developments were flanked by a real wave of interest rate cuts by global central banks.

Total assets also rose slightly in Germany and, according to the Global Wealth Report 2019, are currently worth just under US$ 15 trillion. This makes Germany the fourth richest country on the planet after the US, China and Japan.

Private households in Germany are wealthier than ever before. According to data published by the Deutsche Bundesbank, their monetary assets rose to € 6,302 billion in the third quarter of 2019. The preference for liquid forms of investment or those perceived as low-risk remained high here.

Private households wealthier than ever before

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



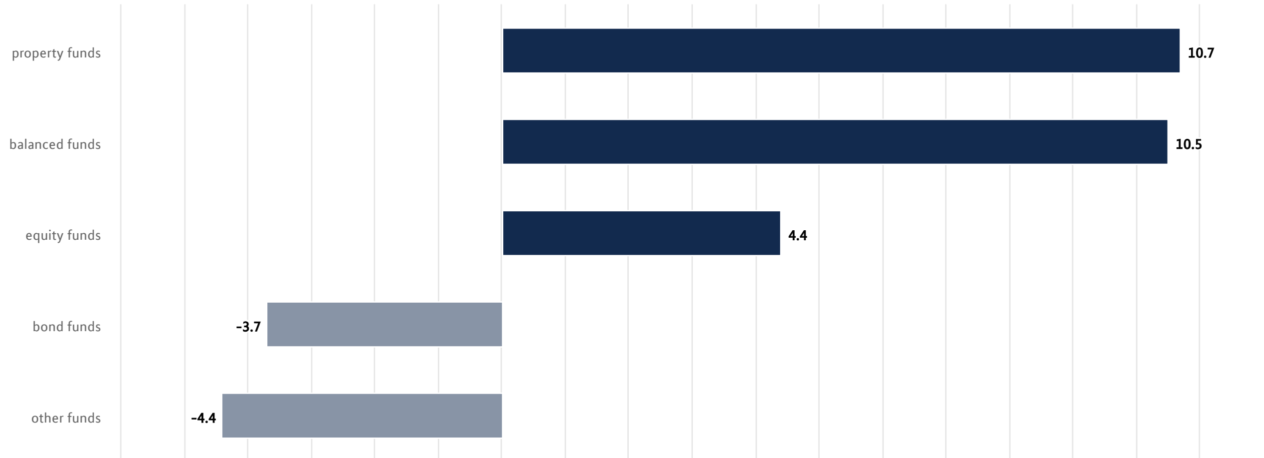
Source: Deutsche Bundesbank, Date: September 30, 2019

Based on information provided by the German Association of Investment and Asset Management (BVI e.V.), the assets managed by the German fund industry rose by 15% from the start of 2019 to € 3,398 billion as at December 31, 2019. The positive climate observed on the stock exchanges played a particularly important role. In terms of assets under management, open special funds at € 1,875 billion are ahead of open mutual funds at € 1,116 billion. Over the last ten years, the total assets of the industry have almost doubled (€ 1,706 billion at the end of 2009).

Real estate funds particularly popular

The fund companies recorded new business of € 119 billion in the reporting year 2019, whereby open mutual funds received € 17.5 billion. The strongest growth drivers were the real estate funds, collecting € 10.7 billion in new money on their own, which represents an increase of 67% in the same period of the previous year (2018, € 6.4 billion). At € 10.5 billion, balanced funds took second place in the sales ranking.

Cash inflows and outflows of various types of mutual funds in Germany from January until December 2019 (in € billion)



Source: German Association of Investment and Asset Management e. V. (BVI), Date: December 31, 2019

The prolonged low interest rate environment had a more pronounced impact on Germans citizens in the reporting year than in previous years. According to the Wealth Barometer 2019 of Deutscher Sparkassen- und Giroverband (DSVG), the interest rate situation played a (very) important part in the investment decisions of 44% of Germans. Indeed, 40% of respondents indicated that they had already adapted their savings behaviour to the low interest rate environment. This often applies disproportionately to those with a higher income or greater assets and can also be felt in the type of investment products chosen. According to the Wealth Barometer, shares are increasingly being considered a good investment option in the low interest rate phase. Investment and real estate funds then came in second place, followed by real estate in third.

Low interest rates increasingly influencing investment decisions

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

Ongoing consolidation in private banking and wealth management

As a result of the ongoing low interest rate environment and the rising risks on the stock markets, institutional investors are showing increasing interest in alternative investments. According to the BAI Alternative Investor Survey 2019, which is performed by the German Association of Alternative Investments (BAI) among institutional investors, 82% of all respondents increased their commitments in this asset class. The participants stated portfolio diversification, as well as stable cash flows and the risk/return ratio as the most important reasons for this. In terms of alternative investments, institutional investors focused primarily on real estate, private equity and infrastructure according to the German Association of Alternative Investments (BAI).

Institutional investors strengthen their commitment to alternative investments

Non-life insurance

The non-life insurance business has become more important for independent brokers in the last few years. According to a recent survey undertaken by AssCompact, more than 75% of brokers surveyed anticipated the non-life insurance business to become more important in the reporting year. In 2014, this figure was just 60%. From a brokerage perspective, the non-life insurance business makes a key overall contribution to securing and expanding the portfolio base.

Brokers see commercial insurance policies in particular as an attractive way to improve their product portfolios. A survey performed by mailo Versicherung AG shows that 85% of brokers are already at least partially active in this area. In addition to this, 70% of those that are not yet brokering this business could envisage extending their portfolio to include commercial insurance policies.

Commercial insurance policies becoming more important for brokers

Cyber insurance policies are becoming increasingly important among SMEs. According to a survey performed by Gothaer, 43% of respondents consider cyber attacks to pose the most dangerous threat to small and medium-sized enterprises. Two years ago, this figure was just 32%. The survey also shows that these fears are not unfounded, as almost one in five companies has already fallen victim to cyber attacks. Yet despite this, only 13% of companies currently have cyber insurance policies in place. However, virtually all companies (88%) have a business liability insurance policy in place, followed by commercial building insurance (56%) and electronics insurance (29%).

Companies increasingly worried about cyber attacks

Natural hazards such as storms, hail, flooding and heavy rain caused damage with a total value of € 3.1 billion in the non-life and vehicle insurance business fields in 2018 and are thus on the level of the previous year. According to the "Natural Hazards Report 2019", a significant amount of all storm damage was not covered by insurance in 2018. While almost all residential buildings throughout Germany have insurance coverage for storms and hail, around ten million homeowners still do not have any protection in place to cover natural hazards such as heavy rain or floods. Without an extended natural hazard or elemental damage insurance policy in place, those affected will be forced to pay for the damage themselves in future, as the premiers of the German federal states have stated that they will no longer be providing financial assistance here.

Many households with inadequate natural hazard coverage

Based on provisional figures of the German Insurance Association (GDV), growth in the property and casualty insurance business remained stable in the reporting year. For 2019, the GDV is anticipating an increase in premium income of 3%.

Non-life insurance business continues to grow

Health insurance

After several difficult years, private health insurance stabilised in the financial year 2019. According to data published by the Association of Private Health Insurers (PKV), the number of persons holding comprehensive health insurance policies was roughly on the previous year's level. Based on provisional data, the figure was 8.7 million persons as at December 31, 2019 (-0.1%). Additionally, more policy holders once again made the switch from statutory to private health insurance than vice versa. The positive balance in the private health insurance sector was around 12,000 persons in 2019, which is still well below the value recorded in previous years.

Number of comprehensive health insurance policy holders in Germany at last year's level

According to the "MLP Health Report 2019", 87% of the private insurance policy holders surveyed feel as though they have good coverage. By contrast, only 64% of statutory insurance policy holders feel the same. In addition, more than half of German citizens (51%) are of the opinion that private health insurance offers better overall coverage. Only 28% believe that statutory health insurance is the better option in terms of coverage.

The legally stipulated general premium rate for statutory health insurance was 14.6% of assessable income in 2019. The healthcare funds also levied an average additional premium of 0.9%, which has been split equally between employee and employer since January 2019. Added to this is the fact that the minimum income on which premium calculation in the statutory health insurance system is based was also halved for self-employed persons in 2019. People starting up their own business with typically low initial incomes in particular will benefit from this.

More and more citizens are continuing to conclude private supplementary insurance policies as a way of topping up the scope of services covered by the statutory health insurance system. According to provisional figures provided by the Association of Private Health Insurers, the number of policies rose to € 26.5 million in 2019. This corresponds to a growth rate of 2.1% compared to 2018. With just under 16.01 million policies in place at the end of 2018, dental plans are by far the most popular supplementary insurance policies brokered.

Supplementary insurance policies remain highly in demand

Supplementary long-term care insurance was another growth driver in the sector. The number of subsidised policies rose by 44,000 (5.3%) to around 878,000 contracts in 2018. The number of unsubsidised supplementary long-term care insurance policies rose by 49,800 (1.8%) to 2.78 million. However, both areas recorded lower growth compared to the previous year.

Increase in private long-term care insurance policies

Assekurata believes that implementation of the Second Act to Strengthen Long-term Care (PSG II) is one of the key causes for the slowdown in growth observed in the supplementary long-term care insurance market. As the switchover from three care levels to five degrees of care has also provided extended coverage since 2017 for certain citizens requiring nursing care, broad sections of the population now seemingly feel adequately insured in the event that they require long-term care. However, private supplementary long-term care insurance remains relevant, as statutory long-term care insurance continues to be marketed as only partial coverage.

Real estate

The real estate market in Germany continued to enjoy positive development, primarily due to the ongoing period of low interest rates observed in the last few years. Real estate became increasingly important both as an investment and for owner-use. According to the 2019 Sparda Survey "Living in Germany", 63% of German citizens believe that home ownership is generally something worth striving for. The survey also shows that the most common reasons for purchasing a home are retirement security (73%), as well as protection from rent increases (69%), followed by a desire among Germans to own their own four walls (67%).

Dynamics slowing in terms of price rises

Price increases in the German housing market are starting to slow down. According to data published by the Association of German Pfandbrief Banks (vdp), prices rose by a total of 5.8% in the third quarter of 2019 over the previous year (Q3 2018 compared to the previous year: 7.4%). This slowdown can clearly be seen in the market for apartment buildings, which recorded the lowest increase in three years at 5.6%. According to the vdp, this can primarily be attributed to the planned or already implemented legislative proposal to limit rent increases.

Construction work remains at a high level in Germany

Although there was a slight reduction in construction work in Germany in the reporting year, it remains at a high level in the long-term comparison. According to data published by the German Federal Statistical Office, around 226,010 new-build apartments were approved throughout Germany in the first nine months of 2019. This represented 3.0% or 7,095 apartments less than in the same period of the previous year. The number of building licences issued is an important early indicator for assessing construction activity. According to Destatis, however, the number of construction projects that have not yet started or not yet been completed has been on the rise for several years.

New special depreciation for construction of new rental housing units

A resolution on a new special depreciation for construction of new rental housing units was passed in June 2019. Alongside the regular linear depreciation of 2%, real estate owners will in future also be able to make use of a special depreciation ruling for new apartments. This is to be set at a level of up to 5% in the year of purchase/construction and then up to 5% per year in the subsequent three years. The maximum assessment basis is € 2,000 per square metre of living area, and various conditions also have to be met. For example, the apartment must be rented out for residential purposes in the year of purchase/construction, as well as the subsequent nine years.

Increasing demand for nursing care places

According to the "Nursing Home Rating Report 2020" of the German Institute for Economic Research in Leibniz (RWI), German nursing homes are still in a relatively good economic situation. The trends towards outpatient treatment and privatisation continued in the reporting year. As the population is ageing, there are likely to be 5 million citizens requiring nursing care in Germany by 2040, which would represent an increase of 42% over the 2017 figure. According to the RWI, some 378,000 additional inpatient nursing care places will be required by 2040 to cover this.

Loans and mortgages

Although the interest rates for construction financing had recovered slightly from their historical low by November 2019, they remained at a low level. The best interest rate for ten-year mortgages remained at a low of 0.46% towards the end of 2019.

The European Central Bank (ECB) continued to keep the prime rate at 0% in the reporting year. It has already been at this historic low level since March 2016. The so-called deposit rate was –0.5% in November 2019. Banks therefore had to pay penalty interest for parking surplus cash at the ECB. There are currently no signs of a change in monetary policy. You can read more on this in the → "Loans and mortgages" forecast.

Credit growth slows down

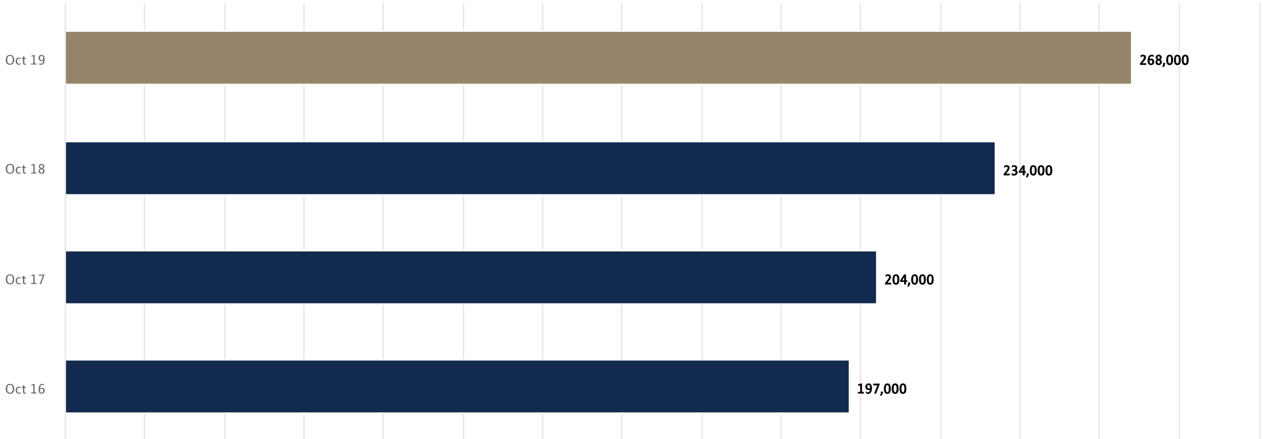
In the third quarter of 2019, the loans issued to companies and self-employed persons in Germany received a damper due to the weak economy. According to data provided by the experts at Deutsche Bank Research, the lending business increased only by € 7.3 billion or 0.5% between July and September 2019. On a 12-month horizon, the increase declined to 4.8% and was thus below the 5% mark for the first time in one and a half years.

Loan amounts for property financing continue to rise

As a result of the low interest rates and increased property prices in Germany, the average amount borrowed by property purchasers to finance their own home or their investment continued to rise sharply in the past financial year. According to data provided within the scope of the Dr. Klein Trend Indicator for Mortgage Lending (DTB), the average mortgage in December 2019 was € 268,000 – and thereby € 34,000 or 14.5% higher than in the previous year. It has actually increased by € 93,000 or 53.1% overall in the last four years (see chart).

Mortgage amounts at record level

Average mortgage amount in €



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

"Baukindergeld" family housing grant scheme drives home purchases to record level

According to interim figures provided by the German Federal Ministry of the Interior and the German Development Bank (KfW), the "Baukindergeld" family housing grant scheme, which was introduced in September 2018, has proven a resounding success after its first year. Indeed, around 135,000 families in Germany had submitted funding applications by September 2019. Applicants have so far been issued total grants worth around € 2.8 billion.

According to a survey performed by the GEWOS Institute, the "Baukindergeld" family housing grant scheme has, among other things, raised the number of home purchases to record levels. Based on information from the most recent real estate market analysis undertaken by the Institute, there were already around 248,500 transactions on detached and semi-detached houses in 2018 – a new all-time high.

You can find more detailed information on the family housing grant ("Baukindergeld") in the → "Loans and mortgages" forecast.

Competition and regulation

The competitive situation in the German market for financial services did not change significantly for the MLP Group in 2019 compared to the previous year. The sector remains very heterogeneous and is characterised by consolidation trends. The providers include numerous financial service providers, single agents, banks, insurance companies and free finance brokers. However, the quality of the consulting provided by these companies can vary quite markedly. In addition to this, there is competitive pressure in the entire sector as a result of direct sales and fintechs.

Over the last few years, the legislator has exerted major influence on the market for financial consulting and therefore also on MLP's market by imposing regulations such as the Markets in Financial Instruments Directive II (MiFID II), the Insurance Distribution Directive (IDD), as well as the Investor Protection Act, the Financial Investment Broker Act and the Life Insurance Reform Act (LVRG). The legislator's goal in taking these steps is to protect consumer interests. Among other things, it sets out comprehensive further training, documentation, qualification and transparency obligations for brokers of financial products. These measures mean that the provision of consulting services takes longer, which in turn puts pressure on product margins.

Draft bill presented for commission capping in the life insurance sector

Changes with relevance to MLP already came into force in 2015 with the introduction of the Life Insurance Reform Act (LVRG). The effects of these changes were also felt in 2019 and will continue to have an impact in the coming years. MLP actually welcomes the requirement to disclose effective costs, as well as the fact that no flat-rate cap has yet been introduced for acquisition commissions. The draft bill for capping commission that was presented by the German Ministry of Finance in the last financial year now states January 1, 2021 as a potential start date. The plan is still to incorporate three components. These are basic compensation, a component for high-quality consulting and compensation for services that is in line with the market, in case a broker such as MLP performs specific services for an insurer. Many politicians are even more critical of this regulation than ever before. Overall, MLP benefits from high quality consulting in the target group which, among other things, leads to lower cancellation rates. However, the margin pressure resulting from the regulation that has already been implemented is also being felt at MLP – albeit to a lesser extent than at other market members thanks to the provision of high-quality consulting services.

Occupational pension provision strengthened

In June 2017, the German Bundestag passed the legislation on strengthening occupational pension provision in Germany (BRSG), which could provide positive stimulus for this market. The BRSG legislation has also made occupational pension provision more attractive for small and medium-sized employers, as well as their employees. The key points of the legislation generally focus on a compulsory employer's contribution to new deferred compensation, which has been in place since January 1, 2019, as well as an increase in the tax subsidy framework from 4% to 8% of the income threshold and a direct state subsidy for low earners.

Insurance Distribution Directive (IDD) still requires process-based adjustments

In July 2017, the German Bundesrat formally approved transposition of the "Insurance Distribution Directive" (IDD) into German law. The law itself came into force in February 2018. It provides new rules for greater transparency and improved consumer protection in insurance sales. Implementation of the IDD also requires insurance brokers to attend 15 hours of further training each year. This will not have any major impacts on MLP's business model, as continuous further training of consultants has always been a key aspect of operations at MLP. Due to internal requirements in place at MLP, MLP consultants not only comply with but also surpass the IDD target by completing at least 30 hours of further training per year, which is recorded in a points account. Yet despite this, MLP – just like all other market members – had to implement comprehensive, process-based adjustments to comply with the IDD provisions.

MiFID implementation completed

The Markets in Financial Instruments Directive II (MiFID II) was introduced in January 2018. Alongside the direct application of numerous new European provisions, this also harmonised existing national provisions with European law. The amendments of the MiFID II regulations have fundamental effects on the business model of securities service enterprises. Existing processes had therefore to be reviewed and adapted to the new requirements, in some cases at great effort and cost. This was particularly true of consultancy and product structures. In some cases, products had to be formally redeveloped and IT processes implemented to comply with the new provisions. This has led to significant implementation costs for MLP, too. However, implementation of the key requirements in terms of financial investments is secured by MLP's current structure.

Cost transparency further improved

The legislator has taken action with binding stipulation of an effective cost ratio both in Germany through the Old-Age Provision Product Contact Point (PiA) for tax-privileged old-age provision products (basic and Riester pensions) and at European level (stipulated both in euros and as a "reduction in yield") with the Key Information Documents (KIDs) for Packaged Retail and Insurance-Based Investment Products (PRIIPS) that have been prescribed since January 2018, as well as the new PRIIP KIDs for UCITS funds which have been in force since January 2019. However, even these most recent regulatory steps have not even come close to securing sufficient comparability of the products in the market or their associated costs. The methods of calculation should be adapted, so that calculations are performed on the basis of the same prerequisites and the same cost factors.

Data protection intensified

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

Challenging regulatory environment

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

Business performance

We have expanded the wealth management area into a key revenue pillar of the MLP Group over the last few years. FERI continued its successful course of the last few years in the reporting period and reinforced its position as a leading independent investment company. Despite operating in volatile markets, FERI recorded generic growth in all core business segments for the sixth year in succession. FERI was able to win new mandates and expand existing business relations among both private and institutional clients. The consulting and service portfolio was consistently expanded, above all in the areas of investment management, alternative assets and real assets (for example private equity and real estate). We recorded positive development in particular in MLP's private client business in wealth management, in which net inflows of funds and assets under management were further increased. Both wealth management revenue and assets under management throughout the Group are above the previous year's level overall.

There were still many reservations in terms of signing long-term old-age provision contracts, in particular due to the ongoing period of low interest rates, as well as critical reporting on life insurance products. Yet, MLP was quick to adapt to the growing importance of new guarantee products, which in the meantime clients have been requesting more frequently as alternatives to conventional concepts. Indeed, these guarantee products already represented 74.0% of all newly concluded contracts at MLP in the past financial year.

As a result of the legislation to strengthen occupational pension provision in Germany (BRSG) and, in particular, the increase in the tax subsidy framework that is anchored in this legislation, occupational pension provision provided the greatest positive stimulus here in the reporting year. You can also find further information on the legal amendments in the chapter entitled → "Regulation". The increase in the number of consultants working for MLP in the university segment also made a positive contribution to revenue development in old-age provision. These consultants support their clients in various ways, including when signing up for their first insurance policies and old-age provision modules. Total revenue from old-age provision products in the financial year 2019 was up by 6.4% over the previous year.

We also recorded positive development in the non-life insurance field at DOMCURA in 2019. Our package products that are already established, which we further optimised and adapted to market conditions in the reporting year, continued to make a key contribution to this, alongside a new building insurance policy for single-family homes offered by DOMCURA. DOMCURA continued to enjoy a great deal of attention, in particular at trade conferences, for its "digital luggage insurance", an insurance product that is based on blockchain technology. The company was also honoured as a national winner of the European Business Awards for this innovative solution. We further expedited the integration of DOMCURA with MLP in 2019, for example through joint development of special products for MLP's target groups of students and physicians. At the same time, the business of DOMCURA with other market players continued to display positive development. Non-life insurance also enjoyed positive development in MLP's private client business. As anticipated, total revenue in the non-life insurance business was 5.2% above the previous year.

In the health insurance area, we continued to encounter reservations throughout the market in terms of signing new comprehensive private insurance policies. Factors such as premium increases in the segment and critical media coverage contributed to this development. Despite the difficult framework conditions, our revenue in the health insurance area was slightly over the level of the previous year with an increase of 1.3%.

As anticipated, we were able to increase our revenue in the real estate brokerage area significantly (+17.9%) in 2019 over the previous year. The main reasons for this positive development were the systematic expansion and ongoing diversification of our real estate portfolio, which we were already stepping up in 2018. Alongside the listed buildings sector, we also significantly extended our portfolio of new buildings, as well as existing and concept-driven properties (microliving, properties with nursing care).

With the acquisition of DEUTSCHLAND.Immobilien, a leading online marketplace for investment property, we once again significantly extended our offering in 2019 and also tapped into further business potential for the next few years with the network of approximately 6,000 affiliated brokers. The process for integrating DEUTSCHLAND.Immobilien into the MLP Group got under way in the last financial year after the transaction was completed on September 2, 2019.

In brokering real estate financing, we were able to increase our revenue significantly once again (+16.9%) – primarily as a result of the low interest rate environment.

Diversification of revenue streams is progressing

In the course of diversifying our business model, we have been able to expand the wealth management and the non-life insurance business into key revenue pillars in the last few years. With the successful acquisition of the DEUTSCHLAND.Immobilien Group in 2019 and the potential that this offers, we also took a major step towards further diversification of our revenue basis in real estate brokerage in the last financial year. You can find further information on this in the section entitled → "Anticipated business development".

Number of clients showing pleasing development

New client acquisition developed very positively in the reporting year. MLP was able to acquire 19,300 new family clients in 2019 (18,266). Around 25% (29%) of these initiated new clients were acquired online. As of December 31, 2019, the MLP Group served a total of 549,600 family clients (541,150) and 21,850 corporate and institutional clients (20,900).

Further establishment of a digital culture

Digitalisation of all divisions in the MLP Group is making good progress and will also play a significant strategic role over the course of the next few years. The needs of clients, as well as consultants and employees, are crucial for the development of our digital offering. To promote digital workflows throughout the entire MLP Group and gradually establish a digital culture, in 2018 we launched a Digital Board with a Digital Officer and a Digital Task Force, whose duties were then extended in 2019. The Digital Board reviewed a range of proposals in detail and then had those that were deemed relevant either further refined or implemented, including online client support by MLP consultants. In parallel to this, some initial aspects of the IT Target Vision for the year 2022, which was drawn up in 2018, were already successfully launched in the last financial year. These included introduction of new work methods and establishment of a runtime environment for microservices in the public cloud. You can find further information on this in the section entitled → "Anticipated business development".

Successful new client acquisition via the web

Within the scope of its digitalisation strategy, MLP continued to expand and intensify its presence on social media platforms such as Facebook, YouTube and Twitter in the financial year 2019. For online acquisition, MLP in particular collaborated with Uniwunder GmbH in the reporting year, having already intensified the partnership in the previous financial year. To this end MLP increased its holding in the start-up to 49%. Uniwunder has a great deal of expertise in the field of performance marketing and, in addition to other partners and advertising activities, helps ensure that our seminar programmes reach the right target group.

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

Digital support for consultants

A powerful tool that offers consultants support when planning and setting up investment portfolios was introduced in the last financial year in the shape of the "VEM Guide" wealth management tool from MLP Banking AG. This software solution facilitates a seamless consultancy process – from a full financial review and target/performance comparison all the way up to legally compliant documentation – and thereby grants clients even greater transparency regarding their own wealth structure, as well as regular flows of funds.

We continued to gradually extend our online client portal, which was redesigned in April 2017, throughout the last financial year. The portal offers clients all financial information at a glance and provides them with a clearly structured overview of their income and expenditure in a personal budget book. One key feature that was added in the financial year 2019 is the new overview of all insurance policies. A further step-by-step expansion of the functionality is planned for the next few years. You can find further information on this in the section entitled → "Anticipated business development".

Online client portal extended further

As was the case in 2018 the recruitment of new consultants continued to be a key topic in the past financial year. The university segment, which was realigned in 2017, and the university team leaders provided a significant increase in consultant numbers. The total net year-on-year rise was 53 consultants, which corresponds to a gain of 2.7% and again represents a more dynamic increase over the previous year. This also reflects the intensification of the recruiting process that has been performed at MLP. The repertoire includes both job fairs and "getting-to-know" events, such as Experience MLP or Active Sourcing. We have also further increased the attractiveness of working as an MLP consultant in the last few years, for example through further development of the training programme at our Corporate University.

Successful consultant acquisition

MLP is not only expanding its activities in the university segment, but also among consultants with experience in the sector as a way of stimulating interest in working at MLP. A special compensation model, targeted specifically at industry experts, makes it easier for suitable candidates to make the switch. You can find further information on this in the section entitled → "Employees and freelance client consultants".

Since 2016, MLP has implemented comprehensive efficiency measures to reduce the cost base significantly. A consistent cost management approach was also applied in the last financial year to flank our growth strategy.

Consistent efficiency management programme supports growth strategy

With the coming into force of the new International Accounting Standard 16 (IFRS 16, International Financial Reporting Standard), the treatment of leasing transactions has changed. Among other things, IFRS 16 no longer requires the lessee to classify leases as operating leases or finance leases. Instead, the lessee must recognize both a right of use on the asset side and a corresponding lease liability on the liabilities side for each leased asset. This change in treatment also has an impact on the income statement and results in shifts within the income statement. Firstly, lease payments are no longer recorded as operating expenses. Secondly, depreciation and interest expenses are charged. Information on the respective effects can be found below in the income and asset situation as well as detailed information in Note 3 (Adjustment of accounting policies).

IFRS 16 has come into force

Results of operations

Development of total revenue

Total revenue increased

Despite the tough market conditions already described, the MLP Group was able to increase total revenue in the financial year 2019 by 6.4% to € 708.8 million (€ 666.0 million). Total revenue therefore once again reached a new high since the sale of our own insurers. MLP benefited from the significant diversification of its revenue basis over the course of the last few years and recorded gains in all consulting fields. This growth was primarily driven by the increase in commission income by 7.7% to € 672.9 million (€ 624.8 million). As a result of the ongoing low interest rate environment, revenue from the interest rate business remained below the previous year's figure at € 16.6 million (€ 17.3 million).

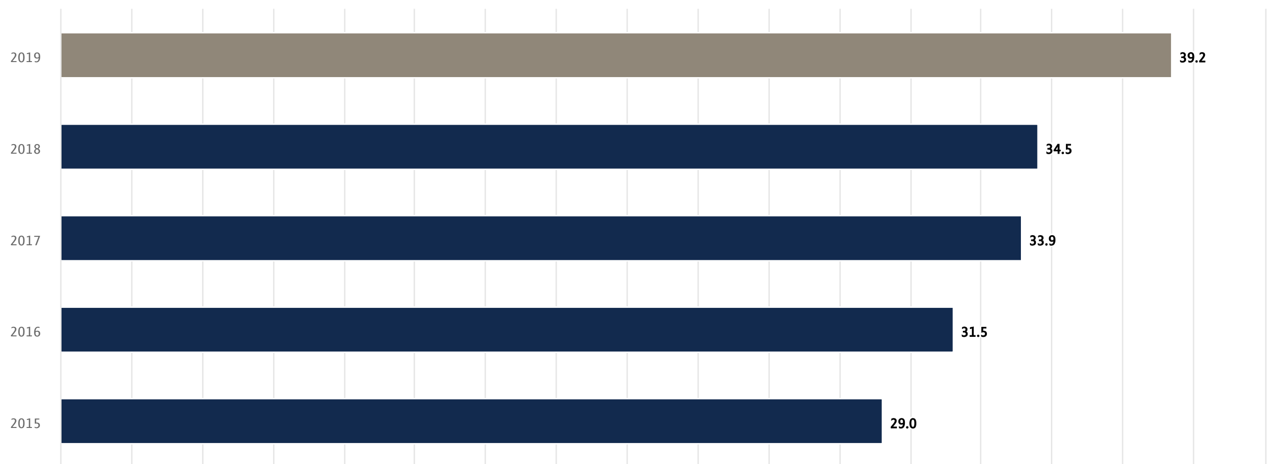
Revenue growth once again recorded in old-age provision

We were able to further increase revenue from old-age provision in the last financial year, which rose by 6.4% to € 225.8 million (€ 212.3 million). This increase can be attributed to growing new business, whose premium sum rose by 7.3% from € 3,614.1 million to € 3,881.2 Million (taking into account the change in the calculation basis announced in the previous year, the increase is 7.1% from € 3,904.2 million to € 4,183.2 Million). The share of occupational pension provision enjoyed positive development, representing 16.5% of the premium sum at the end of the year (15.4%)(20.9% and 19.3% according to new calculation basis). New business itself improved by 15.0% to € 639.5 million here (€ 556.1 million) (taking into account the change in the calculation basis announced in the previous year, the increase is 15.9% from € 754.9 million to € 875.2 Million) . MLP is continuing to play a pioneering role in the transition to new guarantees. Pension insurance policies with classic guaranteed interest rates now represent just 3.0% (4.0%) of newly brokered contracts at MLP. The proportion of new guarantees was 74.0% (76.0%), while purely unit-linked contracts represented 23.0% (20.0%).

Wealth management sets new record again

The MLP Group was once again able to record gains in the wealth management consulting field, with revenue rising by 10.6% to € 223.5 million (€ 202.0 million). Assets under management rose to a new record level of € 39.2 billion (€ 34.5 billion). This reflects gains recorded at the subsidiary FERI and, in particular, in MLP's private client business. The assets under management at MLP Banking AG rose by 21.7% to € 6.3 billion (€ 5.2 billion).

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



Revenue in the non-life insurance consulting field increased again in the last financial year. It rose by 5.2% to € 126.6 million (€ 120.3 million). The stock of non-life insurance policies also enjoyed positive development. The premium volume received through the MLP Group rose to € 405.5 million (€ 385.6 million).

Non-life insurance enjoys continued growth

At € 48.3 million (€ 47.7 million), revenue in the health insurance consulting field was also slightly up on the previous year. MLP therefore enjoyed positive development, despite the reservations displayed by many citizens in terms of signing up for fully comprehensive private health insurance policies.

Health insurance above previous year

We were also able to record significant growth in the real estate brokerage business, which we have been expanding since 2014. Revenue increased by 17.9% to € 23.7 million (€ 20.1 million) in this consulting field. Since the closing of the transaction to acquire a majority stake in DEUTSCHLAND.Immobilien on September 2, 2019, revenue from real estate project planning has also been disclosed alongside the revenue from real estate brokerage. In the reporting period, this revenue was € 0.1 million (€ 0.0 million). An extremely dynamic fourth quarter made a particular contribution to the positive development recorded for the year. The real estate volume brokered by MLP was € 294.0 million (€ 256.0 million).

Real estate brokerage displaying significant growth

We also reached a new record level in the brokerage of loans and mortgages. Revenue here improved to € 20.8 million (€ 17.8 million). At € 1,958.5 million, the brokered financing volume reached a new record level (€ 1,806.0 million).

Brokered financing volume sets new record

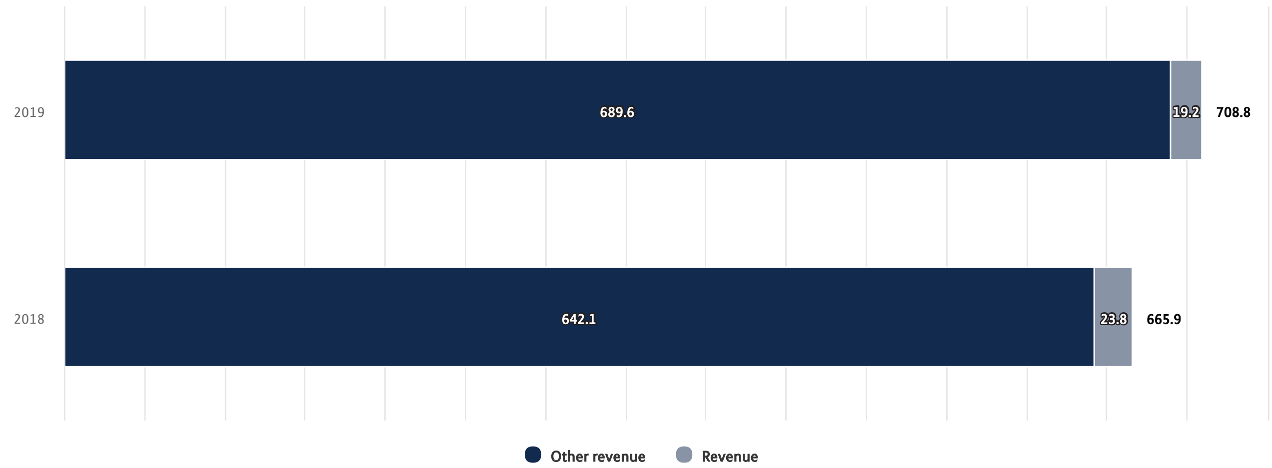
With an EBIT of € 47.1 million (€ 46.4 million) we met our forecast of achieving a slight increase, despite ongoing investments to further strengthen our university segment, and thereby to boost future sales revenue and earnings potential, as well as further implementation of the digitalisation strategy.

Forecast met

Analysis of revenue performance

Revenue rose by 7.4% to € 689.6 million in the reporting period (€ 642.1 million). Commission income, which rose from € 624.8 million to € 672.9 million, played a key part in this. This increase was supported by all consulting fields, but in particular by real estate brokerage and wealth management. Other revenue declined to € 19.2 million (€ 23.8 million). The previous year's higher figure was essentially due to one-off higher income from VAT refunds in the Banking segment. Interest income declined to € 16.6 million in the last financial year due to the ongoing period of low interest rates (€ 17.3 million). Total revenue rose to € 708.8 million (€ 666.0 million).

Development of total revenue (all figures in € million)



The old-age provision consulting field made the greatest contribution in terms of commission income. In light of the successful diversification of the revenue basis, this was still 33.6% (34.0%). Wealth management remained virtually unchanged with a share of 33.2% (32.3%). Non-life insurance represented 18.8% (19.3%). The following table provides a detailed overview.

Real estate brokerage displaying significant growth

Breakdown of revenue

All figures in € million	Share in %	2019	Share in %	2018	Change in %
Old-age provision	34%	225.8	34%	212.3	6.4%
Wealth management	33%	223.5	32%	202.0	10.6%
Non-life insurance	19%	126.6	19%	120.3	5.2%
Health insurance	7%	48.3	8%	47.7	1.3%
Real estate brokerage	4%	23.7	3%	20.1	17.9%
Loans and mortgages	3%	20.8	3%	17.8	16.9%
Other commission and fees	1%	4.3	1%	4.6	-6.5%
Total commission income		**672.9**		**624.8**	**7.7%**
Interest income		16.6		17.3	-4.0%
Total		**689.6**		**642.1**	**7.4%**

Analysis of expenses

Commission expenses primarily comprise performance-linked commission payments to our MLP consultants. They represent the largest item under expenses. This item also includes the commissions paid in the DOMCURA segment. The variable expenses result from the compensation of brokerage services in the non-life insurance business. Added to these are the commissions paid in the FERI segment, which in particular result from the activities in the field of fund administration. In this business segment, they are primarily accrued due to compensation of the depository bank and fund sales. Since the acquisition of a majority stake in DEUTSCHLAND.Immobilien, commission expenses are also accrued in the Holding and Other segment. These are essentially the result of expenses from real estate development. Against a backdrop of increased commission income, commissions paid were also above the previous year at € 369.9 million (€ 332.5 million). Net commission income therefore rose to € 303.0 million (€ 292.3 million).

Commission income above the previous year

We are also disclosing inventory changes in the income statement for the first time. These also result from real estate development and represent the change in asset values generated in the current phase of the projects within the reporting period. This item will increase in future as the respective projects progress and then decline again with the gradual sale of project units. The inventory changes were € 3.9 million in the reporting period (€ 0.0 million).

As a result of the ongoing low interest rate environment, interest expenses remained stable at € 0.6 million (€ 0.6 million). Net interest was € 16.0 million (€ 16.8 million) in total.

Gross profit (defined as total revenue less commission expenses and interest expenses, plus inventory changes) improved to € 342.2 million (€ 332.9 million).

Administration costs (defined as the sum of personnel expenses, depreciation/amortisation and impairment, as well as other operating expenses) were at € 297.1 million in the reporting period (€ 289.5 million).

Administration costs marginally increased

Personnel expenses increased to € 135.7 million (€ 128.0 million), largely influenced by a slightly higher number of employees, as well as general salary increases. Among other things, this includes € 116.8 million for salaries and wages (€ 110.4 million), € 15.9 million for social security contributions (€ 14.7 million), as well as employer-based old-age provision allowances of € 3.0 million (€ 2.9 million). Depreciation/amortisation and impairments increased to € 26.4 million (€ 16.0 million). This increase can essentially be attributed to the change in accounting for leasing liabilities as a result of the new IFRS 16 accounting standard, which has been in force since January 1, 2019. This had the opposite effect on other operating expenses, which declined from € 145.5 million to € 135.1 million. The previous year's higher figure was also influenced by VAT back payments.

Breakdown of expenses

All figures in € million	2019	in % of total expenses	2018	in % of total expenses	Change in %
Inventory changes[1]	3.9	-0.6%	0	—	>100%
Commission expenses	-370.0	55.7%	-332.5	53.4%	11.3%
Interest expenses	-0.6	0.1%	-0.6	0.1%	0.0%
Personnel expenses	-135.7	20.4%	-128.0	20.6%	6.0%
Depreciation and impairment	-26.4	4.0%	-16.0	2.6%	65.0%
Other operating expenses	-135.0	20.3%	-145.5	23.4%	-7.2%
Total	**-663.8**	**100.0%**	**-622.6**	**100.0%**	**6.6%**

[1] The income statement has been extended to include the "Inventory changes" item as a result of the acquisition of a majority stake in DEUTSCHLAND.Immobilien.

MLP Hyp GmbH once again recorded a very pleasing business development in the financial year. We hold a 49.8% stake in this company, which is operated as a joint venture together with mortgage lending broker Interhyp. At € 3.0 million, the earnings allocated to us from this company surpassed the already excellent earnings of the previous year by 20.0% (€ 2.5 million). This is also reflected in the income statement under the item "Earnings from investments accounted for using the equity method".

The EBIT of the MLP Group improved slightly in the last financial year to € 47.1 million (€ 46.4 million).

EBIT increased slightly

The finance cost declined to € -2.3 million in the last financial year (€ -0.6 million).

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

Earnings structure, as well as the development of earnings and margins

All figures in € million	2019	2018	Change in %
Total revenue	708.8	666.0	6.4%
Gross profit [1)]	342.2	332.9	1.6%
Gross profit margin (%)	47.7%	50.0%	–
EBIT	47.1	46.4	1.5%
EBIT margin (%)	6.6%	7.0%	–
Finance cost	–2.3	–0.6	>100.0%
EBT	44.7	45.8	–2.4%
EBT margin (%)	6.3%	6.9%	–
Income taxes	–7.8	–11.3	–31.0%
Net profit	36.9	34.5	7.0%
Net margin (%)	5.2%	5.2%	–

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

Earnings per share increased further

Group net profit increased by 6.7% overall to € 36.9 million (€ 34.5 million). This was essentially due to greater commission income in the reporting period, as well as a lower tax rate over the previous year.

Net profit

All figures in € million	2019	2018	Change in %
Continuing operations	36.9	34.5	7.0%
GROUP	**36.9**	**34.5**	**7.0%**
Earnings per share in € (basic)	0.34	0.32	6.3%
Earnings per share in € (diluted)	0.34	0.32	6.3%
Number of shares in millions (basic)	109.2	109.2	–
Number of shares in millions (diluted)	109.2	109.2	–

Appropriation of profits

Our dividend policy is to pay 50% to 70% of Group net profit to our shareholders in the form of dividends. MLP paid out a dividend of 20 cents per share for the financial year 2018. The total dividend paid was therefore € 21.9 million.

We have announced that we will be continuing our dividend policy for the financial year 2019. On this basis, the Executive Board and Supervisory Board will propose a dividend of € 0.21 per share to the Annual General Meeting on June 25, 2020. This corresponds to a distribution rate of around 62% of operating net profit.

Financial position

Aims of financial management

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

No liabilities or receivables in foreign currencies

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

Financing analysis

Equity ratio at 15.6%

The Group's equity capital backing and liquidity remain good. As of the balance sheet date, shareholders' equity amounted to € 437.6 million and was therefore above the previous year's level (€ 424.8 million). The Group net profit of € 36.9 million for the financial year 2019 had a significant effect on this. However, this was counteracted by the dividend payment of € 21.9 million for the financial year 2018. Due to the higher balance sheet total, the equity ratio declined from 17.5% to 15.6%. The regulatory equity ratio was 19.2% (19.6%) on the balance sheet date. Even with today's group structure, MLP still expects increased capital requirements for the next few years in order to meet the revised definition of equity and stricter requirements of Basel IV.

At present, we are not using any borrowed funds to finance the Group. Our non-current assets are financed in part by non-current liabilities. Current liabilities due to clients and banks in the banking business represent further refinancing funds that are generally available to us in the long term. Total liabilities due to clients and financial institutions in the banking business of € 1,993.2 million (€ 1,720.5 million) essentially comprise client deposits, which have no financing function for the Group. These liabilities are offset on the assets side of the balance sheet by € 1,600.3 million (€ 1,455.2 million) in receivables from clients and financial institutions in the banking business.

Since provisions only account for 3.6% (3.9%) of the balance sheet total, they have no significant financing function for the Group. Other liabilities increased significantly to € 250.6 million (€ 165.8 million) on the balance sheet date, while the increase can essentially be attributed to the adoption of IFRS 16 and the associated leasing liabilities capitalised in this item of € 54.2 million. Purchase price liabilities in the course of acquiring a majority stake in DEUTSCHLAND.Immobilien also led to an increase here. Current liabilities declined to € 165.6 million (€ 141.9 million). These are essentially liabilities from operating activities. Current liabilities are offset on the assets side by cash and cash equivalents of € 510.8 million (€ 385.9 million), which are attributable to higher deposits at the Deutsche Bundesbank, and financial investments of € 178.6 million (€ 165.3 million), as well as other current assets of € 130.4 million (€ 112.1 million).

Liquidity analysis

Cash flow from operating activities increased to € 191.6 from € 141.2 million in the same period of the previous year. Here, significant cash flows result from the deposit business with our clients and from the investment of these funds.

Cash flow from investing activities changed from € -34.5 million to € -33.3 million.

Condensed cash flow statement

All figures in € million	2019	2018
Cash and cash equivalents at beginning of period	**385.9**	**301.0**
Cash flow from operating activities	191.6	141.2
Cash flow from investing activities	-33.3	-34.5
Cash flow from financing activities	-33.5	-21.9
Change in cash and cash equivalents	**124.9**	**84.9**
Cash and cash equivalents at end of period	**510.8**	**385.9**

As of the balance sheet date, December 31, 2019, the MLP Group has access to cash holdings of around € 556 million. A good level of liquid funds therefore remains available. There are sufficient cash reserves available to the MLP Group. Alongside cash holdings, free lines of credit are also in place.

Capital expenditure analysis

MLP generally finances capital expenditures from cash flow. The total investment volume in intangible assets and property, plant and equipment was € 22.3 million (€ 26.6 million) in the last financial year. Payment of € 13.0 million for the first tranche of the purchase price for acquiring a majority stake in DEUTSCHLAND.Immobilien also represented a significant share of the total volume. The vast majority of other investments were made in the Financial Consulting segment. Investments in operating and office equipment, as well as software and IT, represented one focus here.

Capital expenditure

All figures in € million	2019	2018	2017	2016	2015
Intangible assets	**3.9**	**4.4**	**3.4**	**13.7**	**7.9**
Goodwill	—	—	—	—	—
Software (developed in house)	0.2	0.2	0.2	0.3	0.4
Software (purchased)	1.5	0.9	1.0	2.5	0.4
Other intangible assets	—	—	—	—	—
Payments on account and assets under construction	2.2	3.3	2.1	11.0	7.1
Property, plant and equipment	**5.4**	**22.2**	**3.9**	**4.7**	**4.8**
Land, leasehold rights and buildings	0.9	16.2	0.3	0.5	0.7
Other fixtures, fittings and office equipment	3.8	3.4	2.6	3.0	3.1
Payments on account and assets under construction	0.7	2.6	1.0	1.2	1.0
Purchase price DEUTSCHLAND.Immobilien	13.0	—	—	—	—
Total capital expenditures	**22.3**	**26.6**	**7.3**	**18.4**	**12.8**

At € 17.6 million, the vast majority of investments were made in the Financial Consulting segment. Alongside payment of the first tranche of the purchase price for acquisition of a majority stake in DEUTSCHLAND.Immobilien, investments in operating, office equipment and IT systems to support sales represented further key focuses. These contribute to the continuous improvement of consulting support and client service. Alongside these capitalisable investments, we also use other intensive resources for these projects, which are recognised as expenses in the income statement. The investment volume in the FERI segment was € 1.5 million. The previous year's higher figure was largely influenced by the acquisition of the business premises of FERI AG, which, until that time, had been rented. The investment volume in the Banking segment was € 0.7 million. Software and IT were the primary focuses of investment here. Investments in the DOMCURA segment were € 1.3 million, with a focus on investments in operating and office equipment.

Capital expenditures by segment

	Total capital expenditures		Change in %
All figures in € million	2019	2018	
Financial consulting	17.6*	8.1	>100%
Banking	0.7	0.7	0.0%
FERI	1.5	15.4	–90.3%
DOMCURA	1.3	1.1	18.2%
Holding and Other	1.2	1.3	–7.7%
Total	**22.3**	**26.6**	**–16.2%**

*This figure includes the purchase price payment of € 13.0 million in DEUTSCHLAND.Immobilien

Net assets

Further increase in balance sheet total

The balance sheet total of the MLP Group increased to € 2,799.6 million as of December 31, 2019 due to further increases in client deposits (€ 2,421.0 million).

Intangible assets – essentially including the client base, brand and goodwill – increased to € 183.1 million (€ 155.9 million) as of the balance sheet date. This increase can essentially be attributed to the acquisition of the majority holding of DEUTSCHLAND.Immobilien. Property, plant and equipment increased considerably to € 130.9 million (€ 78.3 million). This increase is mainly due to the change in the accounting of leasing liabilities as a result of the new IFRS 16 accounting standard, to be applied from January 1, 2019 onwards. According to the new standard, usage rights from leasing transactions must be disclosed under this item. As of December 31, 2019, these usage rights were € 53.3 million.

Receivables from clients in the banking business increased to € 872.2 million (€ 761.0 million). This can essentially be attributed to the increase in promissory note bonds and own-resource loans, as well as a higher investment volume in promotional loans directly passed on to our clients. Receivables from banks in the banking business also increased to € 728.1 million (€ 694.2 million) as a result of higher investments in fixed-term deposits, as well as higher promissory note bonds. Around 47% of receivables from banks and clients have a remaining term of less than one year.

We are reporting the item "Inventories" in the balance sheet for the first time. The recognition of this item became necessary with the conclusion of the acquisition of a majority holding in the DI Group and essentially represents the assets of the project entities. As of December 31, this item stood at € 10.5 million.

Financial assets increased slightly to € 178.6 million (€ 165.3 million). The tax refund claims declined to € 4.5 million (€ 12.8 million). The downturn is essentially due to the assessment for corporation and business tax for 2017 and the associated reimbursement by the tax authorities and local authorities as well as a subsequent adjustment (decrease) in advance payments for 2018. The allocation of refund claims has an opposite effect for the 2019 financial year.

Other receivables and assets increased to € 168.6 million (€ 158.1 million). This item essentially comprises commission receivables from insurers resulting from the brokerage of insurance products. Due to the typically strong year-end business, these increase considerably at the end of the year and then decline again during the course of the following financial year.

Cash and cash equivalents rose to € 510.8 million (€ 385.9 million). This increase can be attributed to a greater deposit volume at Deutsche Bundesbank. Among other factors, the dividend payment to our shareholders had the opposite effect. You can find detailed information on the change in cash and cash equivalents in the chapter entitled → "Financial position".

Increase in return on equity

The equity capital backing of the MLP Group remains good. Shareholders' equity increased to € 437.4 million as of December 31, 2019 (€ 424.8 million). Minority interests are also disclosed in the balance sheet due to the acquisition of a majority holding in the DI Group. These stood at € 0.8 million as of the reporting date. Due to the higher balance sheet total, the equity ratio was 15.6% (17.5%). Based on Group net profit of € 36.9 million (€ 34.5 million) we therefore achieved a return on equity of 8.7% (8.5%).

Provisions of € 101.6 million (€ 94.5 million) were slightly above the previous year's level. This slight rise is essentially due to increased pension provisions.

The deposits of our clients, which are recorded under "Liabilities due to clients in the banking business", increased to € 1,894.8 million (€ 1,638.9 million) at the end of the reporting period. This increase is primarily attributable to short-term deposits held in bank accounts and instant access savings accounts. Liabilities due to banks in the banking business rose to € 98.4 million (€ 81.6 million). This increase can mainly be attributed to a higher volume of promotional loans being passed on to our clients. This item includes the refinancing funds from funding institutions.

Tax liabilities rose to € 6.1 million (€ 5.2 million). At € 250.6 million (€ 165.8 million), other liabilities were significantly above the previous year's level. The rise was essentially due to the application of IFRS 16 and leasing liabilities of € 54.2 million capitalised in this item. This item further comprises purchase price liabilities and increased liabilities from the underwriting business of DOMCURA and current liabilities due to our consultants and branch office managers in connection with open commission claims (please refer to the section entitled → "Financial position").

General statement on the economic situation

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

Comparison of actual vs. forecast business performance

At the start of the financial year we expected a slight increase in the EBIT compared to the previous year despite the still challenging markets and extensive investments, especially in our university segment, yet also in the further implementation of the digitalisation strategy.

At the start of the year, we also issued a qualitative estimate regarding revenue development, which we then defined more closely in the report for the first nine months in 2019.

We expected revenue to remain stable in the old-age provision consulting field at the start of the year. With a slight rise of 6.4% we are within our specified expectations. With slightly increased revenue, the wealth management business developed as anticipated. The non-life insurance consulting field also enjoyed a minor increase and was therefore in line with our expectations. As anticipated, revenue in the health insurance consulting field remained stable. Real estate brokerage developed as forecast with significantly increasing revenue. Revenue in the loans and mortgages business climbed significantly and was therefore within our forecast at the start of the year. However, it was somewhat stronger than anticipated back in November.

We expected administration costs to remain relatively constant. Including ongoing investments in the future – in particular for recruiting young consultants within the scope of strengthening the university segment, on which we spent around € 8.0 million in the last financial year – developments were within the scope of our expectations with an increase of 2.6%.

With an EBIT of € 47.1 million we are slightly above the EBIT of the previous year. We therefore reached our targets for the year.

ECONOMIC REPORT

Segment report

The MLP Group is broken down into the following segments:

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

The Financial Consulting segment includes revenue from all fields of consulting – i.e. old-age provision, health and non-life insurance, as well as loans and mortgages and real estate brokerage. Since the acquisition of a majority holding in the DI Group on September 2, 2019, this also includes the proceeds from real estate brokerage by the DI Group. The Banking segment brings together all banking services for both private and corporate clients – from wealth management, accounts and cards, through to the interest rate business. The FERI segment primarily generates revenue from the wealth management field of consulting, while the DOMCURA segment generates most of its revenue from the non-life insurance business.

The Holding segment was renamed "Holding and Other" and includes the project entities of the DI Group since the acquisition of a majority holding in the DI Group on September 2, 2019. Expenses from real estate development are disclosed under "Commission expenses”. The "Inventory changes" item also results from real estate development and represents the changes in assets generated in the current phase of the projects within the reporting period. This item will increase in future as the respective projects progress and then decline again with the gradual sale of project units.

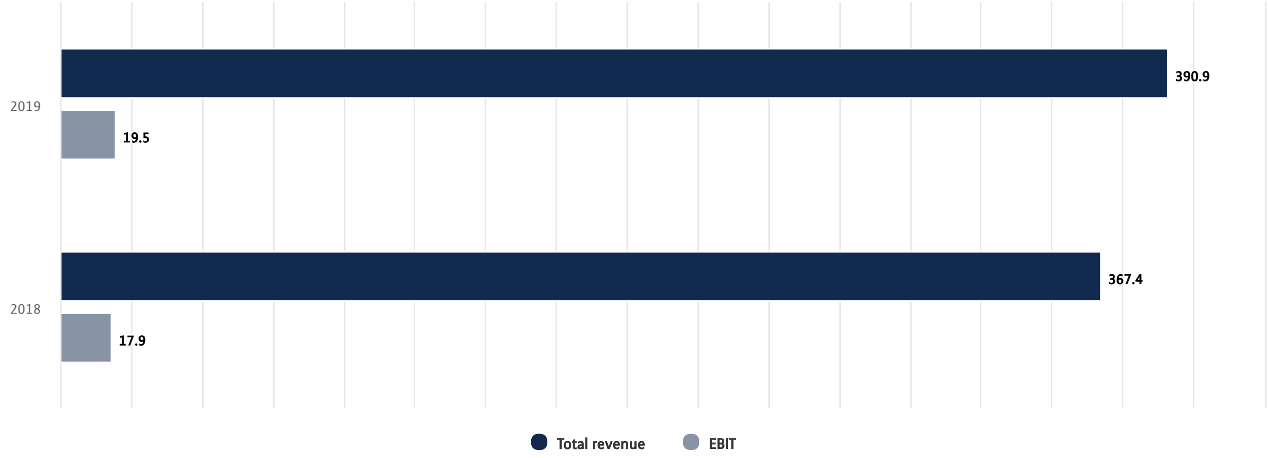
Financial Consulting segment

Total revenue in the Financial Consulting segment rose to € 390.9 million in the reporting period (€ 367.4 million). This figure is essentially made up of commission income The consulting fields of old-age provision, health insurance, non-life insurance, loans and mortgages, real estate brokerage included in this segment, as well as other commission and fees developed in line with the general development of the Group. Revenue amounted to € 369.3 million (€ 347.2 million). Other revenue was € 21.6 million (€ 20.3 million).

Commission expenses increased to € 186.5 million (€ 171.7 million). Personnel expenses climbed to € 69.6 million (€ 66.1 million). Depreciation/amortisation and impairments increased to € 19.7 million (€ 11.7 million). The increase is attributable to the described effect from the altered accounting of leasing liabilities as a result of IFRS 16, which caused a reduction in other operating expenses. This item amounted to € 98.6 million (€ 103.3 million).

Earnings before interest and taxes (EBIT) were € 19.5 million in the reporting year (€ 17.9 million). With a finance cost of € -1.8 million (€ -0.2 million), earnings before taxes (EBT) were € 17.7 million (€ 17.7 million).

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



Banking segment

Revenue in the Banking segment is primarily generated from the wealth management field of consulting. Interest income represents another revenue source.

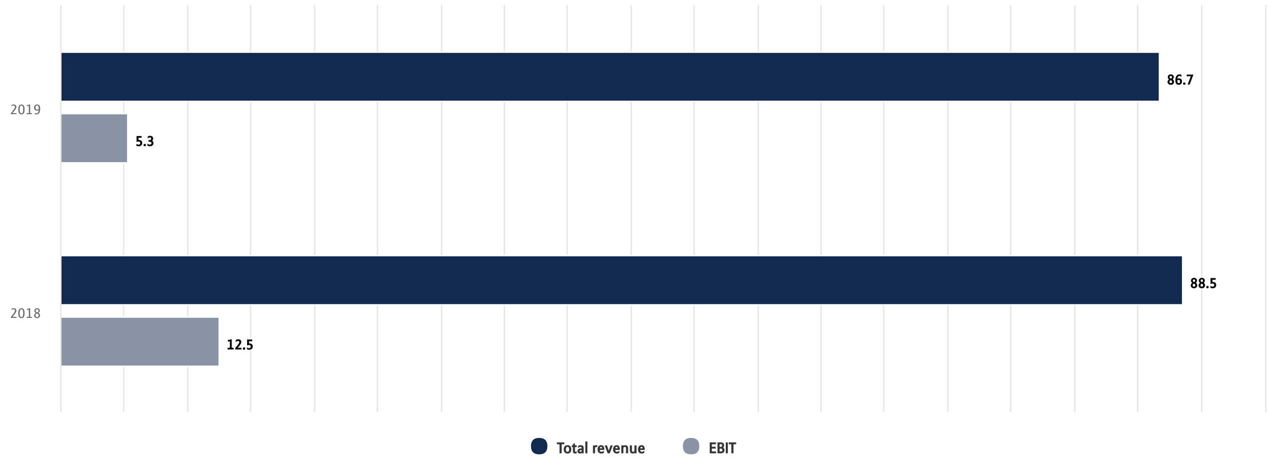
Total revenue in this segment in the reporting period was € 86.7 million (€ 88.5 million). Sales revenue increased to € 81.4 million (€ 75.8 million). At € 16.6 million, interest income was below the previous year (€ 17.3 million). This was due to the ongoing period of low interest rates. Other revenue declined to € 5.3 million (€ 12.8 million). The previous year's higher figure was due to a one-off positive effect from VAT refunds.

Commission expenses increased to € 33.6 million (€ 31.0 million) as a result of a rise in commission income. In light of continuingly low interest rates, interest expenses of € 0.5 million were generated (€ 0.6 million).

Personnel expenses amounted to € 11.9 million (€ 10.8 million). Depreciation/amortisation and impairment was € 0.3 million (€ 0.1 million). Other operating expenses were € 34.3 million (€ 33.9 million).

Earnings before interest and taxes (EBIT) were € 5.3 million (€ 12.5 million). The decline is attributable to the described one-off positive effect from the previous year. Finance cost fell to € 0.1 million (€ 2.5 million). The higher value of the previous year included interest on reimbursements from VAT refunds in particular. Accordingly, earnings before taxes (EBT) dropped to € 5.4 million (€ 15.1 million).

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



*Positive one-off effect in 2018

FERI segment

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

In the last financial year, revenue increased by 10.5% to € 166.7 million (€ 150.8 million), marking a new record high. Sales revenue rose to € 161.6 million (€ 146.2 million). Other revenue amounted to € 5.2 million (€ 4.7 million).

As a result of higher revenue, commission expenses also rose to € 99.1 million (€ 85.3 million). At € 32.8 million (€ 32.2 million), personnel expenses remained virtually unchanged. Depreciation/amortisation and impairments increased to € 2.4 million (€ 1.3 million). This includes € 0.8 million from the application of IFRS 16. Other operating expenses fell to € 9.1 million (€ 9.8 million).

As a result of higher revenue, EBIT rose to € 23.3 million (€ 21.8 million). The EBIT margin was 14.0% (14.5%). Finance cost amounted to € -0.6 million (€ -0.4 million). EBT therefore reached € 22.7 million (€ 21.4 million).

Total revenue and EBIT in the FERI segment

DOMCURA segment

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

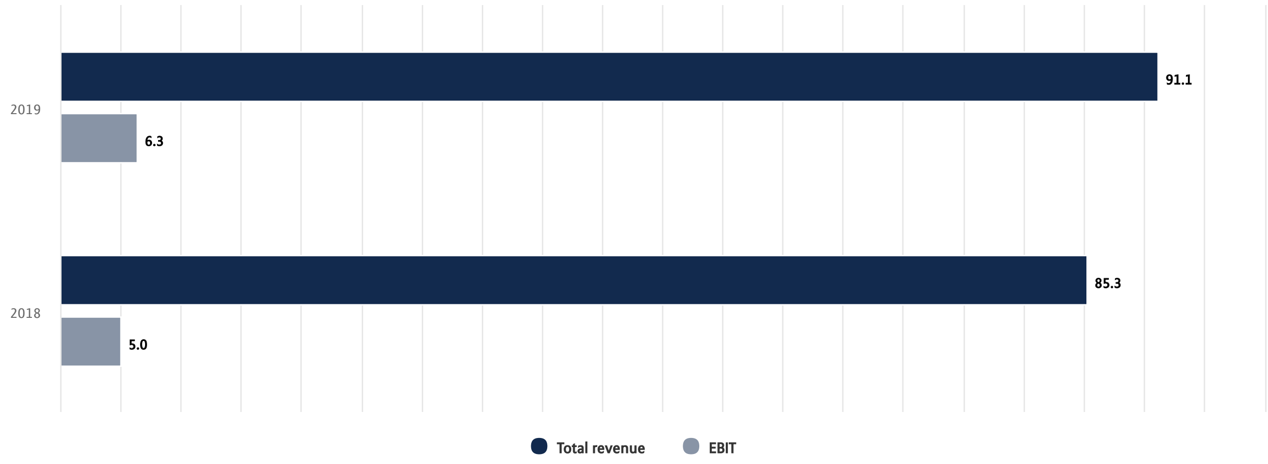
DOMCURA generated revenue of € 89.0 million in the reporting year (€ 83.4 million). Other revenue was € 2.1 million (€ 1.9 million). Accordingly, total revenue was € 91.1 million (€ 85.3 million).

Commission expenses increased to € 57.8 million (€ 54.6 million), largely as a result of higher sales revenue. These are essentially accrued as variable compensation for brokerage services.

Administration costs were € 27.0 million (€ 25.6 million). € 16.0 million (€ 14.9 million) thereof were attributable to personnel expenses. Depreciation/amortisation and impairments increased to € 2.2 million (€ 1.3 million). This includes € 0.8 million from the application of IFRS 16. Other operating expenses fell slightly to € 8.8 million (€ 9.4 million).

EBIT rose to € 6.3 million (€ 5.0 million). With a finance cost of € -0.1 million (€ 0.0 million), EBT was € 6.2 million (€ 5.0 million).

Total revenue and EBIT in the DOMCURA segment



Holding and Other segment

Total revenue in the Holding and Other segment in the reporting period was € 10.5 million (€ 9.2 million).

Commission expenses were € 3.9 million. The inventory changes were € +4.0 million. Both items are included in the segment's income statement for the first time. This is attributable to the effects of the acquisition of the majority holding of the DI Group described at the beginning of the segment reporting. As such, there are no values from the previous year.

Personnel expenses amounted to € 5.5 million (€ 4.1 million). Depreciation/amortisation and impairment amounted to € 1.8 million (€ 1.6 million). Other operating expenses decreased to € 9.7 million (€ 14.1 million). These include € 0.1 million from the application of IFRS 16. The higher value from the previous year is essentially attributable to VAT back payments for previous years.

EBIT therefore dropped to € -6.6 million (€ -10.6 million). Finance cost improved to € -0.8 million (€ -2.8 million). The higher values from the previous year are largely due to the interest payments associated with VAT back payments. Accordingly, EBT increased to € -7.4 million (€ -13.4 million).

Employees and self-employed client consultants

As MLP is a knowledge-based service provider, qualified and motivated employees and self-employed client consultants represent the most important foundation for sustainable company success. Continuous development and optimisation of HR work for employees, as well as recruiting and training new consultants, were therefore also key focuses in 2019.

Low staff turnover rate

The number of employees in the MLP Group increased slightly in the last financial year. In the reporting year 2019, a total of 1,783 employees worked for MLP. This increase is essentially the result of the inclusion of staff from the DI Group acquisition, as well as new hirings and personnel returning to work following parental leave. Although the staff turnover rate within the Group rose slightly, it still remained low at 8.2% (without DI Group) (2018: HQ: 7.2%). The average age of the employees is currently 42.9 years.

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

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

Segment	2019	2018	2017	2016	2015
Financial services[1]	–	–	1,198	1,275	1,300
Financial consulting[2][3]	1,071	1,055	1,047	–	–
Banking[2]	187	179	163	–	–
FERI	236	223	224	223	232
DOMCURA	274	260	254	264	261
Holding[4]	16	6	6	7	7
Total	**1,783**	**1,722**	**1,686**	**1,768**	**1,802**

Date: December 31, 2019
[1] This segment existed until September 30, 2017
[2] The average values stated for 2017 refer solely to the fourth quarter of 2017
[3] Incl. TPC, ZSH, DI Vertrieb, DI Web, DI IT and MLPdialog
[4] Since 2019 including DI AG and DI Projekte

Development programmes for junior staff and managers

MLP offers development opportunities for employees at all levels. 2020 sees another group of participants venturing on the long-established "Top Talents" programme for junior staff. The objective of this programme is to systematically identify talented junior staff from within our ranks and then provide these with targeted and sustainable development opportunities for future specialist and management duties within the MLP Group. Participation in our modular management programme has been compulsory for all new managers since 2018. Young managers are trained in relevant areas and receive guidance and support in their new role.

New works agreements introduced

Several new works agreements were concluded in the reporting year. For the most part, existing works agreements such as the compensation system, working hours and company suggestion scheme works agreements were updated. In addition to this, the 39-hour week was introduced at MLP in the form of a corresponding works agreement. In light of the challenging labour market situation, we believe that this will enable us to make MLP even more attractive as an employer and help the company to win over and retain qualified high performers.

The ongoing digitalisation of personnel work remained a focus of activity in 2019. Work with the digital personnel file was further expedited, while preparatory work for automation of workflows was also performed. The payroll digitalisation process has also been completed successfully. The assessment and feedback meetings held with employees, which have been online-based since 2018, were once again presented using a software solution in 2019. In addition to this, agile work methods were gradually integrated at the company and then programmatically incorporated into personnel work in the form of training sessions and seminars.

Digitalisation of personnel work successfully continued

As in previous years, recruiting new consultants remained a key topic in 2019. The strengthening of the university segment, which was started in 2017, was successfully advanced in the reporting year. To learn about the everyday working life of an MLP consultant, 65 school-leavers and students took the opportunity to participate in our internship programme in the reporting year.

Recruitment of new consultants further expedited

The objective here is to be even more present at universities and thereby win over more new clients and young consultants. As at December 2018, we had 76 university team leaders in place. We are keen to continue and expand these activities further in 2020. The objective here remains to further significantly expand the net growth in consultant numbers that has already been achieved.

To also make it increasingly easier for experienced consultants to join the MLP Group, we have developed some very attractive models which, for example, recognise previously acquired qualifications and offer additional financial incentives. By taking these steps, we have set the conditions to achieve positive effects for our consultant recruitment activities from the consolidation of the sector.

A total of 1,981 consultants were working for MLP as self-employed commercial agents as of December 31, 2019 (2018: 1,928). We therefore once again recorded significant growth for the second year in succession. There were 130 branch offices (2018: 131), and a total of 93 university teams were established by the end of 2019. The average age of consultants is currently 45. The loyalty displayed by existing consultants remains very pleasing, as underlined by our employee turnover rate. This figure was 8.6% in 2019 – and thereby significantly below the target variable of around 10%.

Net growth in consultant numbers

Compensation report

Compensation policy

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

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

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

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

The ratio between fixed and variable compensation on the reporting date of December 31, 2019 is shown in the table below:

Executive Board member	Proportion of fixed components	Proportion of variable components
Dr. Uwe Schroeder-Wildberg	47.06%	52.94%
Manfred Bauer	47.23%	52.77%
Reinhard Loose	46.40%	53.60%

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

The key strategic objective is to bring about profitable growth. The key indicator and control variable is EBIT, which, as operating profit, is essentially the result of revenue and expenses. A variable compensation based on the EBIT performance is therefore a suitable measure for supporting this strategy. By splitting the variable compensation into an immediate payment and a deferred payment, variable compensation has a multi-year basis for assessment. This ensures that focus is not only on short-term success, but also the company's long-term performance.

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

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

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

The compensation policy is specified by the Supervisory Board and was endorsed by the shareholders in the course of the Annual General Meeting in 2019. The Supervisory Board reviews the compensation policy annually and has it endorsed by the Annual General Meeting in the event of any significant revisions.

Executive Board compensation

Principles of Executive Board compensation

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

45% of the bonus calculated in this way is to be paid as an immediate payment following presentation of the company's adopted financial statements. The remaining 55% is only to be paid as a "deferred payment" after presentation of the financial statements for the financial year two years after the year of the immediate payment. To calculate the deferred payment, the EBIT recorded in the base year as per the MLP Group's profitability analysis is compared with the average of the EBIT recorded in the three years subsequent to the base year and the updated base amount is then adjusted accordingly.

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

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

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

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

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

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

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

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

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

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

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

Allocation (All figures in €'000)	Dr. Uwe Schroeder-Wildberg		Reinhard Loose		Manfred Bauer	
	Chief Excecutive Officer		Chief Financial Officer		Member of the Board for Products and Services	
	since Jan 1, 2003		since Feb 1, 2011		since May 1, 2010	
	2018	2019	2018	2019	2018	2019
Fixed compensation	550	550	360	360	360	360
Fringe benefits	33	34	17	20	27	32
Total fixes compensation	**583**	**584**	**377**	**380**	**387**	**392**
One-year variable compensation	243	384	162	256	162	256
Multi-year compensation	231	273	152	182	154	182
2014 bonus (2014-2017)	231	0	152	0	154	0
2015 bonus (2015-2018)	0	273	0	182	0	182
Other	0	0	0	0	0	0
Total fixed and variable compensation	**1,057**	**1,241**	**692**	**819**	**703**	**830**
Pension benefits	261	267	140	150	150	150
Total compensation (in accordance with the German Corporate Governance Code (DCGK))	**1,318**	**1,508**	**832**	**969**	**853**	**980**

Granted benefits

Benefits granted (all figures in €'000)	Dr. Uwe Schroeder-Wildberg				Reinhard Loose			
	Chief Excecutive Officer				Chief Financial Officer			
	since Jan 1, 2003				since Feb 1, 2011			
	2018	2019	2019 (min.)	2019 (max.)	2018	2019	2019 (min.)	2019 (max.)
Fixed compensation	550	550	550	550	360	360	360	360
Fringe benefits	33	34	34	34	17	20	20	20
Total fixes compensation	**583**	**584**	**584**	**584**	**377**	**380**	**380**	**380**
One-year variable compensation	296	304	213	396	197	203	142	264
Multi-year compensation	421	512	0	990	281	341	0	660
2018 bonus (2018-2021)	421	0	0	0	281	0	0	0
2019 bonus (2019-2022)	0	512	0	990	0	341	0	660
Total fixed and variable compensation	**1,299**	**1,400**	**797**	**1,970**	**855**	**925**	**522**	**1,304**
Pension benefits	261	267	267	267	140	150	150	150
Total compensation (in accordance with the German Corporate Governance Code (DCGK))	**1,560**	**1,668**	**1,064**	**2,237**	**995**	**1,075**	**672**	**1,454**

Benefits granted (all figures in €'000)				Manfred Bauer
				Member of the Board for Products and Services
				since May 1, 2010
	2018	2019	2019 (min.)	2019 (max.)
Fixed compensation	360	360	360	360
Fringe benefits	27	32	32	32
Total fixes compensation	**387**	**392**	**392**	**392**
One-year variable compensation	197	203	142	264
Multi-year compensation	281	341	0	660
2018 bonus (2018-2021)	281	0	0	0
2019 bonus (2019-2022)	0	341	0	660
Total fixed and variable compensation	**865**	**936**	**533**	**1,315**
Pension benefits	150	150	150	150
Total compensation (in accordance with the German Corporate Governance Code (DCGK))	**1,015**	**1,086**	**683**	**1,465**

As of December 31, 2019 pension provisions of € 20.3 million (€ 17.1 million) were in place for former members of the Executive Board.

Compensation of the members of the Supervisory Board

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

Individualised Supervisory Board compensation

All figures in €'000 (without tax)	Compensation 2019	Compensation 2018***
Dr. Peter Lütke-Bornefeld (Chairman)	135	135
Dr. h. c. Manfred Lautenschläger*	-	45
Dr. Claus-Michael Dill (Vice Chairman**)	110	101
Tina Müller	55	55
Matthias Lautenschläger***	80	44
Burkhard Schlingermann	55	55
Alexander Beer	65	65
Total	**500**	**500**

* until June 14, 2018, until which time also Vice Chairman
**as of June 14, 2018 Vice Chairman
***as of June 14, 2018

In the financial year 2019 € 17 thsd (previous year: € 20 thsd) was paid as compensation for expenses.

RISK AND OPPORTUNITY REPORT

Risk report

Risk management system

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

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

Group-wide risk management

Within the scope of risk management, the following companies are incorporated in the Group-wide system of risk management (scope of consolidation pursuant to § 25a of the German Banking Act (KWG) - Germany's "MaRisk" minimum risk management requirements consolidation scope):

- MLP SE, Wiesloch
- MLP Banking AG, Wiesloch
- MLP Finanzberatung SE, Wiesloch
- MLPdialog GmbH, Wiesloch
- FERI AG, Bad Homburg v. d. Höhe
- FERI Trust GmbH, Bad Homburg v. d. Höhe
- FEREAL AG, Bad Homburg v.d. Höhe
- FERI Trust (Luxembourg) S.A., Luxembourg
- DOMCURA AG, Kiel
- Nordvers GmbH, Kiel
- nordias GmbH Versicherungsmakler, Kiel

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

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

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

Risk policies

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

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

The Executive Board and/or the Managing Directors are responsible for proper organisation of the business and its further development:

Irrespective of any supplementary internal responsibilities assigned, the Executive Board and/or the Managing Directors are responsible for proper organisation of the business and its further development at the company. They must introduce necessary measures for drawing up stipulations, unless the decision is made by the Supervisory Board. This responsibility includes defining appropriate strategies and setting up appropriate internal control procedures - thereby assuming responsibility for all significant elements of the risk strategy. Responsibility for specifying the business and risk strategy cannot be delegated. It is the responsibility of the Executive Board and/or the Directors to implement the strategy, assess the risks associated with it, as well as to put in place and monitor the necessary measures to ensure that these risks are limited. These also include development, promotion and integration of an appropriate risk culture. In addition to this, the Executive Board regularly drafts a declaration of the appropriateness of the risk management procedures adopted.

The Executive Board and/or the Managing Directors bear responsibility for the risk strategy.

The Executive Board of the controlling company defines the risk strategy for the MLP Financial Holding Group. The risk strategy reflects the risk propensity or "risk appetite" based on the targeted risk/earnings ratio. The Executive Board at the controlling company and the members of the Executive Board or Managing Directors at the controlled companies ensure that a comprehensive approach, incorporating all key risk types, is integrated in the company and that suitable steps are taken to implement the risk strategy.

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

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

MLP engages in comprehensive risk communication, including risk reporting.

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

Objective

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

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

Risk capital management, liquidity management and stress tests

Risk capital management - risk-bearing ability

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

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

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

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

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

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

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

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

Liquidity capacity

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

Concentration of risk

Risk concentrations can occur, regardless of the risk type. Alongside unilaterally aligned structures with regard to debtors or the investment structure, these can also be caused by unilateral focusing on individual products (earnings concentrations) or risk types. Potential risk concentrations are in particular analysed within the scope of the stress tests that are to be performed regularly.

In its private client business, MLP continues to focus clearly on the target group of academics. The continuous and focused further development of individual client groups by definition leads to concentration on individual products, such as medical practice financing. However, appropriate diversification and limitation are pursued within this framework. Focusing on the target group facilitates an attractive risk/return ratio, particularly when taking into account cross-selling effects from the holistic consulting approach, which reduces the earnings concentrations in the Group.

By preemptively reducing the emergence of risk concentrations in the proprietary business, the best possible diversification is pursued - among other things via minimum ratings, the tradability of the shares, as well as via issuer and sector limits and a corresponding maturity structure. To this end, capital investment directives are implemented at the key companies.

In addition to this, balance sheet items are balanced by applying a maturity-congruent strategy as a way of minimising market price and liquidity risks – taking into account both supervisory and internal stipulations.

Operational risks that can cause serious damage are hedged to the maximum possible extent.

The risk concentrations are regularly monitored, taken into account in the stress scenarios and reported.

Stress tests

Stress tests are performed on a regular and ad hoc basis for special analysis of the effects of unusual yet still plausible events. Their potential effects are then highlighted, also when assessing the risk-bearing ability. Comprehensive analyses have therefore been implemented, both at the level of the individual risk types and across all risk types. The market value effects on the financial situation, the liquidity situation and the results of operations as well as the concentration of risks are also investigated in this connection.

Organisation

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

Functional separation

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

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

Group Risk Manager

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

Risk controlling function

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

Risk management and controlling processes

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

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

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

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

Controlling monitors earnings trends

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

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

Internal controlling system in the accounting process

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

The units involved in the accounting process are particularly subject to the quantitative and qualitative requirements placed on them, which MLP meets with a clear organisational, corporate and control structure. To this end, employees tasked with performing the accounting process receive regular training. Group Accounting is the central point of contact for all questions in connection with accounting issues.

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

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

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

The bank's separate financial statements, as well as the consolidated financial statements, are generally drawn up using standard software. Group Accounting secures the completeness and accuracy of the relevant disclosures on the basis of the information provided.

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

Compliance function

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

Internal audits

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

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

Risk reporting

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

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

Statement of risks

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

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

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

Counterparty default risks

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

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

Credit management

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

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

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

All forms of traditional loan collateral are essentially used throughout. These are in particular mortgages on residential and commercial property, life insurance policies, securities, as well as assignments of receivables.

In addition to this, potential default risks are continuously measured and evaluated by comparing allowances for bad debts with the credit volumes subject to risk. For accounts that are regarded as carrying acute risk, we build up corresponding allowances for bad debts. You can find detailed information on the process, as well as development of loan loss provisions in the notes. Identified non-performing loans are transferred to specialist departments, where they are individually managed by experts. We use deferral in line with article 178 of the Capital Requirements Regulation (CRR) as the definition of default. As a matter of basic principle, allowances for losses on individual accounts are performed on a case-by-case assessment.

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

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

Market price risks

The MLP Financial Holding Group understands market price risks as the uncertainty regarding changes in market prices and rates (including interest rates, share prices, exchange rates and raw material prices), the correlations between them and their volatility. Alongside interest rate and share price risks, there are spread risks on proprietary investments. The investment currency is generally the euro. There are currently only very minor open risk items in foreign currency and commodities. Speculative use of financial instruments with a view to making profits in the short term was not conducted in the year under review, nor is it envisaged for the future. The MLP Banking AG continues to hold the status of a non-trading book institute. The subcategory of market price risk, which is important for us, represents the general interest risk.

Interest rate risks

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

Within the scope of risk-bearing capacity assessments, the interest risk is assessed using shifts in the interest rate curve in comparison with a constant interest rate structure of the interest-bearing and interest rate-sensitive items. Depending on the approach adopted, the change in net interest that is recognised in the income statement or a change in value of cash and cash equivalents is applied for one year with a simulated increase/reduction in the interest rate.

The possible effects of different interest development scenarios are portrayed via planning and simulation calculations. Within the scope of presenting the changes in present value of all items in the asset ledger relative to equity, applying the interest rate steps stipulated by the Federal Financial Supervisory Authority, all interest-bearing and interest rate-sensitive items are simulated. It is in this manner that the controlling of the interest risk is ensured.

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

Interest rate risks of the MLP Financial Holding Group

Amount in € million	Interest rate shock/parallel shift			
	Change in value + 200 BP		Change in value – 200 BP	
	2019	2018	2019	2018
Total	3.7	–0.1	–0.9	–0.4

Liquidity risks

The MLP Financial Holding Group understands liquidity risks to mean uncertainty in terms of the availability of funds to meet payment obligations or reduce risk items which are either insufficient or which can only be secured by accepting higher rates. Key components of the liquidity risk include both the insolvency risk (operational liquidity risk) and the refinancing risk (structural liquidity risk).

Operational liquidity control

Within the scope of strategic or short-term liquidity control at Group level, the liquidity risk is assessed and controlled in particular using the KPI from the Liquidity Directive and the Liquidity Coverage Ratio (LCR). In addition, the liquidity at risk (LaR) describes the anticipated net funding requirement from all payments, which will not be exceeded at a defined level of probability. Additionally, an expected shortfall is monitored for the assessment of any outliers. Sufficient funds were available to cover short-term liquidity requirements at any time.

Structural liquidity control

Structural (mid-to-long-term) liquidity control of the Group is performed on the basis of liquidity gap analyses, which highlight the anticipated development of liquidity over various time horizons (up to three years). In this connection, all assets and liabilities relevant for the refinancing profile are taken into account in accordance with their term. The funding matrix compares a surplus or shortfall of financing means with refinancing potential (liquidity reserve) for each time horizon. To this end, the assets that are available for sale in the short-term and mid-term and not tied up in operational liquidity control are compiled and assigned to classes on the basis of their speed of sale.

The net stable funding ratio (NSFR) compares the available refinancing with the stable refinancing required. This performance indicator serves as a key balance sheet ratio.

The general aim when examining the liquidity risk within the scope of the risk-bearing ability is to determine the additional costs that occur in the context of the structural refinancing requirements. To determine the additional refinancing costs, the liquidity value-at-risk (LVaR) is determined for the capital requirements, themselves determined on the basis of the funding matrix. To this end, the additional costs accrued across all refinancing instruments are added together. Alongside the compressed LVaR key performance indicator, the distribution of the capital requirements across the refinancing instruments and their utilisation is also presented.

In addition to this, the effects of various cash flow scenarios, and thereby also on the liquidity situation of MLP, are analysed using the funding matrix. The additional monitoring metrics (AMM) serve as supplementary information here.

When determining the LVaR as of December 31, 2019, net cash inflows for the year were in line with forecasts and no additional refinancing costs are thus expected to occur.

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

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

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

Operational risks

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

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

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

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

Risks from internal procedures

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

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

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

Risks from human errors and employee availability

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

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

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

IT risks

To effectively manage IT-related risks, the MLP Financial Holding Group operates a comprehensive information security management system.

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

Risks from external events

Companies operating in the financial services sector are focusing on their core competencies, i.e. production of financial services products, support and information services, specialist consulting and sales expertise. In this market environment, the MLP Financial Holding Group makes use of external partners for activities that are not part of its core business. Based on Germany's "MaRisk" minimum risk management requirements, key outsourcing activities are incorporated into risk management within the standard scope of risk control and management processes with continuous risk identification, assessment, control and reporting (outsourcing analysis). The MLP Financial Holding Group operates a central system of outsourcing management. Responsibilities for outsourced processes are clearly defined here. This ensures that any potential organisational, structural or process-based risks that may occur due to outsourced business activities are closely controlled

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

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

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

The Executive Board has also set up a compliance function, the duties of which include identification and monitoring of the key legal provisions and requirements. Non-compliance can potentially jeopardise the assets of MLP and the MLP Group and can lead to significant reputation risks. The Compliance function advises and supports management, as well as the responsible specialist departments. It works towards implementation of effective procedures ensuring compliance with substantive provisions and internal regulations as well as corresponding control measures performed by responsible units. It also provides regular reports, including ad hoc reports on its activities to both management and the Supervisory Board when and where necessary. The compliance function also promotes and strengthens the Group-wide risk culture.

Legal risks

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

Taxation risks

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

Capital charge according to the basic indicator approach

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

Other risks

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

Reputation risks

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

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

The potential risk of mistakes made while providing consulting services to our clients also impacting our reputation is minimised by securing continuously high-quality consulting. The instruments used to secure this high level of consulting include IT-based consulting tools. Besides that, comprehensive documentation is provided of consultations with clients.

General business risks

General business risks are those risks that arise as a result of altered framework conditions. These, for example, include the market environment, client behaviour, sustainability risks or technical progress. Achieving the planned results can potentially be jeopardised as a result of inadequate alignment of the company to the respective business environment, which may have changed abruptly. The necessary alignment, for example with individual products or a special client segment, also bears the risk of making the operating results excessively dependent on the earnings contribution of these products or this client group. Risks due to earnings concentrations can potentially occur as a result of changes in the market. Strategic risks can in particular occur as a result of an inadequate strategic decision-making process, unforeseeable discontinuities in the market, products and services that have not been properly matched to the market or poor implementation of the chosen strategy.

We consider sustainability risks to include events or conditions resulting from the environment, social issues or corporate management, whose occurrence can have actually or potentially significantly negative effects on MLP's net assets, financial position and results of operations, as well as its reputation. This also includes climate-related risks in the form of physical risks and transition risks. Alongside general business risks, sustainability risks can also manifest themselves in all risk types, which is why we do not rate them as a dedicated risk type, but rather based on issues encountered within the scope of the respective relevant risk type.

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

The ongoing period of low interest rates has further intensified competition in the sale of financial services in Germany and accelerated consolidation of the heavily fragmented market. New competitors have entered the market in the form of fintechs and insuretechs, focusing on sub-processes in the financial and insurance sectors. Social changes, new regulatory requirements and competitors, as well as identifiable trends in client behaviour are all factors which can have a significant influence on MLP's business. The potential effects resulting from amendments to the Life Insurance Reform Act (LVRG) involve a certain degree of uncertainty.

In the mid-to-long-term perspective, the forecast demographic development in the Federal Republic of Germany will lead to a significant pension shortfall that is likely to result in increased demand for private provision measures (in old-age provision, wealth management and real estate). The scepticism being displayed by the population with regard to political efforts to eliminate the pension shortfall would seem to support this. However, the prolonged low interest rate environment and the reduced attractiveness of long-term, fixed-rate investments associated with this are leading to reservations when it comes to signing old-age provision contracts. The discussion on transaction platforms in the field of life insurance are also negatively impacting trust among consumers. In addition to this, the low unemployment rate – which is actually pleasing from the perspective of client potential – and the resulting increase in competition for qualified staff represents a challenge for MLP in terms of winning over new consultants.

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

Risk-bearing ability & capital requirements

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

In 2019, the Executive Board made a risk coverage fund available based on the risk coverage potential (sum of free supervisory equity and plan EBT) up to an upper threshold of € 105 million to cover the following risk types that MLP categorises as significant: counterparty default risk, market price risk, liquidity risk, operational and other risks.

With a share of 53.7% and 38.4% respectively, counterparty default risks and operational risks take up the majority of the risk coverage fund available.

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

Risk-bearing ability of the MLP Financial Holding Group

Risk bearing ability	2019 Utilisation (in %)	2018 Utilisation (in %)
Risk and capital commitment	77.4	74.6
thereof:		
Counterparty default risk	78.7	73.4
Market price risk	61.4	53.4
Operational risk	82.1	83.4
Liquidity risk	0.0	0.0

Capital adequacy requirements under banking supervisory law

A consistent minimum ratio of 4.5% continues to be required for the backing of risk assets with eligible own funds for Tier 1 common capital. As in the previous year, these requirements have not changed during the financial year 2019.

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, intangible assets, treasury stock and goodwill reduce Tier 1 common capital.

As was also the case in the previous year, the MLP Financial Holding Group fulfilled all legal requirements relating to minimum capital adequacy throughout the financial year 2019. The relationship between the risk assets and equity capital on the balance sheet date is illustrated below.

Supervisory KPIs

Shareholders' equity (in € million)	2019	2018
Tier 1 common capital	289.6	288.9
Tier 1 additional capital	–	–
Tier 2 capital	–	–
Eligible own funds	289.6	288.9
Capital adequacy requirements for counterparty default risks	89.5	77.6
Capital adequacy requirements for operational risk	31.1	40.1
Core capital ratio (in %)	19.21	19.64
Tier 1 common capital ratio (in %)	19.21	19.64

Summary

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

Both the MLP Financial Holding Group as a whole as well as the business segments always acted within the scope of their financial risk-bearing ability in 2019.

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

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

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

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

Opportunity report

Opportunity management

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

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

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

Opportunities

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

Opportunities from changing framework conditions

The economic forecasts for the year 2020 suggest only limited opportunities for MLP. Economic experts are still predicting that Germany will enjoy further growth, albeit with little momentum. Should the German economy enjoy better development than that assumed in our forecast, this will only have an indirect influence on short-term operating developments.

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

Corporate strategy opportunities

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

Interlinking these areas with one another and with the private client business will furthermore enable us to create corresponding revenue potential. In the private client business itself, MLP has an important USP thanks to its broad positioning. Further developing these opportunities offers important potential for the next few years. Additional increases are also possible, particularly in the wealth management business field, in which MLP clearly sets itself apart from the market through its highly transparent price model, yet also in the non-life insurance business field, in which MLP is developing the business of its subsidiary DOMCURA. In addition to this, there is potential to further develop the real estate business – in particular following integration of the DEUTSCHLAND.Immobilien Group.

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

Business performance opportunities

As a service provider, our operational tasks comprise sales, product selection and sales support. Following the mid-year acquisition of a majority stake in DI Deutschland.Immobilien AG and its subsidiaries, project business in the area of property with nursing care and senior citizen housing has been added.

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

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

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

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

Opportunities in the real estate business that goes beyond current planning could arise due to planned projects being implemented more quickly and cost-effectively or indeed through implementation of a greater number of projects.

Opportunities from development of asset and risk positions

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

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

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

Summary

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

FORECAST

Future overall economic development

The economy in the eurozone is likely to recover slightly in 2020. According to data published by the FERI Group, the expansive monetary policy and the break in the trade dispute between the US and China will be the greatest contributors to this. Accordingly, the eurozone and Germany will continue to enjoy economic growth stimuli over the coming quarters. However, the international economic environment remains a significant risk factor. FERI Investment Research is anticipating growth of 1.2% in the eurozone for 2020.

Germany facing structural deficits

Although the German economy is anticipated to record moderate growth in 2020, there are still uncertainties - primarily because Germany's industry is more heavily impacted by the international economic environment than the rest of the single currency zone. Indeed, the threat of the US introducing import duties on passenger vehicles and vehicle parts would have a severe impact on the German economy.

The risk of international economic encumbrances also impacting domestic demand in Germany is significant. Stifled figures from the employment market are already providing some initial warning signs here. However, discernible wage and pension increases are continuing to have a positive effect on private consumption and are likely to bolster the economy, at least for the time being. FERI Investment Research is forecasting economic growth of 0.8% for Germany in 2020.

Employment market prospects less dynamic

Based on estimates of the Institute for Employment Research of the German Federal Employment Agency (IAB), the employment market in Germany is likely to develop less dynamic than before. The economic downturn will put a stop to the decline in unemployment in Germany in the near term. With regard to the average for 2020, unemployment is therefore likely to stagnate at around the same level as 2019. In terms of gainful employment, the experts from the IAB are forecasting a slight increase of 120,000 persons.

However in the long term, the employment market will develop positively, especially for skilled professionals. Basel-based research institute Prognos estimates that there will already be a staff shortfall of around 1.8 million persons in Germany in 2020, including 1.2 million positions for those with vocational qualifications and around 500,000 for university graduates. Based on information provided in the Prognos survey, the labour shortage could even reach 3.9 million by 2040.

Salaries and wages on the rise – albeit at a slower pace

Private households in Germany will also benefit from a significant increase in salaries, as well as an increase in disposable income in 2020. The Tax Estimation Workgroup is forecasting a 3.2% increase in gross salaries and wages for 2020. At an increase of 3.1%, the disposable income of private households is also set to rise considerably. FERI Investment Research is anticipating a savings rate of 10.8% in Germany for 2020 (2019: 10.9%).

Future industry situation and competitive environment

Old-age provision

With the exception of occupational pension provision, the old-age provision sector will continue to operate in a difficult market environment, in which reservations regarding signing long-term contracts are likely to continue. This applies to private pension provision despite state subsidies/allowances, the falling pension level and increasing life expectancy. In its 2019 Pension Insurance Report, the German government stressed that the decline in the level of the statutory pension can only be compensated through supplementary provision and use of state subsidies/allowances. Due to the growing pension shortfall, the market potential remains promising in particular among MLP's clientèle.

Statutory pension only stable up to 2025

The German government's pension package, which came into force on January 1, 2019, provides for a constant pension level of 48% up to 2025. It is currently at 48.2%. In addition, the premium rate will not exceed the 20% mark before 2025. Based on current calculations, it is likely to remain unchanged at 18.6% up to and including 2024. According to the German government's 2019 Pension Insurance Report, the premium rate will then rise to 19.8% in 2025. Based on the current legal situation, the pension level could potentially fall to 43% by 2030, while the premium rate could potentially rise to 22%. A pension commission, established by the government, is currently working on drawing up information as to how the pension system in Germany is to be secured for the period after 2025. You can find further information on this in the section entitled "Competition and regulation".

Underestimated life expectancy

The results of a Forsa survey, commissioned by the German Insurance Association (GDV e.V.), indicate that German citizens are living significantly longer than they think. According to this survey, Germans are underestimating their own life expectancy by almost five years on average. While those surveyed believed that they would reach an average age of 82.8, statistics indicate that the real figure might be closer to 87.7 years.

Gap in provision likely to increase

Calculations performed by research institute Prognos on behalf of the German Insurance Association (GDV e.V.) show that the young generation in particular must take action if it wishes to secure its standard of living on reaching retirement age. According to the information provided, younger generations need to invest around twice as much as older generations in order to make up for the old-age provision shortfall. While anyone born in 1960, for example, needs to save around 2.1% of their earned income, it is around 4.4% for those born in 1975 and 3.9% for those born in 1990. If interest rates remain at their current low levels for an extended period of time, the survey suggests that younger generations may even need to consider saving more than 8% of their earned income.

Pension information portal still some way off

Insurance companies believe that the coalition government is facing a tough task with the planned pension information portal. A survey performed by MLP indicates that 70% of insurers doubt whether the German government will introduce the portal for providing information on old-age provision (stipulated in the coalition agreement) by 2021. The goal with the planned online portal is to provide German citizens with a quick and easy overview of the payments they can expect to receive from statutory, private and occupational pension plans.

Greater incentivisation for basic pension from 2020 onwards

The state supports supplementary old-age provision in Germany. In 2020, the maximum tax-deductible amount in Tier 1 is to increase from € 24,305 to € 25,046 for single persons. At the same time, the percentage of premiums paid that is taken into account by the tax authorities is set to increase from 88% to 90%. These figures are doubled for married couples.

German SMEs are beginning to take up the opportunities offered by occupational pension provision and the legislation to strengthen occupational pension provision in Germany (BRSG). This was the conclusion of a survey undertaken by Generali Deutschland. According to information provided in the survey, the proportion of companies surveyed that will in future seek to expand their own occupational pension provision offering to take advantage of the opportunities presented by the BRSG legislation has doubled from 24% to 47% within just one year.

Occupational pension provision holds great potential

The importance of the occupational pension provision business is also growing from the perspective of brokers. The "AssCompact Market Survey of Occupational Pension Provision 2019" indicates that around three quarters of brokers (74%) currently expect occupational pension provision to become more important in their brokerage business over the course of the next five years.

As determined by the youth study undertaken by MetallRente, occupational pension provision has particular future potential among young savers. Indeed, 81% of the 17 to 27-year-olds that are not yet saving anything consider occupational pension provision the most attractive form of investment.

Based on estimates of ratings agency Assekurata, we are unlikely to see an end to the low interest rate phase in the short-to-medium term. The market environment for the life insurance sector therefore remains challenging. According to a statement published by the German Federal Financial Supervisory Authority (BaFin), pension schemes are being hit by the current low interest rate phase. Indeed, they might even face problems in paying out all occupational pensions in the mid-term. The Insurance Markets Commission of the German Insurance Association (GDV e.V.) is anticipating an overall growth corridor of between -0.6% and +2.7% for the life insurance business in 2020.

Sector facing major challenges

Wealth management

FERI is anticipating a global economic recovery in the investment year 2020, although the extent and duration of any such recovery are likely to be limited. Set against the background of an expansive global monetary policy, the positive trend on the stock markets may then continue, at least in the short term. Yet despite this, the global economy and the capital markets are still facing serious risks, which could serve to cloud the overall sentiment over the course of 2020. FERI believes that US politics represent a particular risk factor. The impeachment proceedings against US President Trump not only threaten political stability in the US but could potentially also motivate Trump to take arbitrary action in terms of the country's foreign policy. In addition, the capital markets could begin to factor in the consequences of a possible election victory by the opposing Democrat candidate over the course of 2020.

The need for high-quality wealth management services is set to increase in the long term, due to the constantly growing number of high net-worth individuals. According to the Global Wealth Report published by Credit Suisse, total worldwide wealth is likely to increase by just under 27% to US$ 459 trillion by 2024. The number of millionaires is likely to increase significantly in the next five years to almost 63 million.

Worldwide wealth on the rise

The German Institute for Economic Research (DIW) has calculated that inherited wealth is likely to be around 28% higher than previously assumed over the course of the next few years. According to information provided by the survey authors, this is because previous estimates were based solely on assets and did not take into account factors such as regular savings or potential increases in value. According to figures from the German Institute for Economic Research (DIW), the total inherited wealth in Germany is therefore likely to reach a level of just under € 400 billion per year by 2024.

Inherited wealth continuously increasing

According to the 2019 Wealth Barometer of the Deutsche Sparkassen- und Giroverband, the low interest rate is playing an increasing part in investment decisions – especially among those on a higher income. To avoid the issues associated with low interest rates, over half (54%) of savers with an income of more than € 2,500 per month are planning to adjust their savings behaviour and reallocate assets to other investment products – or have already done so.

Low interest rates influencing savings behaviour

Sustainability is today a key factor when rating companies and the performance of investments. Based on estimates of the investment experts at FERI, sustainable investment strategies offer great market potential and are developing into a dominant trend in the investment industry. New regulatory requirements will also make it vital, in particular for professional investors, to align investments with sustainability criteria. Yet, FERI also anticipates increasing demand among private investors and family offices.

Investors focussing on sustainability

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

Institutional investors keen to expand their commitment to alternative investments

Within this context, we expect to see an increased need for professional consulting services in the field of wealth management among all of the Group's target client groups for the financial year 2020.

Non-life insurance

Non-life insurance will play an increasingly important role in the market in the future. Based on estimates of independent brokers, the growth trend recorded in this business field over the last few years will continue. According to a survey performed by AssCompact, more than three quarters of brokers surveyed are anticipating non-life insurance business to become more important. Respondents are expecting an increase in revenue, in particular from building insurance policies. This can primarily be attributed to increasing premium income, resulting from high expenditure on claims by insurers, as well as the increased sensitivity of homeowners to the kind of natural phenomena that are now occurring increasingly often, such as torrential rain. Insurance products have undergone major changes over the last few years and there is a trend towards higher quality coverage here.

In addition to private non-life insurance business, brokers believe that the commercial sector is set to become increasingly important. Alongside securing and expanding their portfolio base, the reasons for this in particular include growing demand among traders. These are the results of the "AssCompact – Commercial Property/Casualty Business Survey 2019" study. Respondents stated that they are anticipating positive development over the next one to three years, particularly for cyber insurance policies.

Commercial insurance policies offer potential

A survey undertaken by Gothaer also supports this. Accordingly, 36% of larger SMEs with between 200 and 500 employees are planning to conclude a cyber insurance policy in the next two years. These companies also have the greatest fear of cyber attacks. Overall, 23% of all surveyed SMEs are planning to conclude a cyber insurance policy in the course of the next two years.

Demand for cyber insurance policies growing

According to information provided in the Gothaer SME Survey 2019, business liability insurance is the most popular type of insurance and represents 88%. However, there is still considerable potential for all other commercial insurance policies. Indeed, only around half of all companies (56%) have commercial building insurance policies in place, while fewer than one in three companies (29%) are covered by an electronics insurance policy.

Many SMEs still without adequate insurance coverage

Overall, the German Insurance Association (GDV e.V.) anticipates a further increase in premium income of 2.5% for 2020 in the property and casualty insurance line of business.

Health insurance

Access to private health insurance will also be further restricted in 2020 as a result of the increase to the statutory insurance limit from € 60,750 to € 62,550 per year. Only those employees with income above this threshold will have the opportunity to switch over to private insurance. Anyone earning less than the threshold is subject to compulsory insurance in the statutory health insurance system.

Increasing premiums in the statutory health insurance system

Although it was possible to reduce the average additional premium paid into the statutory health insurance system by 0.1 percentage points to 0.9% last year, largely thanks to the good revenue situation of the statutory health insurance funds, it is set to increase again in 2020 and will amount to 1.1% from then on. This indicates that statutory health insurance policy holders should also expect to pay significantly increasing premiums in the long term. Based on calculations performed by the German Association of Actuaries (DAV), the premium rate in the statutory health insurance system could rise to almost 25% and, in the long-term, care insurance to 8.5% by 2060. The main reason behind this is the demographic shift in Germany.

Private health provision remains relevant

As highlighted by the "Continentale Survey 2019", the vast majority of those paying into statutory funds are worried about the future of the healthcare system in Germany. Indeed, 82% are worried that good health provision is costing or will in future cost a lot of money on top of the statutory health insurance premiums. Many consider private provision to be the right solution here. Three quarters of respondents that pay into the statutory health insurance system (77%) believe that good cover will only be possible with private provision.

Private supplementary and long-term care insurance holds great potential

A recent survey undertaken by the Chamber of Insurance indicated that the vast majority of German citizens feel as though they are poorly prepared from a financial perspective should they require long-term care. Only 36% stated that they feel well covered for the event that they need nursing care later in life. Accordingly, 92% are also convinced that additional voluntary provision is required to cover the risks associated with the need for long-term care. However, only 34% currently have corresponding provision in place. A survey conducted by AssCompact therefore rates the future of private supplementary and long-term care insurance policies as positive. 62% or 66% of brokers surveyed believe that private supplementary or long-term care insurance will become very important over the next few years.

The Act to Reduce the Burden on Families (Angehörigen-Entlastungsgesetz), which came into force on January 1, 2020, has provided new developments in the field of long-term care. Accordingly, adult children whose parents require nursing care but cannot finance this themselves are only required to make maintenance payments when their gross annual income exceeds € 100,000. Previously, so-called minimum excess payments were in place, which had to be covered by the person(s) required to pay maintenance and were stipulated by the Higher Regional Courts. In 2019, these were generally € 1,800 for the child and an additional € 1,440 for their spouse.

Occupational health insurance on growth trajectory

The occupational health insurance business is continuing to grow in Germany. According to the Association of Private Health Insurers, some 820,000 persons had occupational health insurance provision in place as of December 31, 2019 (+8.3%). The number of employers offering occupational health insurance increased by 32.0% over the previous year to 10,200. In a survey performed by AssCompact, 49% of brokers surveyed indicated that occupational health insurance will become increasingly important in the future.

Real estate

Demand for housing will continue to rise up to 2040 and beyond. This is the conclusion of the "Real Estate Forecast 2060" published by the University of Freiburg. According to information provided in the survey, the trend towards smaller households will in particular continue to drive demand for decades and thereby partially contradict demographic changes. The living space per person is also likely to continue increasing.

Real estate gaining in value in many regions

Based on projections of the University of Freiburg, real estate prices will also continue to rise until 2030 – particularly in urban centres and prestigious locations. These more popular areas should even expect to see property prices continue to rise until 2060. In many regions, strong demand is leading to significant residential property appreciation.

Many German citizens planning to purchase real estate

According to the "Wealth Barometer 2019", some 31% of those aged between 20 and 50 are planning to acquire real estate, compared with a figure of just 19% two years ago. This applies in particular to young people as the group of 20 to 29-years olds represents 50%, which is significantly above the average. In 2017, only 29% of people in this age group were looking to purchase property. Purchasing an owner-occupied home is particularly popular. More than half (56%) of potential purchasers aged between 20 and 50 are keen to purchase an owner-occupied property, while 24% plan to purchase both a buy-to-let and an owner-occupied property.

Need for warden-assisted apartments and senior citizen residential properties on the rise

Properties with nursing care are becoming increasingly popular as an investment. The need for compact dwellings with nursing care will increase in future as a result of the demographic shift. There are likely to be 4.4 million citizens requiring nursing care in Germany by 2030 and as many as 5 million by 2040. This corresponds to an increase of 26% or 42% respectively compared to 2017. This is the conclusion of the "Nursing Home Rating Report 2020" of the German Institute for Economic Research in Leibniz (RWI). The survey forecasts that some 378,000 additional inpatient nursing care places will likely be needed by 2040.

Loans and mortgages

The prime rate of the European Central Bank (ECB) has been at a record low of zero per cent since March 2016. No end to the low interest rate phase is currently in sight. At the start of her term in office during the reporting period, new Head of the ECB Christine Lagarde announced that she would not be seeking to make any changes to the expansive monetary policy pursued by her predecessor, Mario Draghi, in the foreseeable future.

Low interest rate environment and negative interest

At the end of 2019, the German Development Bank KfW announced that it would be launching promotional loans with negative interest rates from 2020 onwards. However, the on-lending banks cannot yet handle the negative interest rate in their IT systems. Mortgage lenders therefore will not be able to benefit from this directly in the near term. Yet despite this, Head of the German Development Bank (KfW) Günther Bräunig generally expects all regular and savings banks to be capable of passing on the negative interest rate to end customers by autumn 2020. However, slight increases in the construction interest rate were observed in the market in the last few weeks of 2019, although the level is still very low and is likely to remain that way.

German citizens very willing to take on debt to finance their own home

In light of the low interest rate environment, acquisition of real estate is also likely to remain very attractive in the future. According to the "Wealth Barometer 2019" of the Deutsche Sparkassen- und Giroverband, almost a third (31%) of German citizens aged between 20 and 50 are planning to acquire property. This figure then increases to one in two among those aged between 20 and 29 (50%). The willingness to take on debt remains as high as ever. Indeed, a total of 82% of potential property purchasers aged between 20 and 50 would be willing to take on debt to finance their own home. 39% would be prepared to take on a mortgage to cover up to 60% of the purchase price, while 28% would be willing to finance up to 80% and 15% would even be prepared to take on debt to finance up to 100% of the purchase price.

As was already the case in the previous year, the "Baukindergeld" family housing grant scheme could also provide additional impetus in 2020. However, the grant scheme expires at the end of 2020 and the German government is currently not planning to extend it.

Impetus through "Baukindergeld" family housing grant scheme

Competition and regulation

In 2019, the German Federal Ministry of Finance (BMF) presented a draft bill for capping commission in the life insurance sector and for credit life insurance policies. However, the matter has not yet been dealt with by the cabinet. Despite this lack of action, the political discussion on this topic is continuing and the parliamentary process is likely to commence in 2020. However, the planned capping is unlikely to come into force before the start of 2021, so it will not have any direct impact on MLP's operating business in the field of old-age provision in 2020.

Sluggish parliamentary process regarding legislation to cap insurance commission

If the German Federal Ministry of Finance (BMF) decides to introduce the commission cap described in the draft bill, many free brokers – unlike our MLP consultants – will need to fear for their continued existence. The average reduction in terms of annual commission income is likely to be around 27%. Around one in four brokers – more than 27% – are even anticipating cuts of at least 40%. Only 13% are forecasting declines of less than 10%. These are the results of the latest Broker Barometer survey performed by the Federal Association of German Financial Services Providers (AfW e.V.), which questioned around 1,550 brokers on various issues, including the concrete effects of the planned regulation. Effects of the introduction of such a commission cap would be felt by MLP at the earliest in 2021. However, since any such effects would be significantly lower for MLP than the market as a whole, MLP would likely be able to benefit from the further consolidation in the mid-term.

Commission cap placing a strain on brokers in the market

A draft bill of the German Federal Ministry of Finance (BMF) to transfer supervision of financial investment brokers to the Federal Financial Supervisory Authority (BaFin) was published at the end of December 2019. Accordingly, transfer of supervisory duties is scheduled for 2021. The annual costs to the Federal Financial Supervisory Authority (BaFin) for performing these duties are around € 36.4 million. These costs are to be borne by the affected companies on the basis of "the obligation to pay a levy as well as separate reimbursement of arbitrary fees and costs to the Federal Financial Supervisory Authority (BaFin)". As a financial institution and provider of a liability umbrella for its investment advisers, MLP Banking has already been supervised by the Federal Financial Supervisory Authority (BaFin) for years. The planned regulatory step, a government policy that is set out in the coalition agreement, therefore applies exclusively to other market members.

Transfer of supervisory duties for financial investment brokers to the Federal Financial Supervisory Authority (BaFin)

The pension commission, which was established in 2018, is set to present its report in March 2020. This should provide recommendations as to which measures the government should implement in order to stabilise the pension system to the end of the current review period in 2025 and beyond. The committee is made up of a total of 10 members. These are social experts from the parliamentary groups of the CSU and SPD, trade union and employer representatives, as well as three scientists.

Pension commission presents report

Following a comprehensive internal discussion, the CDU passed a resolution at its party conference in November 2019 to grant a phase for improving penetration of the Riester pension, which has also been criticised by its government partner, among the general population. It is demanding an increase of around 30% over the current situation within three years. Those involved all agree that various improvements to the current structure of Riester pensions are necessary for this, including relaxing the fixed premium guarantee that is currently reducing returns significantly in the low interest rate environment. However, MLP believes that Riester pensions can still be a prudent old-age provision component for our clients in many cases.

Riester pension under observation

The regulation on sustainability-related disclosure requirements in the financial services sector, published in the Official Journal of the EU in December 2019, will be adopted for the first time from March 10, 2021. The objective of this regulation is to inform investors more effectively of the extent to which providers and brokers of financial investments take into account sustainability considerations.

Sustainability-related disclosure requirements in the financial services sector

Information, analyses and investment parameters associated with the Sustainable Development Goals (SDGs) are also incorporated in various phases and steps at FERI throughout the entire investment process. FERI is already proactively offering its clients various services that grant them transparency in terms of the degree of compatibility and support of their investments with regard to the UN SDGs and allows them to increase this at the various stages of the investment process. The extent to which SDG compatibility can be increased depends on the respective investment objectives and restrictions of the clients.

In certain circumstances, the new legislation can have effects on the companies incorporated in the supervisory scope of consolidation, and thereby on the capital adequacy of the MLP Group, due to regulatory guidelines of the Capital Requirements Regulation (CRR II) and Capital Requirements Directive (CRD V).

Adjustments to capital adequacy requirements through regulatory changes

Over the next few years, the regulatory bodies are likely to continue work on ways to make the costs associated with financial products more comparable for clients, while clients themselves are likely to become more conscious about costs and consulting quality overall. Fee-based consulting in particular is likely to remain an important topic in the world of politics. MLP today already offers fee-based consulting in those areas in which we sense corresponding demand on the part of our clients, such as retirement planning.

Further regulation to be anticipated

In the field of investment advisory services, the Fee-Based Investment Advice Act, which came into force in 2014, has not had any appreciable effects to date due to continued application of non-competitive provisions pertaining to historic policies. However, should any further market potential actually materialise here, MLP is already well-positioned to handle this, as new wealth management business is already remunerated on a fee-like basis at MLP.

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

Well prepared to handle new regulatory requirements

Anticipated business development

In the old-age provision business, MLP expects the reservations displayed when it comes to signing long-term provision contracts to continue throughout the market, primarily due to the ongoing period of low interest rates. The product landscape in the old-age provision market is continuing to undergo change as a result of this. Alternative guarantee concepts are enjoying ever increasing demand and gaining further ground throughout the market. MLP has already assumed a pioneering role in the brokerage of these concepts and we are increasingly benefiting from this. The ongoing discussion on the planned capping of commission (Life Insurance Reform Act (LVRG)) is generating uncertainty in the life insurance sector. For the time being, we can only wait and see whether and how things progress with the present draft bill in the political process. However, no direct effects of any commission cap in the life insurance sector should be expected until the planned introduction date in 2021 at the earliest.

The strengthening of our university segment, on the other hand, is likely to provide positive stimulus. Alongside insurance cover, our consultants are also starting to broker initial provision modules here. The legislation to strengthen occupational pension provision in Germany (BRSG), which already came into force in 2018, is likely to continue providing positive impetus in this area. To accompany and support this, MLP implemented its digital occupational pension provision portal for small and medium-sized enterprises in 2019 and will use it even more intensively for sales in 2020. This portal makes it easier for employers to manage their occupational pension provision contracts, while providing employees with clearly structured and compact information on their company's occupational pension provision offers. We are anticipating overall new business and revenue in the old-age provision business field to be slightly above the previous year's level in the financial year 2020.

Over the course of the next few years, we generally expect to see an increased need for consulting services in the field of professional wealth management among all of the Group's target client groups. More and more clients of MLP Banking AG are approaching the age at which financial investments become significantly more important to them, not least due to their increasing personal wealth. Above all, we see significant growth opportunities through the massive potential of this consulting field among our client base at MLP. At FERI, we are continuing to also benefit from the comprehensive expertise in alternative forms of investment. However, in light of low interest rates and moderate economic growth, the capital market environment is likely to be dominated by pronounced volatility and remain challenging in the financial year 2020. It is therefore safe to assume that both private and institutional investors will continue to display risk-averse behaviour. Volume-based and performance-based compensation could also decline. The MLP Group anticipates a slight overall increase in revenue in this consulting field.

In the non-life insurance consulting field, we continue to see growth potential both on the concept side (DOMCURA) and from a sales perspective (MLP Finanzberatung). Following the successful introduction of package products for private clients by DOMCURA and the introduction of luggage insurance in the previous years, further improved offers for building insurance were introduced. There is also further growth potential in MLP's client base in terms of catering even more comprehensively to existing requirements in the non-life insurance consulting field. To this end, special products were most recently developed for the MLP target groups of students and physicians. Overall, we are therefore expecting a slight increase in revenue in the non-life insurance consulting field for 2020.

Market conditions in the field of health insurance are unlikely to display any significant improvement in the short-term. The Statutory Health Insurance Contribution Relief Act (GKV-VEG), which came into force on January 1, 2019, weakened the competitive position of comprehensive private insurance providers. Nevertheless, it was still possible to stop those holding private health insurance from making the switch to the statutory health insurance system throughout the market. According to the latest figures of the Association of Private Health Insurers, the positive balance was around 12,000 persons in 2019, which is still a long way behind the figures recorded in previous years. The supplementary insurance consulting field continues to hold growth potential. We also believe that occupational health care has a promising future. Overall, we expect revenue in the field of health insurance in 2019 to be on the previous year's level.

Within the scope of the holistic investment strategy and in light of the low interest rates, we currently see real estate as one of the most popular investment opportunities for our target group. Indeed, we see particularly great growth potential in the brokerage of new buildings and concept-driven properties. This applies in particular to nursing care and senior citizen housing. With the acquisition of the DEUTSCHLAND.Immobilien Group (DI), which will be reflected in full in our revenue figures for the first time for the financial year 2020, we were able to ad specialist expertise and the existing business of DEUTSCHLAND.Immobilien with affiliated brokers in this field. We are also benefiting from an extended product range for our consultants. We are therefore expecting to broker a significantly higher real estate volume in 2020 than in the previous year and anticipate sales revenue to increase quite sharply here. In addition we are expecting a slight increase in revenue in the loans and mortgages consulting field.

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

Analysis of revenue performance 2020 (compared to the previous year)

2020	
Revenue from old-age provision	Slight increase
Revenue from wealth management	Slight increase
Revenue from non-life insurance	Slight increase
Revenue from health insurance	Unchanged
Revenue from real estate	Sharp increase
Revenue from loans and mortgages	Slight increase

Continuation of the growth initiatives

MLP will continue to drive forward the strategic further development of the previous years. Initiated and successful growth activities will be continued to this end.

Focus still on physicians

For 2020, we are planning to focus our activities even more keenly on the physician market, among other things by further developing the target group segment of entrepreneurial physicians, the diversification of activities in the field of classic practices, expansion of association work and cooperations, as well as intensification of the qualification measures for MLP consultants. Appointment of a dedicated Division Director on February 1, 2020 supports this objective.

Further acquisitions possible

Consolidation is taking place in the market of MLP Finanzberatung SE's line of business. Regulation and margin pressures are motivating many market members to rethink their strategic positioning. MLP sees itself as a proactive participant in the market consolidation in this area. However, horizontal acquisitions are to be reviewed in detail, as the structure and culture of these companies must suit MLP. There are also opportunities for vertical acquisitions, i.e. for extending or strengthening the added value chain, in MLP Finanzberatung SE's line of business. There are also opportunities for acquisitions and joint ventures in the markets of FERI and DOMCURA, facilitating profitable inorganic growth and strengthening of the respective business models.

Consistently advancing digitalisation

MLP strives to be an even more important dialogue partner for all financial matters on the web and on social media. We are keen to further embed and expand these principles in order to promote digital workflows throughout the entire MLP Group and further establish a digital culture. To this end, we launched a Digital Board with a Digital Officer and a Digital Task Force in 2018. This committee covers key digital topics in all areas and promotes digital work methods in the Group.

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

IT strategy as the basis for innovations

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

Online client portal being extended

The MLP online client portal is to be extended in 2020, among other things to include an overview of all insurance policies. In addition to this, there are plans for a post box that offers secure communication between clients and consultants. Both solutions were previously already available to our clients via a separate module but will now be integrated into the client portal.

Other focuses for MLP in 2020 include continuous further development of its online presence and e-mail marketing, as well as expansion of the lead management system. By taking these steps, we are keen to further improve the conversion rate of leads to actual clients. We already established an app for policy scans in 2018 which, above all, makes portfolio transfers easier in the non-life insurance business. This app will also be further optimised in 2020.

Recruiting remains in focus

Recruitments of new consultants therefore remains a focus topic in 2020 and beyond. By pooling all of MLP's cross-location activities in the university segment we have established the necessary prerequisites to be successful here. The young consultants have successful and experienced consultants at their side in the form of regional managers and "university team leaders". In addition to this, we have optimised the training and qualification offers for this group of consultants. The process for joining MLP has also been significantly optimised for consultants with professional experience, making it even easier to make the switch to MLP. With these greater investments, we will create the basis for future growth in terms of consultants, revenue and income.

To this end, we will strengthen our recruiting activities via our online presences (including expansion of active sourcing activities). We once again anticipate a net increase in the number of our consultants for 2020. Our overall assessment is based on the fact that annual employee turnover will not exceed the maximum target limit of around 10%.

We believe that the high quality of our basic and further training programme will continue to be the key to success. Indeed, we offer our consultants a programme that far surpasses the legally stipulated level. Modularising and expanding our training offer should help us slightly increase the number of central training days (including online seminars) at our Corporate University compared with the last financial year. This also applies to the total budget for qualifications and further training. We are anticipating expenses of around € 11.0 million for this in 2020.

Consistent efficiency management programme supports growth strategy

We will apply a system of consistent cost and process management over the next few years to support our operational growth. Expenses will primarily be accrued within the scope of investments in the future, such as recruitment of young consultants in the course of strengthening the university segment, as well as in IT for ongoing implementation of our digitalisation strategy.

Forecast

Slight increase in admin costs

A consistent cost management approach is one of the pillars for continuously growing profitability. Despite additional investments in our own future, above all in the university segment, administration costs were only slightly above the previous year's level in 2019. The efficiency measures implemented in the past are showing their effects here.

We will continue to develop and optimise MLP in 2020. The forecast administration costs therefore still include expenses for investments in the future, in particular for recruiting young consultants within the scope of strengthening the University segment. The expenses associated with this were around € 6.7 million in 2018 and then € around 8.0 million in 2019. On the basis of the successes already achieved in the two previous years, we will continue along this path and further intensify our investments in strengthening the university segment in 2020. We are also anticipating additional expenses of around € 11.0 million for this in the financial year 2020. Although this may limit our growth in earnings in the short term, it will significantly increase our future profit potential in the long term (see also our medium-term forecast). Added to this are further investments, in particular in IT, which are largely necessary for further implementation of our digitalisation strategy. We expect administration costs to increase slightly overall, also taking into account typical salary developments as a result of the completed acquisition.

Alongside administration expenses, the cost of sales (primarily commission expenses) are also relevant for our cost structure. Since 2015, MLP has been offering a training allowance for new consultants to support them in their start to self-employment. These costs are also recognised under commissions paid. In 2020, we expect to record a comparable overall ratio of commission income to commissions paid as in the reporting year.

Alongside commissions paid, expenses for purchased services from the project business will also play a part in the future due to expansion of the real estate business. Set against the background of the expected revenue development, we are also anticipating significant increases in expenses from the project business.

We expect loan loss provisions to remain largely unchanged in the coming year.

Based on our estimates regarding revenue and costs, we are expecting a slight increase in EBIT for the financial year 2020 – despite continuing substantial investments mainly in our university segment as well as in the ongoing implementation of the digitalisation strategy. This forecast is based on the assumption that the framework conditions in our core markets will not become significantly worse.

Forecast 2020: Slight increase in EBIT anticipated

In the mid-term – until 2022 – we expect to record a significant increase in EBIT and will primarily benefit from the strengthening of the university business and significant expansion of the real estate business here.

Mid-term plan: Significant increase in EBIT expected

As was already the case in the previous year, we expect the finance cost to decline further in 2020. The tax rate was 17.5% in 2019. We are anticipating a tax rate of between 28% and 30% for 2020.

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

Dividends of € 0.21 per share

On this basis, the Executive Board and Supervisory Board will propose a dividend of € 0.21 per share to the Annual General Meeting on June 25, 2020. The payout ratio is around 62% of Group net profit. We are keen to continue paying out between 50% and 70% of Group net profit in the future.

Planned financing activities and investments

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

Our investment volume in the last financial year was € 22.3 million and was therefore in line with the forecast. IT remained the primary focus of investments. You can find more detailed information on this in the chapter entitled "Economic report – Business performance". We will continue to make investments in future, above all in our IT systems. This essentially focuses on continued implementation of our digitalisation strategy, for which we invested around € 10.5 million in the last financial year – € 5.6 million thereof as capital expenditure and € 4.9 million as financial resources. These funds will be recorded directly in our income statement as expenses. We have projected for this purpose a total volume of around € 15 million in 2020. We expect to be able to finance all investments from the cash flow.

Return on equity increased from 8.5% to 8.7% in the financial year 2019. Assuming that shareholders' equity is unchanged, we are anticipating a slight increase in return on equity for 2020.

Slight increase in return on equity anticipated

The Group's liquidity rose from € 436 million to around € 556 million in the financial year 2019. However, the overall liquidity situation remains good. Liquidity will be reduced by the intended dividend payment of € 23.0 million for the financial year 2019. It will increase again in the second half of 2020 thanks to the typical year-end business. Acquisitions which we finance with cash holdings would also have a negative effect on the Group's liquidity and capital adequacy. We are not anticipating any liquidity squeezes for the coming financial year.

General statement by the Executive Board on the expected development of the Group

MLP anticipates that the challenging market conditions will continue throughout the financial year 2020. Based on the successful further development, especially in the university segment and in real estate brokerage, we nevertheless expect a slight increase in EBIT. We anticipate positive overall development within the Group. We enjoy a sound financial standing, which we are keen to use to further extend our strong market position.

Most recently, the spread of the Coronavisrus had put the capital markets under considerable pressure. If it spreads worldwide, far-reaching economic distortions can be assumed. MLP is keeping an eye on possible effects and is continually assessing the potential influence on our business. A negative impact on the development of results cannot generally be ruled out.

Prognoses

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

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

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

SUPPLEMENTARY DATA FOR MLP SE (DISCLOSURES BASED ON HGB)

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

Business and general conditions

General company situation

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

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

Business performance at MLP SE

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

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

Results of operations

At € 5.3 million, revenue remained at the previous year's level (€ 5.3 million). Revenue essentially comprises rental income from affiliated companies. At € 4.2 million, other operating income stood slightly above the previous year's level (€ 3.8 million).

Personnel expenses rose to € 7.0 million in the last financial year (€ 6.3 million). Amortisation remained unchanged at € 2.5 million (€ 2.5 million). Other operating expenses decreased significantly to € 9.0 million (€ 14.0 million). The higher value from the previous year is due to one-off higher VAT expenses from previous years. Earnings before interest and taxes were € -9.0 million (€ -13.6 million) and were therefore significantly above the previous year's level.

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

The finance cost in the reporting year was € 31.7 million (€ 32.6 million). This can essentially be attributed to income from profit/loss transfer agreements, which stood at € 32.3 million in the reporting year (€ 35.7 million). Following deduction of income taxes of € 2.2 million (€ 3.5 million), this resulted in net profit of € 20.5 million (€ 15.4 million). In the reporting year, € 2.5 million of the retained earnings was withdrawn. Unappropriated profit was therefore € 23.0 million (€ 21.9 million).

Net assets

As of the balance sheet date of December 31, 2019, the balance sheet total of MLP SE was € 402.2 million (€ 397.6 million).

On the assets side of the balance sheet, the item "Property, plant and equipment" declined slightly to € 31.5 million (€ 32.8 million). This was essentially due to depreciation and amortisation expenses. Tax reserves remained unchanged at € 242.3 million (€ 242.3 million). Receivables and other assets decreased to € 33.7 million (€ 44.2 million). The decline is essentially due to a drop in other assets, which fell from € 10.7 million to € 1.8 million. This is attributable to the settlement of receivables from income taxes. Receivables from affiliated companies fell slightly to € 31.9 million (€ 33.4 million). This is primarily attributable to receivables from the subsidiaries of MLP SE resulting from the profit/loss transfer agreements in place with these companies.

On the equity side of the balance sheet, shareholders' equity remained almost stable at € 367.7 million (€ 369.1 million). The share capital and capital reserves remained unaltered at € 109.3 million (€ 109.3 million) and € 139.1 million (€ 139.1 million), respectively. Retained earnings were slightly under the previous year's level at € 96.4 million (€ 98.8 million). Unappropriated profit was € 23.0 million, following € 21.9 million in the previous year.

Provisions increased to € 24.6 million (€ 21.5 million), with pension provisions and similar obligations rising slightly to € 13.1 million (€ 12.1 million). Provisions for taxes rose to € 6.0 million (€ 4.4 million). Other provisions increased to € 5.5 million (€ 5.0 million). Liabilities increased to € 9.8 million (€ 6.9 million), essentially due to a rise in other liabilities to € 6.8 million (€ 4.2 million). This essentially includes tax liabilities, which rose to € 6.0 million (€ 3.4 million). Liabilities due to affiliated companies remained virtually unchanged at € 2.1 million (€ 2.2 million).

Financial position and dividends

As of the balance sheet date, December 31, 2019, MLP SE had cash holdings (cash on hand and on deposit with the Deutsche Bundesbank, bank deposits and cheques) of € 94.4 million (€ 76.9 million). This item was reduced by the dividend payout to our shareholders at € 0.2 per share and a total volume of € 21.9 million. The profit transfers from our subsidiaries had the opposite effect.

At 91.4% (92.8%), the equity ratio was virtually at the previous year's level. MLP SE therefore continues to enjoy a good equity capital backing.

The liabilities of MLP SE rose to € 9.8 million (€ 6.9 million), essentially due to an increase in tax liabilities. The liabilities at MLP SE consist almost completely of current liabilities. Cash and cash equivalents therefore exceed current liabilities several times over.

The dividend payments of MLP SE are made in accordance with the financial and profit situation, as well as future liquidity requirements. As announced, the distribution rate for the financial year will be between 50% and 70% of the net profit of the MLP Group. In concrete terms, the Executive Board and Supervisory Board will propose a dividend of € 0.21 per share at the Annual General Meeting on June 25, 2020. This corresponds to a distribution rate of around 62% of the Group's net profit.

Comparison of actual and forecast business performance

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

Despite market conditions that generally remained difficult for its subsidiaries, MLP SE was overall able to meet its own objectives and expectations in 2019.

Research and development

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

Employees

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

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

Compensation report of MLP SE

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

Risks and opportunities at MLP SE

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

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

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

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

Forecast for MLP SE

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

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

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

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

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

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

Composition of capital

As of December 31, 2019, the company's share capital amounts to € 109,334,686 and is divided into 109,334,686 ordinary bearer shares with a nominal value of € 1 per share.

Restrictions on voting rights or on the transfer of shares

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

Capital stakes

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

	Number of shares*	Shareholding*
Dr. h. c. Manfred Lautenschläger, Gaiberg[1]	29,883,373[1]	33 %[1]
Angelika Lautenschläger, Gaiberg[2]	31,883,373[2]	29.16%[2]
Angelika Lautenschläger Beteiligungen Verwaltungs GmbH, Gaiberg	22,796,771	20.85%

* Status known to MLP SE as of December 31, 2019

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

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

Shares with special control rights

Shares that confer special control rights have not been issued.

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

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

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

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

Amendments to the company's Articles of Association

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

Authority of the Executive Board to issue or buy back shares

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

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

As per the resolution of the Annual General Meeting from June 29, 2017, the company is also authorised, pursuant to § 71 (1) No. 8 of the German Stock Corporation Act (AktG), to purchase up to € 10,933,468 – i.e. slightly less than 10% of the company's share capital during the authorisation period up to June 28, 2022. Based on this authorisation, MLP Finanzberatung SE – a 100% subsidiary of MLP SE – acquired 382,000 shares up to February 28, 2018 following authorisation by the Annual General Meeting on the basis of an Executive Board resolution and with the consent of the Supervisory Board of MLP SE. It then issued 377,876 of these shares to commercial agents working for MLP Finanzberatung SE within the scope of a participation programme. On the basis of this Annual General Meeting, MLP Finanzberatung SE then once again acquired a further 163,900 shares in December 2018 in accordance with the Executive Board resolution and with the consent of the Supervisory Board of MLP SE. A further tranche of 372,309 shares was then bought back in the period from January 1 to March 1, 2019. In April 2019, a total of 539,947 shares were then transferred to commercial agents working for MLP Finanzberatung SE. MLP Finanzberatung SE still held 386 shares on the reporting date of December 31, 2019. These shares and further bought-back shares are then once again to be issued to the commercial agents working for MLP Finanzberatung SE within the scope of a participation programme – this is likely to take place in the second quarter of 2020.

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

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

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

The contracts of employment between the company and the Chief Executive Officer, Dr. Uwe Schroeder-Wildberg, and Executive Board members Manfred Bauer and Reinhard Loose contain a clause stating that said members are entitled to terminate their contracts with a notice period of one month in the event that a third party who had a share in MLP of less than 10% at the time at which the contracts were concluded acquires a share of at least 50% of the voting rights. If any of these Executive Board members chooses to exercise this right to terminate, MLP is obliged to pay said member compensation corresponding to four times (4x) the respective fixed annual salary if the contract has not been terminated as a result of the change in control, provided that the respective contract is terminated more than two years before it reaches its normal termination date. For all members of the Executive Board, the compensation to be paid in the event of a "change of control" corresponds to no more than twice the average compensation, based on the total compensation of the last full financial year prior to termination of their contract and the total anticipated compensation for the year still in progress when their contract is terminated. The service contract of Dr. Schroeder-Wildberg is set to run until December 31, 2022, the service contract of Mr. Manfred Bauer is set to run until April 30, 2025 and the service contract of Mr. Reinhard Loose is set to run until January 31, 2024. In the case of a termination of contract within two years of the scheduled termination date, the severance payment will only be paid pro rata temporis.

Report on compensation transparency – appendix to the management report

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

NON-FINANCIAL ASPECTS OF BUSINESS ACTIVITIES

Within the scope of our 2019 Sustainability Report, we report on the non-financial aspects of our business activities. The focuses of our sustainability reporting in terms of content result from the materiality analysis performed in 2017, on the basis of which we identified the key aspects for our company. These remain valid.

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