MLP

Annual Report

2019

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ANNUAL REPORT 2019

MLP key figures – multi year overview

All figures in € million	2019	2018	2017	2016	2015	2014	2013 [1]	2012 [1]
Continuing operations								
Total revenue	708.8	666.0	628.2	610.4	554.3	531.1	499.0	563.6
Revenue	689.6	642.1	608.7	590.6	535.7	509.7	480.5	538.1
Other revenue	19.2	23.8	19.4	19.8	18.7	21.4	18.5	25.5
Pro forma earnings before interest and taxes (Pro forma EBIT) (before acquisitions)	47.1	46.4	37.6	19.7	32.5	39.0	30.7	70.5
Operating Earnings before interest and taxes (Operating EBIT) (before one-off exceptional costs)	47.1	46.4	46.7	35.1	30.7	39.0	30.7	70.5
Earnings before interest and taxes (EBIT)	47.1	46.4	37.6	19.7	30.7	39.0	30.7	70.5
EBIT margin (in %) [4]	6.6	7.0	6.0	3.2	5.5	7.3	6.2	12.5
MLP Group								
Net profit (total)	36.9	34.5	27.8	14.7	19.8	29.0	23.9	50.5
Earnings per share (diluted/undiluted) (in €)	0.34	0.32	0.25	0.13	0.18	0.27	0.22	0.47
Dividend per share in €	0.21 [2]	0.20	0.20	0.08	0.12	0.17	0.16	0.32
Cash flow from operating activities	191.6	141.2	115.5	144.7	58.8	32.3	67.6	22.4
Capital expenditure	22.3	26.6	7.3	18.4	12.8	15.4	22.5	14.5
Total shareholders' equity	437.4	424.8	404.9	383.6	385.8	376.8	370.5	381.7
Equity ratio (in %)	15.6	17.5	18.7	19.7	22.0	23.2	24.2	25.6
Balance sheet total	2,799.6	2,421.0	2,169.5	1,944.1	1,752.7	1,624.7	1,533.6	1,491.3
Clients [3]	–	–	–	–	858,700	847,600	830,300	816,200
Private clients (Family) [5]	549,580	541,150	529,100	517,400	510,200	–	–	–
Corporate and institutional clients [5]	21,850	20,892	19,800	19,200	18,200	–	–	–
Consultants [3]	1,981	1,928	1,909	1,940	1,943	1,952	1,998	2,081
Branch offices [3]	130	131	145	146	156	162	169	174
University teams	93	77	58	–	–	–	–	–
Employees	1,783	1,722	1,686	1,768	1,802	1,542	1,559	1,524
Brokered new business [3]								
Old-age provision (premium sum in € billion)	4.2 [6]	3.9 [6]	3.4	3.7	3.5	4.1	3.6	4.8
Loans and mortgages	1,958.5	1,806.0	1,728.4	1,709.7	1,798.0	1,415.0	1,513.0	1,301.0
Assets under management (in € billion)	39.2	34.5	33.9	31.5	29.0	27.5	24.5	21.2
Non-life insurance (premium volume)	405.5	385.6	360.1	350.2	331.8	–	–	–
Real estate (brokered volume)	294.0	256.0	198.9	151.4	137.5	57.3	–	–

[1] Values adjusted
[2] Subject to the consent of the Annual General Meeting on June 25, 2020
[3] Continuing operations
[4] EBIT in relation to total revenue
[5] Client counting method adjusted in Q1 2016
[6] Calculation Basis adjusted since 2019 (former calculation values: 2019: 3.9; 2018: 3.6)

THE EXECUTIVE BOARD

Dr. Uwe Schroeder-Wildberg
Chairman and CEO MLP SE

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

Appointed until December 31, 2022

Manfred Bauer
Member of the Executive Board of MLP SE

Product Management

Appointed until April 30, 2025

Reinhard Loose
Member of the Executive Board of MLP SE

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

Appointed until January 31, 2024

LETTER TO SHAREHOLDERS

Dear Shareholders,

I would like to take the time to reflect on what has been an excellent and successful financial year, as well one that will be very important for our future. Our total revenue grew for the sixth time in row and we reached all of our targets for the fourth year in succession. We were able to record gains in all key performance indicators. All of this reflects the significantly improved stability that we have worked hard to achieve in the last few years. However, not only did we meet our financial targets, we also laid the foundations for future growth. My sincere thanks for this exceptional effort go out to all MLP consultants, as well as all employees in the Group.

Over the last few years, we have intentionally sacrificed a portion of our short-term growth in order to make investments, focussing in particular on strengthening the university segment. This is now starting to pay off and is not least demonstrated by the additional 53 consultants we have recruited. The last time we saw growth of this magnitude was 13 years ago. We are thereby creating powerful leverage for earnings development over the course of the next few years. With the acquisition of the DEUTSCHLAND.Immobilien Group we have laid another key foundation for future growth.

With FERI as the investment house, the underwriting agency DOMCURA for non-life insurance, DEUTSCHLAND.Immobilien in the brokerage and development of investment property, TPC in the field of occupational provision and, of course, our core brand MLP in the private client business, we are already a strong Group. Just a few years ago, many considered us to primarily be an insurance broker. Now we have established a far broader and more diversified base. Both our clients and we as a company are benefitting from this — and this is exactly the order we want things to be in. It all starts with benefits for clients, which then leads to major success for the company and thereby also for you, our valued shareholders.

MLP was able to record increases in all key performance indicators in 2019, with quite significant gains in some areas. Following an extremely dynamic fourth quarter, total revenue increased by 6.4% to € 708.8 million — the highest figure in the Group since the sale of our own insurers.

As was the case in the previous year, MLP achieved growth in all fields of consulting. The real estate business, which we have been working to strengthen since 2014, recorded the strongest growth for the third year in succession with revenue up by 17.5% to € 23.7 million. The second-highest growth rate was recorded in loans and mortgages with an increase of 16.9%. Wealth management also enjoyed a significant rise of 10.6% and MLP has now achieved growth in this sector for ten years in a row.

At € 47.1 million, our EBIT is well within the target range forecast at the start of 2019. Group net profit rose to € 36.9 million.

The Executive Board and Supervisory Board propose a dividend of 21 cents per share for the financial year 2019 — following on from 20 cents per share in the previous year. At 62% of Group net profit, the payout ratio is in the upper half of the announced range. We are thereby continuing our attractive and consistent dividend policy for you, our valued shareholders.

Overall, the MLP share price had been moving in the right direction up to February 2020 — before stock markets crashed across the globe as the Coronavirus spread. For 2019, the MLP share recorded an increase of 29 percent; the capital market therefore increasingly recognised the company value generated and the very tangible potential for future growth.

We therefore feel certain that we can take MLP to the next level in terms of earnings over the course of the next three years. This is precisely what is expressed in our three-year plan. We are anticipating EBIT of between € 75 and 85 million for 2022. This is an ambitious target — and so it should be. We have four growth drivers that will help us achieve it: continuous growth across all the various fields of consulting, real estate consulting and development, as well as expansion of the university segment.

Our three-year plan for EBIT is subject to fundamental regulatory interventions. By this, I mean short-term and significantly poorer framework conditions, although as matters stand, there is no evidence indicating that. This applies both to our project business and our commission business.

Alongside revenue potential, our ongoing strict cost management obviously has an important role to play. By repeatedly scrutinising cost items and consistently searching for process improvements, our goal is to ensure only a moderate increase in administration costs over the course of the next few years, despite salary increases and inflation. For us, this is also a fundamental component of our activities on the road to achieving our newly stated EBIT target range for 2022.

Acquisitions will also remain part of our future management agenda. As was the case with previous acquisitions, it all comes down to the right price, company and culture. However, we remain optimistic that we will find suitable opportunities over the course of the next few years.

An important factor in making MLP even more effective is digitisation. Our digital culture is starting to thrive and we are establishing agile working methods in the Group. We are currently focusing in particular on the topic of artificial intelligence — for example to support service processes.

Alongside mid-term planning, I would also like to offer you, our valued shareholders, a forecast for the current financial year. Despite the known challenges resulting from market conditions, we are anticipating a slight increase in revenue from old-age provision. As already mentioned, the strengthening of the university segment is likely to provide positive stimulus here. The legislation to improve occupational pension provision in Germany (BRSG), which came into force in 2018, is likely to continue providing positive impetus in this area. Just as with old-age provision, we are once again anticipating slight increases in revenue from the wealth management and non-life insurance businesses. We are also anticipating stable revenue from health insurance, as well as slight increases in revenue from loans and mortgages, while a marked rise is planned for real estate.

Overall, we are once again expecting a slight increase in EBIT for 2020, despite making substantial investments, primarily in the university segment as well as in the ongoing implementation of the digitisation strategy. From 2021 onward, growth in terms of earnings development will pick up significantly.

We announced our forecast for the current financial year at the beginning of March, taking into account the consequences of the corona crisis that were foreseeable at that time. Of course, we are constantly evaluating their impact and have prepared ourselves as best we can. Due to the lack of clarity regarding the development of the virus, no one knows the full impact on the economy as a whole. In this respect, MLP — just like all other companies — does not yet know the exact consequences of the pandemic.

We would be delighted if you — our shareholders — continued to accompany us along this path. I would once again like to thank you on behalf of the entire Executive Board for the trust you have shown in us this year.

Yours sincerely,

Dr. Uwe Schroeder-Wildberg

THE SUPERVISORY BOARD

Dr. Peter Lütke-Bornefeld
Chairman
Elected until 2023

Dr. Claus-Michael Dill
Vice Chairman
Elected until 2023

Alexander Beer
Employees' Representative
Elected until 2023

Matthias Lautenschläger
Elected until 2023

Tina Müller
Elected until 2023

Burkhard Schlingermann
Employees' Representative
Elected until 2023

REPORT BY THE SUPERVISORY BOARD

In the financial year 2019, the Supervisory Board reviewed the development of the company in depth and performed its supervisory duties to the full. It regularly advised and monitored the Executive Board in running the business of the company.

During the course of the last financial year, the Supervisory Board paid particular attention to the economic development, financial situation, prospects and further strategy of the company, and advised the Executive Board on these topics. Its work in the financial year 2019 focused in particular on supporting the Executive Board in the strategic development of the company and of the MLP Group, implementing further measures to increase efficiency and both assessing and monitoring the opportunity and risk position of the company and the Group. The Supervisory Board advised the Executive Board in detail on potential M&A transactions. In particular, the Supervisory Board supported and advised the Executive Board during the acquisition of DI DEUTSCHLAND.Immobilien AG. In this context, the Supervisory Board also proposed an amendment of the business purpose of MLP SE to the Annual General Meeting. As demand for asset-oriented investments continues to grow, the Supervisory Board made a concrete proposal to the Annual General Meeting for the Group to take on own project developments as well as their marketing, and to expand brokerage of investments alongside brokerage of mortgages, an area which has already been boosted since 2014. The Annual General Meeting of the company then approved a corresponding extension of the business purpose of MLP SE on May 29, 2019.

The Supervisory and Executive Boards met regularly in the reporting year for discussions and joint consultations regarding business development, strategy and key events within the company. The Supervisory Board was directly involved in all decisions of fundamental importance to the company. The Executive Board regularly provided the Supervisory Board with written and oral reports in a timely and comprehensive manner on all relevant issues related to corporate planning, strategic development, the business situation and the position and overall development of the Group as a whole, including the risk situation, risk management, risk-bearing ability and compliance. The Supervisory Board was able to confirm the correctness of the corporate governance by the Executive Board. In 2019, the Executive Board also reported to and advised the Supervisory Board on the content and anticipated effects of legislative or regulatory proposals at national German or EU level.

No personnel changes to the company's Supervisory Board and Executive Board were made in the last financial year.

The Supervisory Board held five regular meetings and one extraordinary meeting in the financial year 2019, whereby the latter took the form of a conference call. All members of the Supervisory Board took part in the regular face-to-face meetings either at the venue or via telephone. Only two members of the Supervisory Board were unable to attend one meeting each. As such, all member of the Supervisory Board took part in more than half of the regular supervisory board meetings. The Executive Board also informed the Supervisory Board of particularly important or urgent projects outside of the regular meetings. Where necessary, Supervisory Board resolutions are also passed as circular resolutions.

In addition to this, three meetings of the Audit Committee were also held in this year. All committee members took part in each of these meetings. The Personnel Committee convened once in the last financial year. All committee members took part in this meeting. No meetings of the Nomination Committee were held in the last financial year, as no new elections for members of the Supervisory Board were scheduled.

The following table offers an overview, detailing which members of the Supervisory Board took part in the meetings of the Supervisory Board or its Committees:

	Participation*	in %
Supervisory Board Meeting, MLP SE		
Dr. Peter Lütke-Bornefeld	6/6	100
Dr. Claus-Michael Dill	6/6	100
Tina Müller	5/6	83
Matthias Lautenschläger	6/6	100
Burkhard Schlingermann	5/6	83
Alexander Beer	6/6	100
Personnel Committee, MLP SE		
Dr. Peter Lütke-Bornefeld	1/1	100
Matthias Lautenschläger	1/1	100
Burkhard Schlingermann	1/1	100
Tina Müller	1/1	100
Audit Committee, MLP SE		
Dr. Claus-Michael Dill	3/3	100
Dr. Peter Lütke-Bornefeld	3/3	100
Matthias Lautenschläger	3/3	100
Alexander Beer	3/3	100

*Participation via telephone is counted as present.

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

Supervisory Board meetings and important resolutions

Following preparations in the meeting of the Audit Committee, the Supervisory Board meeting on March 13, 2019 focused on the audit and approval of the financial statements and the consolidated financial statements as of December 31, 2018. The auditors participated in the meeting and gave detailed reports on the course and outcome of their audit of the financial statements and the consolidated financial statements. Following in-depth discussion, the Supervisory Board approved the financial statements, the consolidated financial statements as of December 31, 2018 and the separate non-financial report. In addition to this, the Supervisory Board also reviewed the appropriateness of the Executive Board – as required in accordance with the German Corporate Governance Code (GCGC) – as well as the variable compensation components of the Executive Board for the financial year 2018 and approved these. The proposed resolutions for the company's Annual General Meeting were another item on the agenda.

In an extraordinary meeting of the Supervisory Board, held in the form of a conference call on March 22, 2019, the intentions of the Executive Board to acquire DI DEUTSCHLAND.Immobilien Group via a subsidiary of MLP SE were discussed and reviewed in detail. These discussions focused in particular on the opportunities and risks, as well as the future strategy associated with extending the business areas as a result of the acquisition. The company's Supervisory Board then approved the acquisition of the DI DEUTSCHLAND.Immobilien Group in this meeting.

The regular Supervisory Board meeting on May 14, 2019 focused primarily on discussing the results and business development from the first quarter of 2019. In this meeting, the Supervisory Board also passed the resolution – on proposal by the Personnel Committee – to extend the appointment of Mr. Manfred Bauer as a member of the Executive Board up to April 20, 2025.

The results of the second quarter, the business development in the first half of the year, reporting on the internal audit and risk control (including a report on the notion of materiality, risk strategy and risk-bearing capacity concept) were all on the agenda of the regular Supervisory Board meeting on August 7, 2019.

The November meeting focused on the business results of the third quarter and the first nine months of the financial year 2019. Another focus of this Supervisory Board meeting was on evaluating the leadership and performance of the members of the Executive Board, which were discussed in a closed session without the members of the Executive Board. Alongside this, compliance with the provisions of the German Corporate Governance Code (GCGC) in the MLP Group, the resolution on the Declaration of Compliance pursuant to § 161 of the German Stock Corporation Act (AktG), was a key topic on the meeting's agenda. Extensive reporting was provided on the corporate governance process and the current Declaration of Compliance. Further discussions also focused on the planned revision of the German Corporate Governance Code.

In the meeting on December 17, 2019 the Supervisory Board addressed in detail and approved the strategy and budget of both the Group and the company for the financial year 2020.

Supervisory Board committees

The Supervisory Board was regularly informed of the work carried out by its committees in 2019.

The members of the Audit Committee are Dr. Claus-Michael Dill, who is also Chairman of the Audit Committee, as well as Dr. Peter Lütke-Bornefeld, Mr. Matthias Lautenschläger and Mr. Alexander Beer. The Audit Committee held three regular meetings in the financial year 2019 and adopted several circular resolutions. Representatives of the audit firm also took part in some of the meetings, providing the committee with detailed reports. In the presence of the auditors, the Chairman of the Executive Board and the Chief Financial Officer, the Audit Committee discussed the financial statements of MLP SE and the MLP Group as well as the proposed appropriation of earnings. Furthermore, the relationship to the auditor, proposals for selecting the auditor, auditor fees, audit assignment and monitoring of the auditor's independence were the subject of extensive discussions. The Audit Committee received regular reports on the work of the Internal Audit and of the Compliance and Risk Management department and was informed on legal and regulatory risks and risks to reputation. In addition, the Audit Committee prepared the invitation to tender for the audits, as well as further audit services in the MLP Group as of the financial year 2020 or 2021. Both MLP SE and MLP Banking AG – as public interest entities of the MLP Group – carried out the selection procedure in accordance with Art. 16 (3) of Regulation (EU) No. 537/2014.

The members of the Audit Committee are Dr. Peter Lütke-Bornefeld, who is also Chairman of the Personnel Committee, as well as Ms. Tina Müller, Mr. Matthias Lautenschläger and Mr. Burkhard Schlingermann. The Personnel Committee came together for one regular meeting in the reporting period and focused in particular on reviewing the appropriateness of Executive Board compensation, as well as determining the bonus pool for the MLP Group. The committee also discussed and recommended to the assembly of the Supervisory Board that the appointment of Mr. Reinhard Loose as member of the Executive Board should be extended to April 30, 2025.

The members of the Nomination Committee are Dr. Peter Lütke-Bornefeld, who is also Chairman of the Nomination Committee, as well as Ms. Tina Müller, Dr. Claus-Michael Dill and Mr. Matthias Lautenschläger. The Nomination Committee did not hold any meetings in the financial year 2019, as no resolutions regarding reappointment of members to the Supervisory Board were passed at the Annual General Meeting held on May 29, 2019.

Corporate governance

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

Last year, the Supervisory Board dedicated its meeting on November 13, 2019 again to in-depth discussions on the amendments to the German Corporate Governance Code in the version of February 7, 2017.

In the meeting held on November 13, 2019, the Supervisory Board reviewed the efficiency of its actions based on an evaluation form made available to the members of the Supervisory Board in good time prior to the meeting. The Supervisory Board also discussed procedures in the Supervisory Board, the information flow between the Committees and the Supervisory Board, and the timeliness and sufficient content of reporting by the Executive Board to the Supervisory Board on this occasion. Measures aimed at increasing efficiency were discussed and established.

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

In accordance with the German Corporate Governance Code government commission, we understand conflicts of interest to mean any special professional or private interests of any member of the Supervisory Board that could potentially pose a threat to or contradict the interests of the company. Conflicts of interest in this sense do not include plurality or the existence of various streams of interests when these express diversity in terms of the Supervisory Board composition desired by the legislator or the German Corporate Governance Code government commission. There were no conflicts of interest in this sense in the last financial year. A summary of corporate governance at MLP, including the Declaration of Compliance from November 13, 2019, can be found in the Executive and Supervisory Board's corporate governance report. All relevant information is also available on our homepage at www.mlp-se.com.

The members of the Supervisory Board independently participated in training measures to aid them in fulfilling their responsibilities – as required by the Corporate Governance Code. In this endeavour they are adequately supported by the company. In addition, members of the Supervisory Board attended a training event on November 12, 2019 in order to maintain the necessary professional expertise. This training addressed various topics, including developments in the field of transitioning IT services to the cloud within the scope of regulated business activities, the new developments associated with the EU's so-called "Banking Reform Package" for implementation of Basel III or parts of Basel IV in the form of the CRD V and CRR II, as well as the planned new developments with regard to Executive Board compensation resulting from the Act for Implementation of the Second Shareholders' Rights Directive (ARUG II), supplemented by the planned new legislation of the German Corporate Governance Code.

Audit of the annual financial statements and consolidated financial statements for 2019

The financial statements and the joint management report of MLP SE as of December 31, 2019 have been compiled by the Executive Board pursuant to the German Commercial Code (HGB). The consolidated financial statements and the joint management report as of December 31, 2019 have been compiled pursuant to § 315a of the German

Commercial Code (HGB) in line with international financial reporting standards (IFRS) as applied in the EU. As of December 31, 2019, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin audited the financial statements and the joint management report of MLP SE in accordance with the principles of commercial law, as well as the Group financial statements and the joint management report in accordance with the principles of IFRS, issuing an unqualified auditor's opinion in each case. The auditor performed the audit in compliance with the basic principles of sound auditing practices determined by the Institut der Wirtschaftsprüfer (German Institute of Auditors).

The financial statements, together with the joint management report, the auditor's reports and the Executive Board's proposal for use of the unappropriated profit were made available to all Supervisory Board members in good time. The Audit Committee of the Supervisory Board reviewed these documents in detail, reported to the Supervisory Board on its audit and explained its audit opinion. The auditor also reported on the key results of the audit and on the fact that there are no significant weaknesses in the internal monitoring system, the risk management system nor with regard to compliance. The Audit Committee also reviewed the risk management system, the accounting processes and the effectiveness of the internal monitoring systems, risk management and auditing systems, as well as the relationship to the auditor, the proposals for selection of the auditor, the auditor's compensation, the audit assignment and monitoring of the auditor's independence, as well as the additional services performed by the auditor. The Supervisory Board also checked and discussed the documentation and reports in detail. Within this scope, the Supervisory Board also addressed the key audit matters described in the audit opinion, including the audit procedures undertaken by the auditor. In the presence of KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, which reported on the key findings of its audit, the audit reports were reviewed in detail in the Supervisory Board meeting held on March 18, 2020. The auditor reported on the scope, the key focuses, as well as the significant results of the audit, going into particular detail regarding the key audit matters and the audit procedures employed. With regard to the annual financial statements of MLP SE, these key audit matters encompassed "the recoverability of shares in affiliated companies". With regard to the consolidated financial statements of MLP SE, they encompassed "the impairment of goodwill", as well as "the portfolio of commission income from the brokering of old-age provision products". At this meeting, the Executive Board also explained the financial statements of MLP SE and of the MLP Group, the risk management system, the accounting processes and the effectiveness of the internal monitoring, risk management system, audit system and compliance, as well as giving detailed reports on the scope, focuses and costs of the audit.

The Supervisory Board concurred with the outcome of the auditor's audit and, on the basis of the final outcome of the Audit Committee's audit and its own audit, found no grounds for raising an objection. Accordingly, at its meeting on March 18, 2020, the Supervisory Board approved the annual financial statements and the joint management report of MLP SE, as well as the consolidated financial statements and the joint management report in accordance with IFRS prepared by the Executive Board. The annual financial statements are therefore adopted. Alongside this, the Executive Board is also required to submit a report on a non-financial declaration or a non-financial Group declaration as per § 289b, § 315b of the German Commercial Code (HGB). The Supervisory Board reviewed the non-financial report – prepared by a meeting of the Audit Committee - and did not find any objections.

After performing its own reviews, the Supervisory Board agreed with the Executive Board's proposal to pay out a dividend of € 0.21 per share for the financial year 2019. The equity and liquidity situation, future regulatory requirements and the company's budget, as well as the shareholders' interest in an appropriate dividend were included and weighed up against one another in its considerations.

The Supervisory Board would like to thank the Executive Board, the Management of the respective Group companies, as well as all employees and consultants of the MLP Group for their exemplary personal commitment and achievements in the financial year 2019.

Wiesloch, March 2020

The Supervisory Board

Dr. Peter Lütke-Bornefeld
Chairman

OUR GOALS AND STRATEGIES

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

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

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

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

INVESTOR RELATIONS

Stock market year 2019 – Development of the markets

The global stock markets enjoyed a good start to 2019, with the indices on both sides of the Atlantic hitting new record levels at short intervals. Hopes for a soft outcome to the Brexit discussion, further progress in the US trade dispute with China and positive economic data all served to strengthen economic optimism. The prospect of a loose monetary policy, both by the Fed and the ECB, also contributed to the good development, while companies were largely able to impress with their reports. The stock markets suffered their first monthly loss in May. In particular the escalation in the trade dispute between China and the US, as well as weak economic data, increased worries regarding a global economic slowdown. Geopolitical stress factors, such as the Iran sanctions and the Middle East crisis, also had a negative impact.

Investors once again became more willing to take risks in the second half of the year and the stock markets then enjoyed a very strong recovery from their interim annual lows. Indeed, several of the leading indices set new records up to December. This was in part thanks to the US and China reaching an initial partial agreement, allowing planned customs duties to be averted. However, it was also due to the clarity regarding Brexit brought about by Boris Johnson's significant victory in the UK parliamentary elections. Germany's leading index, the DAX, promptly rose to a new annual high of 13,425 points in a year-end rally following this and thereby also set its sights on the all-time high of 13,596 points, which was recorded in January 2018. At 28,643 points, the MDAX was also able to reach a new all-time high. Yet, with gains of 31.6%, the SDAX established itself as the frontrunner among the German indices. It was followed by the DAX and TecDAX, which recorded gains of 25.6% and 23.1%, respectively.

The US stock markets also set new records. The Nasdaq Composite technology exchange proved the clear frontrunner on Wall Street with gains of 35.2%. The S&P 500 Index gained 28.9%, while the Dow Jones Index was up 22.3%. Oil prices also benefited from the good framework conditions and rose by 10%. The single European currency recovered from its previous weak phase and climbed to US$ 1.1212 at the end of December.

The MLP share

The MLP SE share enjoyed encouraging development in the 2019 stock market year. Bolstered by upbeat sentiment on the financial markets, the start of trading in the new year was positive. The global stock markets recorded their first monthly loss in May. This also affected the MLP share. Payment of the dividends further impacted the share price. At € 3.86, the share hit its lowest price of the year in XETRA trading on May 31, surrendering the gains it had recorded in previous months. Supported by positive business results for the first half of the year, however, the share enjoyed a significant recovery to € 4.53 by the end of August. Set against the background of solid business figures for the third quarter and continued optimism on the capital markets, the share was able to break through the € 5.00 barrier again for the first time at the start of December. This upwards trend continued in December and the share reached its highest price in daily trading of € 5.69 on December 30, 2019. It then ended 2019 at a price of € 5.60.

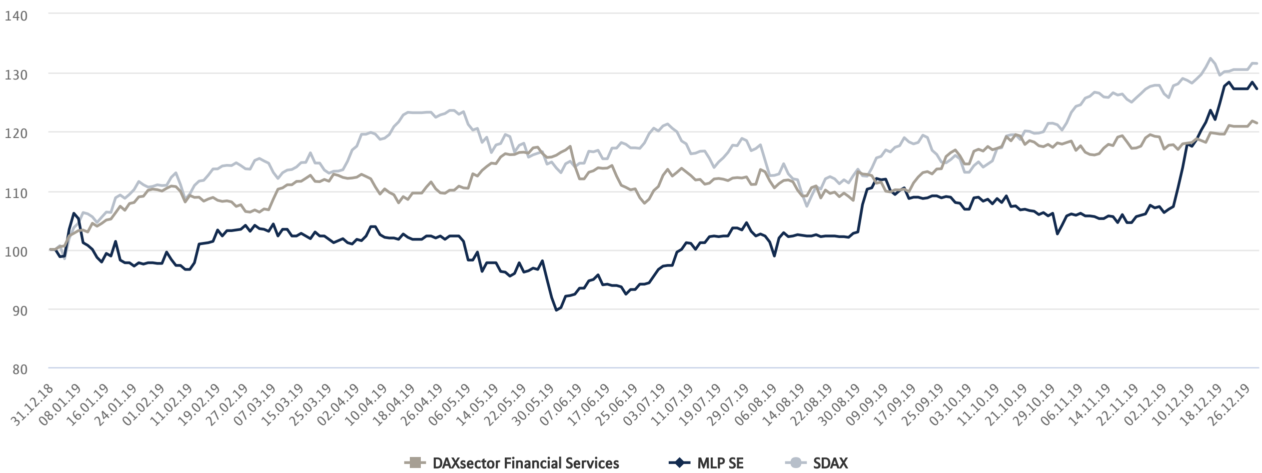
The MLP share therefore achieved price performance of 28.9% in the 2019 stock market year. As such, market capitalisation increased to € 612.3 million as of December 31, 2019.

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

Share buyback

As announced during the 2017 Annual General Meeting, MLP established another share-based participation programme at the end of the financial year 2018 for MLP office managers and MLP consultants with the aim of strengthening the collaborative component in the MLP business model. In the period from December 12, 2018 to March 1, 2019, a total of 536,209 shares were bought back at an average share price of € 4.3525. 539,947 shares were then issued to the beneficiaries, meaning that MLP SE still held 386 shares in its own portfolio as of December 31, 2019.

MLP share, SDAX, DAXsector Financial Services 2019



Dividend

MLP will continue its consistent dividend policy for the financial year 2019. As announced, the dividend proposed by the Executive Board for the financial year 2019 will once again target a distribution rate of between 50% and 70%. 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 operating net profit.

Key figures compared to previous years (2015–2019)

		2019	2018	2017	2016	2015
Shares in circulation at the end of the year	in units	109,334,686	109,334,686	109,334,686	109,334,686	109,334,686
Share price at the beginning of the year	in €	4.35	5.59	4.11	3.67	3.71
Share price at the end of the year	in €	5.60	4.40	5.63	4.18	3.67
Share price high	in €	5.69	6.06	6.47	4.25	4.26
Share price low	in €	3.86	4.11	4.11	2.57	3.48
Market capitalisation at the end of the year	in € million	612.3	481.1	615.6	456.5	401.3
Average daily turnover of shares	in units	46,854	98,410	171,210	93,390	80,996
Dividend per share	in €	0.21*	0.20	0.20	0.08	0.12
Total dividend	in € million	23.0*	21.9	21.9	8.7	13.1
Return on dividend	in %	3.8*	4.5	3.6	1.9	3.3
Earnings per share	in €	0.34	0.32	0.25	0.13	0.17
Diluted earnings per share	in €	0.34	0.32	0.25	0.13	0.17

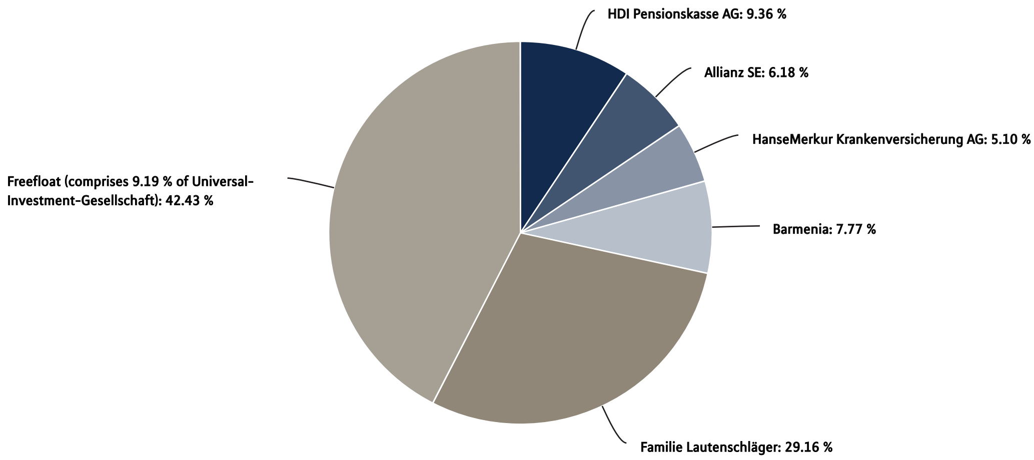
*Subject to the consent of the Annual General Meeting on June 25, 2020

Changes to the shareholder structure

HanseMerkur Krankenversicherung AG increased its stake from 3.02% to 5.10% in the first half of 2019 (announcement from May 2, 2019). In the second half of the year, Universal-Investment-Gesellschaft mbH reported a stake of 9.19% (notification from July 4, 2019). On the same day, the stake held by Internationale Kapitalanlagegesellschaft mbH was reduced from 5.03% (notification from July 3, 2019) to zero. Responsibility for managing the special assets was transferred in this connection. In addition, Barmenia increased its stakes in our company from 6.67% to 7.77% (notification from September 26, 2019). The share of voting rights held by other shareholders remained virtually unchanged in the reporting date. The Lautenschläger family remains the largest single shareholder with a 29.16% total share of the voting rights.

The free float at the end of 2019 was 42.43%, as defined by the German stock exchange. The following chart provides an overview of the major shareholders of MLP (with a share of more than 5%).

MLP SE shareholder structure as of December 31, 2019



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

Investor Relations activities

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

Investor Relations services

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

Key figures

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

Key figures for business valuation and statement of financial position analysis

		2019	2018
Equity ratio	in %	15.6	17.5
Return on equity	in %	8.7	8.5
Cora capital ratio	in %	19.2	19.6
Net liquidity	in € million	174.0	225.0
Market capitalisation at the end of the year	in € million	612.3	481.1
Total revenue	in € million	708.8	666.0
EBIT	in € million	47.1	46.4

SUSTAINABILITY AT MLP

Sustainable development - of the economy, society and the environment - is more than ever a challenge for everyone. As a company, MLP makes its contribution to sustainable development through its strategic sustainability management: this takes the aspects into account in with which we can assume our social and ecological responsibility.

These aspects can be read in our sustainability report and are underlined by our goal of climate neutrality by 2022.

"Climate protection is a topic that concerns us all - with the aim of achieving our own climate neutrality within two years, the MLP Group is assuming responsibility here and making its contribution," says Dr. Uwe Schroeder-Wildberg, MLP Chief Executive Officer.

MLP has been systematically addressing the issue of sustainability since 2016 and is now taking its sustainability management to the next level with the aim of achieving climate neutrality. In this way MLP is also better able to meet the growing interest of clients in particular, but also of investors, consultants and employees.

"Performance" and "trust" form the core of our corporate values and combine successful entrepreneurship with social and community involvement in MLP's self-image.

The MLP Group is a partner in all financial matters - for private clients as well as for companies and institutional investors. In addition to our responsibility towards our clients, we want to express our responsibility towards all stakeholders with our sustainability management.

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

In order to give our sustainability activities a comprehensible framework, we have based our reporting on the reporting standard of the ↗ German Sustainability Code (DNK).

OUR CSR FIELDS OF ACTION

ATTRACTIVE EMPLOYER AND PARTNER

MLP is a knowledge-based service company in which qualified and motivated employees and independent client consultants form the essential basis for sustainable corporate success.

Against this background, "MLP as an attractive employer and partner" is a separate strategic field of action in our sustainability work in order to make working at and for MLP attractive and develop it further.

Attractive Employer

MLP offers its employees an open and team-oriented corporate culture, which is underlined by a family-friendly personnel policy and attractive additional benefits. To this end, the Human Resources department has formulated an internal concept with personnel management fields of action derived from the existing framework conditions, such as coping with demographic challenges, continuous improvement of personnel management processes, digitalisation, employer attractiveness, etc.

These are among others:

- The targeted promotion of women in leadership
- The support of part-time leadership
- The targeted further development of offers for health promotion
- Stronger systematisation of the parental leave process

Compatibility of work & family

- Flexible working time models and a company agreement on mobile working
- Childcare allowance for children until they start school
- Parent-and-child office at MLP headquarters, for short-term childcare shortages of our employees
- Leave of absence to care for a sick child: only from the fourth day of the child's illness is a caustic certificate required
- Cost absorption for offers of the "Generation Guide": This offers expert advice in the fields of childcare, educational coaching as well as advice and support in the area of homecare – eldercare

Health offers

- Medical prevention offers such as flu vaccinations, eye tests etc.
- Ergonomic work places and appropriate advice
- Employee and management consulting of B-A-D Gesundheitsvorsorge und Sicherheitstechnik GmbH
- Prevention and care in case of mental overload and disposition
- Company sports offers

Attractive partner for our independent client advisors

MLP client consultants act as entrepreneurs within the company and have numerous opportunities for further development - a high quality of training courses is an indispensable prerequisite for this. At the heart of the development and implementation of training courses for consultants, branch office managers and university team leaders is the MLP Corporate University based at our Group headquarters in Wiesloch.

DIGITALISATION

The continuous development of the continuing education offering for our independent client advisors at our Corporate University, which is tailored to the individual continuing education needs of the advisors with tailored, modular modules, as well as the realignment in the university segment with a clear focus on attracting young advisors, all contribute to this.

In addition, we support the productivity of our independent client advisors through various advisory applications as well as through our back-office service at Group headquarters in Wiesloch.

Further information can be found in our sustainability report.

Digitisation is having an increasingly strong impact on people's lives and the further development of companies. Flexibility, speed, innovative power and the optimization of business processes are becoming increasingly decisive for the success of a company. As a result, the complexity of IT projects - also driven by regulation - is increasing more and more. This is accompanied by a steady increase in the importance of information security, which must protect digital business models, especially against cyber attacks.

The digitalisation of all areas is also progressing within the MLP Group and will continue to play a key strategic role in the coming years. The needs of clients, consultants and employees are decisive for the development of digital services. In order to promote a digital way of working throughout the MLP Group and gradually establish a digital culture, we set up a Digital Board with a digitisation officer and a Digital Task Force in 2018, which became even more extensive in 2019.

One result of the committee is the online customer support provided by MLP consultants, which was implemented in 2019. The first parts of the IT target for 2022, which was drawn up in 2018, have also already been successfully launched, including the introduction of new working methods and the establishment of a runtime environment for microservices in the public cloud.

Further information can be found in our sustainability report.

SUCCESSFUL BUSINESS MODEL

The MLP Group is the partner in all financial matters - for private clients as well as for companies and institutional investors. Five brands, each of which occupies a leading position in its markets, stand for a wide 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 companie
- DEUTSCHLAND.Immobilien: Marketplace for investment properties

Since its foundation by Manfred Lautenschläger and Eicke Marschollek in 1971, the MLP Group has consistently focused on long-term relationships with its clients. This requires a deep understanding of their individual needs.

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

Transparent partner and product selection process

When selecting products and partners, MLP attaches great importance to objective and transparent criteria and to independence from our product partners. An analysis and quality check of the providers on the market and their respective products is carried out on the basis of client requirements. The product selection process is continuously improved and developed.

Further training of high importance

In order to be able to ensure a sustained high quality of advice, the qualification of our employees and consultants is of great importance to our company. Qualification and further training at the Group's own accredited MLP Corporate University is regarded as the benchmark in the financial consulting industry.

Further information can be found in our sustainability report.

TRUSTING CUSTOMER RELATIONSHIP

Since MLP was founded, the needs of our clients have been the focus of our activities and are essential for long-term corporate success. The core service of our consulting consists of accompanying the client as a discussion partner in all financial matters, advising him or her and thus making him or her capable of making decisions. An important part of our philosophy is therefore a deep understanding of our clients and their life situation.

In addition to the qualification and further training of our independent client advisors, the results of studies and surveys of our client groups as well as direct client feedback are constantly incorporated into the further development of our services - this also enables us to offer our clients a sustained high quality of advice and maintain a trusting client relationship. The ratings of our clients in the independent portal WhoFinance confirm this sustainably: The MLP consultants rated there achieved an average of 4.6 out of 5 possible stars.

Further information can be found in our sustainability report.

EDUCATION & QUALITY OF ADVICE

A sustained high quality of advice makes an important contribution to our value creation. The qualification of our independent client consultants is therefore of major importance for MLP. A high quality of training courses is an indispensable prerequisite for this.

The MLP Corporate University, based at our Group headquarters in Wiesloch, Germany, is the heart of the development and implementation of training courses for consultants, branch office managers and university team leaders. Tailor-made, modular modules fit in with the individual training needs of our consultants and with a total of more than 26,000 training participant days, we have systematically developed our consultants further in 2019.

As a knowledge-based service company, we also attach great importance to training and further education for our salaried employees. For this purpose, our employees at the group headquarters as well as the office staff in the branch offices have access to extensive further training opportunities.

In order to identify talented young people from our own ranks, to promote them in a targeted manner and to prepare them sustainably for future specialist or disciplinary management tasks, the Top Talent Program has been held regularly since 2013.

Further information can be found in our sustainability report.

PRODUCTS

When selecting partners and products, we have high quality standards and attach great importance to objective and transparent criteria as well as a continuous, open exchange of information in order to be able to offer our customers products that are always up-to-date and meet their needs. Based on the needs of our customers, an analysis and quality control of the suppliers on the market and their respective products is carried out.

Our partner and product selection process is continuously developed and we regularly review the providers and the products or concepts in our portfolio. Here, for example, we pay attention to the sustainability of our partners by placing the financial strength and service quality of the product partners at the centre of our assessment, especially in the case of long-term savings or hedging products.

Particularly in the context of financial decisions, customers are attaching ever greater importance to sustainability in the company's orientation and products. The sustainable orientation of a company or product can be reflected in economic, social, ethical and ecological aspects.

Further information can be found in our sustainability report.

COMPLIANCE & DATA PROTECTION

We have a performance promise to our customers: We are partners in all financial matters - for private clients as well as for companies and institutional investors.

In addition to compliance with relevant legal regulations, we have formulated Group-wide guidelines in the MLP Code of Conduct and Ethics. This Code defines general standards of conduct and principles for the companies of the MLP Group. It promotes the awareness of our board members, employees and MLP consultants of the need for responsible, sustainable, fair and professional business conduct among themselves and towards clients, business partners and shareholders, and supports the performance of business activities in line with the legal regulations and internal guidelines relevant to MLP. This also includes appropriate and conscious handling of opportunities and risks within the framework of the corporate and risk culture existing at MLP.

Further information can be found in our sustainability report.

EFFICIENT ENVIRONMENTAL & RESOURCE MANAGEMENT

Natural resources are consumed to a comparatively small extent by our business activities as a financial services provider. Nevertheless, it is our aim to use resources responsibly. In this way, we try to avoid or reduce our environmental impact - the CO_2 emissions caused by us - wherever possible. To this end, we use software to determine a CO_2 balance every year, on the basis of which measures to save CO_2 emissions are initiated.

With the goal of achieving its own climate neutrality by 2022, the MLP Group is assuming its responsibility and making its contribution to climate protection. This goes hand in hand with the goal of sustainably reducing the ecological footprint of our business activities.

Efficient environmental and resource management is anchored in our sustainability management. On the basis of our materiality analysis, it is a separate strategic sustainability field of action and is thus integrated into our sustainability strategy and the corresponding internal processes with the participation of corporate management. In order to keep our own use of resources up to date and cost- and environmentally conscious, our Infrastructure Management unit is concerned with the continuous improvement of our energy efficiency.

Further information can be found in our sustainability report.

JOINT MANAGEMENT REPORT

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

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

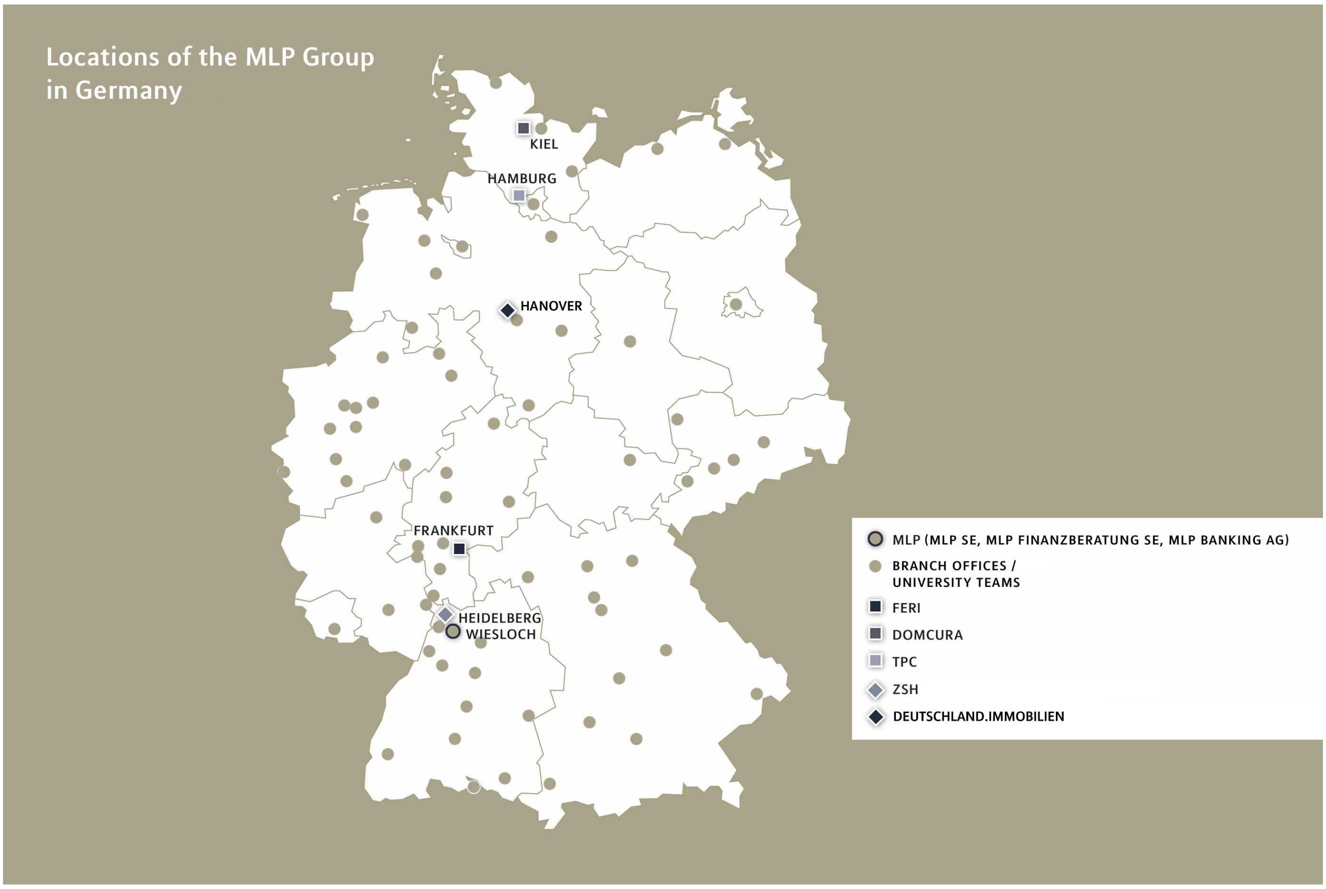
As a specialist in occupational old-age provision management, TPC GmbH (TPC) offers companies and associations consultancy services covering all issues relating to occupational pension provision and compensation – from requirements analysis, individual concept development and implementation all the way 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

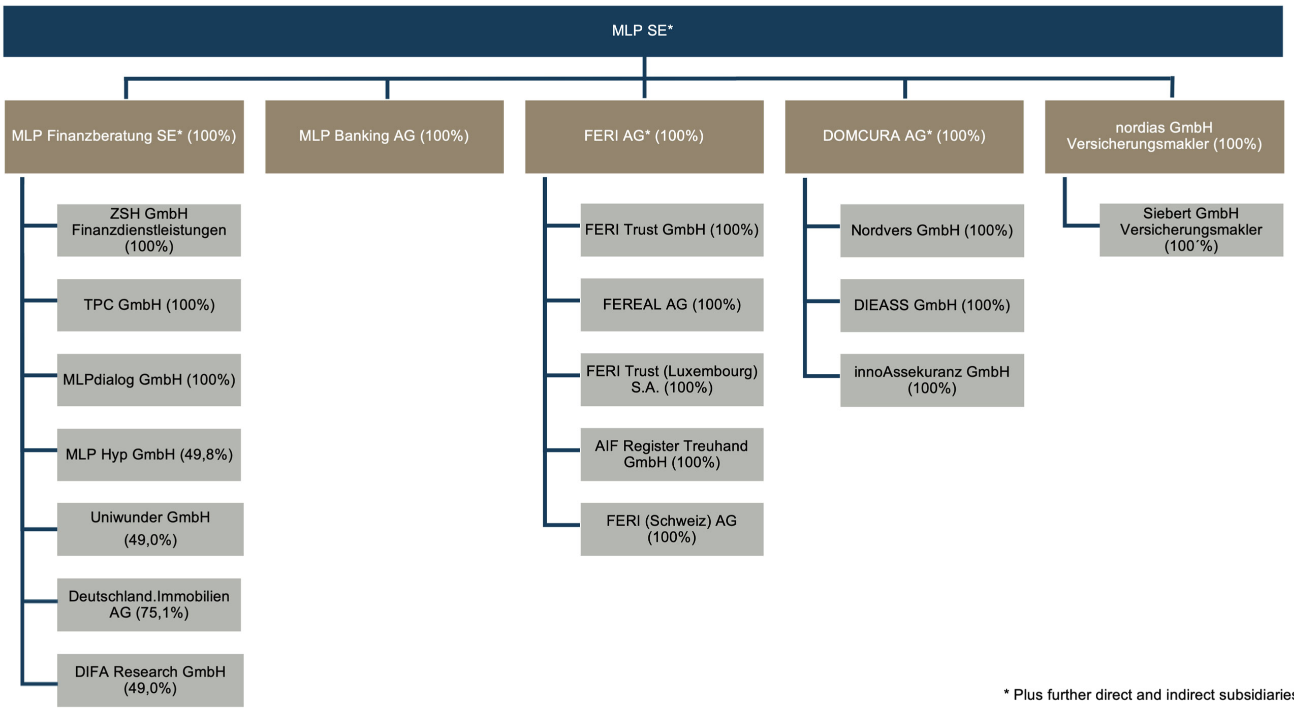
The registered office of MLP SE as the holding company, as well as MLP Finanzberatung SE and MLP Banking AG, is in Wiesloch, Germany, where all internal divisions are centralised. In addition to this, we are represented by our client consultants, branch offices and university teams in all German urban 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



* Plus further direct and indirect subsidiaries

MLP Finanzberatung SE is registered as an insurance broker for the brokerage of insurance products. MLP Finanzberatung SE includes TPC GmbH in Hamburg, ZSH GmbH Finanzdienstleistungen (ZSH) in Heidelberg, 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

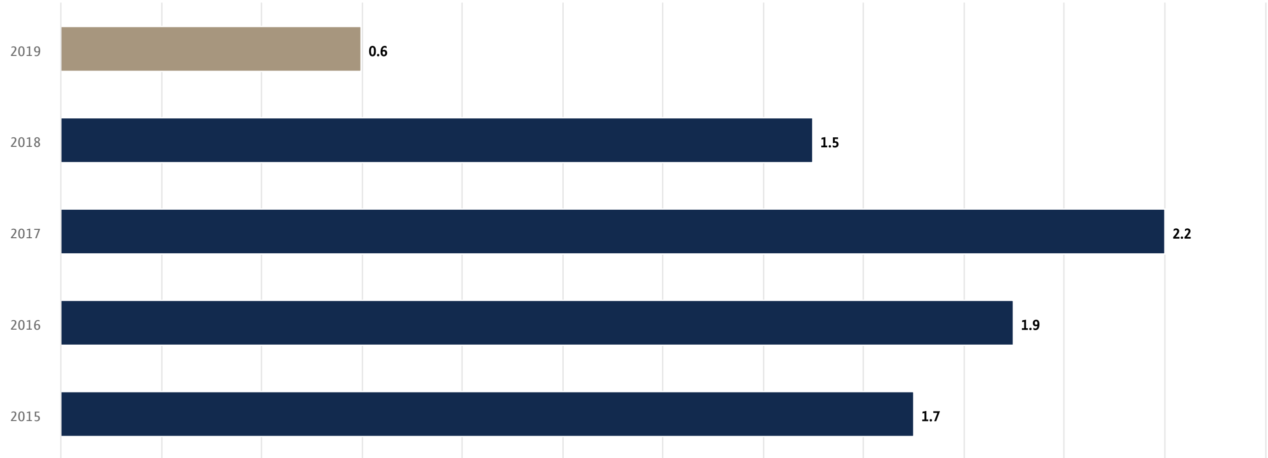
The economy in the eurozone continued to display weaker growth in the reporting year. Weaker exports in an unfavourable international economic environment were the main negative factor. According to estimates provided by FERI Investment Research, economic growth for the eurozone was 1.1% in 2019 (2018: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

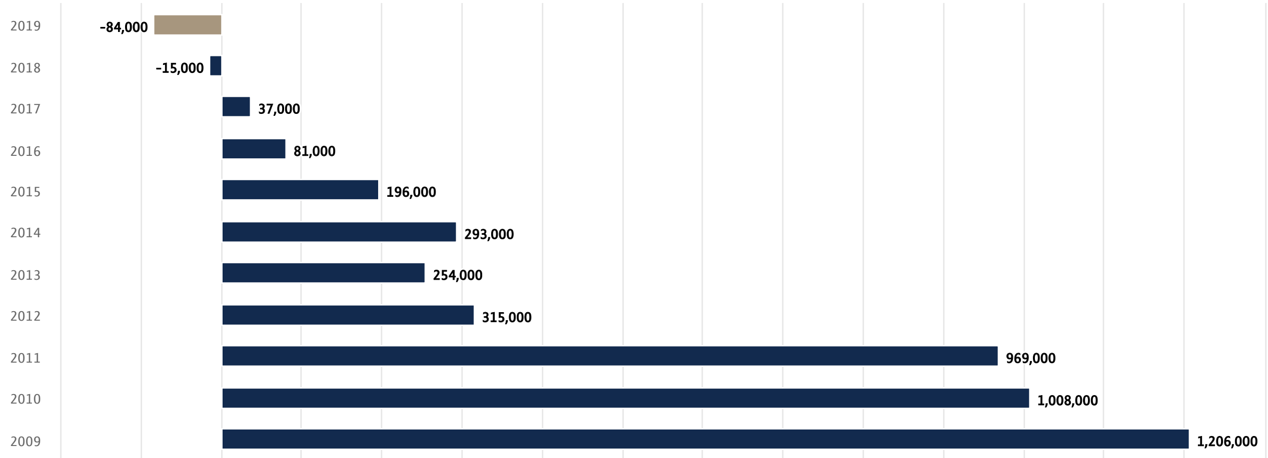
Alongside the statutory pension, basic provision (1st tier) also includes the basic pension, whose premiums can be offset against income tax. Apart from employees, the basic pension is primarily aimed at self-employed persons and freelancers that are not obliged to pay into the statutory pension insurance 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

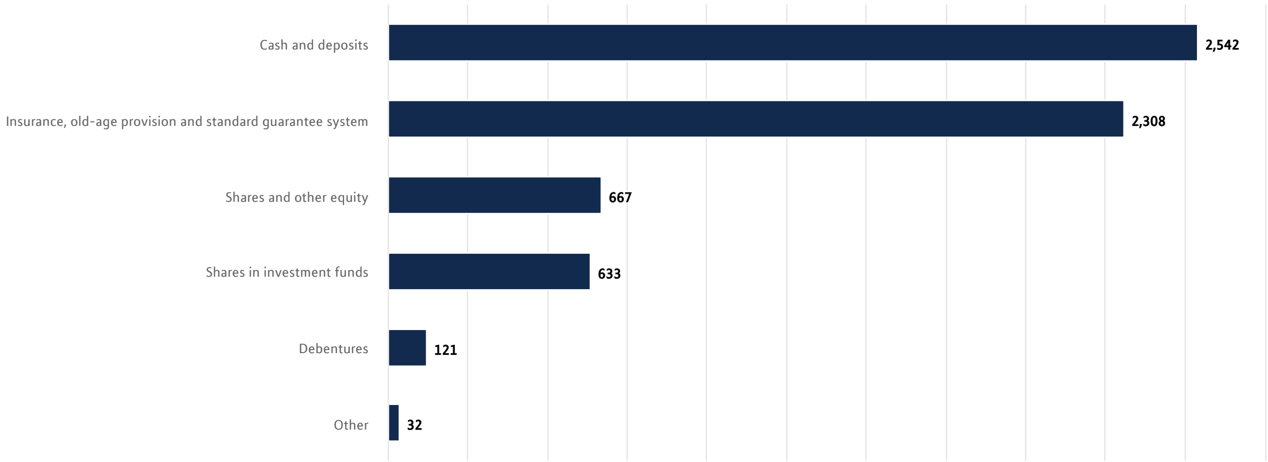
The market environment in wealth management was characterised by the ongoing low interest rate environment, as well as positive yet also volatile developments on the stock markets in the reporting period. In addition, positive geopolitical developments were flanked by a real wave of interest rate cuts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



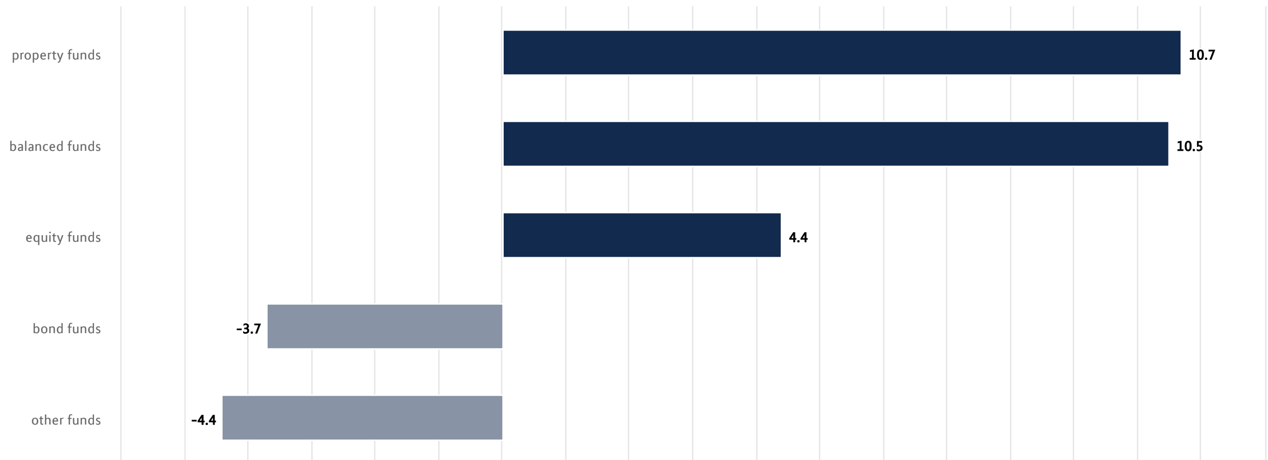
Source: Deutsche Bundesbank, Date: September 30, 2019

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

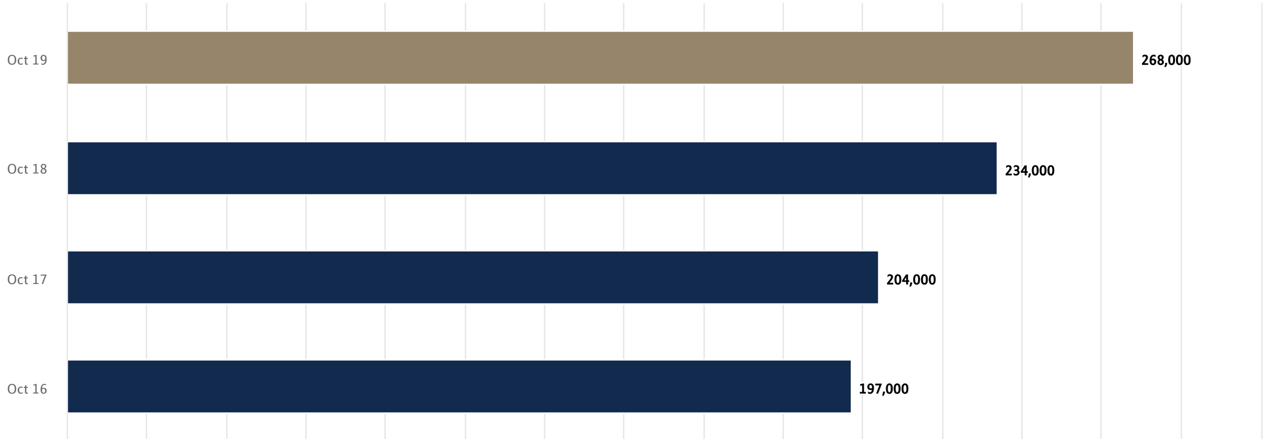
In the third quarter of 2019, the loans issued to companies and self-employed persons in Germany received a damper due to the weak economy. According to data provided by the experts at Deutsche Bank Research, the lending business increased only by € 7.3 billion or 0.5% between July and September 2019. 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.

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.

MiFID implementation completed

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.

Cost transparency further improved

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.

Data protection intensified

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.

Challenging regulatory environment

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).

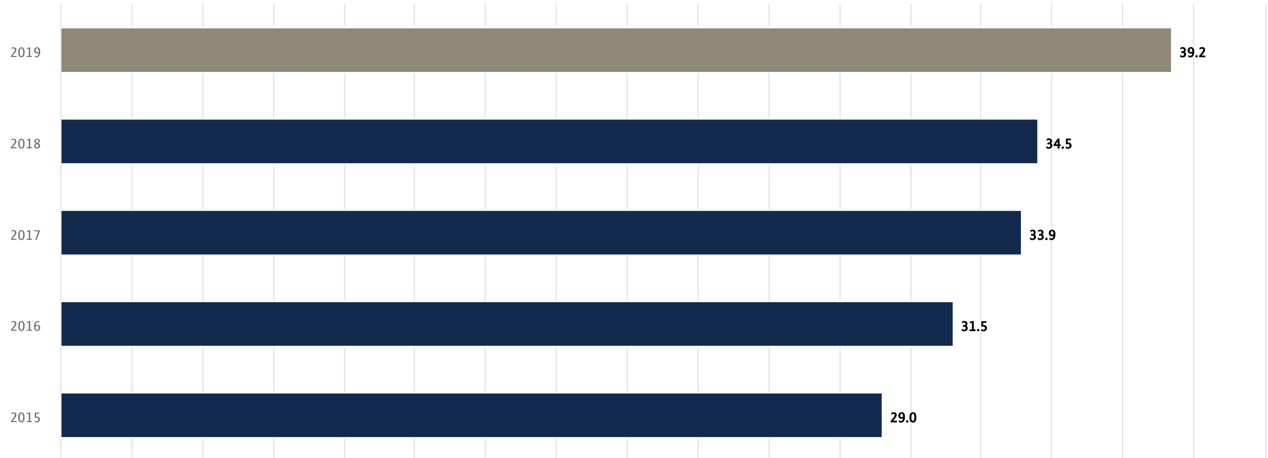
Revenue growth once again recorded in old-age provision

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.

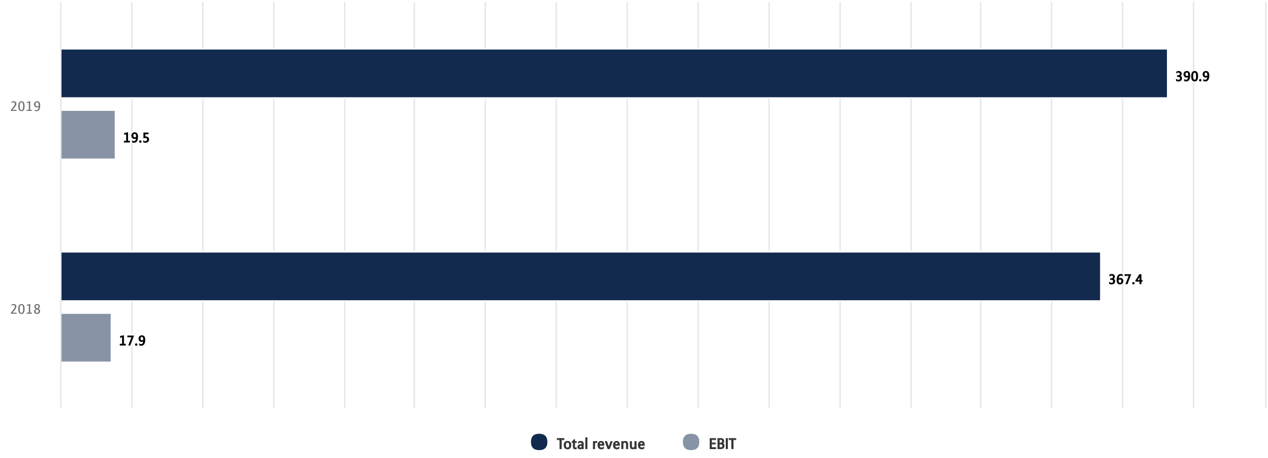
Financial Consulting segment

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.

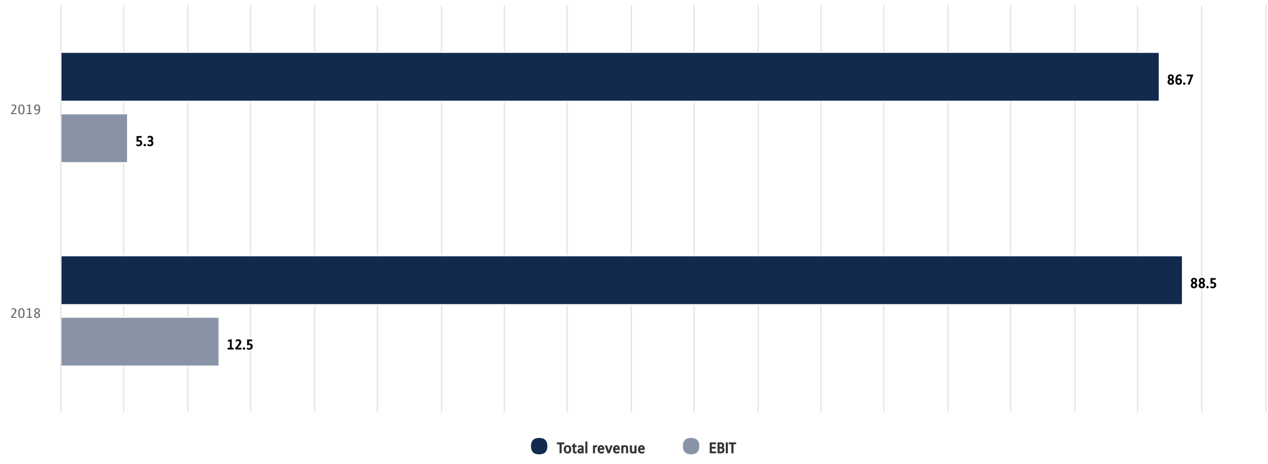
Total revenue in this segment in the reporting period was € 86.7 million (€ 88.5 million). Sales revenue increased to € 81.4 million (€ 75.8 million). At € 16.6 million, interest income was below the previous year (€ 17.3 million). This was due to the ongoing period of low interest rates. Other revenue 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

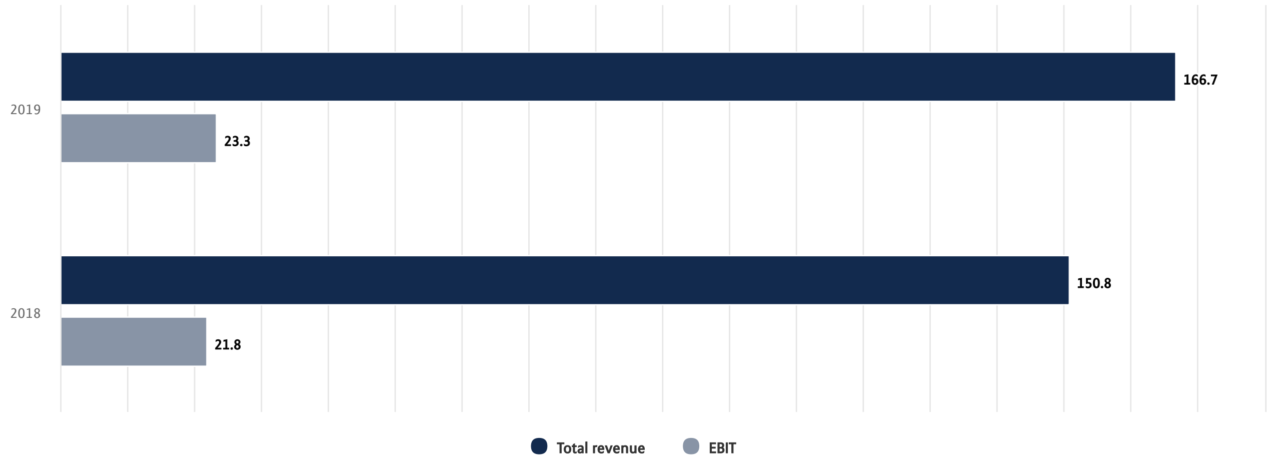
The FERI segment represents the activities of the FERI Group. Revenue is primarily generated in this segment from the wealth management field of consulting.

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.

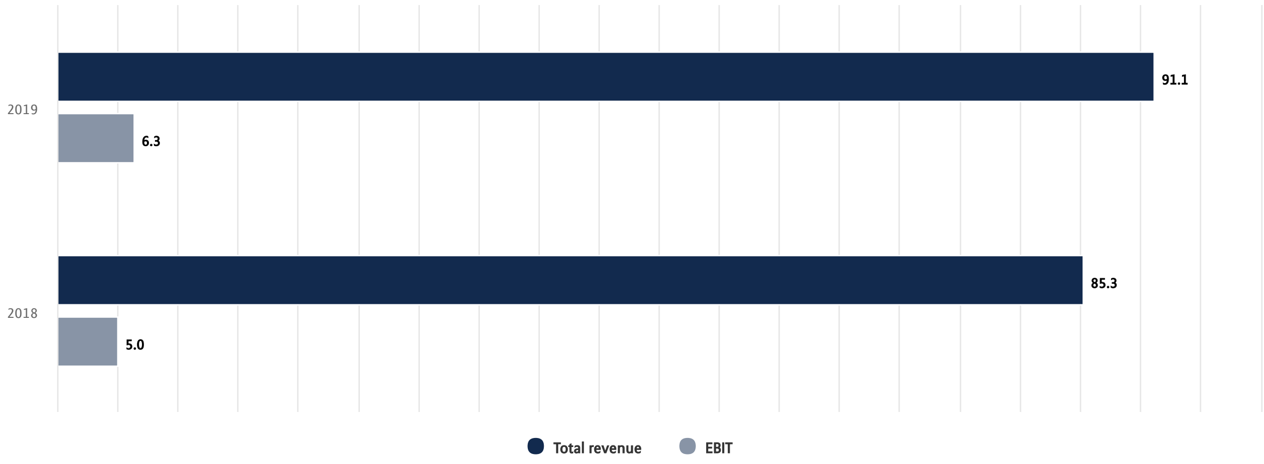
DOMCURA generated revenue of € 89.0 million in the reporting year (€ 83.4 million). Other revenue was € 2.1 million (€ 1.9 million). Accordingly, total revenue was € 91.1 million (€ 85.3 million).

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.

Digitalisation of personnel work successfully continued

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.

Recruitment of new consultants further expedited

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.

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.

Net growth in consultant numbers

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%.

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.

CORPORATE GOVERNANCE REPORT – DECLARATION OF CORPORATE GOVERNANCE (§ 289a of the German Commercial Code (HGB)

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

Compliance with the Corporate Governance Code

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

Declaration of Compliance of MLP SE pursuant to § 161 of the German Stock Corporation Act (AktG)
(As per: November 13, 2019)

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

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

Section 4.1.5 (compliance with diversity at management level)

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

In the current financial year, the Executive Board has intensified its efforts with respect to diversity when filling managerial positions and, in particular, strives to achieve appropriate consideration of women at managerial levels in the company. In the past, the Executive Board of MLP SE already took measures directed at reconciling working life and family life. In the financial year 2019, the Executive Board again reviewed the effectiveness of these measures and had already adopted an overall concept in November 2013. If appropriate, it will undertake modifications as necessary or initiate further measures in order to achieve appropriate consideration of female candidates at managerial levels in the Company, taking into account the Company’s specific situation. Based on objectives, this concept should help to further improve reconciliation of working and family life, which is set out in a target agreement of the company moderated by the Hertie Foundation in the context of a berufundfamilie® audit. No concrete gender-specific guidelines with regard to filling positions have yet been established. Nevertheless, the Executive Board of MLP SE has only decided upon a percentage of female members amounting to 0% at the first management level below the Executive Board as MLP SE is a holding company that has only a very limited number of staff with just a few managers. Beyond this, MLP SE does not have a second level of management below the Executive Board.

The measures are therefore not yet fully compliant with the requirements of Section 4.1.5 of the Code. As was also the case in the financial year 2019, MLP therefore declares it will continue to deviate from this recommendation in 2020.

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

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

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

Therefore the Supervisory Board is of the opinion that the implementation progress made to date is not yet sufficient to fulfil the requirements of Section 4.2.3 Sentence 11 of the Code in full. As was also the case in the financial year 2019, MLP declares not to follow this recommendation in the financial year 2020.

Section 4.2.3 Sentence 12 to 14 (severance payment cap)

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

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

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

As was also the case in 2019, MLP will therefore not comply with this recommendation in 2020.

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

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

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

The Supervisory Board is of the opinion that the implementation progress made to date is not yet sufficient to fulfil the requirements of Section 5.1.2 Sentence 2 of the Code in full. As was also the case in the financial year 2019, MLP therefore declares not to follow this recommendation in the financial year 2020.

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

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

MLP did not follow this recommendation in 2019. There is no set age limit for members of the Executive Board at MLP. The appointment of members of the Executive Board should be based solely on their knowledge, skills and specialist experience. As was the case in 2019, MLP will therefore not comply with this recommendation in 2020.

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

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

No age limit or standard limit for the length of service is specified for members of the Supervisory Board. In light of the knowledge, expertise and specialist experience stipulated in Section 5.4.1 Sentence 1 of the Code, it seems inappropriate to specify an age limit and standard length of service for members of the Supervisory Board. As was the case in 2019, MLP will therefore not comply with this recommendation in 2020.

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

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

At the same time, in the financial year 2020 – as in 2019 – MLP will thus deviate from this recommendation as the Supervisory Board has not set any concrete target figures, but rather sees a subsequent appointment against the background of the candidate’s respective qualification.

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

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

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

MLP therefore declares that it will deviate from this recommendation in future, and consequently also in the financial year 2020.

Wiesloch, November 2019

MLP SE

The Executive Board The Supervisory Board

In November 2019, the Executive and Supervisory Boards issued the above Declaration of Compliance pursuant to § 161 of the German Stock Corporation Act (AktG) and made it permanently available to shareholders via the company's website. The Declaration of Compliance in the version of November 13, 2018 can also be viewed online at ↗ www.mlp-se.com.

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

Corporate governance

Responsible and value adding management

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

Management and control structure

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

Executive Board

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

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

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

Supervisory Board

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

Resolutions of the Supervisory Board are made during meetings convened by the Chairman of the Supervisory Board or on his behalf and require a majority vote. The Supervisory Board is informed of particularly important or urgent projects outside of the regular meetings. Where necessary, resolutions can also take the form of circular resolutions or be passed via telephone. A transcript of each meeting is drafted.

Supervisory Board composition

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

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

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

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

As per the new revisions to § 100 (5) of the German Stock Corporation Act (AktG) that became effective in 2016, members of the Supervisory Board no longer need to meet the personal independence prerequisites due to legal obligations. Instead, the Supervisory Board should comprise what it deems to be an appropriate number of independent members as per Section 5.4.2 of the German Corporate Governance Code (GCGC). Pursuant to § 5.4.1 (4) Sentence 3 of the German Corporate Governance Code (GCGC), however, this Corporate Governance report should also provide information on what the Supervisory Board deems to be an appropriate number of shareholders as independent members of the Supervisory Board and the names of these members. For this reason, the Supervisory Board continues to adhere to the requirement for independence. The Supervisory Board considers itself as already consisting of a suitable number of independent members who have no business or personal relationship with the company or members of the Executive Board which could form grounds for a conflict of interest. Accordingly, in its meeting on November 13, 2019, the Supervisory Board confirmed that Mrs. Tina Müller, Dr. Peter Lütke-Bornefeld and Dr. Claus-Michael Dill are independent shareholders' representatives on the Supervisory Board. Based on the determinations of the Supervisory Board, Mr. Matthias Lautenschläger, who maintains personal relations with the company or major shareholders – i.e. those shareholders that hold more than 10% of voting shares in MLP SE either directly or indirectly – is therefore not an independent member of the Supervisory Board in the sense of this standard. In terms of independence, the Supervisory Board works to a strict standard to eliminate any doubt regarding its judgement.

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

Efficiency of the Supervisory Board

In 2019 the Supervisory Board also reviewed the efficiency of its own activities. Particular attention was paid to the efficiency of the procedures in the Supervisory Board, the information flow between the committees and the Supervisory Board and the timeliness and sufficient content of reporting by the Executive Board to the Supervisory Board. Further measures aimed at increasing efficiency were drafted in the course of intensive discussions.

Supervisory Board committees

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

Corporate governance in the Supervisory Board

In 2019, the Executive and Supervisory Boards of MLP SE again dealt intensively with the German Corporate Governance Code and further new legislation significant to the work performed by the Supervisory Board and its committees. The Code, and its amendments passed on February 7, 2017, were the object of intensive discussions by the Supervisory Board. Stipulations were analysed and corresponding adjustments to the internal regulations and procedures followed by the Supervisory Board were either proposed or submitted for verification.

Cooperation between Executive Board and Supervisory Board

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

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

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

Transparency

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

As of December 31, 2019, the shares held by the members of the company's Executive and Supervisory Boards were distributed as follows:

Supervisory Board member	Number of shares as of Dec. 31, 2019	Number of shares as of Dec. 31, 2018
Dr. Peter Lütke-Bornefeld	200,000	200,000
Matthias Lautenschläger	9,386	9,386
Tina Müller	–	1,000
Dr. Claus-Michael Dill	–	–
Burkhard Schlingermann	55	55
Alexander Beer	–	–

Executive Board member	Number of shares as of Dec. 31, 2019	Number of shares as of Dec. 31, 2018
Dr. Uwe Schroeder-Wildberg	80,500	–
Manfred Bauer	11,254	11,254
Reinhard Loose	15,000	10,000

Directors’ Dealings

Directors’ Dealings

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

Transactions up to a total value of € 20,000 (previously € 5,000) per calendar year are exempt from the reporting obligation with effect from January 1, 2020.

Three transactions pursuant to Art. 19 of the Market Abuse Regulation (MAR) were reported to us in the financial year 2019. Reported transactions from previous years can be viewed on our website at ↗ www.mlp-se.com.

Compliance

Compliance regulations

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

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

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

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

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

Corporate governance practices

Defined company values

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

MLP managers:

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

The personnel strategy and its vision represent another part of the corporate management practices. MLP is an attractive employer and is perceived as such both by its own employees and by potential applicants on the employment market. All employees are proud to work for the company and to make an important contribution to the sustainable success of MLP through their efforts. They feel committed to the company values and in particular to the culture of performance and trust that is actively lived out at all levels at MLP.

Derived from the vision and associated framework conditions, this results in diverse fields of action in HR. This exemplifies the positioning of the employer brand or the increase in employer attractiveness, in particular for women - among other things also through active expansion and optimisation of the family-friendly framework conditions associated with working at MLP. Another action area revolves around actively working towards greater participation of women at all management levels within the company, which will become even more important at MLP in 2020.

In accordance with the recommendation of the Corporate Governance Code in Section 4.1.5., the Executive Board has further reinforced its efforts to secure diversity when filling management positions. It will also continue to test the effectiveness of the adopted measures in the financial year 2020 and either make any changes deemed necessary or implement additional measures to ensure that women are given appropriate consideration at the management levels of the company, taking into account the company's specific situation.

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

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

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

MLP places great emphasis on promoting women and helping employees combine a career with a family. The company has therefore already made this topic a focus over the last few years and implemented various measures to promote women into management positions. The concept for example includes measures such as family-friendly meeting arrangements or flexible workplace designs. As a sign of its public commitment to diversity, MLP signed the Diversity Charter in 2014. To help staff more effectively combine their career with a family, MLP opened a parent & child office in February 2015 to provide parents that are struggling to find childcare with the option of taking their children to work with them. In addition to this, the berufundfamilie® audit was successfully performed in 2019. The associated target agreement for the coming three years includes various objectives/measures to promote the concept of women in management positions, as well as part-time management.

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

MLP SE has met this quota on the shareholder side of the Supervisory Board. This leads to a quota of 16.66% for the entire Supervisory Board. Alongside the three-member Executive Board and one first-level manager, as a holding company MLP SE does not employ any other managers and currently no woman holds any of these positions. MLP will continue to consistently pursue the goal of increasing the number of women in management positions with measures such as the successfully completed auditing process by the berufundfamilie® strategic management instrument, which includes various targets and measures in this context, or the Top Talents Programme for the targeted development of junior staff.

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

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

A "pay system" works agreement was concluded in December 2015 as the basis for establishing improved transparency of pay at MLP. This works agreement applies to MLP SE, MLP Banking AG, as well as MLP Finanzberatung SE in the version dated July 2, 2019. Each job type is assessed independently of the incumbent, i.e. in a gender-neutral way, and then assigned to a salary range. The salary benchmark is then based on this assignment when hiring new staff and redeploying existing staff. Private employers that generally have more than 500 employees are called upon to use operational audit procedures to regularly review the application of their pay systems and the various remuneration components paid for compliance with the equal pay requirement in the meaning of this legislation. MLP has decided to perform these audits for MLP SE, MLP Banking AG and MLP Finanzberatung SE in 2018.

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

Information

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

Provision of information to all target groups

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

Accounting and audit

Group accounting is performed in line with International Financial Reporting Standards (IFRS). KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, was appointed as auditor by the Annual General Meeting and has audited the 2019 consolidated financial statements. The Supervisory Board gave its assurance that the relations existing between the auditors and MLP or its governing bodies give no cause for doubting the independence of the auditor. The Supervisory Board at MLP SE also discusses the annual and consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

Income statement and statement of comprehensive income

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

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

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

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

Statement of financial position

Assets as of December 31, 2019

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

Liabilities and shareholders' equity as of December 31, 2019

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

Statement of cash flow

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

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

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

Statement of changes in equity

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

All figures in €'000	Equity attributable to MLP SE shareholders							
	Share capital	Capital reserves	Gains/losses from changes in the fair value of available-for-sale secureties*	Revaluation gains/losses related to defined benefit obligations after taxes	Retained earnings	Total	Minority interests	Total shareholders' equity
As of January 1, 2018	**109,335**	**148,754**	**959**	**–12,184**	**158,072**	**404,935**	**–**	**404,935**
Effects from the first-time adoption of IFRS 9/IFRS 15	–	–	–959	–	8,807	7,848	–	7,848
As of January 1, 2018	109,335	148,754	–	–12,184	166,880	412,783	–	412,783
Treasury stock	**–168**	**–**	**–**	**–**	**–556**	**–724**	**–**	**–724**
Share-based payment	–	473	–	–	–	473	–	473
Dividend	–	–	–	–	–21,866	–21,866	–	–21,866
Transactions with owners	**–168**	**473**	**–**	**–**	**–22,422**	**–22,117**	**–**	**–22,117**
Net profit	–	–	–	–	34,494	34,494	–	34,494
Other comprehensive income	–	–	–	–333	–	–333	–	–333
Total comprehensive income	**–**	**–**	**–**	**–333**	**34,494**	**34,160**	**–**	**34,160**
As of Dec. 31, 2018	**109,167**	**149,227**	**–**	**–12,518**	**178,951**	**424,826**	**–**	**424,826**
As of January 1, 2019	**109,167**	**149,227**	**–**	**–12,518**	**178,951**	**424,826**	**–**	**424,826**
Acquisition of treasury stock	168	–	–	–	555	722	–	722
Share-based payment	–	626	–	–	–	626	–	626
Dividend	–	–	–	–	–21,867	–21,867	–	–21,867
Transactions with owners	**168**	**626**	**–**	**–**	**–21,312**	**–20,518**	**–**	**–20,518**
Net profit	–	–	–	–	37,327	37,327	–402	36,925
Other comprehensive income	–	–	–	–5,030	–	–5,030	–	–5,030
Total comprehensive income	**–**	**–**	**–**	**–5,030**	**37,327**	**32,297**	**–402**	**31,895**
Changes to the scope of consolidation (acquisition of the DI Group)	–	–	–	–	–	–	1,189	1,189
As of Dec. 31, 2019	**109,334**	**149,853**	**–**	**–17,547**	**194,966**	**436,605**	**787**	**437,392**

* Reclassifiable gains/losses.

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

Notes

General information

1 Information about the company

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

Since it was founded in 1971, the MLP Group (MLP) has been operating as a broker and adviser for academics and other discerning clients in the fields of old-age provision including occupational pension provision, healthcare provision, non-life insurance, loans and mortgages, wealth management and banking services. With the acquisition of the DI Deutschland.Immobilien AG (DI Group) in the last financial year, MLP's activities now also encompass development and management of real estate.

2 Principles governing the preparation of the financial statements

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

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

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

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

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

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

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

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

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

IFRS 16

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

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

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

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

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

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

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

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

Effects on the consolidated balance sheet

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

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

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

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

Measurement of leasing liabilities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

[1] A profit and loss transfer agreement is in place: Presentation of the net result for the year before profit transfer.
[2] Shareholders' equity and net profit from the annual financial statements 2018.
[3] Currency conversion rate as at the balance sheet date: € 1 = CHF 1.08743.
[4] Founded in 2019. Statement of initial capital. Financial statements are not available yet.

Disclosures on non-consolidated structured entities

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

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

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

The carrying amounts of non-consolidated structured entities in the MLP Group are € 103 thsd as of December 31, 2019 (previous year: € 171 thsd). In the financial year 2019, MLP SE recorded an income of € 2,298 thsd from non-consolidated structured entities (previous year: € 1,595 thsd).

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

5 Business combinations

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

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

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

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

Net assets of DI-Group acquired

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

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

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

6 Significant discretionary decisions, estimates and changes in estimates

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

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

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

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

7 Accounting policies

The application scope of IFRS 15 includes mutual contracts in which the other contracting party qualifies as a client, i.e. concludes a contract with MLP regarding receipt of services or real estate objects from ordinary business activities in return for payment. The identification of a client with regard to MLP's transactions can be performed regularly and easily.

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

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

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

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

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

In the fields of **old-age provision, non-life insurance and health insurance**, commission income is generated from the brokering of insurance products. Acquisition commission is recorded at the time of contract conclusion. Commission income from unit-linked old-age provision products that is paid on a pro rata basis is recognised at a specific point in time, taking into account a probable percentage of completion.
MLP receives dynamic commissions for contract adjustments that involve extended insurance coverage. Similarly to commission from the brokering of the basic policy, these are recognised when the dynamic increase takes effect.

In the old-age provision and health insurance consulting field, MLP receives commission payments pertaining to the management of contracts for ongoing support of the policyholder. The service is performed over a period of time, which leads to a situation in which respective revenue is to be recognised over time. The contractual conditions stipulate payment within around three months.

Due to the obligation to refund portions of the commission received if brokered insurance policies are terminated prematurely, the amount of commission to which brokers are entitled is tied to uncertainties. Pursuant to IFRS 15, there is a **variable transaction price**. MLP estimates the transaction price on the basis of statistical empirical values for the risk of termination and mortality. Revenue is recorded to the extent that it is highly probable that there will be no significant cancellations in a future period.

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

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

Revenue from **wealth management** contains both revenue to be recognised at a point in time and over time. Revenue recognised at a point in time includes issue surcharges/premiums, custody fees, account management fees, mutual fund brokerage fees, as well as brokerage and trailer commissions from wealth management mandates. Other wealth management revenue recognised at a point in time result from research services. Revenue is recognised over time, in particular, for services performed in the fields of fund management and investment consulting. Alongside fixed compensation, MLP also records variable payments in these fields of business, the level of which is based on the performance achieved in the respective accounting period. The agreed term of payment is set at an average of 30 days.

Commission income from the brokering of loans (credit brokering commission) is attributed to revenue from the **loans and mortgages** business. MLP realises brokerage commissions for loan brokerage after concluding the respective loan agreement. The same applies to **real estate brokerage**: Here, revenue is realised when signing the notarised purchase contract. In the case of real estate development, revenue is recognised on the basis of construction progress and the anticipated revenue or accrued costs over time.

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

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

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

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

Currency translation

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

Fair value

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

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

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

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

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

Intangible assets

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

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

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

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

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

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

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

Property, plant and equipment

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

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

Impairment test

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

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

Inventories

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

Leasing

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

For lessees, IFRS 16 introduces a uniform approach for the accounting of leases, based on which right-of-use assets and liabilities for payment obligations are to be recognised for all leases in the balance sheet. For lease objects of low value and for short-term leases (fewer than 12 months), the simplified application rules are applied. The option to capitalise non-lease components (service) as per IFRS 16.15 is not applied. In addition, the option to separate leasing and non-leasing components (service) is also applied. Non-leasing components are not taken into account in the recognised right-of-use asset.

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

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

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

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

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

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

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

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

Investments accounted for using the equity method

The acquisition costs are annually updated by taking into account the equity changes of the associates corresponding to MLP's equity share. Unrealised gains and losses from transactions with associates are eliminated based on the percentage of shares held. The changes of the pro rata shareholders' equity are shown in the company's income statement under earnings from investments accounted for using the equity method. Dividends received reduce the carrying amount. For further details, please refer to → Note 18.

Financial instruments

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

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

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

MLP purchases financial assets exclusively with the objective of collecting contractual cash flows. Divestments are typically concluded prior to the end of the term and all financial assets are subsumed using the "holding" business model. Divestments performed due to deterioration of the credit quality of individual assets, divestments performed near to the end of the term, as well as rare/irregular divestments or divestments of insignificant levels would not present any risk for the assignment to the "holding" business model. As there are no assets resulting from the business model "hold to collect and sell" or "sell", there are no assets which are (2) measured at fair value through other comprehensive income or (3) measured at fair value through profit or loss as at December 31, 2019.

Financial assets whose cash flows do not exclusively comprise interest and principal payments, such as shares in investment funds and derivatives, are measured at fair value through profit or loss (FVPL). MLP therefore measures shares and investment funds at fair value through profit or loss. Two debentures are structured debt instruments that do not fulfil the cash flow criterion and are also measured at fair value through profit or loss. For equity instruments, IFRS 9 provides an option for measurement at fair value through other comprehensive income (FVOCI). MLP applies this option for measurement at fair value through other comprehensive income at the individual case level. As of December 31, 2019, the option is not being exercised for any assets. In addition, IFRS 9.4.1.5 allows the optional measurement of assets at fair value to avoid or significantly reduce an accounting mismatch. MLP does not make any use of the Fair Value Option (FVO) as of December 31, 2019.

The **impairment model** under IFRS 9 incorporates expectations regarding the future and is based on the anticipated credit losses. The impairment model under IFRS 9 provides three levels and can be applied to all financial assets (debt instruments) that are measured either at amortised costs or at fair value through other comprehensive income.

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

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

- More than 30 days in arrears
- Deterioration of the rating by at least two grades compared to the 12-month-forward rating and transfer to non-investment grade
- Intensive support

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

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

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

- Determination using the credit risk parameter method:
  The Expected Credit Loss (ECL) is determined through multiplicative linking of the Exposure at Default (EaD), Probability of Default (PD) and Loss Given Default (LGD) credit risk parameters. The parameters are determined in such a way that they reflect relevant events in the past, the current situation, as well as information regarding the future. In principle this can be performed using an economic model that contains all of the information gathered or by adjusting existing parameters so that the current economic environment and forecasts with regard to its future development are taken into account. This information encompasses macroeconomic factors (primarily GDP growth, unemployment rate) and forecasts regarding future economic framework conditions.
  To secure approximate consistency between the risk measurement and the recording of credit losses in the balance sheet, the PD models currently used are applied and suitably extended. In the first step, through-the-cycle PDs are derived from the existing supervisory models. Migration matrices are used for this, as a result of which future changes in creditworthiness are anticipated at portfolio level over the term. Using rating classes, the migration matrices are based on observable loan loss

histories of the portfolios in question. In the second step, the through-the-cycle PDs are adjusted using a shift factor method in such a way that the current economic environment and the future-oriented factors required by IFRS 9 are taken into account. Here, the through-the-cycle PDs (multi-year PDs) derived from rating data are transformed into point-in-time PDs through a multiplicative factor, the shift factor.

- Loss rate method:
  Under certain conditions, IFRS 9 allows use of a loss rate method that is based on the default rates for determining anticipated losses. Here, historical credit default rates are determined for defined portfolios with the same risk characteristics. Criteria for portfolio creation are contractual terms of the same design for assets, comparable counterparty characteristics, as well as similar credit ratings of the assets in the portfolio. The anticipated losses are estimated on the basis of historical losses. In contrast to the first process described, there is no explicit subdivision into the components of probability of default (PD) and loss given default (LGD). The determination period of the anticipated losses is the entire term remaining to maturity of the respective asset. When determining the loss rates, forward-looking information is considered by weighting the historic loss rates used. For example, loss rates from a period with strong economic activity will receive lower weighting, while loss rates from a period of recession will be given stronger weighting to anticipate an expected economic slump.
- Expert-based ECL determination:
  Expert-based ECL determination is performed individually using a scenario analysis, to which the expert adds the circumstances of the respective individual case. Both general values based on past experience and the specific characteristics are therefore continually considered in the calculation.

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

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

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

Subsequent to their initial recognition, **financial liabilities** are to be recognised at their amortised costs using the effective interest method. Profits or losses are recognised in the income statement on derecognition, as well as within the scope of amortisation charges. Subsequent to their initial recognition, **financial liabilities at fair value through profit or loss** are measured at their fair value. Profits or losses from the change in fair value are recognised through profit or loss.

Pension provisions

Old-age provision in the Group is performed on the basis of the defined-benefit and defined contribution old-age provision plans.

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

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

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

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

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

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

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

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

Other provisions

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

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

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

Reversals of provisions are recognised under other revenue.

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

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

Share-based payments

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

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

Share-based payments also include those made through equity instruments (participation programme for MLP consultants and office managers). The participation programme applies to the calendar year 2019, as well as to MLP consultants and MLP branch office managers whose contracts remained unterminated and in place on December 31, 2019. The compensation to be made in the form of MLP shares is determined on the basis of the annual commission of the MLP consultant/branch office manager, applying various performance parameters, and is recorded in the 2019 consolidated financial statements as an expense with a corresponding increase in shareholders' equity.

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

8 Reportable business segments

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

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

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

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

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

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

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

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

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

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

In the financial year, revenue of € 242,925 thsd was generated with two product partners in the business segments of Financial Consulting, Banking, FERI and DOMCURA. In the previous year, revenue of € 213,353 thsd was generated with two product partners in the business segments of Financial Consulting, Banking, FERI and DOMCURA.

Information regarding reportable business segments

All figures in €'000	Financial Consulting		Banking		FERI		DOMCURA		Holding and Others		Consolidation		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Revenue	369,287	347,150	81,366	75,790	161,572	146,164	88,984	83,441	108	–	-11,757	-10,408	689,561	642,137
of which total inter-segment revenue	7,870	7,138	3,887	3,269	–	–	–	–	–	–	-11,757	-10,408	–	–
Other revenue	21,609	20,259	5,337	12,757	5,139	4,672	2,092	1,860	10,380	9,173	-25,358	-24,900	19,199	23,821
of which total inter-segment revenue	12,630	13,079	3,400	3,138	17	–	–	0	9,311	8,682	-25,358	-24,900	–	–
Total revenue	**390,896**	**367,409**	**86,703**	**88,547**	**166,711**	**150,836**	**91,077**	**85,300**	**10,487**	**9,173**	**-37,115**	**-35,307**	**708,760**	**665,958**
Inventory changes	–	–	–	–	–	–	–	–	3,940	–	–	–	3,940	–
Commission expenses	-186,474	-171,665	-33,568	-30,986	-99,052	-85,348	-57,812	-54,643	-3,980	–	10,962	10,109	-369,925	-332,533
Interest expenses	–	–	-540	-556	–	–	–	–	–	–	-75	–	-615	-556
Valuation result/loan loss provisions	-13	705	-802	259	-87	-423	15	-42	-9	–	–	–	-896	500
Personnel expenses	-69,566	-66,127	-11,877	-10,764	-32,842	-32,208	-15,974	-14,866	-5,457	-4,075	–	–	-135,717	-128,039
Depreciation and impairment	-19,719	-11,672	-281	-95	-2,371	-1,262	-2,159	-1,344	-1,840	-1,586	–	–	-26,371	-15,960
Other operating expenses	-98,626	-103,261	-34,296	-33,887	-9,082	-9,822	-8,822	-9,399	-9,737	-14,140	25,492	24,981	-135,071	-145,528
Earnings from investments accounted for using the equity method	3,011	2,547	–	–	–	–	–	–	-13	–	–	–	2,998	2,547
Segment earnings before interest and tax (EBIT)	**19,509**	**17,936**	**5,339**	**12,519**	**23,276**	**21,772**	**6,325**	**5,006**	**-6,609**	**-10,627**	**-735**	**-217**	**47,104**	**46,388**
Other interest and similar income	458	663	131	2,582	-7	7	-51	7	217	-81	19	-16	767	3,161
Other interest and similar expenses	-2,276	-864	-39	-51	-541	-341	-32	-9	-1,008	-2,706	750	282	-3,145	-3,689
Valuation result not relating to operating activities	23	-6	–	–	-3	-21	-1	-3	25	-23	–	–	43	-52
Finance cost	**-1,795**	**-207**	**92**	**2,531**	**-551**	**-356**	**-85**	**-5**	**-766**	**-2,809**	**770**	**266**	**-2,335**	**-580**
Earnings before tax (EBT)	**17,714**	**17,729**	**5,432**	**15,050**	**22,725**	**21,416**	**6,240**	**5,001**	**-7,375**	**-13,436**	**34**	**48**	**44,770**	**45,808**
Income taxes													-7,844	-11,314
Net profit													**36,925**	**34,494**
Of which attributable to														
owners of the parent company													**37,327**	**34,494**
Minority interests													**-402**	**–**
Investments accounted for using the equity method	**4,630**	**4,186**	**–**	**–**	**–**	**–**	**–**	**–**	**508**	**–**	**–**	**–**	**5,138**	**4,186**
Investments in intangible assets and property, plant and equipment	**4,630**	**8,105**	**682**	**685**	**1,459**	**15,420**	**1,281**	**1,145**	**1,247**	**1,273**	**–**	**–**	**9,300**	**26,629**
Major non-cash expenses:														
Impairments/reversal of impairments on receivables	13	-705	1,443	-976	87	423	-15	42	9	–	–	–	1,538	-1,216
Increase/decrease of provisions/accrued liabilities	48,922	44,859	3,111	3,240	495	11,187	-21	3,897	5,792	4,972	–	–	58,298	68,155

Notes to the income statement

9 Revenue

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

The commission income disclosed under revenue is recognised on a regular and point-in-time basis. Revenue recognised over time totalling € 260,845 thsd was generated from the old-age provision business in the Financial Consulting segment, from the health insurance business in the Financial Consulting and DOMCURA segments, as well as from the wealth management business in the Financial Consulting and FERI segments (previous year: € 239,637 thsd). The revenue from the interest rate business includes negative interest from lending and money market transactions of € 2,352 thsd (previous year: € 1,818 thsd).

10 Other revenue

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

For more information on income from the reversal of provisions, please refer to → Note 31. Income from the reversal of provisions for economic loss, which is offset by expenses from liability insurance refund claims, is disclosed net under income from the reversal of provisions. Income from the reversal of provisions does not contain any income from provisions for the lending business or provisions for anticipated losses from the lending business. These are part of the loan loss provisions. We make reference to → Note 14 here.

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

Income from the reversal of deferred obligations are essentially attributable to the reversal of provisions for outstanding invoices.

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

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

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

11 Inventory changes

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

12 Commission expenses

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

13 Interest expenses

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

14 Valuation result/loan loss provisions

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

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

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

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

15 Personnel expenses

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

Personnel expenses essentially include salaries and wages, compensation and other payments to employees. The social security contributions include the statutory contributions to be borne by the company in the form of social security insurance premiums. Expenses for old-age provisions and benefits mainly include the employer's shares of supplementary occupational pension provision.

16 Depreciation and impairments

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

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

17 Other operating expenses

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

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

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

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

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

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

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

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

VAT expenses of the previous years are the result of subsequent recognition of VAT unity within the MLP Group, which had initially not been granted within the scope of the tax audit for the years 2008 to 2012. VAT payments granted to MLP SE in 2016 as a result of this circumstance have now been imposed again.

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

18 Investments accounted for using the equity method

Earnings from investments accounted for using the equity method were € 2,998 thsd in the financial year (previous year: € 2,547 thsd) and are made up from the share of earnings in MLP Hyp GmbH of € 3,011 thsd and in Projekte 2 Deutschland.Immobilien GmbH of € -13 thsd. In line with a company agreement, the profit distribution of MLP Hyp GmbH is disproportionate.

Investments accounted for using the equity method relate only to the 49.8 % stake in MLP Hyp GmbH, Wiesloch and the 50 % stake in Projekte2 Deutschland.Immobilien GmbH, Hanover. MLP Hyp GmbH operates the joint mortgage financing business of MLP Finanzberatung SE, Wiesloch, and Interhyp AG, Munich. Projekte2 Deutschland.Immobilien GmbH is an intermediate holding company within the DI Group. It holds shares in project enterprises in which real estate developments are executed.

The shares of MLP Hyp developed as follows:

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

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

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

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

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

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

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

19 Finance cost

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

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

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

20 Income taxes

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

The current taxes on income and profit include expenses of € -2.046 thsd (previous year: € 596 thsd) which relate to previous periods.

The current and deferred tax is calculated using the relevant country-specific income tax rate. The anticipated combined income tax rate for domestic companies is made up of corporation tax at 15.0 % (previous year: 15.0 %), the solidarity surcharge at 5.5 % (previous year: 5.5 %) and an average municipal trade tax rate of 13.34 % (previous year: 13.45 %) and amounts to 29.19 % (previous year: 29.27 %).

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

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

All figures in €'000	2019	2018
Earnings before tax	**44,770**	**45,808**
Group income tax rate	29.19%	29.27%
Calculated income tax expenditure in the financial year	**13,068**	**13,408**
Tax-exempt earnings and permanent differences	-4,461	-2,756
Non-deductible expenses	1,103	1,137
Divergent trade taxation charge	184	264
Effects of other taxation rates applicable abroad	-743	-539
Income tax not relating to the period (current and deferred)	-1,699	-318
Unused losses	605	-
Other	-213	119
Income taxes	**7,844**	**11,314**

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

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

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

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

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

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

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

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

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

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

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

21 Earnings per share

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

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

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

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

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

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

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

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

Notes to the statement of financial position

22 Intangible assets

All figures in €'000	Goodwill	Software (developed inhouse)	Software (purchased)	Advance payments and developments in progress	Other intangible assets	Total
Acquisition costs						
As of Jan. 1, 2018	**94,964**	**13,259**	**97,011**	**893**	**57,255**	**263,382**
Additions	–	234	879	3,279	–	4,392
Disposals	–	–	-134	–	–	-134
Transfers	–	–	2,767	-2,767	–	–
As of Dec. 31, 2018	**94,964**	**13,493**	**100,523**	**1,405**	**57,255**	**267,640**
Additions	0	167	1,531	2,235	2	3,936
Addition to the scope of consolidation	27,538	3,188	45	–	1,737	32,508
Disposals	–	–	-537	-6	–	-543
Transfers	–	1,166	1,919	-3,085	–	–
As of Dec. 31, 2019	**122,502**	**18,014**	**103,481**	**549**	**58,995**	**303,541**
Depreciation and impairment						
As of Jan. 1, 2018	**3**	**11,387**	**69,385**	**–**	**20,770**	**101,544**
Depreciation	–	1,648	6,711	–	1,971	10,330
Impairment	–	–	–	–	–	–
Disposals	–	–	-126	–	–	-126
As of Dec. 31, 2018	**3**	**13,035**	**75,970**	**–**	**22,740**	**111,748**
Depreciation	–	699	7,138	–	1,381	9,218
Addition to the scope of consolidation	–	–	41	–	–	41
Impairment	–	–	–	–	–	–
Disposals	–	–	-537	–	–	-537
As of Dec 31, 2019	**3**	**13,735**	**82,612**	**–**	**24,122**	**120,471**
Carrying amount Jan. 1, 2018	94,962	1,871	27,626	893	36,485	161,838
Carrying amount Dec. 31, 2018	**94,962**	**457**	**24,553**	**1,405**	**34,515**	**155,892**
Carrying amount Jan. 1, 2019	94,962	457	24,553	1,405	34,515	155,892
Carrying amount Dec. 31, 2019	**122,500**	**4,279**	**20,869**	**549**	**34,873**	**183,070**

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

Useful lives of intangible assets

	Useful life as of Dec. 31, 2019	Useful life as of Dec. 31, 2018
Acquired software / licences	3-7 years	3-7 years
Software created internally	3-5 years	3-5 years
Acquired trademark rights	-	-
Client relations / contract inventories	10-25 years	10-25 years
Goodwill / brand names	undefinable	undefinable

The **goodwill** originating from company acquisitions was allocated by MLP at the level of the cash-generating units. The reportable Financial Consulting business segment contains the following groups of cash-generating units: (1) financial consulting, (2) occupational pension provision and (3) ZSH. No goodwill has been allocated to the reportable Banking business segment. The reportable FERI business segment includes the cash-generating unit FERI Assetmanagement. The reportable DOMCURA business segment contains one DOMCURA cash-generating unit. Cash-generating units were allocated the following goodwill values arising from business combinations:

All figures in €'000	Dec. 31, 2019	Dec. 31, 2018
Financial Consulting	22,042	22,042
Occupational pension provision	9,955	9,955
ZSH	4,072	4,072
Financial Consulting	**36,069**	**36,069**
FERI Asset Management	53,230	53,230
FERI	**53,230**	**53,230**
DOMCURA	5,663	5,663
DOMCURA	**5,663**	**5,663**
DI (provisional)	**27,538**	**-**
Total	**122,500**	**94,962**

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

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

Reportable financial consulting business segment

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

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

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

Reportable FERI business segment

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

Reportable DOMCURA business segment

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

Within the scope of its impairment testing MLP carried out sensitivity analyses. These analyses examine the effects of an increase of discount interest rates by half a percentage point and the effects of a reduction of the forecast EBT growth by 2 % (previous year: 4 %). The sensitivity analyses showed that, from today's perspective, there are no impairment losses for recorded goodwill at any cash-generating unit, even under these assumptions.

The items **software (inhouse), software (purchased), advance payments and developments in progress** contain own work performed within the context of developing and implementing software. In the financial year 2019, own services with a value of € 354 thsd were capitalised (previous year: € 412 thsd). All development and implementation costs incurred complied in full with the criteria for capitalisation pursuant to IAS 38 "Intangible assets".

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

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

All figures in €'000	2019	**2018**
FERI Asset Management	15,829	15,829
FERI	**15,829**	**15,829**

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

All figures in €'000	2019	**2018**
DOMCURA	**7,023**	**7,023**

There are no restraints on disposal or pledges with regard to intangible assets. Contractual obligations for the purchase of intangible assets have a net total of € 771 thsd as of December 31, 2019 (previous year: € 355 thsd).

23 Property, plant and equipment

All figures in €'000	Land, leasehold rights and buildings	Other fixtures, fittings and office equipment	Payments on account and assets under construction	Total
Acquisition costs				
As of Jan. 1, 2018	**75,633**	**53,368**	**663**	**129,665**
Additions	16,173	3,448	2,616	22,237
Disposals	-634	-4,319	-126	-5,079
Transfers	483	2,583	-3,067	0
As of Dec. 31, 2018	**91,656**	**55,080**	**86**	**146,823**
Additions	877	3,792	695	5,364
Addition to the scope of consolidation	0	200	6	207
Disposals	-203	-7,394	-24	-7,622
Transfers	63	87	-150	0
As of Dec. 31, 2019	**92,393**	**51,765**	**614**	**144,772**
Depreciation and impairment				
As of Jan. 1, 2018	**26,710**	**41,094**	**–**	**67,804**
Depreciation	2,119	3,512	–	5,630
Impairment	–	–	–	–
Disposals	-610	-4,271	–	-4,881
As of Dec. 31, 2018	**28,218**	**40,335**	**–**	**68,553**
Depreciation	2,297	3,497		5,794
Addition depreciation	–	62	–	50
Impairment	–	–	–	–
Disposals	-154	-7,123	–	-7,277
As of Dec. 31, 2019	**30,361**	**36,771**	**–**	**67,132**
Carrying amount Jan. 1, 2018	48,924	12,274	663	61,861
Carrying amount Dec. 31, 2018	**63,438**	**14,746**	**86**	**78,270**
Carrying amount Jan. 1, 2019	63,438	14,746	86	78,270
Carrying amount Dec. 31, 2019	**62,032**	**14,994**	**614**	**77,640**

Useful lives of property, plant and equipment

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

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

The payments on account and assets under construction refer exclusively to acquired property, plant and equipment. There are no restraints or pledges with regard to property, plant and equipment. Contractual obligations for the purchase of property, plant and equipment amount to € 348 thsd net as of December 31, 2019 (previous year: € 491 thsd).

Leases

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

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

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

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

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

Leases 2018

The Group has concluded **operating leases** for various motor vehicles, administration buildings and office machines. The average term of the contracts is three years for motor vehicles, generally up to ten years for buildings and four years for office machines.

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

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

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

24 Receivables from clients in the banking business

Receivables from clients in the banking business

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

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

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

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

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

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

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

Receivables from clients in the banking business to collect contractual cash flows held by MLP are carried at amortised costs using the effective interest method. Assuming no bad debts are in place, all financial assets are recorded in Stage 1 on their date of acquisition and then written down over the next twelve months with an anticipated default. In the financial year, there were receivables of € 44 thsd (previous year: € 46 thsd) where there was already an indication of impairment on the date of acquisition (POCI - purchased or originated credit-impaired financial assets).

If the credit risk increases significantly, a transfer to Stage 2 is performed. This involves a calculation of the impairment on the basis of the expected credit loss over the entire remaining term. If there are objective indications of a credit impairment or a default status, the financial asset is recognised in Stage 3. See → Note 7 for further details on the impairment methods used and calculation of the impairment.

A modification to one contract (previous year: three contracts) was performed in the reporting year. This involved an adjustment to the originally agreed interest rate and thus only represents a slight modification. The modification gain resulting from recalculation of the present values of the receivables throughout the contractual period is not presented in the statement of comprehensive income, as it is not significant.

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

Reconciliation of expected losses 2019

All figures in €'000	Stage 1 (12-Months-ECL)	Stage 2 (lifetime ECL – not impaired)	Stage 3 (lifetime ECL – impaired credits)	Purchased or originated credit-impaired financial asset (Stage 4)	Total
As of Jan. 1, 2019	**1,768**	**2,359**	**4,862**	**36**	**9,024**
Transfer to Stage 1	78	-76	-2	–	0
Transfer to Stage 2	-111	188	-78	–	0
Transfer to Stage 3	-2	-2	4	–	0
Allocation	683	2,037	2,002	–	4,721
of which newly acquired or issued financial assets	367	1,849	–	–	2,217
of which existing business	316	187	2,002	–	2,505
Disposals	-616	-1,273	-4,149	-33	-6,071
of which usage	–	–	-2,452	–	-2,452
of which reversal	-616	-1,273	-1,697	-33	-3,620
As of Dec. 31, 2019	**1,800**	**3,233**	**2,638**	**3**	**7,674**

Reconciliation of expected losses 2018

All figures in €'000	Stage 1 (12-Months-ECL)	Stage 2 (lifetime ECL – not impaired)	Stage 3 (lifetime ECL – impaired credits)	Purchased or originated credit-impaired financial asset (Stage 4)	Total
As of Jan. 1, 2018	**2,233**	**3,216**	**5,638**	**40**	**11,126**
Transfer to Stage 1	161	-161	–	–	0
Transfer to Stage 2	-56	93	-37	–	0
Transfer to Stage 3	-3	-204	207	–	0
Allocation	682	1,422	1,728	–	3,832
of which newly acquired or issued financial assets	365	270	–	–	635
of which existing business	317	1,152	1,728	–	3,197
Disposals	-1,250	-2,006	-2,674	-4	-5,934
of which usage	-187	-127	-2,019	–	-2,333
of which reversal	-1,064	-1,879	-655	-4	-3,602
As of Dec. 31, 2018	**1,768**	**2,359**	**4,862**	**36**	**9,024**

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

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

Qualitative and quantitative information on contributions from anticipated losses 2019

All figures in '000	Max. default risk without taking into account collateral or other credit enhancement factors as of Dec. 31, 2019	Financial instruments of Stages 3 and 4			
		of which max. default risk of Stage 3 / 4	of which risk reduction by collateral	of which risk reduction through netting agreements as per IAS 32	of which risk reduction through other credit enhancements*
Receivables from clients in the banking business (AC)	872,175	8,363	355	–	–
Receivables from banks in the banking business (AC)	728,085	–	–	–	–
Financial assets (AC)	155,210	–	–	–	–
Other receivables (AC)	95,397	4,006	–		
Contingent liabilities	3,799	172			
Irrevocable credit commitments	54,631				
Total	**1,909,296**	**12,541**	**–**	**–**	**–**

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

Qualitative and quantitative information on contributions from anticipated losses 2018

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

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

As of the balance sheet date, the maximum default risk corresponds to the carrying amount of each of the categories of financial assets listed above. Credit impaired or defaulted receivables disclosed in Stage 3 as of December 31, 2019 of € 8,363 thsd (previous year: € 15,844 thsd) are secured with customary banking collaterals of € 355 thsd (previous year: € 1,559 thsd). The maximum default risk of contingent liabilities and irrevocable credit commitments corresponds to the face value of € 58,430 thsd (previous year: € 59,386 thsd).

The Group holds forwarded loans of € 97,970 thsd (previous year: € 81,295 thsd) in the form of collateral for liabilities due to refinancing banks.

Due to defaults of debtors, ownership of financial and non-financial assets of € 237 thsd (previous year: € 1,361 thsd) serving as collateral for originated loans and receivables, was acquired. The assets mainly concern property and receivables from claimed life insurance policies.

Information on the fair value of financial assets is provided in → Note (37).

25 Receivables from banks in the banking business

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

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

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

26 Financial assets

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

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

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

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

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

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

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

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

The fair value changes to fixed income securities triggered by a change in creditworthiness are € 89 thsd (previous year: € -105 thsd).

Assets pledged as collateral

As at the closing date, the availability of liquidity facilities provided by Deutsche Bundesbank is collateralised by marketable securities of € 30,834 thsd (previous year: € 6,883 thsd) with a face value of € 32,700 thsd (previous year: € 7,000 thsd).

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

27 Inventories

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

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

28 Other receivables and assets

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

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

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

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

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

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

All figures in €'000	2019	2018
As of Jan. 1	**41,602**	**0**
Effekt aus der erstmaligen Anwendung		**41,513**
Additions from new contracts	8,239	7,567
Payments received	-9,996	-10,570
Change of transaction price	–	3,132
Impairment pursuant to IFRS 9	**-40**	**-41**
As of Dec. 31,	**39,805**	**41,602**

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

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

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

Development of impairments on other receivables and assets 2019

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

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

Development of impairments on other receivables and assets 2018

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

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

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

In cases where MLP institutes enforcement or where insolvency proceedings are imminent or have already started, receivables are written down based on empirical values. The same applies to receivables that are disputed and where legal action is pending.

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

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

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

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

29 Cash and cash equivalents

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

As was the case in previous years, cash and cash equivalents include deposits at the Deutsche Bundesbank. In the financial year 2019, holding funds with commercial banks were transferred to the Bundesbank. This resulted in an increase in cash and cash equivalents, which can be seen within the scope of cash flow from operating activities. Changes in cash and cash equivalents during the financial year are shown in the statement of cash flow. The value adjustment pursuant to IFRS 9 is € 12 thsd (previous year: € 10 thsd), the holdings are assigned to Stage 1.

30 Shareholders' equity

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

Share capital

The share capital of MLP SE is made up of 109,334,300 shares (December 31, 2018: 109,166,662). 372,309 own shares were acquired in the last financial year. These will be issued to MLP consultants and branch office managers within the scope of a share-based payment.

Authorised capital

A resolution passed by the Annual General Meeting on June 14, 2018 authorised the Executive Board, with the consent of the Supervisory Board, to increase the company's share capital by up to € 21,500,000 in exchange for cash or non-cash contributions on one or more occasions until June 13, 2023.

Acquisition of treasury stock

The Annual General Meeting on June 29, 2017 authorised the Executive Board to buy back own shares on one or more occasions with a pro rata amount of capital stock represented by such shares of up to € 10,933,468 until June 28, 2022. On November 22, 2018, the Executive Board at MLP SE approved a share buyback that is to be performed by MLP Finanzberatung SE. The shares are to be used for the participation programme 2018. The share buyback for the participation programme 2019 starts in 2020. Please refer to → Note 35 for further details.

Capital reserves

The capital reserves include increases/decreases in capital stock in MLP SE from previous years. The capital reserves are subject to the restraints on disposal as per § 150 of the German Stock Corporation Act (AktG). The change in capital reserves in the financial year is the result of recording share-based payment in line with IFRS 2. For further details, please refer to → Note 35.

Other retained earnings and net profit

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

Revaluation reserve

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

Minority interests

Minority interests comprise equity interests subsidiaries of MLP SE.

Proposed Appropriation of profit

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

31 Provisions

Pension provisions

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

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

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

The defined benefit obligation for retirement income, funded only by means of provisions, amounts to € 23,469 thsd (previous year: € 19,236 thsd). Pension insurance policies are in place for all other pension obligations (defined benefit obligation of € 33,463 thsd; previous year: € 30,517 thsd).

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

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

*recognised in other comprehensive income

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

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

Actuarial calculations incorporate the following assumptions:

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

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

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

Sensitivity analysis

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

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

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

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

Other provisions are made up as follows:

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

Other provisions have changed as follows:

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

The provisions for cancellation risks allow for the risk of having to refund earned commissions due to a premature loss of brokered insurance policies.

Provisions for bonus schemes are recognised for incentive agreements for MLP consultants and branch office managers.

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

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

The provisions for economic loss due to liability risks are offset by claims for reimbursement from liability insurance policies with a value of € 435 thsd (previous year: € 970 thsd).

The provision for anticipated losses from the lending business was recognised in 2018 as a result of the impairment regulations pursuant to IFRS 9. Please refer to → Note 36 for further explanations.

The provisions classed as short-term are likely to be utilised within the next financial year. Payments for long-term provisions are essentially likely to be incurred within the next 2 to 32 years.

Provisions for expected losses from the lending business developed as follows in the financial year:

All figures in €'000	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL - not impaired)	Stage 3 (lifetime ECL - impaired credits)	Total
As of Jan. 1, 2019	**294**	**239**	**310**	**842**
Transfer to Stage 1	13	-12	-1	0
Transfer to Stage 2	-12	14	-2	0
Transfer to Stage 3	-1	-1	1	0
Allocation	108	188	225	521
of which newly acquired or issued financial assets	68	97	-	165
of which existing business	40	92	225	357
Disposals	-137	-169	-268	-574
of which usage/consumption	-56	-61	-60	-177
of which reversal	-81	-108	-208	-397
As of Dec. 31, 2019	**265**	**260**	**265**	**790**

All figures in €'000	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL - not impaired)	Stage 3 (lifetime ECL - impaired credits)	Total
As of Jan. 1, 2018	**660**	**297**	**345**	**1,302**
Transfer to Stage 1	35	-35	-	0
Transfer to Stage 2	-12	15	-2	0
Transfer to Stage 3	-8	-45	54	0
Allocation	148	170	50	368
of which newly acquired or issued financial assets	101	69	-	170
of which existing business	46	101	50	198
Disposals	-528	-162	137	-827
of which usage/consumption	-127	-80	-55	-262
of which reversal	-400	-82	-82	-565
As of Dec. 31, 2018	**294**	**239**	**310**	**842**

32 Liabilities due to banking business

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

All figures in €'000	Dec 31, 2019			Dec 31, 2018		
	Current	Non-current	Total	Current	Non-current	Total
Liabilities due to clients	1,888,676	6,166	1,894,843	1,632,922	5,970	1,638,892
Liabilities due to banks	2,901	95,507	98,409	2,523	79,102	81,625
Total	**1,891,578**	**101,674**	**1,993,251**	**1,635,445**	**85,073**	**1,720,517**

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

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

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

Further information on liabilities due to banking business is disclosed in → Notes 37 and → 38.

33 Other liabilities

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

Liabilities due to MLP consultants and branch office managers represent unsettled commission claims. Usually they are non-interest-bearing and due on the 15th of the month following the settlement with the insurance company. January 1, 2018, additional liabilities to MLP consultants and branch office managers resulting from future commission claims need to be recognised due to the introduction of IFRS 15. As of December 31, 2019 they were € 26,515 thsd (previous year: € 27,630 thsd) of which long-term: € 19,273 thsd (previous year: € 21,503 thsd).

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

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

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

Other liabilities comprise commissions withheld from MLP consultants due to cancellations amounting to € 2,291 thsd (previous year: € 2,248 thsd). Commissions withheld are charged with interest. Their term is mainly indefinite. The item also contains liabilities for bonus and profit-sharing payments.

MLP has agreed-upon and non-utilised lines of credit amounting to € 168,961 thsd (previous year: € 116,148 thsd).

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

Notes to the statement of cash flow

34 Notes to the statement of cash flow

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

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

Cash flow from investing activities is essentially influenced by the investment of cash and cash equivalents in property, plant and equipment, in time deposits, as well as in time deposits which have reached maturity.

Cash flow from financing activities includes cash-relevant equity changes and loans used and paid back. In connection with the initial adoption of IFRS 16, the repayment portions of leasing liabilities are now contained in the cashflow from financing activities.

Cash and cash equivalents with a term to maturity of not more than three months are recorded under cash and cash equivalents. Cash equivalents are short-term financial assets that can be converted into cash at any time and that are only subject to minor value fluctuation risks.

Cash and cash equivalents

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

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

Miscellaneous information

35 Share-based payments

Participation programme

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

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

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

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

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

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

The expense and the provision from the participation programme are recognised pro rata temporis throughout the individual phases (vesting period). The provision is measured at fair value through profit or loss. The provision accrued on the respective closing date depends on the price of the MLP share, the number of SARs issued and the length of the remaining vesting period.

The participation programme for MLP consultants and MLP branch office managers was launched in 2017 ("2017 Participation Programme"). Its objectives are to extend recognition of extraordinary and sustainable performance, as well as the performance and client focus of MLP consultants and MLP branch office managers, while also making a contribution to keeping high performers both motivated and loyal to the company. This programme was continued in 2019. Set against this background MLP consultants and MLP branch office managers are to be enabled to acquire shares in MLP SE within the scope of the participation programme and in line with its conditions without having to make any additional payments.

Assuming all eligibility requirements are met, those MLP consultants entitled to participate are each granted a number of bonus shares, determined pursuant to the provisions of the 2018 participation programme (taking into account income tax effects where applicable). This number is calculated by dividing the "2018 bonus amount" by the average closing price of the MLP share. The "2018 bonus amount" is calculated on the basis of the MLP consultant's annual commission, as well as various performance factors. The average closing price applicable for determining how many bonus shares to grant is based on the price of the MLP share in the month of February 2019. An average of 539,947 shares (previous year: 377,876) were issued in the last financial year. An expense of € 3,126 thsd (previous year: € 2,500 thsd) was recognised for the 2019 bonus amount in the consolidated financial statements with a reserve-increasing effect.

36 Contingent assets and liabilities, as well as other liabilities

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

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

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

On the balance sheet date, there are € 3,799 thsd in contingent liabilities on account of sureties and warranties (face value of the obligation) (previous year: € 4,719 thsd) and irrevocable credit commitments (contingent liabilities) of € 54,631 thsd (previous year: € 54,667 thsd). In terms of sureties and warranties, any utilisation remains unlikely as in the past. The irrevocable credit commitments are generally utilised.

IT technology outsourcing essentially relates to a long-term outsourcing contract with EntServ Deutschland GmbH, Böblingen. Due to the project development activities of the DI Group, land-purchase obligations contracted under a condition precedent are being disclosed for the first time.

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

All figures in €'000	Up to 1 year	1-5 years	>5 years	Total
Outsourcing IT technology	37,397	32,127	–	69,524
Licence contracts	18,408	15,595	71	34,074
Land-purchase contracts	14,765	–	–	14,765
Other obligation	5,866	3,385	152	9,403
Purchase commitment	3,969	–	–	3,969
Total	**80,405**	**51,107**	**223**	**131,735**

As of December 31, 2018, other financial commitments were as follows:

All figures in €'000	Up to 1 year	1–5 years	>5 years	Total
Outsourcing IT technology	38,608	67,383	–	105,991
Licence contracts	16,519	15,130	6	31,665
Purchase commitment	6,421	–	–	6,421
Other obligation	3,980	3,853	35	7,868
Total	**65,528**	**86,366**	**41**	**151,935**

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

37 Additional information on financial instruments

Classifications and fair values

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

All figures in €'000							Dec. 31, 2019
	Carrying amount					Fair value	No financial instruments according to IFRS 9
		Carrying amount corresponds to fair value	Stage 1	Stage 2	Stage 3	Total	
Financial assets at fair value through profit or loss (FVPL)	**15,624**	**131**	**5,398**	**10,095**	**–**	**15,624**	**7,751**
Financial assets (structured bonds)	10,095	–	–	10,095	–	10,095	
Financial assets (investment fund shares)	5,398	–	5,398	–	–	5,398	
Investments	131	131	–	–	–	131	7,751
Financial assets measured at amortised cost (AC)	**2,404,730**	**974,901**	**43,935**	**652,310**	**773,625**	**2,444,772**	**30,105**
Receivables from banking business – clients	872,175	139,310	–	–	773,625	912,934	
Receivables from banking business – banks	728,085	121,335	–	605,159	–	726,493	
Financial investments (fixed and time deposits)	54,997	54,997	–	–	–	54,997	
Financial investments (loans)	9,999	9,999	–	–	–	9,999	
Financial assets (bonds)	90,214	–	43,935	47,152	–	91,087	
Other receivables and assets	138,482	138,482	–	–	–	138,482	30,105
Cash and cash equivalents	510,778	510,778	–	–	–	510,778	
Financial liabilities measured at amortised cost	**2,183,603**	**2,059,708**	**–**	**123,676**	**–**	**2,183,384**	**60,217**
Liabilities due to banking business – clients	1,894,843	1,868,918	–	25,884	–	1,894,802	
Liabilities due to banking business – banks	98,409	439	–	97,791	–	98,230	
Other liabilities	190,351	190,351	–	–	–	190,351	60,217
Sureties and warranties*	**3,799**	**3,799**				**3,799**	
Irrevocable credit commitments*	**54,631**	**54,631**				**54,631**	

* off balance sheet items. Figures before loan loss provisions

All figures in €'000							Dec. 31, 2018
	Carrying amount					Fair value	No financial instruments according to IFRS 9
		Carrying amount corresponds to fair value	Stage 1	Stage 2	Stage 3	Total	
Financial assets at fair value through profit or loss (FVPL)	**13,080**	**184**	**2,972**	**9,925**	**–**	**13,080**	**5,799**
Financial assets (structured bonds)	9,925	–	–	9,925	–	9,925	
Financial assets (investment fund shares)	2,972	–	2,972	–	–	2,972	
Investments	184	184	–	–	–	184	5,799
Financial assets measured at amortised cost (AC)	**2,110,293**	**808,709**	**41,271**	**628,524**	**645,399**	**2,123,903**	**35,206**
Receivables from banking business – clients	761,027	131.028.	–	–	645,399	776,427	
Receivables from banking business – banks	694,210	108,843	–	583,536	–	692,380	
Financial investments (fixed and time deposits)	49,998	49,998	–	–	–	49,998	
Financial investments (loans)	9,997	9,997	–	–	–	9,997	
Financial assets (bonds)	86,219	–	41,271	44,988	–	86,259	
Other receivables and assets	122,917	122,917	–	–	–	122,917	35,206
Cash and cash equivalents	385,926	385,926	–	–	–	385,926	
Financial liabilities measured at amortised cost	**1,861,006**	**1,755,682**	**–**	**102,115**	**–**	**1,857,797**	**25,279**
Liabilities due to banking business – clients	1,638,892	1,614,863	–	24,032	–	1,638,895	
Liabilities due to banking business – banks	81,625	330	–	78,083	–	78,413	
Other liabilities	140,489	140,489	–	–	–	140,489	25,279
Sureties and warranties*	**4,719**	**4,719**				**4,719**	
Irrevocable credit commitments*	**54,667**	**54,667**				**54,667**	

* off balance sheet items. Figures before loan loss provisions

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

On the reporting date, MLP held financial guarantees valued pursuant to IFRS 9 in the form of sureties and warranties of € 3,649 thsd (previous year: € 4,569 thsd). These financial guarantees are measured on the basis of the impairment provisions defined in IFRS 9. Impairments of € 119 thsd (previous year: € 26 thsd) resulting from this are disclosed under other provisions.

Determining fair value

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

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

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

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

Type	Valuation technique	Significant, non-observable input factors	Relationship between significant, non-observable input factors and measurement at fair value
Receivables from banking business – clients with agreed maturity	The valuation model takes into account the present value of the anticipated future cash inflows/outflows throughout the remaining term, which are discounted using a risk-free discount rate. The discount rate is based on the current yield curve. Credit and default risks, administration costs and expected return on equity are taken into account when determining future cash flows.	Adjustment of cash flows by: •credit and counterparty default risks •administration costs •expected return on equity	The estimated fair value would increase (decrease) if: • the credit and default risk were to fall (rise) • the admin costs were to fall (rise) • the expected return on equitywere to fall (rise).

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

All figures in €'000	2019	2018
Financial assets measured at amortised cost	15,122	18,612
Financial assets measured at fair value	2,227	542
Liabilities measured at amortised cost	-2,259	-666

Net gains or net losses comprise gains and losses on fair value measurement through profit or loss, impairment losses and reversals of impairment losses and gains and losses on the sale of the financial instruments concerned.

These items also include interest income and expenses, as well as dividends and income from financial assets derecognised in their entirety.

For financial instruments that were not measured at fair value through profit or loss, interest income of € 16,708 thsd (previous year: € 17,485 thsd) and interest expenses of € 2,259 thsd (previous year: € 666 thsd) were incurred.

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

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

38 Financial risk management

With the exception of the disclosures in line with IFRS 7.35-39 (b) (with the exception of 7.35B (c)), the disclosures on the type and severity of risks resulting from financial instruments (IFRS 7.31-42) are included in the risk report of the joint management report and in → Note 34.

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

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

Total cash flow (principal and interest) in €'000 as of Dec. 31, 2019	Due on demand	Up to 1 year	1 to 5 years	More than 5 years	Total
Financial liabilities	**1,859,416**	**158,784**	**90,439**	**97,007**	**2,205,647**
Liabilities due to banking business – clients	1,858,977	25,940	–	–	1,884,917
Liabilities due to banking business – banks	439	-1,823	19,018	82,393	100,026
Other liabilities	–	123,330	40,532	–	163,862
Leasing liabilities	–	11,337	30,890	14,614	56,841
Financial guarantees and credit commitments	**58,430**				**58,430**
Sureties and warranties	3,799	–	–	–	3,799
Irrevocable credit commitments	54,631	–	–	–	54,631
Total	**1,917,846**	**158,784**	**90,439**	**97,007**	**2,264,077**

Total cash flow (principal and interest) in €'000 as of Dec. 31, 2018	Due on demand	Up to 1 year	1 to 5 years	More than 5 years	Total
Financial liabilities	**1,607,200**	**143,396**	**37,724**	**64,275**	**1,852,595**
Liabilities due to banking business – clients	1,606,870	24,043	–	–	1,630,913
Liabilities due to banking business – banks	330	–964	14,933	64,275	78,574
Other liabilities	–	120,318	22,790	–	143,108
Financial guarantees and credit commitments	**59,386**				**59,386**
Sureties and warranties	4,719	–	–	–	4,719
Irrevocable credit commitments	54,667	–	–	–	54,667
Total	**1,666,586**	**143,396**	**37,724**	**64,275**	**1,911,981**

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

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

40 Related parties

Executive Board	Mandates in other statutory Supervisory Boards of companies based in Germany	Memberships in comparable domestic and foreign control bodies of commercial enterprises
Dr. Uwe Schroeder-Wildberg, Heidelberg Chairman Responsible for Strategy, Private Clients as well as Corporate and Institutional Clients, Digitalisation, Marketing, Communication, Investor Relations & Sustainability	• FERI AG, Bad Homburg v.d.H. (Chairman)	–
Reinhard Loose, Berlin Responsible for Compliance, Controlling, Internal Audit, IT, Human Resources, Accounting, Legal, Risk Management	• DOMCURA AG, Kiel • DI Deutschland.Immobilien AG, Hannover (since 9/2019)	–
Manfred Bauer, Leimen Responsible for Product Purchasing and Product Management, Services	• DOMCURA AG, Kiel (Chairman) • DI Deutschland.Immobilien AG, Hannover (since 9/2019)	• MLP Hyp GmbH, Wiesloch (Supervisory Board)

Supervisory Board	Mandates in other statutory Supervisory Boards of companies based in Germany	Memberships in comparable domestic and foreign control bodies of commercial enterprises
Dr. Peter Lütke-Bornefeld, Everswinkel Chairman Formerly Chairman of the Executive Board of General Reinsurance AG, Cologne	• VHV Vereinigte Hannoversche Versicherung a.G., Hannover (Chairman) •VHV Holding AG, Hannover (Chairman) •VHV Allgemeine Versicherung AG, Hannover •Hannoversche Lebensversicherung AG, Hannover •MLP Banking AG, Wiesloch (Chairman) •MLP Finanzberatung SE, Wiesloch (Chairman)	-
Dr. Claus-Michael Dill, Murnau Vice Chairman Formerly Chairman of the Executive Board at AXA Konzern AG, Cologne	• HUK-COBURG Holding AG, Coburg • HUK-COBURG Haftpflicht-Unterstützungs-Kasse kraftfahrender Beamter Deutschlands a.G., Coburg • HUK-COBURG-Allgemeine Versicherung AG, Coburg • HUK-COBURG Lebensversicherung AG, Coburg • HUK-COBURG Krankenversicherung AG, Coburg	•XL Catlin Re Switzerland AG, Zurich, Switzerland (Chairman of the Governing Board) (until 3/2019) •XL Europe Re SE, Dublin, Ireland (Non-Executive Director) (until 3/2019) •XL Insurance Co. SE, London, UK (Non-Executive Director) (until 3/2019) •CONVEX Group Ltd., Hamilton, Bermuda (Independent Non-Executive Director) (since 4/2019) •CONVEX Re Ltd., Hamilton, Bermuda (Independent Non-Executive Director) (since 4/2019) •CONVEX Insurance UK Ltd, London, UK (Independent Non-Executive Director) (since 4/2019)
Tina Müller, Düsseldorf Chief Executive Officer (CEO) at Douglas GmbH, Düsseldorf	–	–
Matthias Lautenschläger, Heidelberg Managing Partner at USC Heidelberg Spielbetrieb GmbH, Heidelberg Managing Partner at LEC Capital GmbH, Heidelberg (since 5/2019)	• wob AG, Viernheim (since 7/2019)	–
Burkhard Schlingermann, Düsseldorf Employees' representative Employees of MLP Finanzberatung SE, Wiesloch Works council member at MLP SE and MLP Finanzberatung SE, Wiesloch	• MLP Finanzberatung SE, Wiesloch (employees' representative, Vice Chairman)	–
Alexander Beer, Karlsruhe Employees' representative Employee of MLP Banking AG, Wiesloch	-	–

Related persons

Within the scope of the ordinary business, legal transactions were made between individual Group companies and members of the Executive Board and the Supervisory Board as well as related parties. The legal transactions are deposits received of € 5,310 thsd (previous year: € 989 thsd). The legal transactions were completed under standard market or employee conditions.

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

The total compensation for members of the Executive Board active on the reporting date is € 3,298 thsd (previous year: € 3,102 thsd), € 1,356 thsd thereof (previous year: € 1,347 thsd) is attributable to the fixed portion of compensation and € 1,942 thsd (previous year: € 1,755 thsd) is attributable to the variable portion of compensation. In the financial year, expenses of € 300 thsd (previous year: € 290 thsd) were accrued for occupational pension provision. As of December 31, 2019, pension provisions of € 20,334 thsd were in place for former members of the Executive Board (previous year: € 17,095 thsd).

Variable portions of compensation comprise long-term compensation components.

The members of the Supervisory Board received non-performance-related compensation of € 500 thsd for their activities in 2019 (previous year: € 500 thsd). In addition, € 17 thsd (previous year: € 20 thsd) was paid as compensation for expenses and training measures.

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

Related companies

Alongside the consolidated subsidiaries, MLP SE comes into direct and indirect contact and has relations with a large number of companies within the scope of its ordinary business. This also includes subsidiaries, which are non-consolidated for reasons of materiality, as well as associates. All business dealings are concluded at conditions and terms customary in the industry and which as a matter of principle do not differ from delivery and service relationships with other companies. Payments to related companies for services performed essentially concern wealth management and consulting, as well as brokerage, sales and trailer commission.

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

Related companies 2019

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

Related companies 2018

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

41 Number of employees

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

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

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

42 Auditor's fees

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

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

The item Audit services contains the fees paid for the audit of the consolidated financial statements and for the audit of the other legally stipulated financial statements of MLP SE and its subsidiaries.

43 Disclosures on equity/capital control

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

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

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

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

Pursuant to Article 92 et seq. of the CRR, MLP is obliged to back its capital adequacy requirements for both counterparty default risks and the operational risk at Group level with at least 10.50 % eligible own funds (equity ratio) (previous year: 9.875 %).

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

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

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

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

44 Events after the balance sheet date

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

45 Release of consolidated financial statements

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

Wiesloch, March 5, 2020

MLP SE

Executive Board

Dr. Uwe Schroeder-Wildberg   Manfred Bauer   Reinhard Loose

Independent Auditor's report

To MLP SE, Wiesloch

Report on the audit of the consolidated financial statements and of the joint management report

Opinions

We have audited the consolidated financial statements of MLP SE and its subsidiaries (the Group) – which comprise the balance sheet as of December 31, 2019, the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated cash flow statement for the financial year from January 1 to December 31, 2019 as well as the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the joint management report of MLP SE for the financial year from January 1 to December 31, 2019. In accordance with the German legal requirements we have not audited the content of the components of the joint management report referred to the appendix to the audit opinion.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Section 315e (1) of the German Commercial Code (HGB), and in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as of December 31, 2019, and of its financial performance for the financial year from January 1 to December 31, 2019, and
- the accompanying joint management report as a whole provides an appropriate view of the Group's position. In all material respects, this joint management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the joint management report does not cover the content of the components of the joint management report referred to in the appendix to the audit opinion.

Pursuant to Section 322 (3) Sentence 1 of the German Commercial Code (HGB), we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the joint management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the joint management report in accordance with Section 317 of the German Commercial Code (HGB) and the EU Audit Regulation (No. 537/2014; referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer, IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the financial statements and of the joint management report" section of our auditor's report. We are independent of the Group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the joint management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Recoverability of goodwill

For information on the accounting principles applied, please refer to → Note 7 "Accounting policies" and → Note 22 "Intangible assets" to the consolidated financial statements.

FINANCIAL STATEMENT RISK

As of December 31, 2019, the consolidated financial statements of MLP SE recognise goodwill of € 122.5 million under intangible assets. At € 53.2 million, the majority of this goodwill can be attributed to the cash-generating unit of FERI Assetmanagement.

Goodwill has to be tested for impairment annually and whenever there is an indication that goodwill may be impaired. The impairment test, where the recoverable amount as the benchmark for impairment is determined on the basis of the discounted cash flow method, is complex and highly dependent on the legal representatives' appraisal of future cash inflows and the discount factor used and is therefore associated with considerable uncertainties.

The impairment test carried out on goodwill did not result in the need for any impairment.

There is a risk that the discretion in the impairment test may not be adequately exercised and an impairment expense is to be recognised as at the balance sheet date or an existing impairment is not recorded at an appropriate level. In addition, there is a risk that the disclosures made in the notes in this connection may not be appropriate.

OUR AUDIT APPROACH

Based on our risk assessment, as well as assessment of the risks of errors, we founded our audit opinion on both control-based audit procedures and statement-based audit procedures. For this reason our audit procedures as regards impairment testing of goodwill included:

On the basis of the corporate planning approved by the Supervisory Board, also incorporating market data and publicly available information, we obtained assurance of the appropriateness of the forecast cash inflows used when calculating goodwill, based on the expectations regarding the future development of income.

In order to assess the reasonableness of the assumptions used for preparing the corporate planning we have gained the required understanding of the planning procedure in discussions, amongst others, with legal representatives, from the divisions and the controlling department, and we have discussed the anticipated cash flows and expected long-term growth rates with those responsible for the planning. In addition to this, we acknowledged the appropriateness of the valuation model together with our valuation experts and, using the calculation of dedicated scenarios based on the DCF process of MLP SE, assessed the appropriateness of the planning assumptions. We obtained assurance of the forecasting quality of the planning undertaken by the company by comparing planning figures from previous financial years with the results actually recorded.

Working together with our valuation experts we also compared the assumptions and parameters - such as and in particular the risk-free interest rate, the market risk premium and the beta factor - underlying the capitalisation interest rate with our own assumptions and publicly available data.

Ultimately, we made an assessment as to whether the disclosures in the notes regarding the recoverability of goodwill are appropriate.

OUR OBSERVATIONS

The procedure underlying the impairment test of goodwill is appropriate and in line with the valuation principles to be applied. The discretionary decisions with regard to the measurement assumptions underlying the impairment test of goodwill were exercised appropriately. The disclosures made in the notes in this context are appropriate.

Commission income from the brokering of old-age provision products

For information on the accounting principles applied, please refer to → Note 7 "Accounting policies“ and → Note 9 "Revenue" to the consolidated financial statements.

FINANCIAL STATEMENT RISK

The consolidated financial statements of MLP SE recognise revenue of € 689.6 million for the period from January 1 to December 31, 2019. This figure contains commission income of € 225.8 million from the brokering of old-age provision products that was generated by MLP Finanzberatung SE The portfolio and level of commission income is heavily dependent on the reports or statements of account of the numerous insurance partners.

Due to the materiality of the commission income from old-age provision products for the consolidated financial statements, as well as the complexity of the process, we placed special emphasis on this issue within the scope of our audit of the consolidated financial statements of MLP SE. The risk for the financial statements in particular lies in the fact that the commission income disclosed in the statements was not realised.

OUR AUDIT APPROACH

Based on our risk assessment, as well as assessment of the risks of errors, we founded our audit opinion on both control-based audit procedures and statement-based audit procedures. Accordingly, we undertook various audit procedures with regard to the generation of commission income from the brokering of old-age provision products. These included the following:

In an initial step, we used a basic audit to gain comprehensive insight into the processes and the internal monitoring system with regard to securing the right portfolio and determining the level of commission income and assessed the appropriateness checks in this regard. To this end, we analysed the process documentation and contracts, and also performed employee surveys.

After completing this basic audit, we used performance tests to assess the effectiveness of the checks put in place with regard to recording and securing the right level of commission income.

In addition to this, we assessed the development of commission income over time on the basis of analytical audit procedures within the scope of the statement-based audit procedures. For this, we established an anticipated value for commission income, specified an acceptable deviation and performed a comparison to determine whether the recognised commission income of the financial year is within acceptable bandwidths - in particular on the basis of the previous year's figures, the development in terms of the number of contracts, as well as the ratio of commissions paid to commissions received. We also reconciled the cash receipts from insurance companies with the underlying invoicing data for a conscious selection that was made on the basis of size criteria.

OUR OBSERVATIONS

The process used to determine the commission income from the brokering of old-age provision products is appropriate. Our audit did not result in any significant findings with regard to the level of commission income from the brokering of old-age provision products that is disclosed in the financial statements.

Other information

The legal representatives or the Supervisory Board are responsible for the other information. The other information comprises the unaudited components of the joint management report referred to in the appendix to the audit opinion.

The other information also comprises the remaining parts of the annual report.

The other information does not comprise the consolidated financial statements, the audited disclosures in the joint management report and our accompanying audit opinion

Our opinions on the consolidated financial statements and on the joint management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the audited joint management report disclosures or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Should we conclude on the basis of the work we have conducted that there is a material misstatement of this other information, we are obliged to report on this fact. We have nothing to report in this connection.

Responsibilities of the legal representatives and of the Supervisory Board for the consolidated financial statements and the joint management report

The legal representatives are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Section 315e (1) of the German Commercial Code (HGB) and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the legal representatives are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the legal representatives are responsible for the preparation of the joint management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the legal representatives are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a joint management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the joint management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the joint management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and whether the joint management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, whether it complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the joint management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 of the German Commercial Code (HGB) and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this joint management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the joint management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the joint management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the legal representatives and the reasonableness of estimates made by the legal representatives and related disclosures.

- Conclude on the appropriateness of the legal representatives use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the joint management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Section 315e (1) of the German Commercial Code (HGB).
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the joint management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the joint management report with the consolidated financial statements, its conformity with law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the legal representatives in the joint management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the legal representatives as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions.. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance, inter alia regarding the planned scope and timing of the audit and significant audit findings, including any deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current reporting period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on May 29, 2019. We were engaged by the Chairman of the Supervisory Board on December 20, 2019. We have been the group auditor of MLP SE without interruption since the financial year 2011.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

We performed the following services, which were not disclosed in the consolidated financial statements or in the joint management report, in addition to the audit for the Group companies:

- Audit pursuant to the General Terms of Business of Deutsche Bundesbank in conjunction with the use of loan receivables to collateralise central bank lending (credit submission process) at MLP Banking AG,
- Assuring the quality of the disclosure report as per Section 26a of the German Banking Act (KWG) drafted by MLP Banking AG.
- Assuring the quality of the process set up for the external trade reports of FEREAL AG.
- Business management audit of the risk management system of MLP Banking AG as at December 31, 2018 , in the form of a Limited Assurance Engagement (audit of the implementation of the measures taken as a result of the conclusions from the deposit insurance audit).
- Audit of FERI Trust GmbH in accordance with Section 89 (1) of the German Securities Trading Act (WpHG).
- Audit of the listing of the amounts recognised as deductible items in connection with the cost allocation obligation of MLP Banking AG as per Section 16j (2) Sentence 2 of the Financial Services Supervision Act (FinDAG)
- Confirmation of administration costs to be paid by Nordvers GmbH to DOMCURA AG on behalf of DOMCURA AG for a potential interested party in a joint venture.
- Certification in accordance with Section 2 (6) of the German Concession Levy Ordinance (KAV) concerning concession fees for electricity and gas pursuant to Section 2 (4) KAV for MLP SE.
- Workshop with MLP Banking AG to answer questions in connection with shadow banks.
- Audit of the consolidated financial statements as of December 31, 2018 , and accounting of the purchase price in connection with the acquisition of the 75.1 % stake in DI DEUTSCHLAND. Immobilien AG by MLP Finanzberatung SE in the financial year 2019.
- Agreed investigation activities for the final purchase price calculation in connection with the acquisition of the 75.1 % stake in DI DEUTSCHLAND. Immobilien AG by MLP Finanzberatung SE.

German public auditor responsible for the engagement

The German public auditor responsible for the engagement is Jörg Kügler.

Frankfurt am Main, March 6, 2020
KPMG AG
Wirtschaftsprüfungsgesellschaft

Kügler Hahn

Auditor Auditor

Appendix to the audit opinion: Unaudited components of the joint management report

We did not audit the content of the following components of the joint management report:

- the corporate governance statement, which is contained in the joint management report,
- the separately drafted non-financial report which will in all likelihood not be available to us until after the date of this audit opinion as well as the report on compensation transparency, which is referred to in the joint management report, and
- the unaudited and non-management report disclosures listed below. Non-management report disclosures in the joint management report are disclosures that are not required pursuant to Sections 289, 289a or Sections 289b to 289f of the German Commercial Code (HGB).

  - P. 2: The MLP Group – The partner for all financial matters
  - P. 2: Five brands, each of which enjoys a leading position in their respective markets, offer a broad range of services:
  - P. 3: 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.
  - P. 4: 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.

Responsibility statement

"To the best of our knowledge and in accordance with the applicable reporting principles, the consolidated annual financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the joint management report gives a fair view of the performance of the business including business results and the overall position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group."

Wiesloch, March 5, 2020

Dr. Uwe Schroeder-Wildberg | Manfred Bauer | Reinhard Loose

Financial calendar

MARCH

March 5, 2020

Annual Press and Analyst Conference

March 26, 2020

Publication of the Annual Report for the financial year 2019

MAY

May 14, 2020

Publication of the financial results for the first quarter 2020

JUNE

June 25, 2020

Annual General Meeting of MLP SE in Wiesloch

AUGUST

August 13, 2020

Publication of the financial results for the first half-year and second quarter 2020

NOVEMBER

November 12, 2020

Publication of the financial results for the first nine months and the third quarter 2020

More information at ↗ www.mlp-se.com, Investors, Financial calendar

Any questions?

MLP SE

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Imprint

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Board of Directors

- Dr. Uwe Schroeder-Wildberg (Chief Executive Officer)
- Manfred Bauer
- Reinhard Loose

Chairman of the Supervisory Board
Dr. Peter Lütke-Bornefeld

Commercial Register
Registergericht Mannheim HRB 728672

Value Added Tax Identification Number
DE 143449956

Concept, design and production
heureka GmbH – einfach kommunizieren., Essen

Appropriate regulatory authority

Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin) [1]
Graurheindorfer Str. 108
D-53117 Bonn
Marie-Curie-Str. 24-28
D-60439 Frankfurt am Main
www.bafin.de

[1] Appropriate regulatory authority according German Banking Act (Kreditwesengesetz, KWG)

European Central Bank [2]
Sonnemannstraße 20
D-60314 Frankfurt am Main
www.ecb.europa.eu

[2] Appropriate regulatory authority according CRR

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